

HB

144

Sponsor Statement HB 144

"An act authorizing an advisory vote on whether income of the Alaska permanent fund in the earnings reserve account should be used for a community dividend program"

Due to the elimination of state revenue sharing and a variety of increasing costs, many Alaskan municipalities are facing budget shortfalls and will be forced to increase local sales and property taxes while also cutting back on basic services. In recent years municipalities have faced a number of cost increases in areas such as education, insurance, PERS/TRS, and regulatory compliance costs. Some state transfer programs have put harbor and road maintenance under local responsibility. Residents who are already paying high sales and property taxes, and whose fees and general cost of living are daunting, are facing even higher costs. This is not only a disincentive for Alaskans to remain in their home state, it inhibits new investment from outside Alaska. But we have another option: The earnings of the Permanent Fund. The time is now to use those earnings to close the budget shortfalls in our communities.

The question posed by HB 144 is: Shall the Legislature appropriate \$150 million annually, adjusted for inflation, from the unreserved earnings of the Permanent Fund to a Community Dividend Program? Under this plan, each municipality would receive a \$50,000 minimum base grant and each unincorporated municipality in the unorganized borough would receive \$25,000. The remaining balance of the \$150 million would be distributed only to incorporated cities and boroughs on a per capita basis. HB 144 calls for an advisory vote of the people on this matter out of respect to the will of the people on issues relating to the Permanent Fund. If the people consent to this program, the legislature should follow suit by passing this plan early in the 2007 legislative session.

The Community Dividend program envisioned by HB 144 recognizes that all of our municipalities have important needs in the provision of services. Urban areas have unique issues, as do rural villages. This plan would uphold the current dividend to individuals while also providing a fair, dependable, long-term distribution of Permanent Fund earnings that would address local government funding as an Alaskan issue. The needs are found statewide; so must the solution be applied.

Definition of community

Ask DECED to contract

Municipal Revenue sharing ?

24-LS0517G

[Handwritten signatures and initials]

HOUSE BILL NO. 144

**IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FOURTH LEGISLATURE - FIRST SESSION**

BY REPRESENTATIVE THOMAS

**Introduced: 2/14/05
Referred: State Affairs, Finance**

A BILL

FOR AN ACT ENTITLED

1 "An Act authorizing an advisory vote on whether income of the Alaska permanent fund
2 in the earnings reserve account should be used for a community dividend program."

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

4 * **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
5 to read:

6 **ADVISORY VOTE.** At the next general election, in compliance with the election
7 laws of the state, the lieutenant governor shall place before the qualified voters of the state a
8 question advisory to the legislature and the governor. Notwithstanding AS 15.60.005 relating
9 to preparation of the ballot proposition, the question shall appear on the ballot in the following
10 form:

QUESTION

11
12 upto The community dividend program, if it is established, would annually
13 use \$150,000,000 adjusted for inflation to pay a community dividend to each
14 municipality and to each unincorporated community in the unorganized

5% of POMV = 70 million

HB0144a

-1-

HB 144

New Text Underlined [DELETED TEXT BRACKETED]

1 borough. Each municipality would receive \$50,000, and each unincorporated
2 community would receive \$25,000. The remaining balance would be shared
3 by each municipality on a per capita basis. The community dividend could be
4 used for any public purpose by the municipality or community.

5 The community dividend program would be funded with income from
6 the Alaska permanent fund that is in the earnings reserve account.
7 Appropriations for the community dividend program would be made only after
8 appropriations are made each year to fund the permanent fund dividend
9 program and to provide for inflation-proofing the principal of the Alaska
10 permanent fund.

11 Shall the legislature appropriate ^{up to} \$150,000,000, adjusted for inflation,
12 annually from the income of the Alaska permanent fund that is in the earnings
13 reserve account for the community dividend program?

14 Yes [] No []

24-LS0517F
Cook
4/6/05

CS FOR HOUSE BILL NO. 144()

**IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FOURTH LEGISLATURE - FIRST SESSION**

BY

Offered:

Referred:

Sponsor(s): REPRESENTATIVE THOMAS

A BILL

FOR AN ACT ENTITLED

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8 question advisory to the legislature and the governor. Notwithstanding AS 15.60.005 relating
9 to preparation of the ballot proposition, the question shall appear on the ballot in the following
10 form:

11 **QUESTION**

12 The community dividend program, if it is established, would annually
13 use up to \$150,000,000, adjusted for inflation, to pay a community dividend to
14 each municipality and to each unincorporated community in the unorganized

as defined in 3AAC 130.093

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borough where 25 or more people reside as a social unit) Each municipality would receive \$50,000, and each unincorporated community would receive \$25,000. The remaining balance would be shared by each municipality on a per capita basis. The community dividend may be used for local tax relief or for any other public purpose by the municipality or community.

The community dividend program would be funded with income from the Alaska permanent fund that is in the earnings reserve account. Appropriations for the community dividend program would be made only after appropriations are made each year to fund the permanent fund dividend program and to provide for inflation-proofing the principal of the Alaska permanent fund.

Shall the legislature appropriate up to \$150,000,000, adjusted for inflation, annually from the income of the Alaska permanent fund that is in the earnings reserve account for the community dividend program?

Yes [] No []

what is as adjusted for inflation

Ramras

~~*Booth*~~
~~*Ramras*~~
~~*Greenberg*~~
~~*Gardner*~~

24-LS0517F

Cook

4/6/05

CS FOR HOUSE BILL NO. 144()

**IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FOURTH LEGISLATURE - FIRST SESSION**

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8 question advisory to the legislature and the governor. Notwithstanding AS 15.60.005 relating
9 to preparation of the ballot proposition, the question shall appear on the ballot in the following
10 form:

11 **QUESTION**

12 The community dividend program, if it is established, would annually
13 use up to \$150,000,000, ~~adjusted for inflation~~, to pay a community dividend to
14 each municipality and to each unincorporated community in the unorganized

→ Letter of Intent: ~~the~~

The legislature wants for the debts
that have been used for municipal purposes they will
the tax they pay on the debts that
will be used for this dividend.

Ian Fisk

#2

1

|||

From: Dirk Moffatt
Sent: Wednesday, April 06, 2005 5:18 PM
To: Ian Fisk
Subject: This is the Conceptual Amendment for HB-144 ("Property Tax Relief Amendment")

Conceptual Amendment for HB-144 ("Property Tax Relief Amendment")

Page 2, Line 4 at the end of sentence add the sentence:

"however a municipality that levies property taxes shall use no less than 20% of the Community Dividend proceeds to lower property taxes or for sales TAX relief.

TEXT TO READ:

The community dividend may be used for local tax relief or for any other public purpose by the municipality or community, however a municipality that levies property taxes shall use no less than 20% of the Community Dividend proceeds to lower property taxes.

or for sales tax relief
and

Ian Fisk

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TEXT TO READ:

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- Gard - no
- Green - no
- Guthrie
- Elle - no
- Lynn 9-5
- Hann
- Secker no

Letter of Intent: Regs we are going to use

Page 2 25 to 50

3 AAC 130.093 COMMERCE, COMMUNITY, AND EC. DEV. 3 AAC 130.093

(h) The department will determine the full and true value of property for a second class city as described in AS 29.60.030(e)(3), using the procedures set out in 3 AAC 130.095 — 3 AAC 130.097.

(i) The full value of property determined under (a) — (d) of this section constitutes the full and true value of property for the purposes of AS 29.60.030(d) and (e) unless

(1) the full and true value of property is determined under (h) of this section; or

(2) the computed assessed value of a utility must be included in the full and true value of property, as determined in (g) of this section. (Eff. 10/18/87, Register 104; am 12/1/2002, Register 164)

Authority: AS 29.60.030
AS 29.60.070

AS 29.60.180

AS 29.60.290

DCED Definition

3 AAC 130.093. Determination of social unit. (a) Persons residing in a place in the unorganized borough are considered to be a social unit for the purposes of state aid to unincorporated communities under AS 29.60.140 if the following criteria are met:

(1) the geographic area in which the persons reside is not disproportionate in size to that number of persons; in determining whether this standard has been met the director will consider the physical topography of the area, the use of the land, land ownership patterns, and other factors that could affect population density; an area with a population density of at least 14 persons per square mile is considered to have met this standard;

(2) persons residing in that area are a discrete and identifiable unit in determining whether this standard has been met, the director will consider school enrollment, sources of employment, voter registration, and the permanency of dwelling units; if the area has at least one commercial establishment, and if persons residing in the area do so in permanent dwelling units and their children are enrolled in an operating school in or near the area, this standard is considered to have been met.

(b) Persons residing in the following places in the unorganized borough are not considered to be a social unit for purposes of eligibility for an entitlement under AS 29.60.140:

(1) a place where public access is restricted, including restrictions on the right to move to the place and reside there;

(2) a place that is contiguous to a municipality and is dependent upon the municipality to the extent that it exists only because the municipality exists;

(3) a place provided by an employer which is populated totally by persons who are required to reside there as a condition of their employment and who do not consider the place to be their permanent place of residence. (Eff. 10/18/87, Register 104)

3 AAC 110.920

ALASKA ADMINISTRATIVE CODE

3 AAC 110.970

Authority: Art. X, sec. 12,
Ak Const.

AS 44.39.812

LBC definition

3 AAC 110.920. Determination of community. (a) In determining whether a settlement comprises a community, the commission may consider relevant factors, including whether the

- (1) settlement is inhabited by at least 25 individuals;
- (2) inhabitants reside permanently in a close geographical proximity that allows frequent personal contacts and comprise a population density that is characteristic of neighborhood living; and
- (3) inhabitants residing permanently at a location are a discrete and identifiable social unit, as indicated by such factors as school enrollment, number of sources of employment, voter registration, precinct boundaries, permanency of dwelling units, and the number of commercial establishments and other service centers.

(b) Absent a specific and persuasive showing to the contrary, the commission will presume that a population does not constitute a community if

- (1) public access to or the right to reside at the location of the population is restricted;
- (2) the population is adjacent to a community and is dependent upon that community for its existence; or
- (3) the location of the population is provided by an employer and is occupied as a condition of employment primarily by persons who do not consider the place to be their permanent residence. (Eff. 7/31/92, Register 123; am 5/19/2002, Register 162)

Authority: Art. X, sec. 12,
Ak Const.

AS 44.39.812

3 AAC 110.970. Determination of essential city or borough services. (a) If a provision of this chapter provides for the identification of essential borough services, the commission will determine those services to consist of those mandatory and discretionary powers and facilities that, as determined by the commission,

- (1) are reasonably necessary to the territory; and
- (2) cannot be provided more efficiently and more effectively
 - (A) through some other agency, political subdivision of the state, regional educational attendance area, or coastal resource service area; or
 - (B) by the creation or modification of some other political subdivision of the state, regional educational attendance area, or coastal resource service area.

(b) The commission may determine essential borough services to include

- (1) assessing and collecting taxes;
- (2) providing primary and secondary education;
- (3) planning, platting, and land use regulation; and

Needs to be with detail
~~not~~ not in June
look as inflation primary log - make sure for 1st to legislate
dispute

24-LS0517G

HOUSE BILL NO. 144

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FOURTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVE THOMAS

Introduced: 2/11/05
Referred:

P.F.F. is trust of state govt

A BILL

FOR AN ACT ENTITLED

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2 in the earnings reserve account should be used for a community dividend program."

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5 to read:

6 ADVISORY VOTE. At the next general election, in compliance with the election
7 laws of the state, the lieutenant governor shall place before the qualified voters of the state a
8 question advisory to the legislature and the governor. Notwithstanding AS 15.60.005 relating
9 to preparation of the ballot proposition, the question shall appear on the ballot in the following
10 form:

11 guarantee → 4 rolls of APR tax return less tax paid (only credit in state)
12 QUESTION to aff.d. less the tax paid to state

13 The community dividend program, if it is established, would annually
14 use \$150,000,000 adjusted for inflation, to pay a community dividend to each
municipality and to each unincorporated community in the unorganized

3% inflation added
it has inflation proof tax will grow
-1-

HB0144a

HB 144

New Text Underlined [DELETED TEXT BRACKETED]

from comps return used 10 years for the fund
70% down

1 borough. Each municipality would receive \$50,000, and each unincorporated
2 community would receive \$25,000. The remaining balance would be shared
3 by each municipality on a per capita basis. The community dividend could be
4 used for any public purpose by the municipality or community.

5 The community dividend program would be funded with income from
6 the Alaska permanent fund that is in the earnings reserve account.
7 Appropriations for the community dividend program would be made only after
8 appropriations are made each year to fund the permanent fund dividend
9 program and to provide for inflation-proofing the principal of the Alaska
10 permanent fund.

11 Shall the legislature appropriate \$150,000,000, adjusted for inflation,
12 annually from the income of the Alaska permanent fund that is in the earnings
13 reserve account for the community dividend program?

14 Yes [] No []

Amendment to HB-144

By Rep. Bob Lynn

Page 2, Line 4, after "community" delete period; add comma, then phrase "except that no less than 50% of such community dividend shall be used to lower residential property taxes."

People concerned about property taxes - esp. prop w/fixes

new

"or to reduce sales taxes"

CORRECTION

THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION



Central Microfilm Services
Department of Education & Early Development
State of Alaska

* ? of units would equal asking for
 150 Milk
 PILT
 Payment in lieu of taxes
 15 million of past spent things
 (Washington, White, Chicago)

Had to be got of quarterly
 Not up to date reports in new currency
 7,500 ps 1% of SLS TX
 a base of fund is required

is a difference in old Revenue base - could be
 transformation

Ask: Diced how distributed to non-past entities
 Flax

2 that they
 common: -1 new Revenue they
 -1 current Revenue they

Amendment to HB-144

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Page 2, Line 4, after "community" delete period; add comma, then phrase "except that no less than 50% of such community dividend shall be used to lower residential property taxes."

People concerned about property taxes - esp. poor w/ fixed income

"or to reduce sales taxes"

Community Dividend Estimates @ \$150 Million
Distribution Formula: \$50,000 Base Amount for Municipalities
\$25,000 Base Amount for Unincorporated Communities
Balance of Funds Distributed on a Per Capita Basis to Municipalities

Municipalities	2004 Population	Base Amount	Per Capita Payment	Community Dividend
Adak	69	\$50,000	\$15,151.61	\$65,152
Akhiok	56	\$50,000	\$12,297	\$62,297
Akiak	367	\$50,000	\$80,589	\$130,589
Akutan	771	\$50,000	\$169,303	\$219,303
Alakanuk	667	\$50,000	\$146,466	\$196,466
Aleknagik	219	\$50,000	\$48,090	\$98,090
Aleutians East Borough	76	\$50,000	\$16,689	\$66,689
Allakaket	90	\$50,000	\$19,763	\$69,763
Ambler	274	\$50,000	\$60,167	\$110,167
Anaktuvuk Pass	300	\$50,000	\$65,877	\$115,877
Anchorage	277,498	\$50,000	\$60,935,384	\$60,985,384
Anderson	344	\$50,000	\$75,538	\$125,538
Angoon	481	\$50,000	\$105,622	\$155,622
Aniak	532	\$50,000	\$116,821	\$166,821
Anvik	101	\$50,000	\$22,178	\$72,178
Atka	92	\$50,000	\$20,202	\$70,202
Atkasuk	247	\$50,000	\$54,238	\$104,238
Barrow	4,351	\$50,000	\$955,430	\$1,005,430
Bethel	5,888	\$50,000	\$1,292,937	\$1,342,937
Bettles	31	\$50,000	\$6,807	\$56,807
Brevig Mission	319	\$50,000	\$70,049	\$120,049
Bristol Bay Borough	1,096	\$50,000	\$240,669	\$290,669
Buckland	437	\$50,000	\$95,960	\$145,960
Cheformak	439	\$50,000	\$96,399	\$146,399
Chevak	899	\$50,000	\$197,410	\$247,410
Chignik	92	\$50,000	\$20,202	\$70,202
Chuathbaluk	105	\$50,000	\$23,057	\$73,057
Clark's Point	62	\$50,000	\$13,614	\$63,614
Coffman Cove	177	\$50,000	\$38,867	\$88,867
Cold Bay	89	\$50,000	\$19,543	\$69,543
Cordova	2,298	\$50,000	\$504,614	\$554,614
Craig	1,127	\$50,000	\$247,476	\$297,476
Deering	145	\$50,000	\$31,840	\$81,840
Delta Junction	984	\$50,000	\$216,075	\$266,075
Denali Borough	1,498	\$50,000	\$328,944	\$378,944
Dillingham	2,422	\$50,000	\$531,843	\$581,843
Diomede	141	\$50,000	\$30,962	\$80,962
Eagle	115	\$50,000	\$25,253	\$75,253
Eek	292	\$50,000	\$64,120	\$114,120
Egegik	76	\$50,000	\$16,689	\$66,689

Community Dividend Estimates @ \$150 Million
Distribution Formula: \$50,000 Base Amount for Municipalities
\$25,000 Base Amount for Unincorporated Communities
Balance of Funds Distributed on a Per Capita Basis to Municipalities

	2004 Population	Base Amount	Per Capita Payment	Community Dividend
Ekwook	127	\$50,000	\$27,888	\$77,888
Elim	318	\$50,000	\$69,829	\$119,829
Emmonak	762	\$50,000	\$167,326	\$217,326
Fairbanks	29,954	\$50,000	\$6,577,556	\$6,627,556
Fairbanks North Star Borough	53,493	\$50,000	\$11,746,451	\$11,796,451
False Pass	62	\$50,000	\$13,614	\$63,614
Fort Yukon	594	\$50,000	\$130,436	\$180,436
Galena	717	\$50,000	\$157,445	\$207,445
Gambell	648	\$50,000	\$142,293	\$192,293
Golovin	160	\$50,000	\$35,134	\$85,134
Goodnews Bay	236	\$50,000	\$51,823	\$101,823
Grayling	182	\$50,000	\$39,965	\$89,965
Gustavus	473	\$50,000	\$103,865	\$153,865
Haines Borough	2,245	\$50,000	\$492,976	\$542,976
Holy Cross	206	\$50,000	\$45,235	\$95,235
Homer	5,332	\$50,000	\$1,170,846	\$1,220,846
Hoonah	841	\$50,000	\$184,674	\$234,674
Hooper Bay	1,124	\$50,000	\$246,818	\$296,818
Houston	1,368	\$50,000	\$300,397	\$350,397
Hughes	72	\$50,000	\$15,810	\$65,810
Huslia	269	\$50,000	\$59,069	\$109,069
Hydaburg	349	\$50,000	\$76,636	\$126,636
Juneau	30,966	\$50,000	\$6,799,779	\$6,849,779
Kachemak	475	\$50,000	\$104,305	\$154,305
Kake	663	\$50,000	\$145,587	\$195,587
Kaktovik	284	\$50,000	\$62,363	\$112,363
Kaltag	211	\$50,000	\$46,333	\$96,333
Kasaan	60	\$50,000	\$13,175	\$63,175
Kenai	6,809	\$50,000	\$1,495,178	\$1,545,178
Kenai Peninsula Borough	31,794	\$50,000	\$6,981,598	\$7,031,598
Ketchikan	7,691	\$50,000	\$1,688,856	\$1,738,856
Ketchikan Gateway Borough	4,948	\$50,000	\$1,086,524	\$1,136,524
Kiana	394	\$50,000	\$86,518	\$136,518
King Cove	723	\$50,000	\$158,763	\$208,763
Kivalina	388	\$50,000	\$85,200	\$135,200
Klawock	848	\$50,000	\$186,211	\$236,211
Kobuk	128	\$50,000	\$28,107	\$78,107
Kodiak	6,199	\$50,000	\$1,361,229	\$1,411,229
Kodiak Island Borough	6,494	\$50,000	\$1,426,008	\$1,476,008
Kotlik	588	\$50,000	\$129,118	\$179,118

Community Dividend Estimates @ \$150 Million
Distribution Formula: \$50,000 Base Amount for Municipalities
\$25,000 Base Amount for Unincorporated Communities
Balance of Funds Distributed on a Per Capita Basis to Municipalities

	2004 Population	Base Amount	Per Capita Payment	Community Dividend
Kotzebue	3,130	\$50,000	\$687,312	\$737,312
Koyuk	348	\$50,000	\$76,417	\$126,417
Koyukuk	109	\$50,000	\$23,935	\$73,935
Kupreanof	38	\$50,000	\$8,344	\$58,344
Kwethluk	695	\$50,000	\$152,614	\$202,614
Lake & Peninsula Borough	882	\$50,000	\$193,677	\$243,677
Larsen Bay	96	\$50,000	\$21,081	\$71,081
Lower Kalsag	262	\$50,000	\$57,532	\$107,532
Manokotak	405	\$50,000	\$88,933	\$138,933
Marshall	358	\$50,000	\$78,613	\$128,613
Matanuska-Susitna Borough	57,474	\$50,000	\$12,620,633	\$12,670,633
McGrath	367	\$50,000	\$80,589	\$130,589
Mekoryuk	198	\$50,000	\$43,479	\$93,479
Metiakatla	1,370	\$50,000	\$300,836	\$350,836
Mountain Village	769	\$50,000	\$168,864	\$218,864
Napakiak	360	\$50,000	\$79,052	\$129,052
Napaskiak	436	\$50,000	\$95,741	\$145,741
Nenana	394	\$50,000	\$86,518	\$136,518
New Stuyahok	477	\$50,000	\$104,744	\$154,744
Newhalen	183	\$50,000	\$40,185	\$90,185
Nightmute	232	\$50,000	\$50,945	\$100,945
Nikolai	121	\$50,000	\$26,570	\$76,570
Nome	3,473	\$50,000	\$762,631	\$812,631
Nondalton	205	\$50,000	\$45,016	\$95,016
Noorvik	609	\$50,000	\$133,729	\$183,729
North Pole	1,532	\$50,000	\$336,410	\$386,410
North Slope Borough	235	\$50,000	\$51,603	\$101,603
Northwest Arctic Borough	708	\$50,000	\$155,469	\$205,469
Nuiqsut	430	\$50,000	\$94,423	\$144,423
Nulato	320	\$50,000	\$70,268	\$120,268
Nunam Iqua	172	\$50,000	\$37,769	\$87,769
Nunapitchuk	527	\$50,000	\$115,723	\$165,723
Old Harbor	196	\$50,000	\$43,039	\$93,039
Ouzinkie	187	\$50,000	\$41,063	\$91,063
Palmer	5,197	\$50,000	\$1,141,202	\$1,191,202
Pelican	118	\$50,000	\$25,911	\$75,911
Petersburg	3,123	\$50,000	\$685,775	\$735,775
Pilot Point	75	\$50,000	\$16,469	\$66,469
Pilot Station	559	\$50,000	\$122,750	\$172,750
Platinum	39	\$50,000	\$8,564	\$58,564

Community Dividend Estimates @ \$150 Million
Distribution Formula: \$50,000 Base Amount for Municipalities
\$25,000 Base Amount for Unincorporated Communities
Balance of Funds Distributed on a Per Capita Basis to Municipalities

	2004 Population	Base Amount	Per Capita Payment	Community Dividend
Point Hope	726	\$50,000	\$159,421	\$209,421
Port Alexander	69	\$50,000	\$15,152	\$65,152
Port Heiden	90	\$50,000	\$19,763	\$69,763
Port Lions	238	\$50,000	\$52,262	\$102,262
Quinhagak	612	\$50,000	\$134,388	\$184,388
Ruby	190	\$50,000	\$41,722	\$91,722
Russian Mission	351	\$50,000	\$72,684	\$122,684
Saint George	137	\$50,000	\$30,084	\$80,084
Saint Mary's	539	\$50,000	\$118,358	\$168,358
Saint Michael	409	\$50,000	\$89,812	\$139,812
Saint Paul	494	\$50,000	\$108,477	\$158,477
Sand Point	908	\$50,000	\$199,386	\$249,386
Savoonga	710	\$50,000	\$155,908	\$205,908
Saxman	391	\$50,000	\$85,859	\$135,859
Scammon Bay	486	\$50,000	\$106,720	\$156,720
Selawik	829	\$50,000	\$182,039	\$232,039
Seldovia	263	\$50,000	\$57,752	\$107,752
Seward	2,540	\$50,000	\$557,755	\$607,755
Shageluk	132	\$50,000	\$28,986	\$78,986
Shaktolik	209	\$50,000	\$45,894	\$95,894
Shishmaref	591	\$50,000	\$129,777	\$179,777
Shurgnak	264	\$50,000	\$57,971	\$107,971
Sitka	8,805	\$50,000	\$1,933,477	\$1,983,477
Skagway	870	\$50,000	\$191,042	\$241,042
Soldotna	3,767	\$50,000	\$827,190	\$877,190
Stebbins	586	\$50,000	\$128,679	\$178,679
Tanana	304	\$50,000	\$66,755	\$116,755
Teller	241	\$50,000	\$52,921	\$102,921
Tenakee Springs	105	\$50,000	\$23,057	\$73,057
Thorne Bay	497	\$50,000	\$109,136	\$159,136
Togiak	805	\$50,000	\$176,769	\$226,769
Toksook Bay	561	\$50,000	\$123,189	\$173,189
Unalakleet	728	\$50,000	\$159,860	\$209,860
Unalaska	4,366	\$50,000	\$958,724	\$1,008,724
Upper Kalskag	263	\$50,000	\$57,752	\$107,752
Valdez	3,749	\$50,000	\$823,237	\$873,237
Wainwright	531	\$50,000	\$116,602	\$166,602
Wales	152	\$50,000	\$33,377	\$83,377
Wasilla	6,109	\$50,000	\$1,341,466	\$1,391,466
White Mountain	213	\$50,000	\$46,772	\$96,772
Whittier	172	\$50,000	\$37,769	\$87,769
Wrangell	2,023	\$50,000	\$444,228	\$494,228
Yakutat	680	\$50,000	\$149,320	\$199,320
Municipal Sub Totals	637,556	\$8,150,000	\$140,000,000	\$148,150,000

Community Dividend Estimates @ \$150 Million
Distribution Formula: \$50,000 Base Amount for Municipalities
\$25,000 Base Amount for Unincorporated Communities
Balance of Funds Distributed on a Per Capita Basis to Municipalities

	2004 Population	Base Amount	Per Capita Payment	Community Dividend
Unincorporated Communities				
Akiachak		\$25,000		\$25,000
Alatna		\$25,000		\$25,000
Arctic Village		\$25,000		\$25,000
Atmautluak		\$25,000		\$25,000
Beaver		\$25,000		\$25,000
Birch Creek		\$25,000		\$25,000
Chenega Bay		\$25,000		\$25,000
Central		\$25,000		\$25,000
Chalkyitsik		\$25,000		\$25,000
Chistochina		\$25,000		\$25,000
Chitina		\$25,000		\$25,000
Circle		\$25,000		\$25,000
Copper Center		\$25,000		\$25,000
Crooked Creek		\$25,000		\$25,000
Deltana		\$25,000		\$25,000
Dot Lake		\$25,000		\$25,000
Dry Creek		\$25,000		\$25,000
Eagle Village		\$25,000		\$25,000
Edna Bay		\$25,000		\$25,000
Elfin Cove		\$25,000		\$25,000
Evansville		\$25,000		\$25,000
Four Mile Road		\$25,000		\$25,000
Gakona		\$25,000		\$25,000
Glennallen		\$25,000		\$25,000
Goldstream		\$25,000		\$25,000
Guikana		\$25,000		\$25,000
Healy Lake		\$25,000		\$25,000
Hollis		\$25,000		\$25,000
Hyder		\$25,000		\$25,000
Kasigluk		\$25,000		\$25,000
Kenny Lake		\$25,000		\$25,000
Kipnuk		\$25,000		\$25,000
Klukwan		\$25,000		\$25,000
Koliganek		\$25,000		\$25,000
Kongiganak		\$25,000		\$25,000
Kwigillingok		\$25,000		\$25,000
Lake Mirchumina		\$25,000		\$25,000
Lime Village		\$25,000		\$25,000
Manley Hot Springs		\$25,000		\$25,000
McCarthy		\$25,000		\$25,000

Community Dividend Estimates @ \$150 Million
Distribution Formula: \$50,000 Base Amount for Municipalities
\$25,000 Base Amount for Unincorporated Communities
Balance of Funds Distributed on a Per Capita Basis to Municipalities

	2004 Population	Base Amount	Per Capita Payment	Community Dividend
Mentasta		\$25,000		\$25,000
Minto		\$25,000		\$25,000
Naukati		\$25,000		\$25,000
Nelchina/Mendeltna		\$25,000		\$25,000
Newtok		\$25,000		\$25,000
Nikolski		\$25,000		\$25,000
Northway		\$25,000		\$25,000
Oscarville		\$25,000		\$25,000
Paxson		\$25,000		\$25,000
Pitka's Point		\$25,000		\$25,000
Point Baker		\$25,000		\$25,000
Port Protection		\$25,000		\$25,000
Rampart		\$25,000		\$25,000
Red Devil		\$25,000		\$25,000
Silver Springs		\$25,000		\$25,000
Slana		\$25,000		\$25,000
Sietnute		\$25,000		\$25,000
Stevens Village		\$25,000		\$25,000
Stony River		\$25,000		\$25,000
Takotna		\$25,000		\$25,000
Tanacross		\$25,000		\$25,000
Tatitlek		\$25,000		\$25,000
Tazlina		\$25,000		\$25,000
Tetlin		\$25,000		\$25,000
Tok		\$25,000		\$25,000
Tolsona		\$25,000		\$25,000
Tuluksak		\$25,000		\$25,000
Tuntutuliak		\$25,000		\$25,000
Tununak		\$25,000		\$25,000
Twin Hills		\$25,000		\$25,000
Venetie		\$25,000		\$25,000
Whale Pass		\$25,000		\$25,000
Whitestone		\$25,000		\$25,000
Wiseman		\$25,000		\$25,000
Unin. Community Sub Totals		\$1,850,000		\$1,850,000
Grand Totals		\$10,000,000	\$140,000,000	\$150,000,000

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: 14
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: OOG
 Title An Act authorizing an advisory vote RDU Elections
on use of APF income for a community dividend Component Elections
 Sponsor Representative Thomas
 Requester (H) State Affairs Component No. 21

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual		1.5				
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	1.5	0.0	0.0	0.0	0.0

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

1002 Federal Receipts						
1003 GF Match						
1004 GF		1.5				
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	1.5	0.0	0.0	0.0	0.0

Estimate of any current year (FY2005) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
 If this question appears on the ballot, the cost of providing information about the issue in the Official Election Pamphlet, as required by AS 15.53 is \$1.5. Should the addition of the question require printing an 8 1/2 by 18 inch ballot, the cost will increase to \$22.0.

Prepared by: Lauri Allred, Admin Assistant Supervisor Phone 465-5347
 Division: Elections Date/Time 3/4/05 12:32 PM
 Approved by: Laura A. Glaiser, Director Date 3/4/2005
 Agency: Office of the Lt. Governor, Division of Elections

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB177
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Administration
 Title An Act relating to employee and employer RDU Centralized Administrative Services
contributions to the TRS/PERS.... Component Retirement and Benefits
 Sponsor Representative Kelly Component No. 64
 Requester House State Affairs

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						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

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

Estimate of any current year (FY2005) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill would change the computation of present and future employee and employer contributions to the PERS/TRS. The current flat percentage rate for employees would be changed to a percentage of base salary, determined each year by the administrator, that represents one half the cost to fund the system. The annual maximum increase in contributions for members and employers from one year to the next will not exceed more than five percent. This change in the calculation of employee and employer rates will not have financial impact to the funds.

Prepared by: Melanie Millhorn, Director Phone 465-4408
 Division: Retirement and Benefits Date/Time 3/30/05 8:42 AM
 Approved by: Mike Tibbles, Deputy Commissioner Date 3/30/2005
 Agency: Department of Administration

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 144
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
 Title: Advisory Vote on RDU: Comm Assist & Ec Dev (405)
Community Dividend Component: Community Advocacy
 Sponsor: Thomas
 Requester: House State Affairs Component No.: 2703

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

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

Estimate of any current year (FY2005) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation authorizes a statewide vote at the next general election on whether or not voters would approve the annual use of \$150 million from the earnings reserve account to pay a community dividend to each municipality and each unincorporated community in the unorganized borough. This legislation has no fiscal impact on the operations of the division.

Prepared by: Athena Logan, Local Government Specialist Phone 907 269 4540
 Division: Community Advocacy Date/Time 3/7/05 5:19 PM
 Approved by: Edgar Blatchford, Commissioner Date 3/7/2005
 Agency: Commerce, Community, and Economic Development



217 Second Street, Suite 200 • Juneau, Alaska 99801
Tel (907) 586-1325 • Fax (907) 463-5480 • www.akml.org

March 7, 2005

Representative Bill Thomas
House of Representatives
State Capitol
Juneau, AK 99811

Dear Representative Thomas,

Re: Support of a Community Dividend

Thank you for introducing a bill supporting the Community Dividend. The Alaska Municipal League has long supported the Community Dividend concept. For those who are familiar with the benefits for Alaskans of the Community Dividend, including Former Governor's Hickel and Hammond, there is growing support.

The Community Dividend is a new kind of PFD that benefits local taxpayers:

- First, the benefit to local taxpayers is the equivalent, on the average, of 4 mills of local property tax relief every year. There is also a potential for better meeting critical local needs like adequate local contribution for schools.
- Second, according to the PF Corporation, there is no cost to the PFD until 2010, and then the individual PFD is only \$10 less. In 2015 Alaskans would get a \$2100 individual PFD instead of \$2150.
- Third, unlike the individual PFD, which is subject to federal income tax, the Community Dividend is not taxable. Therefore up to 30% more money stays in Alaska compared to paying higher local taxes out of the family budget.


The bottom line is that over ten years every Alaskan will get about \$2400 in local tax relief and their individual PFD is still estimated by the PF Corporation to more than double by 2015. (Note: Per the PF Corporation, \$2400 in local tax relief through Community Dividends would cost Alaskans just \$170 over ten years in slightly lower PFD's.)


The Alaska Municipal League supports the community dividend concept and the need for the legislature to gauge public support for it. AML would like to give further consideration to the wording of the ballot question and work with more municipalities to determine the level of commitment they can give to the necessary public discussion.


Sincerely,


Kevin Ritchie
Executive Director

Community Dividend Spells Relief

 **CREATES AN ADDITIONAL PFD FOR COMMUNITIES**, similar to the individual PFD, but one that cannot be taxed by the federal government.

 **COMMUNITIES AND CITIZENS NEED HELP NOW!** - While State coffers benefit from higher oil prices, communities and citizens are being hurt by the skyrocketing costs of fuel, plus related cost increases to utilities, all transported goods, etc. Alaska is one of a few states that eliminated municipal revenue sharing.

 **AVOIDS MUCH HIGHER LOCAL TAXES TO SUPPORT SCHOOLS AND BASIC LOCAL SERVICES** - In response to years of state cuts, communities and local taxpayers must do more to ensure adequate local services. Local taxes in many Alaskan cities and boroughs are already higher than local taxes in 35 or more other states.

 **RETURNS LOCAL CONTROL ENVISIONED BY ALASKA'S CONSTITUTION** - People/voters in communities take greater charge of their future. Communities know what they need and can meet local needs most efficiently.

 **SMALLER SMARTER STATE GOVERNMENT** - A Community Dividend reduces direct State spending and administration by partnering with communities.

For more information: www.akml.org; www.dced.state.ak.us "State Fiscal Plan"



Alaska Permanent Fund Corporation
Bill Analysis - HB 144

Financial projection comparison of the Alaska Permanent Fund under current statutes versus HB 144, Community Dividend Program.
 All \$ values in millions except the per person dividend

PERMANENT FUND ANALYSIS

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

Current Statutes & Community Dividend	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY05-FY15
												Totals
Total market value end of year (after payouts)	<u>29,316</u>	<u>31,169</u>	<u>32,773</u>	<u>34,227</u>	<u>35,686</u>	<u>37,254</u>	<u>38,879</u>	<u>40,560</u>	<u>42,297</u>	<u>44,092</u>	<u>45,946</u>	<u>45,946</u>
Total lump sum dividend appropriation	607	691	886	1,082	1,168	1,163	1,220	1,275	1,331	1,389	1,449	12,262
Per person dividend under current statute	\$ 950	\$ 1,080	\$ 1,380	\$ 1,680	\$ 1,800	\$ 1,770	\$ 1,840	\$ 1,910	\$ 1,970	\$ 2,030	\$ 2,100	\$ 18,510
Additional lump sum payout - Community Dividend*	0	0	150	154	158	162	166	171	175	180	184	1,499

Assumptions:

Callan Associates 2004 Capital Market Assumptions, APFC 2004 asset allocation, Fall 2004 revenue forecast, financial statements through 03/30/04. All payouts are assumed to happen at fiscal year end, all dollar values in millions except the per person dividend.

*Community dividend is a lump sum, beginning at \$150 million in FY07 and increasing at the annual inflation rate.



ALASKA PERMANENT FUND FUND FINANCIAL HISTORY & PROJECTIONS

as of December 31, 2004

*As of Dec. 2004, statutory net income is trending to end the fiscal year more than 25% below the mid case.

Projections will extend to 2015, and are based on best available information (\$ in millions)

Reserved Fund Balance - Principal										Unreserved Fund Balance							TOTAL FUND FY-End Balance
FY	FY-Begin Balance	Contrib. Appropriations	Dedicated State Revenues	Inflation Proofing	FY-End Balance Contributions	Unrealized Gain (Loss)		FY-End Reserved Balance	Acct. Net Income	Statutory Net Income	Distributions of Statutory Net Income			Realized Earnings Account		FY	
						Net Change	FY-End Balance				Inflation Proofing	General Fund	Net Change	FY-End Balance			
77-99	0	6,734	6,259	5,533	18,517	3,971	3,971	22,488	20,583	18,967	7,589	5,533	258	1,389	1,389	77-99	23,877
92	18,517	41	185	268	18,801	(430)	3,641	22,947	2,148	2,544	1,845	288	3	1,201	2,500	92	25,132
00	18,801	264	321	423	20,014	(12)	3,529	23,943	2,240	2,222	1,172	423	3	302	2,872	00	28,515
01	20,014	8	339	686	21,847	(2,146)	1,383	23,430	(924)	1,198	1,113	686	4	(588)	2,364	01	24,814
02	21,847	(23)	298	802	21,884	(678)	585	22,380	(817)	257	826	802	8	(1,248)	1,136	02	23,825
03	21,884	354	388	352	22,988	801	1,106	24,084	963	355	691	352	8	(1,035)	100	03	24,194
04	22,988	(339)	353	521	23,528	1,959	3,815	26,541	3,434	1,582	531	170	0	788	858	04	27,460
10%	05	23,528	19	476	624	(2,936)	19	24,664	(1,303)	1,463	592	624	0	342	1,261	05	25,965
25%	05	23,528	25	478	624	(2,022)	983	25,648	(94)	1,967	548	624	8	735	1,594	05	27,233
Mid	05	23,528	27	478	624	(453)	2,562	27,215	2,048	2,474	608	624	0	1,242	2,101	05	29,316
25%	05	23,528	28	478	624	1,969	4,684	28,738	4,187	3,096	672	624	0	1,794	2,663	05	31,310
10%	05	23,528	31	478	624	2,125	5,148	29,798	5,755	3,808	727	624	0	2,259	3,113	05	32,911
06	24,653	21	358	650	25,681	188	2,742	28,423	2,190	1,988	650	650	0	648	2,748	06	31,172
07	25,681	23	312	678	26,061	191	2,934	29,825	2,328	2,114	885	678	0	553	3,302	07	32,827
08	26,061	24	245	700	27,060	202	1,136	30,796	2,457	2,231	1,082	700	0	448	3,750	08	34,546
09	27,060	26	231	725	28,043	212	3,348	31,991	2,578	2,348	1,170	725	0	445	4,195	09	36,186
10	28,043	28	230	751	29,051	223	3,571	33,222	2,701	2,451	1,168	751	0	532	4,727	10	37,948
11	29,051	30	231	777	30,088	234	3,805	34,484	2,834	2,570	1,229	777	0	564	5,291	11	39,785
12	30,088	32	224	804	31,748	246	4,051	35,799	2,972	2,684	1,296	804	0	600	5,891	12	41,680
13	31,748	34	215	831	32,829	258	4,308	37,137	3,114	2,822	1,352	831	0	639	6,531	13	43,668
14	32,829	37	206	858	33,930	270	4,579	38,509	3,263	2,954	1,417	858	0	680	7,210	14	45,719
15	33,930	39	195	887	35,051	284	4,862	39,914	3,417	3,094	1,484	887	0	722	7,933	15	47,846
Cumulative Totals Proj. for 2005-2015		321	2,919	8,284		1,847			29,901	27,732	12,375	8,284	0	7,074			

Assumptions:	Total Return - Inflation	Total Real Return	Statutory Return		
10% FY 2005	-5.28%	2.60%	-7.86%	10%	5.31%
25% FY 2005	-0.14%	2.60%	-2.74%	25%	6.90%
Mid FY 2005	7.61%	2.60%	5.61%	Mid	8.95%
25% FY 2005	15.35%	2.60%	12.75%	25%	11.18%
10% FY 2005	20.58%	2.60%	17.98%	10%	13.08%
FY 2006-2015	7.61%	2.60%	5.01%		7.04%

Notes to financial results and projections FY77 - FY15:

(1) Special general fund and earnings reserve appropriations to principal, royalty settlement earnings transferred to principal per AS 37.13.1(c)(d), and other miscellaneous appropriations to principal.

(2) Final adjustment to principal based on reconciliation of State of AK v. Amerada Hess et al royalty case.

(3) FY03 Senate Bill 100 transferred \$354 million from realized earnings account to principal.

(4) Senate Bill 283 defines the FY03 special appropriation of \$354 as pre FY04 inflation proofing and appropriates the remaining \$170 million needed to fully inflation proof contributions and appropriations in FY04. An additional \$15 million in settlement earnings (earnings above inflation) is appropriated to principal per AS 37.13.145(d).

(5) Statutory inflation proofing for FY04 is based on the inflation rate of 2.28%, or \$524 million (\$354 million pre inflation proofing plus \$170 million FY04 appropriation).

(6) Accounting net income is statutory net income plus the net change in unrealized gains (losses) and settlement earnings. Statutory net income is realized earnings less settlement earnings and is used to calculate the annual dividend transfer.

(7) Total Fund equals reserved fund balance plus the realized earnings account.

(8) Based on 2004 Callan capital market assumptions and a range of expected returns based on the probability of the return outcomes.

(9) Based on 2004 Callan capital market assumptions and median expected returns (the mid case). Actual results will vary from projections.

Income year-to-date as of December 31, 2004

FY05 Statutory net income	
Interest, dividends, real estate & other income	\$ 419.4
Realized gains on the sale of invested assets	404.8
Less operating expenses	(22.6)
Statutory net income	\$ 801.6

FY05 GAAP (accounting) net income	
Statutory net income	\$ 801.6
Adjustment for unrealized gains (losses) on invested assets	1,571.8
Accounting net income (loss)	\$ 2,373.2

PERFORMANCE SUMMARY

(preliminary as of December 31, 2004)

	Current Month	Last 3 Months	Fiscal Y-T-D	Calendar Y-T-D	Last 12 Months	Last 3 Years	Last 5 Years
Alaska CDs	0.18%	0.48%	0.85%	1.55%	1.55%	1.87%	3.12%
Domestic Fixed Income	0.84%	1.01%	4.15%	4.27%	4.27%	6.11%	7.56%
Non-Domestic Fixed Income	1.23%	0.74%	10.69%	9.90%	8.99%	12.55%	8.09%
Domestic Equities	3.57%	10.50%	7.67%	12.12%	12.12%	5.18%	-0.58%
Non-Domestic Equities	4.25%	14.54%	15.22%	17.81%	17.81%	11.55%	-0.74%
Real Estate	3.03%	8.82%	14.12%	20.74%	20.74%	15.87%	14.42%
Absolute Return	N/A	1.90%					
Total Fund	2.77%	8.05%	8.76%	11.39%	11.38%	8.32%	4.58%
Total Fund Return Benchmark	2.67%	7.90%	8.76%	11.64%	11.64%	8.15%	-0.93%

For more information see www.apfc.org

Community Dividend Estimates @ \$150 Million
Distribution Formula: \$50,000 Base Amount for Municipalities
\$25,000 Base Amount for Unincorporated Communities
Balance of Funds Distributed on a Per Capita Basis to Municipalities

Municipalities	2004 Population	Base Amount	Per Capita Payment	Community Dividend
Adak	69	\$50,000	\$15,151.61	\$65,152
Akhiok	56	\$50,000	\$12,297	\$62,297
Akiak	367	\$50,000	\$80,589	\$171,589
Akutan	771	\$50,000	\$169,303	\$219,303
Alakanuk	667	\$50,000	\$146,466	\$196,466
Aleknagik	219	\$50,000	\$48,090	\$98,090
Aleutians East Borough	76	\$50,000	\$16,689	\$66,689
Allakaket	90	\$50,000	\$19,763	\$69,763
Ambler	274	\$50,000	\$60,167	\$110,167
Anaktuvuk Pass	300	\$50,000	\$65,877	\$115,877
Anchorage	277,498	\$50,000	\$60,935,384	\$60,985,384
Anderson	344	\$50,000	\$75,538	\$125,538
Angoon	481	\$50,000	\$105,622	\$155,622
Aniak	532	\$50,000	\$116,821	\$166,821
Anvik	101	\$50,000	\$22,178	\$72,178
Atka	92	\$50,000	\$20,202	\$70,202
Atkasuk	247	\$50,000	\$54,238	\$104,238
Barrow	4,351	\$50,000	\$955,430	\$1,005,430
Bethel	5,888	\$50,000	\$1,292,937	\$1,342,937
Bettles	31	\$50,000	\$6,807	\$56,807
Brevig Mission	319	\$50,000	\$70,049	\$120,049
Bristol Bay Borough	1,096	\$50,000	\$240,669	\$290,669
Buckland	437	\$50,000	\$95,960	\$145,960
Chefornak	439	\$50,000	\$96,399	\$146,399
Chevak	899	\$50,000	\$197,410	\$247,410
Chignik	92	\$50,000	\$20,202	\$70,202
Chuathbaluk	105	\$50,000	\$23,057	\$73,057
Clark's Point	62	\$50,000	\$13,614	\$63,614
Coffman Cove	177	\$50,000	\$38,867	\$88,867
Cold Bay	89	\$50,000	\$19,543	\$69,543
Cordova	2,209	\$50,000	\$504,614	\$554,614
Craig	1,127	\$50,000	\$247,476	\$297,476
Deering	145	\$50,000	\$31,840	\$81,840
Delta Junction	984	\$50,000	\$216,075	\$266,075
Denali Borough	1,498	\$50,000	\$328,944	\$378,944
Dillingham	2,422	\$50,000	\$531,843	\$581,843
Diomede	141	\$50,000	\$30,962	\$80,962
Eagle	115	\$50,000	\$25,253	\$75,253
Eek	292	\$50,000	\$64,120	\$114,120
Egegik	76	\$50,000	\$16,689	\$66,689

Community Dividend Estimates @ \$150 Million
Distribution Formula: \$50,000 Base Amount for Municipalities
\$25,000 Base Amount for Unincorporated Communities
Balance of Funds Distributed on a Per Capita Basis to Municipalities

	2004 Population	Base Amount	Per Capita Payment	Community Dividend
Ekwok	127	\$50,000	\$27,888	\$77,888
Elim	318	\$50,000	\$69,829	\$119,829
Emmenak	762	\$50,000	\$167,326	\$217,326
Fairbanks	29,954	\$50,000	\$6,577,556	\$6,627,556
Fairbanks North Star Borough	53,493	\$50,000	\$11,746,451	\$11,796,451
False Pass	62	\$50,000	\$13,614	\$63,614
Fort Yukon	594	\$50,000	\$130,436	\$180,436
Gulena	717	\$50,000	\$157,445	\$207,445
Gambell	648	\$50,000	\$142,293	\$192,293
Golovin	160	\$50,000	\$35,134	\$85,134
Goodnews Bay	256	\$50,000	\$51,823	\$101,823
Grayling	182	\$50,000	\$39,965	\$89,965
Gustavus	473	\$50,000	\$103,865	\$153,865
Haines Borough	2,245	\$50,000	\$492,976	\$542,976
Holy Cross	206	\$50,000	\$45,235	\$95,235
Homer	5,332	\$50,000	\$1,170,846	\$1,220,846
Hoonah	841	\$50,000	\$184,674	\$234,674
Hooper Bay	1,124	\$50,000	\$246,818	\$296,818
Houston	1,368	\$50,000	\$300,397	\$350,397
Hughes	72	\$50,000	\$15,810	\$65,810
Huslia	269	\$50,000	\$59,069	\$109,069
Hydaburg	349	\$50,000	\$76,636	\$126,636
Juneau	30,966	\$50,000	\$6,799,779	\$6,849,779
Kachemak	475	\$50,000	\$104,305	\$154,305
Kake	663	\$50,000	\$145,587	\$195,587
Kaktovik	284	\$50,000	\$62,363	\$112,363
Kaltag	211	\$50,000	\$46,333	\$96,333
Kasaan	60	\$50,000	\$13,175	\$63,175
Kenai	6,809	\$50,000	\$1,495,178	\$1,545,178
Kenai Peninsula Borough	31,794	\$50,000	\$6,981,598	\$7,031,598
Ketchikan	7,691	\$50,000	\$1,688,856	\$1,738,856
Ketchikan Gateway Borough	4,948	\$50,000	\$1,086,524	\$1,136,524
Kiana	394	\$50,000	\$86,518	\$136,518
King Cove	723	\$50,000	\$158,763	\$208,763
Kivalina	388	\$50,000	\$85,200	\$135,200
Klawock	848	\$50,000	\$186,211	\$236,211
Kobuk	128	\$50,000	\$28,107	\$78,107
Kodiak	6,199	\$50,000	\$1,361,229	\$1,411,229
Kodiak Island Borough	6,494	\$50,000	\$1,426,008	\$1,476,008
Kotlik	588	\$50,000	\$129,118	\$179,118

Community Dividend Estimates @ \$150 Million
Distribution Formula: \$50,000 Base Amount for Municipalities
\$25,000 Base Amount for Unincorporated Communities
Balance of Funds Distributed on a Per Capita Basis to Municipalities

	2004 Population	Base Amount	Per Capita Payment	Community Dividend
Kotzebue	3,130	\$50,000	\$687,312	\$737,312
Koyuk	348	\$50,000	\$76,417	\$126,417
Koyukuk	109	\$50,000	\$23,935	\$73,935
Kupreanof	38	\$50,000	\$8,344	\$58,344
Kwethluk	695	\$50,000	\$152,614	\$202,614
Lake & Peninsula Borough	882	\$50,000	\$193,677	\$243,677
Larsen Bay	96	\$50,000	\$21,081	\$71,081
Lower Kalskag	262	\$50,000	\$57,532	\$107,532
Manokotak	405	\$50,000	\$88,933	\$138,933
Marshall	358	\$50,000	\$78,613	\$128,613
Matanuska-Susitna Borough	57,474	\$50,000	\$12,620,633	\$12,670,633
McGrath	367	\$50,000	\$80,589	\$130,589
Mekoryuk	198	\$50,000	\$43,479	\$93,479
Metlakatla	1,370	\$50,000	\$300,836	\$350,836
Mountain Village	769	\$50,000	\$168,864	\$218,864
Napakiaik	360	\$50,000	\$79,052	\$129,052
Napaskiak	436	\$50,000	\$95,741	\$145,741
Nenana	394	\$50,000	\$86,518	\$136,518
New Stuyahok	477	\$50,000	\$104,744	\$154,744
Newhalen	183	\$50,000	\$40,185	\$90,185
Nightmute	232	\$50,000	\$50,945	\$100,945
Nikolai	121	\$50,000	\$26,570	\$76,570
Nome	3,473	\$50,000	\$762,631	\$812,631
Nondalton	205	\$50,000	\$45,016	\$95,016
Noorvik	609	\$50,000	\$133,729	\$183,729
North Pole	1,532	\$50,000	\$336,410	\$386,410
North Slope Borough	235	\$50,000	\$51,603	\$101,603
Northwest Arctic Borough	708	\$50,000	\$155,469	\$205,469
Nuiqsut	430	\$50,000	\$94,423	\$144,423
Nulato	320	\$50,000	\$70,268	\$120,268
Nunam Iqua	172	\$50,000	\$37,769	\$87,769
Nunapitchuk	527	\$50,000	\$115,723	\$165,723
Old Harbor	196	\$50,000	\$43,039	\$93,039
Ouzinkie	187	\$50,000	\$41,063	\$91,063
Palmer	5,197	\$50,000	\$1,141,202	\$1,191,202
Pelican	118	\$50,000	\$25,911	\$75,911
Petersburg	3,123	\$50,000	\$685,775	\$735,775
Pilot Point	75	\$50,000	\$16,469	\$66,469
Pilot Station	559	\$50,000	\$122,750	\$172,750
Platinum	39	\$50,000	\$8,564	\$58,564

Community Dividend Estimates @ \$150 Million
Distribution Formula: \$50,000 Base Amount for Municipalities
\$25,000 Base Amount for Unincorporated Communities
Balance of Funds Distributed on a Per Capita Basis to Municipalities

	2004 Population	Base Amount	Per Capita Payment	Community Dividend
Point Hope	726	\$50,000	\$159,421	\$209,421
Port Alexander	69	\$50,000	\$15,152	\$65,152
Port Heiden	90	\$50,000	\$19,763	\$69,763
Port Lions	238	\$50,000	\$52,262	\$102,262
Quinhagak	612	\$50,000	\$134,388	\$184,388
Ruby	190	\$50,000	\$41,722	\$91,722
Russian Mission	331	\$50,000	\$72,684	\$122,684
Saint George	137	\$50,000	\$30,084	\$80,084
Saint Mary's	539	\$50,000	\$118,358	\$168,358
Saint Michael	409	\$50,000	\$89,812	\$139,812
Saint Paul	494	\$50,000	\$108,477	\$158,477
Sand Point	908	\$50,000	\$199,386	\$249,386
Savoonga	710	\$50,000	\$155,908	\$205,908
Saxman	391	\$50,000	\$85,859	\$135,859
Scammon Bay	486	\$50,000	\$106,720	\$156,720
Selawik	829	\$50,000	\$182,039	\$232,039
Seldovia	263	\$50,000	\$57,752	\$107,752
Seward	2,540	\$50,000	\$557,755	\$607,755
Shageluk	132	\$50,000	\$28,986	\$78,986
Shaktoolik	209	\$50,000	\$45,894	\$95,894
Shishmaref	591	\$50,000	\$129,777	\$179,777
Shungnak	264	\$50,000	\$57,971	\$107,971
Sitka	8,805	\$50,000	\$1,933,477	\$1,983,477
Skagway	870	\$50,000	\$191,042	\$241,042
Soldotna	3,767	\$50,000	\$827,190	\$877,190
Stebbins	586	\$50,000	\$128,679	\$178,679
Tanana	304	\$50,000	\$66,755	\$116,755
Teller	241	\$50,000	\$52,921	\$102,921
Tenakee Springs	105	\$50,000	\$23,057	\$73,057
Thorne Bay	497	\$50,000	\$109,136	\$159,136
Togiak	805	\$50,000	\$176,769	\$226,769
Toksook Bay	561	\$50,000	\$123,189	\$173,189
Unalakleet	728	\$50,000	\$159,860	\$209,860
Unalaska	4,366	\$50,000	\$958,724	\$1,008,724
Upper Kalskag	263	\$50,000	\$57,752	\$107,752
Valdez	3,749	\$50,000	\$823,237	\$873,237
Wainwright	531	\$50,000	\$116,602	\$166,602
Wales	152	\$50,000	\$33,377	\$83,377
Wasilla	6,109	\$50,000	\$1,341,466	\$1,391,466
White Mountain	213	\$50,000	\$46,772	\$96,772
Whittier	172	\$50,000	\$37,769	\$87,769
Wrangell	2,023	\$50,000	\$444,228	\$494,228
Yakutat	680	\$50,000	\$149,320	\$199,320
Municipal Sub Totals	637,556	\$8,150,000	\$140,000,000	\$148,150,000

Community Dividend Estimates @ \$150 Million
Distribution Formula: \$50,000 Base Amount for Municipalities
\$25,000 Base Amount for Unincorporated Communities
Balance of Funds Distributed on a Per Capita Basis to Municipalities

	2004 Population	Base Amount	Per Capita Payment	Community Dividend
Unincorporated Communities				
Akiachak		\$25,000		\$25,000
Alatna		\$25,000		\$25,000
Arctic Village		\$25,000		\$25,000
Atmautluak		\$25,000		\$25,000
Beaver		\$25,000		\$25,000
Birch Creek		\$25,000		\$25,000
Chenega Bay		\$25,000		\$25,000
Central		\$25,000		\$25,000
Chalkyitsik		\$25,000		\$25,000
Chistochina		\$25,000		\$25,000
Chitina		\$25,000		\$25,000
Circle		\$25,000		\$25,000
Copper Center		\$25,000		\$25,000
Crooked Creek		\$25,000		\$25,000
Deltana		\$25,000		\$25,000
Dot Lake		\$25,000		\$25,000
Dry Creek		\$25,000		\$25,000
Eagle Village		\$25,000		\$25,000
Edna Bay		\$25,000		\$25,000
Elfin Cove		\$25,000		\$25,000
Evansville		\$25,000		\$25,000
Four Mile Road		\$25,000		\$25,000
Gakona		\$25,000		\$25,000
Glennallen		\$25,000		\$25,000
Goldstream		\$25,000		\$25,000
Gulkana		\$25,000		\$25,000
Healy Lake		\$25,000		\$25,000
Hollis		\$25,000		\$25,000
Hyder		\$25,000		\$25,000
Kasigluk		\$25,000		\$25,000
Kenny Lake		\$25,000		\$25,000
Kipnuk		\$25,000		\$25,000
Klukwan		\$25,000		\$25,000
Koliganek		\$25,000		\$25,000
Kongiganak		\$25,000		\$25,000
Kwigillingok		\$25,000		\$25,000
Lake Minchumina		\$25,000		\$25,000
Lime Village		\$25,000		\$25,000
Manley Hot Springs		\$25,000		\$25,000
McCarthy		\$25,000		\$25,000

Community Dividend Estimates @ \$150 Million
Distribution Formula: \$50,000 Base Amount for Municipalities
\$25,000 Base Amount for Unincorporated Communities
Balance of Funds Distributed on a Per Capita Basis to Municipalities

	2004 Population	Base Amount	Per Capita Payment	Community Dividend
Mentasta		\$25,000		\$25,000
Minto		\$25,000		\$25,000
Naukati		\$25,000		\$25,000
Nelchina/Mendeltna		\$25,000		\$25,000
Newtok		\$25,000		\$25,000
Nikolski		\$25,000		\$25,000
Northway		\$25,000		\$25,000
Oscarville		\$25,000		\$25,000
Paxson		\$25,000		\$25,000
Pitka's Point		\$25,000		\$25,000
Point Baker		\$25,000		\$25,000
Port Protection		\$25,000		\$25,000
Rampart		\$25,000		\$25,000
Red Devil		\$25,000		\$25,000
Silver Springs		\$25,000		\$25,000
Slana		\$25,000		\$25,000
Sleetmute		\$25,000		\$25,000
Stevens Village		\$25,000		\$25,000
Stony River		\$25,000		\$25,000
Takotna		\$25,000		\$25,000
Tanaecross		\$25,000		\$25,000
Tatitlek		\$25,000		\$25,000
Tazlina		\$25,000		\$25,000
Tetlin		\$25,000		\$25,000
Tok		\$25,000		\$25,000
Tolsona		\$25,000		\$25,000
Tuluksak		\$25,000		\$25,000
Tuntutuliak		\$25,000		\$25,000
Tununak		\$25,000		\$25,000
Twin Hills		\$25,000		\$25,000
Venetie		\$25,000		\$25,000
Whale Pass		\$25,000		\$25,000
Whitestone		\$25,000		\$25,000
Wiseman		\$25,000		\$25,000
Unin. Community Sub Totals		\$1,850,000		\$1,850,000
Grand Totals		\$10,000,000	\$140,000,000	\$150,000,000

LEGAL SERVICES

kyr... 2/11/05

DIVISION OF LEGAL AND RESEARCH SERVICES LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

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Juneau, Alaska 99801-1182
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MEMORANDUM

April 6, 2005

SUBJECT: Service areas in second class boroughs (SB 114)

TO: Senator Gary Stevens, Chair
Senate Community and Regional Affairs Committee
Attn: Melanie Lesh

FROM: Tamara Brandt Cook
Director

TOC

You have shared with me a memorandum dated March 9, 2005 from Marjorie Vandor, Assistant Attorney General, expressing concerns over the constitutionality of SB 112 and asked for my opinion. Although the bill could be attacked based on the two points made in the memorandum, it has a reasonably good chance of being upheld.

(1) Exempting only second class boroughs from the majority vote requirement of AS 29.35.450(c) and not home rule boroughs is contrary to the state constitution framers intent to grant home rule municipalities liberal powers. Ms. Vandor cites in support of this position Lien v. City of Ketchikan, 383 P.2d 721 (Alaska 1963). The court in that case simply held that a statute involving lease procedure that preexisted statehood and was adopted before home rule municipalities were established did not apply to home rule municipalities. The court in a later case, Jefferson v. State, 527 P.2d 37 (Alaska 1974), carefully considered the relationship between a statute and home rule powers in the context of Art. X, sec. 11 of the state constitution. The court concluded that the constitution explicitly rejects the test of statewide versus local concern in determining the scope of municipal power. Instead the question is to be resolved based upon whether a particular power or procedure has been prohibited to municipalities by statute. The statutory prohibition must be "either by express terms or by implication such as where the statute and ordinance are so substantially irreconcilable that one cannot be given its substantive effect if the other is to be accorded the weight of law. (Id, at page 43; see also Simpson v. Municipality of Anchorage, 635 P.2d 1197 (Alaska Ct App. 1981) Obviously, SB 114 contains an express limitation on home rule municipalities.

(2) Limiting the exemption to second class boroughs raises concerns as to local and special legislation. Article II, sec. 19 provides in part: "The legislature shall pass no local or special act if a general act can be made applicable. Whether a general act can be made applicable shall be subject to judicial determination."

The test employed by the Alaska Supreme Court under Article II, section 19 is substantially the same as that applied to equal protection analysis. Upon examining the legislative goals and the means used to advance them, the court determines whether the legislation bears a fair and substantial relationship to a legitimate state purpose. State v. Lewis, 559 P.2d 630, 643 (Alaska 1977), cert. denied, 432 US 901 (1977). To satisfy the fair and substantial relationship standard, the classification established by the legislation must be tailored to the purpose of the legislation. The classification must be neither overinclusive nor underinclusive. Isakson v. Rickey, 550 P.2d 350, 362 (Alaska 1976). If the "fair and substantial relationship" standard is met, the bill will not be invalidated because of incidental local or private advantages. Lewis, 559 P.2d at 643. In Lewis, the court agreed that an Act of statewide significance need not have an effect in all parts of the state; legislation does not become "local" merely because it operates only on a limited number of geographical areas rather than on a statewide geographical basis. The Lewis case involved the Cook Inlet land exchange and the court accepted the premise that the application, while only affecting land in Southcentral Alaska, required legislation to be accomplished and was of statewide significance. The court relied heavily on the record developed by the legislature in support of the need for the land exchange and the decision to resolve serious issues surrounding Native land selections under the Alaska Native Claim Settlement Act through legislation authorizing the Cook Inlet land exchange.

In a case where a violation of sec. 19 was found, the court said that legislation establishing the Eagle River Borough was special and peculiar to the locality where the borough was established. Since there was nothing in the nature of the Eagle River-Chugiak area that justified a departure from the general law scheme for the establishment of boroughs, the Act violated sec. 19. Abrams v. State, 534 P.2d 91 (Alaska 1975).

SB 112 does not apply in a purely local or special manner to only one borough or place in the state. Rather, it is of general applicability to all second class boroughs that now exist and, potentially, to second class boroughs that are formed in the future. Many statutes that deal with municipal powers make distinctions between boroughs based on classification. (See for example AS 29.35.160 - 29.35.350) Indeed, Art. X, sec. 3 specifically states: "The legislature shall classify boroughs and prescribe their powers and functions."

TBC:imb

05-110:imb

MEMORANDUM**State of Alaska**

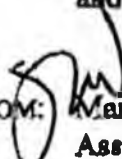
Department of Law

TO: Sally Saddler
Legislative Liaison
Department of Commerce, Community
and Economic Development

DATE: March 9, 2005

OUR FILE:

TELEPHONE NO: 465-3600

FROM:  Marjorie Vander
Assistant Attorney General
Labor & State Affairs Section - Juneau
Department of Law

SUBJECT: Senate Bill¹ 114

On behalf of Commissioner Blatchford, you have asked for our legal opinion as to certain constitutional concerns that have been raised by your department with respect to Senate Bill 114,¹ a bill relating to consolidating or abolishing certain service areas in second class boroughs. The bill amends AS 29.35.450(c), by inserting language that exempts second class boroughs from the requirement that a service area may be abolished or consolidated only if approved by majority vote. The exemption will apply if a second class borough assembly determines that abelishment or consolidation is necessary to protect the finances of the borough, to resolve financial or legal problems of a service area, or to ensure that adequate service is provided to the residents of a service area.

In brief, the concerns that have been raised by the department in earlier legislative committee hearings on a similar bill (HB 121) are:

1. by exempting only second class boroughs from the majority vote requirement of AS 29.35.450(c), and not extending it to home rule boroughs (in particular), is incongruous with article X, section 11 of the Alaska Constitution and contrary to the framers intent to grant home rule municipalities liberal powers; and
2. by limiting the exemption to second class boroughs in AS 29.35.450(c) as proposed in this bill raises concerns as to local and special legislation.

With respect to the first issue, the limitations as to how a borough can abolish or consolidate its service areas per AS 29.35.450(c), limitations imposed on home rule boroughs as well as general law boroughs through AS 29.35.450(d), is arguably contrary

¹ There is an identical bill that was introduced in the House, HB 121.

Sally Saddler

March 9, 2005

Page 2

to the constitutional grant of authority to home rule municipalities to have liberal control over matters purely of local concern. How service areas are established, governed, altered, abolished, and combined are local matters historically dealt with in home rule charters as part of the organic law of a particular home rule municipality. As stated by the Alaska Supreme Court in *Lien v. City of Ketchikan*, 383 P.2d 271 (Alaska 1963) where a home rule municipality is concerned with a matter of purely local concern, the charter and not a legislative act is looked to in order to determine whether a particular power has been conferred upon the municipality. It would be incongruous to recognize the constitutional provision stating that a home rule [city] municipality "may exercise all legislative powers not prohibited by law or by charter" (Alaska Const. art. X, sec. 11), and then to say the power of a home rule city is measured by a legislative act. *Id.* at 723.²

And, with respect to the amendment proposed in this bill, which further impinges on the constitutional authority of home rule boroughs by not providing them with at least as much discretion in altering or consolidating its services areas as being allowed to second class boroughs, could also be deemed by a court to be incongruous with article X, section 5 and the framers' intent to grant home rule boroughs liberal powers.

As to the issue of local and special legislation (i.e., exempting only second class boroughs from the majority vote requirements in certain situations), this limitation may violate the constitutional prohibition against special and local legislation under the Alaska Constitution. Such a specific classification of borough raises issues of whether this provision in the bill violates the prohibition in article II, section 19 of the Alaska Constitution against local and special acts. Article II, section 19 states, in pertinent part:

The legislature shall pass no local or special act if a general act can be made applicable. Whether a general act can be made applicable shall be subject to judicial determination.

There are 16 boroughs in the state. Borough make-up in the state is as follows: three (3) Unified Home Rule boroughs³, six (6) Home Rule boroughs⁴, and seven (7)

² In *Lien*, the issue concerned the leasing of city property. The charter provision allowing the lease of city property was ruled to be controlling over a statute that prohibited the lease because the court found the lease of city property was an issue of local, not statewide, concern. *Id.*

³ Municipality of Anchorage, City and Borough of Juneau, and City and Borough of Sitka.

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Second Class boroughs³. The ultimate question to be asked is whether the legislature's special treatment of one class of borough is "reasonably related to a matter of common interest to the whole state." *Abrams v. State*, 534 P.2d 91, 94 (Alaska 1975) citing *Boucher v. Engstrom*, 528 P.2d 456, 463 (Alaska 1974).⁶

In *State v. Lewis*, 559 P.2d 630 (Alaska 1977), *cert. denied*, 432 U.S. 901 (1977), the court found the statute authorizing a trade of land between the federal government, the state and a Native regional corporation did not violate article II, section 19 of the Alaska Constitution. The court found that the land trade was unique, was of statewide concern, and that the legislation was "as broad as the conditions to which it respond[ed]" could allow. *Lewis*, 559 P.2d at 644. Applying the *Lewis* standards to this bill, it is questionable that there is a rational basis to exempt one class of general law borough from the requirements of a majority vote, while continuing to impose it on other boroughs that may need the exemption for the identical reasons as allowed in this bill (i.e., finances of the borough, etc.). Thus, it is questionable whether providing the exemption to only one class of borough (i.e. second class) is "as broad as the conditions to which it [this bill] responded" could allow.

Finally, under *Lewis*, the legislature must show a rational basis, a good reason, to justify the special treatment.⁷ And, in the end, it will be the province of a court to determine if this proposed statute violates the prohibition against special and local legislation Alaska Const. art. II, sec. 19.

In summary, this bill raises complex policy and legal concerns.

MV/ba

⁴ Denali Borough, Haines Borough, Lake and Peninsula Borough, North Slope Borough, Northwest Arctic Borough, and City and Borough of Yakutat.

⁵ Aleutians East, Bristol Bay, Fairbanks North Star, Kenai Peninsula, Kotchikan Gateway, Kodiak Island, and Matanuska-Susitna.

⁶ In *Abrams*, the statute was found to violate article II, section 19 of the Alaska Constitution because it created a borough in a manner different from that for incorporating other boroughs and no evidence was presented indicating any valid reason for special incorporation procedures applicable only to the one proposed borough.

⁷ In 1978, the court articulated a unified equal protection analysis that utilizes a sliding scale to weigh the interests involved in any classification that avoids distinguishing between suspect and nonsuspect classifications. *State v. Erickson*, 574 P.2d 1 (Alaska 1978). We note that there has not been a case involving the local and special legislation prohibition since the unified equal protection test was adopted in *Erickson*.



DIVISION OF COMMUNITY ADVOCACY

Frank H. Murkowski, Governor

March 8, 2005

The Honorable Paul Seaton, Chair
House State Affairs Committee
Alaska State Capitol
Room 102
Juneau, AK 99801-1182

Dear Representative Seaton:

This is to follow up the House State Affairs Committee meeting of Saturday, March 5, 2005. During the Committee's review of CSHB 121(CRA), several references were made to testimony on the bill provided by Dan Bockhorst of this agency on March 1. A copy of that testimony is attached for your ease of reference.

During the hearing, statements were made that Mr. Bockhorst's analysis of HB 121 with regard to home-rule boroughs was in error and that home-rule boroughs already have the power through charter amendments to abolish service areas.

Upon further review, i believe that Mr. Bockhorst's testimony was accurate and reflected legitimate concerns regarding principles of local government.

If HB 121 takes effect, it will to make it easier for a select group of boroughs (second-class boroughs) to abolish and consolidate certain types of service areas. However, home rule boroughs would not have the same authority. We are basing our opinion on AS 29.35.450(d), which states that the service area provisions apply to a home rule or general law municipality, and AS 29.10.200(46) which lists the limitations on home rule powers. This list includes voter approval of alteration or abolishment of service areas as a limitation.

To my knowledge, it would be the first time that State law imposes greater restrictions on home-rule boroughs compared to some general-law boroughs.

The Honorable Paul Seaton
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While I believe that the testimony previously provided by Mr. Bockhorst, is accurate, we have asked the Department of Law to review our analysis of the matter and provide you with a statement to that effect or to clarify points on which we might have erred. I appreciate the opportunity to clarify concerns raised regarding information this agency has provided.

Sincerely,

DIVISION OF COMMUNITY ADVOCACY



Michael Black
Director

Enclosures: DCCED Testimony of March 1, 2005

cc/enc:

Representative Bill Thomas
Representative Carl Gatto
Representative Jim Elkins
Representative Bob Lynn
Representative Jay Ramras
Representative Berta Gardner
Representative Max Gruenberg
Marjorie Vandor, Assistant Attorney General
Department of Law