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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 13, 2006

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The Honorable Ben Stevens
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Stevens:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to a community dividend program.

This bill would establish the community dividend program, under which several types of grants would be awarded to municipalities for use for specified public services. The bill provides for appropriation for the program from amounts deposited into the Alaska capital income fund, established in AS 37.05.565 by ch. 49, SLA 2005. The Alaska capital income fund is financed by the earnings on *Amerada Hess* settlement deposits to the Alaska Permanent Fund.

The bill provides first for a base grant to municipalities, then for an organizational grant to newly organized boroughs. Any amounts remaining from a fiscal year's appropriation would be distributed on a pro rata basis to municipalities as a supplemental grant.

I urge your prompt and favorable action on this measure.

Sincerely yours,

A handwritten signature in cursive script that reads "Frank H. Murkowski".
Frank H. Murkowski
Governor

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: SB 234
 (S) Publish Date: 1/13/06

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title: Community Dividend/Revenue Sharing RDU: AK Permanent Fund Corporation
 Component: AK Permanent Fund Corporation
 Sponsor: Governor Frank Murkowski
 Requester: _____ Component No. 109

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 bill as drafted would not affect the operations of the Alaska Permanent Fund Corporation. Therefore there is no fiscal impact to the APFC as a result of this bill.

Prepared by: Michael Burns, Executive Director/CEO Phone 907-465-2047
 Division: Alaska Permanent Fund Corporation Date/Time 1/13/2006
 Approved by: _____ Date _____
 Agency: _____

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: SB 234
 (S) Publish Date: 1/13/06

Revision Date/Title (Note if correction): _____ Dept. Affected: Commerce
 Title Community Dividend Program RDU Comm Asst & Econ Dev (405)
 Component State Revenue Sharing
 Sponsor Rules
 Requester By Request of Governor Component No. 689

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	27,600.0	27,600.0	27,600.0	27,600.0	27,600.0	27,600.0
Miscellaneous						
TOTAL OPERATING	27,600.0	27,600.0	27,600.0	27,600.0	27,600.0	27,600.0

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						
1197 AK Cap Inc	27,600.0	27,600.0	27,600.0	27,600.0	27,600.0	27,600.0
TOTAL	27,600.0	27,600.0	27,600.0	27,600.0	27,600.0	27,600.0

Estimate of any current year (FY2006) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time	0	0	0	0	0	0
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation funds an annual community dividend program from earnings of the Alaska capital income fund (AS 37.05 565). The Alaska Permanent Fund Corporation has estimated a mid-case statutory return from the fund of 6.5% on \$424 million, or \$27.6 million, per year in projected realized income. The projected annual income may vary significantly due to fluctuations in the market.

The first \$10 million appropriated to the program is allocated to boroughs and cities using graduated base grants ranging from \$25,000 to \$50,000 with the remaining balance distributed on a per capita basis. After making the \$10 million distribution, the department shall distribute organizational grants to organized boroughs at \$1 million per year for each of the borough's first two years and \$500,000 for the borough's third year. After paying the organizational grants, any remaining amount shall be distributed on a per capita basis to organized boroughs based on their areawide populations. The division anticipates implementing and administering the program with existing staff.

Prepared by: Michael Black, Director Phone 907.269.4578
 Division: Community Advocacy Date/Time 1/12/06 1:07 PM
 Approved by: William C. Noll, Commissioner Date 1/12/2006
 Agency: Commerce, Community, and Economic Development



DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT
Office of the Commissioner

Frank H. Markowski, Governor
William C. Noll, Commissioner

January 19, 2006

The Honorable Gene Therriault
Chair, State Affairs Committee
Alaska State Senate
State Capitol, Room 119
Juneau, AK 99801-1182

Re: SB 234 – Community Dividend Program

Dear Senator Therriault:

Senate Bill 234 has been introduced at the request of the Governor. This bill would fund an annual community dividend program from earnings of the Alaska Capital Income Fund (AS 37.05.565). SB 234 has received referrals to the Senate committees of State Affairs and Finance.

We respectfully request that you schedule this bill for a hearing in the Senate State Affairs Committee, and we urge favorable action on this bill. I have enclosed a copy of the Governor's transmittal letter, the bill, and the fiscal notes for this legislation.

We will be happy to meet with you and other members of the committee to provide any further information you may require. Thank you for considering our request.

Sincerely,

William C. Noll
Commissioner

**Alaska Department of Commerce
Recap of Community Dividend/Revenue Sharing/Admin Borough Bills**

Bill #	Sponsor(s)	BASIS Title	Description	Fund Source	Minimum	RO/CF/ES	Estimated Cost	Benefits
SB 38	Elton	MODIFICATION OF OIL SEVERANCE TAX	Increases oil production tax, distributes half of new revenue to communities under existing State Revenue Sharing Program statutes.	GF (new taxes)	\$25 0 to cities and boroughs	—	—	RES. FIN
SB 219	Wilken	COMMUNITY DIVIDEND PROGRAM	\$70 per capita to municipalities and unincorporated communities. Municipalities that operate schools would receive \$100 per capita. No minimum allocation	33% PF Earnings Reserve, 33% Am Hess 33% CBR (balance > \$1 billion);	None	\$70 per capita to municipalities and unincorporated communities. Municipalities that operate schools would receive \$100 per capita.	\$63 million	CRA, FIN
SB 246	Senate CRA by request of Advisory Commission on Local Government	APPROP TO REVENUE SHARING FUND	Appropriates \$28 million from AM Hess to Municipal Fund	AM Hess	\$300 0 for a unified municipality, \$150 0 for other boroughs, \$75 0 to each city and Metlakatla, \$25 0 to each unincorporated community (about 75 communities per DCCED)	Any balance distributed per capita	\$28 million	CRA, FIN
SB 247	Senate CRA by request of Advisory Commission on Local Government	REVENUE SHARING PROGRAM	Base grant \$300 0 for each unified municipality; \$150 0 for each borough that is not a unified municipality, \$75 0 for each city \$25 0 for each unincorporated community Balance distributed to municipalities on per capita basis	AM Hess	\$300 0 for a unified municipality, \$150 0 for other boroughs, \$75 0 to each city and Metlakatla, \$25 0 to each unincorporated community (about 75 communities per DCCED)	Any balance distributed per capita	\$28 million	CRA, FIN
SB 248	Senate CRA by request of Advisory Commission on Local Government	ADMINISTRATIVE BOROUGH AND NEW BOROUGH GRANTS	Admin Borough Organizational Grants \$250 0 yrs 1, 2 and 3 Other Borough Organizational Grants \$300 0 yr 1, \$200 0 yr 2, \$100 0 yr 3 New Borough Grants If land grant > 15,000 acres then \$12.5 M. If land grant < 15,000 acres then \$15M	GF	—	—	—	CRA, FIN

**Alaska Department of Commerce
Recap of Community Dividend/Revenue Sharing/Admin Borough Bills**

Bill #	Sponsor(s)	BASIS TITLE	Description	Fund Source	Minimum	Per Capita	Estimated Annual Cost	Comments
HB 28	Moses	MUNICIPAL DIVIDEND PROGRAM	Provides \$250 per capita with a minimum of \$40.0 per community	PF earnings after PFD's and inflation-proofing	\$40.0 per city or borough	\$250 per capita	\$160 million	CRA, STA, FIN
HB 36	Kapsner, Gara, Gultenberg, Croft	APPROP. MUNI REVENUE SHARING/SAFE COMM.	Distributed under existing State Revenue Sharing and Safe Communities Program statutes	GF	\$40.0 per city or borough, approx \$7.0 to each unincorporated community	About \$34 per capita under Safe Communities Program	\$58.9 million	CRA, FIN
HB 49	Rokeberg, Elkins	MUNICIPAL AID GRANTS	Provides \$50.0 per municipality \$3.5 per unincorporated community	GF	\$50.0 per city or borough, \$3.5 to each unincorporated community	None	\$8.3 million	CRA, FIN
HB 144	Thomas	ADVISORY VOTE ON COMMUNITY DIVIDEND	Advisory vote on using PF earnings for revenue sharing	PF earnings after PFD's and inflation-proofing	\$50.0 per city or borough, \$25.0 to each unincorporated community	About \$219 per capita	\$150 million	STA, FIN
HB 289	Gara	LOCAL TAX RELIEF & MUNI ASSISTANCE FUND	Appropriates 2005 oil tax change revenue to Local property tax and municipal assistance fund. Distributed under existing SRS/SC Program statutes	GF	\$40.0 per city or borough, approx \$10.0 to each unincorporated community	About \$57 per capita under Safe Communities Program	\$100 million	CRA, FIN/ CRA, FIN
SB 191	Ellis, French							
HB 330	Gardner, Gara, Gruenberg, Elkins, Ellis	MUNICIPAL ASSISTANCE/LOCAL TAX RELIEF	Appropriates \$60 million annually to the local property tax and municipal assistance fund if oil > \$30 bbl. Formula to increase if oil > \$30 bbl. Distributed under existing SRS/SC Program statutes	GF	\$40.0 per city or borough, approx \$7.0 to each unincorporated community	About \$34 per capita under Safe Communities Program	\$60 million minimum	W&M, CRA, FIN/ CRA, FIN
SB 217								
HB 351	Crawford	MUNICIPAL ENDOWMENT PROGRAM	Provides \$50.0 per municipality plus a per capita distribution \$25.0 per unincorporated community	Municipal endowment fund (see HB 352 and SB 227)	\$50.0 per city or borough, \$25.0 to each unincorporated community	About \$55 per capita	6.0% of fund distributed (projected \$45 million)	CRA, FIN/ CRA, FIN
SB 226	Eillon							
HB 352	Crawford	APPROPRIATIONS MUNICIPAL ENDOWMENT FUND	Establishes Municipal endowment fund and capitalizes it with \$750 million	GF Surplus	—	—	—	CRA, FIN/ CRA, FIN
SB 227	Eillon							
HB 371	Governor	COMMUNITY DIVIDEND PROGRAM	\$50.0 for borough, municipalities 500 or more = \$40.0, 250-500 = \$35.0, 100-249 = \$30.0, 100 or less = \$25.0. Next priority is organizational grants (\$1M yrs 1 & 2 \$0.5M yr 3). Balance is distributed per capita to boroughs.	AM Hess	\$50.0 for borough municipalities with a population of 500 or more = \$40.0, 250-500 = \$35.0, 100-249 = \$30.0, 100 or less = \$25.0	Any balance distributed per capita	Base program \$10 million. Average of \$27.6 million distributed.	CRA, FIN/ STA, FIN
SB 234								
HB 398	Moses	STATE MINERAL RESOURCE REV (MUNICIPAL AID)	Establishes State Minerals Lease Assistance Fund to offset effects of exploration or location activity on municipalities	GF	—	—	Approx \$1.994 million	CRA, FIN
HB 401	Berkowitz	REVENUE SHARING ENDOWMENT FUND	Establishes Revenue Sharing Endowment fund capitalized with 25% ongoing share of designated mineral revenues that would otherwise be GF	GF (FY 05 \$138 million)	Formula is traditional municipal revenue sharing and safe communities program statutes	—	5.0% of fund value (\$6.9 million on \$138 million)	W&M, RES, FIN

SB 234 Community Dividend Program
\$10 Million Base Payments to Cities and Boroughs With
\$16.6 Million Supplemental Borough Payments
(Distribution Assumes One New Borough Incorporation Grant at \$1 Million)

Municipalities	2004 Population	Graduated Base Amounts	Per Capita Distribution	First Stage Distribution	Borough Areawide Population	Borough Supplemental Distribution	Total Community Dividend Payment
Adak	69	\$25,000	\$445	\$25,445			\$25,445
Akiok	56	\$25,000	\$361	\$25,361			\$25,361
Akiak	367	\$35,000	\$2,368	\$37,368			\$37,368
Akutan	771	\$40,000	\$4,975	\$44,975			\$44,975
Alakanuk	667	\$40,000	\$4,304	\$44,304			\$44,304
Aleknagik	219	\$30,000	\$1,413	\$31,413			\$31,413
Aleutians East Borough	76	\$50,000	\$490	\$50,490	2,629	\$75,980	\$126,471
Allakaket	90	\$25,000	\$581	\$25,581			\$25,581
Ambler	274	\$35,000	\$1,768	\$36,768			\$36,768
Anaktuvuk Pass	300	\$35,000	\$1,936	\$36,936			\$36,936
Anchorage	277,498	\$50,000	\$1,790,646	\$1,840,646	277,498	\$8,019,936	\$9,860,582
Anderson	546	\$40,000	\$3,523	\$43,523			\$43,523
Angoon	481	\$35,000	\$3,104	\$38,104			\$38,104
Aniak	532	\$40,000	\$3,433	\$43,433			\$43,433
Anvik	101	\$30,000	\$652	\$30,652			\$30,652
Atka	92	\$25,000	\$594	\$25,594			\$25,594
Atkasuk	247	\$30,000	\$1,594	\$31,594			\$31,594
Barrow	4,351	\$40,000	\$28,076	\$68,076			\$68,076
Bethel	5,888	\$40,000	\$37,994	\$77,994			\$77,994
Bettles	31	\$25,000	\$200	\$25,200			\$25,200
Brevig Mission	319	\$35,000	\$2,058	\$37,058			\$37,058
Bristol Bay Borough	1,096	\$50,000	\$7,072	\$57,072	1,096	\$31,675	\$88,748
Buckland	437	\$35,000	\$2,820	\$37,820			\$37,820
Chefornak	439	\$35,000	\$2,833	\$37,833			\$37,833
Chevak	899	\$40,000	\$5,801	\$45,801			\$45,801
Chignik	92	\$25,000	\$594	\$25,594			\$25,594
Chuathbaluk	105	\$30,000	\$678	\$30,678			\$30,678
Clark's Point	62	\$25,000	\$400	\$25,400			\$25,400
Coffman Cove	177	\$30,000	\$1,142	\$31,142			\$31,142
Cold Bay	89	\$25,000	\$574	\$25,574			\$25,574
Cordova	2,298	\$40,000	\$14,829	\$54,829			\$54,829
Crag	1,127	\$40,000	\$7,272	\$47,272			\$47,272
Deering	145	\$30,000	\$936	\$30,936			\$30,936
Delta Junction	984	\$40,000	\$6,350	\$46,350			\$46,350
Denali Borough	1,296	\$50,000	\$8,363	\$58,363	1,842	\$53,235	\$111,598
Dillingham	2,422	\$40,000	\$15,629	\$55,629			\$55,629
Diomede	141	\$30,000	\$910	\$30,910			\$30,910
Eagle	115	\$30,000	\$742	\$30,742			\$30,742
Eek	292	\$35,000	\$1,884	\$36,884			\$36,884
Egegik	76	\$25,000	\$490	\$25,490			\$25,490
Elkwok	127	\$30,000	\$820	\$30,820			\$30,820
Elm	318	\$35,000	\$2,052	\$37,052			\$37,052
Emmonak	762	\$40,000	\$4,917	\$44,917			\$44,917
Fairbanks	29,954	\$40,000	\$193,288	\$233,288			\$233,288
Fairbanks North Star Borough	53,493	\$50,000	\$345,181	\$395,181	84,979	\$2,455,968	\$2,851,149
False Pass	62	\$25,000	\$400	\$25,400			\$25,400
Fort Yukon	594	\$40,000	\$3,833	\$43,833			\$43,833
Galena	717	\$40,000	\$4,627	\$44,627			\$44,627
Gambell	648	\$40,000	\$4,181	\$44,181			\$44,181
Golovin	160	\$30,000	\$1,032	\$31,032			\$31,032
Goodnews Bay	236	\$30,000	\$1,523	\$31,523			\$31,523
Grayling	182	\$30,000	\$1,171	\$31,174			\$31,174
Gustavus	473	\$35,000	\$3,052	\$38,052			\$38,052
Haines Borough	2,245	\$50,000	\$14,487	\$64,487	2,245	\$64,882	\$129,369
Holy Cross	206	\$30,000	\$1,329	\$31,329			\$31,329
Homer	5,332	\$40,000	\$34,406	\$74,406			\$74,406
Hoonah	841	\$40,000	\$5,427	\$45,427			\$45,427

SB 234 Community Dividend Program
\$10 Million Base Payments to Cities and Boroughs With
\$16.6 Million Supplemental Borough Payments
(Distribution Assumes One New Borough Incorporation Grant at \$1 Million)

Municipalities	2004 Population	Graduated Base Amounts	Per Capita Distribution	First Stage Distribution	Borough Areawide Population	Borough Supplemental Distribution	Total Community Dividend Payment
Hooper Bay	1,124	\$40,000	\$7,253	\$47,253			\$47,253
Houston	1,368	\$40,000	\$8,827	\$48,827			\$48,827
Hughes	72	\$25,000	\$465	\$25,465			\$25,465
Huslia	269	\$35,000	\$1,736	\$36,736			\$36,736
Hydaburg	349	\$35,000	\$2,252	\$37,252			\$37,252
Juneau	30,966	\$50,000	\$199,818	\$249,818	30,966	\$894,945	\$1,144,763
Kachemak	475	\$35,000	\$3,065	\$38,065			\$38,065
Kake	663	\$40,000	\$4,278	\$44,278			\$44,278
Kaktovik	284	\$35,000	\$1,833	\$36,833			\$36,833
Kaltag	211	\$30,000	\$1,362	\$31,362			\$31,362
Kasaan	60	\$25,000	\$387	\$25,387			\$25,387
Kenai	6,809	\$40,000	\$43,937	\$83,937			\$83,937
Kenai Peninsula Borough	31,794	\$50,000	\$205,161	\$255,161	50,980	\$1,473,367	\$1,728,528
Ketchikan	7,691	\$40,000	\$49,629	\$89,629			\$89,629
Ketchikan Gateway Borough	4,948	\$50,000	\$31,929	\$81,929	13,030	\$376,578	\$458,507
Kiana	394	\$35,000	\$2,542	\$37,542			\$37,542
King Cove	723	\$40,000	\$4,665	\$44,665			\$44,665
Kivalina	388	\$35,000	\$2,504	\$37,504			\$37,504
Klawock	848	\$40,000	\$5,472	\$45,472			\$45,472
Kobuk	128	\$30,000	\$826	\$30,826			\$30,826
Kodiak	6,199	\$40,000	\$40,001	\$80,001			\$80,001
Kodiak Island Borough	6,494	\$50,000	\$41,905	\$91,905	13,466	\$389,179	\$481,084
Kotlik	588	\$40,000	\$3,794	\$43,794			\$43,794
Kotzebue	3,130	\$40,000	\$20,197	\$60,197			\$60,197
Koyuk	348	\$35,000	\$2,246	\$37,246			\$37,246
Koyukuk	109	\$30,000	\$703	\$30,703			\$30,703
Kupreanof	38	\$25,000	\$245	\$25,245			\$25,245
Kwethluk	695	\$40,000	\$4,485	\$44,485			\$44,485
Lake & Peninsula Borough	882	\$50,000	\$5,691	\$55,691	1,603	\$46,328	\$102,020
Larsen Bay	96	\$25,000	\$619	\$25,619			\$25,619
Lower Kalskag	262	\$35,000	\$1,691	\$36,691			\$36,691
Manokotak	437	\$35,000	\$2,820	\$37,820			\$37,820
Marshall	358	\$35,000	\$2,310	\$37,310			\$37,310
Matanuska-Susitna Borough	57,474	\$50,000	\$370,870	\$420,870	70,148	\$2,027,339	\$2,448,209
McGrath	367	\$35,000	\$2,368	\$37,368			\$37,368
Mekoryuk	198	\$30,000	\$1,278	\$31,278			\$31,278
Metlakatla	1,370	\$40,000	\$8,840	\$48,840			\$48,840
Mountain Village	769	\$40,000	\$4,962	\$44,962			\$44,962
Napakriak	360	\$35,000	\$2,323	\$37,323			\$37,323
Napaskiak	436	\$35,000	\$2,813	\$37,813			\$37,813
Nenana	549	\$40,000	\$3,543	\$43,543			\$43,543
New Stuyahok	477	\$35,000	\$3,078	\$38,078			\$38,078
Newhalen	183	\$30,000	\$1,181	\$31,181			\$31,181
Nightmute	232	\$30,000	\$1,497	\$31,497			\$31,497
Nikolai	121	\$30,000	\$781	\$30,781			\$30,781
Nome	3,473	\$40,000	\$22,411	\$62,411			\$62,411
Nondalton	205	\$30,000	\$1,323	\$31,323			\$31,323
Noorvik	609	\$40,000	\$3,930	\$43,930			\$43,930
North Pole	1,532	\$40,000	\$9,886	\$49,886			\$49,886
North Slope Borough	235	\$50,000	\$1,516	\$51,516	7,104	\$205,312	\$256,828
Northwest Arctic Borough	708	\$50,000	\$4,569	\$54,569	7,306	\$211,150	\$265,718
Nuiqsut	430	\$35,000	\$2,775	\$37,775			\$37,775
Nulato	320	\$35,000	\$2,065	\$37,065			\$37,065
Nunam Iqua	204	\$30,000	\$1,316	\$31,316			\$31,316
Nunapitchuk	527	\$40,000	\$3,401	\$43,401			\$43,401
Old Harbor	196	\$30,000	\$1,265	\$31,265			\$31,265
Ouzinkie	187	\$30,000	\$1,207	\$31,207			\$31,207

SB 234 Community Dividend Program
\$10 Million Base Payments to Cities and Boroughs With
\$16.5 Million Supplemental Borough Payments
(Distribution Assumes One New Borough Incorporation Grant at \$1 Million)

Municipalities	2004 Population	Graduated Base Amounts	Per Capita Distribution	First Stage Distribution	Borough Areawide Population	Borough Supplemental Distribution	Total Community Dividend Payment
Palmer	5,197	\$40,000	\$33,535	\$73,535			\$73,535
Pelican	118	\$30,000	\$761	\$30,761			\$30,761
Petersburg	3,123	\$40,000	\$20,152	\$60,152			\$60,152
Pilot Point	75	\$25,000	\$484	\$25,484			\$25,484
Pilot Station	559	\$40,000	\$3,607	\$43,607			\$43,607
Platinum	39	\$25,000	\$252	\$25,252			\$25,252
Point Hope	726	\$40,000	\$4,685	\$44,685			\$44,685
Port Alexander	69	\$25,000	\$445	\$25,445			\$25,445
Port Heiden	90	\$25,000	\$581	\$25,581			\$25,581
Port Lions	238	\$30,000	\$1,536	\$31,536			\$31,536
Quinhagak	612	\$40,000	\$3,949	\$43,949			\$43,949
Ruby	190	\$30,000	\$1,226	\$31,226			\$31,226
Russian Mission	331	\$35,000	\$2,136	\$37,136			\$37,136
Saint George	137	\$30,000	\$884	\$30,884			\$30,884
Saint Mary's	539	\$40,000	\$3,478	\$43,478			\$43,478
Saint Michael	409	\$35,000	\$2,639	\$37,639			\$37,639
Saint Paul	494	\$35,000	\$3,188	\$38,188			\$38,188
Sand Point	908	\$40,000	\$5,859	\$45,859			\$45,859
Savoonga	710	\$40,000	\$4,582	\$44,582			\$44,582
Saxman	391	\$35,000	\$2,523	\$37,523			\$37,523
Seammon Bay	486	\$35,000	\$3,136	\$38,136			\$38,136
Selawik	829	\$40,000	\$5,349	\$45,349			\$45,349
Seldovia	263	\$35,000	\$1,697	\$36,697			\$36,697
Seward	2,540	\$40,000	\$16,390	\$56,390			\$56,390
Shageluk	132	\$30,000	\$852	\$30,852			\$30,852
Shaktolik	209	\$30,000	\$1,349	\$31,349			\$31,349
Shushmaref	591	\$40,000	\$3,814	\$43,814			\$43,814
Shungnak	264	\$35,000	\$1	\$36,704			\$36,704
Sitka	8,805	\$50,000	\$56,817	\$106,817	8,805	\$254,472	\$361,289
Skagway	870	\$40,000	\$5,614	\$45,614			\$45,614
Soldotna	3,767	\$40,000	\$24,308	\$64,308			\$64,308
Stebbins	586	\$40,000	\$3,781	\$43,781			\$43,781
Tanana	304	\$35,000	\$1,962	\$36,962			\$36,962
Teller	241	\$30,000	\$1,555	\$31,555			\$31,555
Tenakee Springs	105	\$30,000	\$678	\$30,678			\$30,678
Thorne Bay	497	\$35,000	\$3,207	\$38,207			\$38,207
Togiak	805	\$40,000	\$5,195	\$45,195			\$45,195
Toksook Bay	561	\$40,000	\$3,620	\$43,620			\$43,620
Unalakleet	728	\$40,000	\$4,698	\$44,698			\$44,698
Unalaska	4,366	\$40,000	\$28,173	\$68,173			\$68,173
Upper Kalskag	263	\$35,000	\$1,697	\$36,697			\$36,697
Valdez	4,454	\$40,000	\$28,741	\$68,741			\$68,741
Wainwright	531	\$40,000	\$3,426	\$43,426			\$43,426
Wales	152	\$30,000	\$981	\$30,981			\$30,981
Wasilla	6,109	\$40,000	\$39,420	\$79,420			\$79,420
White Mountain	213	\$30,000	\$1,374	\$31,374			\$31,374
Whittier	172	\$30,000	\$1,110	\$31,110			\$31,110
Wrangell	2,023	\$40,000	\$13,054	\$53,054			\$53,054
Yakutat	680	\$50,000	\$4,388	\$54,388	680	\$19,653	\$74,041
Totals	638,480	\$5,880,000	\$4,120,000	\$10,000,000	574,377	\$16,600,000	\$26,600,000

***Governor Murkowski's Proposed
Community Dividend Program
HB371/SB 234***

SUSTAINABILITY

The Community Dividend Program is funded with a reliable and sustainable source - the estimated \$27.6 million in annual earnings of the "Alaska Capital Income Fund".

BASE GRANTS TO ALL CITIES AND BOROUGHS

\$10 million annually distributed to all cities and boroughs:

- Cities with less than 100 residents receive \$25,000
- Cities with 100 to 249 residents receive \$30,000
- Cities with 250 to 500 residents receive \$35,000
- Cities with more than 500 residents receive \$40,000
- Boroughs receive \$50,000
- Balance of funds distributed on a per capita basis

FINANCIAL INCENTIVES FOR BOROUGH ORGANIZATION

Increased incorporation grants for areas that organize into boroughs:

- Year one \$1 million
- Year two \$1 million
- Year three \$500,000

SUPPLEMENTAL GRANTS TO ORGANIZED BOROUGHS

Remaining balance (approximately \$16.6 million) distributed to organized boroughs on a per capita basis.

ACCOUNTABILITY

Community Dividend payments may only be used for essential public services like public safety; infrastructure maintenance; education; and fuel.



Fairbanks North Star Borough

Office of the Mayor

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Fairbanks, Alaska 99707-1267

907/459-1300

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April 4, 2006

Dear Interior Delegation:

Thank you for your serious consideration of a municipal dividend program for Alaskan communities. Through this letter, I add my voice to the others that you have heard urging support for this action.

The reduction, and subsequent elimination, of past assistance programs have made it more and more difficult for municipalities to provide vital community services while holding down property taxes. The burden on property taxpayers in the Fairbanks North Star Borough and other urban communities has risen as state assistance has diminished.

Protecting the property taxpayer from unnecessary and unwarranted increases in property tax levels has been a cornerstone of my administration at the Borough. I can state unequivocally that significant municipal assistance or revenue sharing from the legislature will result in further reductions in local property taxes.

Other communities have analyzed the impact pending legislation would have on their local communities. Attached is a comparable analysis for the Fairbanks North Star Borough. As you can see, the impact on the taxpayers of the Fairbanks community will be substantial.

Again, I appreciate the hard work you have done on this topic. I support your efforts and will assist in any way that I can.

Sincerely,

Jim Whitaker, Mayor

/bs-csm

Enclosure

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: SB 234
 (S) Publish Date: 1/13/06

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Community Dividend/Revenue Sharing RDU AK Permanent Fund Corporation
 Component AK Permanent Fund Corporation
 Sponsor Governor Frank Murkowski
 Requester _____ Component No. 109

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						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

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 bill as drafted would not affect the operations of the Alaska Permanent Fund Corporation. Therefore there is no fiscal impact to the APFC as a result of this bill.

Prepared by: Michael Burns, Executive Director/CEO Phone 907-465-2047
 Division Alaska Permanent Fund Corporation Date/Time 1/13/2006
 Approved by: _____ Date _____
 Agency _____

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: SB 234
(S) Publish Date: 1/13/06

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
Title: Community Dividend Program RDU: Comm Asst & Econ Dev (405)
Component: State Revenue Sharing
Sponsor: Rules
Requester: By Request of Governor Component No: 689

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	27,600.0	27,600.0	27,600.0	27,600.0	27,600.0	27,600.0
Miscellaneous						
TOTAL OPERATING	27,600.0	27,600.0	27,600.0	27,600.0	27,600.0	27,600.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1197 AK Cap Inc	27,600.0	27,600.0	27,600.0	27,600.0	27,600.0	27,600.0
TOTAL	27,600.0	27,600.0	27,600.0	27,600.0	27,600.0	27,600.0

Estimate of any current year (FY2006) cost: 00

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time	0	0	0	0	0	0
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary.)

This legislation funds an annual community dividend program from earnings of the Alaska capital income fund (AS 37.05.565). The Alaska Permanent Fund Corporation has estimated a mid-case statutory return from the fund of 6.5% on \$424 million, or \$27.6 million, per year in projected realized income. The projected annual income may vary significantly due to fluctuations in the market.

The first \$10 million appropriated to the program is allocated to boroughs and cities using graduated base grants ranging from \$25,000 to \$50,000 with the remaining balance distributed on a per capita basis. After making the \$10 million distribution, the department shall distribute organizational grants to organized boroughs at \$1 million per year for each of the borough's first two years and \$500,000 for the borough's third year. After paying the organizational grants, any remaining amount shall be distributed on a per capita basis to organized boroughs based on their areawide populations. The division anticipates implementing and administering the program with existing staff.

Prepared by: Michael Black, Director
Division: Community Advocacy
Approved by: William C. Noll, Commissioner
Agency: Commerce, Community, and Economic Development

Phone: 907 269 4578
Date/Time: 1/12/06 1:07 PM
Date: 1/12/2006

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Memorandum

To: Senator Gene Therriault, Chairman
Senate State Affairs Committee

From: Mark Hickey, Lake & Peninsula Borough Lobbyist

Date: April 11, 2006

Subject: Community Dividend Program - Unincorporated Communities Within Boroughs

There are a number of proposals pending to implement a new community dividend or revenue sharing program for municipalities. Some proposals provide a minimum level of funding for unincorporated communities; others do not. On behalf of the Lake & Peninsula Borough (LPB), I wanted to alert you to a concern that **some proposals unfairly discriminate against organized boroughs and would have the unfortunate result of working as a disincentive for new borough formation.**

Many of the more rural boroughs have numerous communities that are unincorporated. LPB has 10 such communities based on the definition currently in state law. Other boroughs in a similar situation include the Aleutians East Borough, the Denali Borough, the Bristol Bay Borough, the Kodiak Island Borough and the Matanuska-Susitna Borough. In our case, these communities are typically Native villages that provide similar services to municipalities, including fire protection, emergency medical, water and sewer, road maintenance and public health. These services are normally managed through a traditional village council, which is often less costly than establishing a municipality and reflects the preference of local residents.

As an example, **CSSB 247 (CRA) requires a payment of \$25,000 to each unincorporated community not in a borough. As a home rule municipality, LPB would receive an annual payment of \$150,000 to help pay for borough services. LPB has six municipalities that would receive assistance, but our unincorporated communities essentially receive nothing. If the LPB dissolved, our municipalities would still receive funds, but our unincorporated communities would now qualify for \$25,000 each, or a total of \$250,000.** This provision works to discriminate against areas that have voluntarily elected to organize, which is contrary to the state's goal to encourage regional incorporation. It is interesting to note that the Local Boundary Commission also identified this arrangement as a defect in past municipal assistance programs and recommended fixing the problem to remove this disincentive to borough incorporation.

Any solution to help unincorporated communities within an organized borough cannot rely on the current definition in state law (See AS 29.60.140(b)). This definition only includes unincorporated communities within the unorganized borough.

Solutions

- The easiest solution would be to increase the base amount for boroughs. This increase should be sufficient to ensure there is not an unintended consequence making it more attractive to not organize.
- An alternative would be to pay a minimum amount to unincorporated communities providing certain services (e.g., fire protection; emergency medical; water and sewer; solid waste management; road maintenance; public health; or search & rescue services). Communities would have to demonstrate they are providing at least some of these services (say two or three of the total). DCCED could develop a list of specific communities that would qualify. This approach was adopted in the House Finance version of the community dividend bill in 2002. I've attached a copy of that bill.

Summary

Addressing this issue in a particular community dividend proposal needs to be tailored to match the structure contained in that particular bill. For example, the introduced version of SB 234 does not provide funds to any unincorporated communities.

In general, LPB recommends the following two guiding principles:

1. Ensure unincorporated communities within an organized borough are treated in the same fashion as unincorporated communities in the unorganized borough. Another way to approach this question is to make sure that the area within an organized borough would receive at least the same amount of funding if it had not elected to incorporate.
2. Ensure any per capita sharing deducts the population of these communities before determining a borough's share. It is not our intent to double count this population.

Please call if you have questions.

Attachment

cc. Jeff Currier, LPB Borough Manager