

LEG. FINANCE - BILLS

1977 - 1978

1005

SCR 14 thru SJR 16

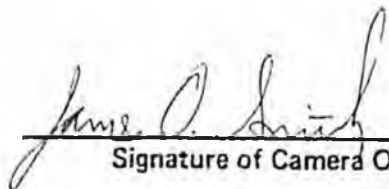
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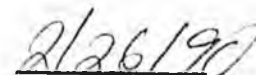


# RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

  
\_\_\_\_\_  
Signature of Camera Operator

  
\_\_\_\_\_  
Date

COMMITTEE REPORT  
SENATE

3/25/77

May 5, 1977 Date

Mr. President:

The Committee on Finance has had SCR 14 annulling regulation requiring builder of hospital or health facility to apply for under consideration. A majority of the members of the Committee state re-venue sharing funds

- recommends it do pass
- recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for \_\_\_\_\_ and that CS for \_\_\_\_\_ do pass
- (and) recommends it be referred to the \_\_\_\_\_ committee
- reports it back without recommendation
- AND attaches a report of its intent
- (other) Submittal Recommendation

MEMBERS SIGNING THE MAJORITY REPORT:

<u>John Sackett</u>	<u>Do</u>	<u>William Do Pass</u>
<u>John</u>	<u>no rec</u>	<u>John</u>
<u>Charles</u>	<u>No Rec</u>	<u>John</u>
<u>Tom</u>	<u>No Rec</u>	<u>John</u>

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

\_\_\_\_\_ recommends: \_\_\_\_\_

\_\_\_\_\_ recommends: \_\_\_\_\_

\_\_\_\_\_ recommends: \_\_\_\_\_

John Sackett  
Chairman

Introduced: 2/8/77  
Referred: Community & Regional  
Affairs and Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY REQUEST

2

SENATE CONCURRENT RESOLUTION NO. 14

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

TENTH LEGISLATURE - FIRST SESSION

5

Annuling a regulation requiring the

6

builder of a hospital or health facility

7

to apply through a city for state revenue-

8

sharing funds.

9 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10

WHEREAS under AS 44.62.320 the legislature may annul administrative

11

regulations of a department by concurrent resolution adopted by a vote of

12

both houses; and

13

WHEREAS the legislature, in making state revenue sharing available for

14

health facility construction under AS 43.18.010(j), provided that the funds

15

be payable to the local government or other facility sponsor; and

16

WHEREAS the Department of Community and Regional affairs has adopted

17

regulations which limit the definition of "other facility sponsors" to

18

builders of health facilities located outside the corporate limits of a muni-

19

cipality, thereby making local governments the only eligible applicants for

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revenue-sharing funds for health facilities located inside the corporate

21

limits of a municipality; and

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WHEREAS the legislature by the enactment of AS 43.18.010(j) did not

23

intend that nongovernmental sponsors of health facilities located in munici-

24

palities be required to apply for revenue-sharing funds through their local

25

government; and

26

WHEREAS such a requirement is unnecessary and time-consuming;

27

BE IT RESOLVED by the Alaska State Legislature that administrative regu-

28

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*Where no muni. avail.*

MEMORANDUM

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TO: Senator John Sackett  
Chairman, Senate Finance Committee

FROM: *JC* Judy Crondahl, Administrative Assistant

DATE: April 20, 1977

RE: SENATE CONCURRENT RESOLUTIONS 13 & 14  
(Municipal Services Revenue Sharing - Lake Otis)

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This memo is meant to supply some background information on the Fiscal Year 1977 regulations pertaining to Municipal Services Revenue Sharing and Senate Concurrent Resolutions 13 and 14, particularly as they relate to the Lake Otis Project.

SCR 13 would annul the regulation limiting Revenue Sharing allowable costs for hospital and health facility construction to allowable costs authorized under federal Hill-Burton standards.

First of all, the question of how the adoption of this regulation changed past practice needs to be addressed. 19 AAC 30.020(9) lists the following as one of the minimum standards:

(c) project or construction costs shall be those contracted costs that are eligible for financial participation under the Hill-Burton Construction Program for construction of new buildings, including, but not limited to, the expansion, replacement and modernization of existing buildings and initial equipment of any such buildings, including architect and consulting fees, but not including the cost of land acquisition and off-site improvements;

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SCR 13 & 14  
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The Hill-Burton allowable cost limitation was not a change from past practice. The Department of Health and Social Services had used this method of determining total project costs in the past, and an Attorney General's Opinion dated August 28, 1972,<sup>1</sup> validates that qualification. This Opinion concludes,

. . . it is within the scope of your administrative discretion to utilize the guidelines promulgated by the Department of Health, Education and Welfare in defining the term 'total project cost' of eligible medical facilities under the provisions of AS 43.18.010(j).

According to the Department of Health & Social Services, no municipality or other facility sponsor has received funds in excess of Hill-Burton allowable costs, although at least one municipality, Soldotna, has applied and been rejected.

According to the August 28, 1972, Attorney General's Opinion, "To read the term 'total project costs' as used in AS 43.18.010(j) literally would mean allowing all costs even if lavish, wasteful or illegal." One of the non-allowable costs is finance charges, and according to an audit performed by

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<sup>1</sup> For a complete copy of the Opinion, see Attachment No. 1.

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the State Internal Auditor, the Lake Otis Project has claimed over \$960,000 financing expenses based upon loans of \$900,000.<sup>1</sup> This would seem to call the fiscal viability of the project into question.

Since there also seems to be some question as to whether the project's auditors of record, Peat, Marwick, Mitchell & Co., have truly been involved in auditing the project, I would strongly advise that if SCR 13 and SCR 14 are brought up before the committee that Dr. Beirne be instructed to bring in PMM & Co. to testify under oath, as he has suggested.<sup>2</sup>

SCR 14 would annul the regulations pertaining to definitions of "other facility sponsor" and "applicant." These definitions limit "other facility sponsor" to public or non-profit corporations located outside the corporate limits of a municipality; and "applicant" to any municipality or other facility sponsor.

This is only a small part of the regulations adopted by the Department in 1976. Prior to that time the total section

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<sup>1</sup> State of Alaska, Department of Administration, State Internal Auditor; Report on Examination, Department of Community & Regional Affairs, State Revenue Sharing, Lake Otis Hospital, #2, page 2.

<sup>2</sup> Reference letter from Dr. Mike Beirne to Senator Joseph Orsini, Attachment No. 2.

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defining eligibility read as follows:

19 AAC 30.020. ELIGIBILITY. Eligibility for receipt of state aid to local governments provided by AS 43.18.010 - 43.18.050 shall be predicated upon the possession and exercise of a power set out in those statutory provisions by a unit of local government or volunteer fire department located in the unorganized borough. (Eff. 7/8/73, Register 47) Authority: AS 43.18.040; 44.47.050(14); 44.47.160.

This was replaced by a section dealing with each category of Revenue Sharing and establishing criteria for eligibility.<sup>1</sup>

Impetus for establishing regulations was given to the Department of Community & Regional Affairs by the passage of SB 474, Chapter 208, SLA 1976. This bill amended Sec. 43.18.040 to read:

Sec. 43.18.040. REGULATIONS. The Department of Community and Regional Affairs shall adopt regulations necessary to carry out the purposes of secs. 10 - 99 of this chapter. The regulations shall include minimum standards required to qualify a municipality for grants for each service and provisions for a performance report adequate to demonstrate to the department that each service for which credit was allowed was actually performed by the municipality, at least at the prescribed minimum level.

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<sup>1</sup> For complete details reference Attachment No. 3.

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The underlined portion was added by SB 474. From this it can be inferred that there was a very strong legislative mandate for regulations establishing minimum standards beyond those already being implemented. The Department followed this mandate and as a result, several communities did not receive Municipal Services Revenue Sharing funds for which they would previously have been eligible. Among these are: Manokotoh, Napakiak, Old Harbor, Kivalina, Kotzebue, Savoonga, Whittier, Hughes, Emmonak, White Mountain, and St. George Island. Clearly, these regulations did not have a singularly negative effect on just one individual.

Perhaps the real question here is whether the Department stepped outside its proper bounds in drawing up these regulations. In addition to the clear mandate provided by Chapter 208, SLA 1976 to establish minimum standards, there was another bill introduced by the Community and Regional Affairs Committee by request of the Interim Committee on Shared Revenues with Municipalities.<sup>1</sup>

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<sup>1</sup> For a complete report of that Committee and a copy of its proposed legislation, refer to Attachment No. 4.

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As stated on page 5 of the report to Senator Genie Chance from Representative Mike Miller, Chairman of the Interim Committee,

. . . in the area of health, a paragraph specifies that no hospital or health facility shall be eligible for revenue sharing unless the facility has received a Certificate of Need from a municipality or the State.

Clearly, the intent of this phrase was to give to the municipality over-all planning authority for health facilities and hospitals.

This bill was introduced as HB 539 and although this phrase was deleted in the Committee Substitute which was passed out of the House Community and Regional Affairs Committee<sup>1</sup> it was replaced by a definition of "other facility sponsor."

(3) 'other facility sponsor' means a public or nonprofit corporation located outside a municipality which owns or operates, or both, a hospital or health facility.

This bill received a unanimous do pass recommendation from the Community and Regional Affairs Committee. Lacking stated legislative intent to the contrary, it was reasonable for the

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<sup>1</sup> Reference Attachment No. 5.

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Department to assume that the intent of the Legislative Interim Committee on Shared Revenues with Municipalities and the House Community and Regional Affairs Committee should be included in the regulations. The definition adopted by the Department is as follows:

(D) other facility sponsor shall refer to a public or non-profit corporation which owns or operates, or both, a hospital or health facility which is located outside the corporate limits of a municipality.

It is interesting to note that other public or non-profit corporations owning and operating hospitals within the Anchorage and Fairbanks municipalities have always applied for and receive Revenue Sharing construction funds through the municipality. The Lake Otis Project is the only exception.

If SCR 13 and 14 are passed and those regulations are rescinded, the fiscal and planning impact could be serious. I have asked the Department of Community and Regional Affairs to prepare a fiscal note estimating the costs of these resolutions. The loss to a municipality of being able to plan and implement a comprehensive program of health services through hospitals and health facilities may be harder to calculate.



as used in AS 43.18.010(j) literally would mean allowing all costs even if lavish, wasteful or illegal. Since clearly that could not have been what was intended when the legislature enacted this section, your department has the implied duty to allow only those costs which are in line with the statutory purpose of this section. In this case, since no statutory guidelines are set out, you have broad discretion to define the meaning of such terms in accordance with the statutory purpose. Naturally then, these rules of the Department of Health, Education and Welfare, interpreting 42 USCA 201 et seq., may be used to assist you in defining the meaning of these statutory terms. In this case, however even more evidence of the legislature's intention in passing AS 43.18.010(j) can be seen by looking at similar state grants for other purposes.

AS 43.18.100 granting aid for school construction goes into great detail to specifically provide for the meaning of "costs of school construction." AS 43.18.100(f)(2). Since no mention of these items is made in AS 43.18.010(j) it is reasonable to assume that they were not intended to be included in the computation of "total cost" under that section and this is the general effect of following the Federal regulations.

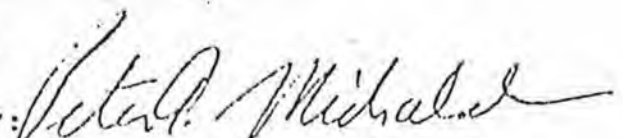
Similarly in AS 43.18.300 providing grants for the construction of Community Facilities, express allowance is made for the cost of "feasibility studies". This term is unnecessary if "cost of construction" were to be read literally. Again, since no similar language is included in AS 43.18.010(j) it can be assumed that these costs were also not to be included.

Finally, in AS 46.03.030(b) providing funds for the cost of water systems, it is provided that the amount received is computed on the basis of those costs "not borne by the federal government". In this case, the regulations you are relying on in effect specifies those costs which will not be borne by the federal government. If it were the legislature's intention in passing AS 43.18.010(j) to pick up those costs not borne by the federal government, it would have added a similar phrase to that in AS 46.03.030(b), particularly as these two sections were before the legislature during the same session and were passed within a few days of one another.

In conclusion, it is within the scope of your administrative discretion to utilize the guidelines promulgated by the Department of Health, Education and Welfare in defining the term "total project cost" of eligible medical facilities under the provisions of AS 43.18.010(j).

Very truly yours,

JOHN E. HAVELOCK  
ATTORNEY GENERAL

By: 

Peter A. Michalski  
Assistant Attorney General



(Blue)

Attachment # 2

ALASKA STATE LEGISLATURE - HOUSE OF REPRESENTATIVES

III SESSION:

POUGH V  
JUNEAU, ALASKA 99811  
TELEPHONE: (907) 465-4948

SUITE 203  
207 EAST NORTHERN LIGHTS BLVD.  
ANCHORAGE, ALASKA 99503  
TELEPHONE: (907) 277-6219

REP. M. F. "MIKE" DEIRNE  
DISTRICT 7, ANCHORAGE

MEMBER OF:  
FIFTH STATE LEGISLATURE  
NINTH STATE LEGISLATURE  
TENTH STATE LEGISLATURE

COMMITTEES:  
HEALTH  
EDUCATION AND  
SOCIAL SERVICES  
FINANCE SUB-COMMITTEE  
ON TRANSPORTATION

March 21, 1977

Senator Joseph Orsini, Chairman  
Senate Community & Regional Affairs Committee  
Room 101, Assembly Building  
Juneau, Alaska

Re: Senate Concurrent Resolutions 13 and 14

Dear Senator Orsini:

The purpose of this brief letter is to clarify some issues raised at the committee meeting on Tuesday, March 15. There was much discussion regarding related matters, but the question before the committee only concerns the legality of the regulations. I believe it is obvious that the regulations do change the law. If the Department wishes to change the intent of the law, it should come to the Legislature for that.

1. The Department of Community and Regional Affairs expressed confusion as to whether or not the 1975 application for grant funds was made through the Municipality or directly to the Department. This was the application that resulted in the payment of grant funds in the amount of \$312,000.00.

CLARIFICATION:

A. This application was made directly to the Department under the law and the funds were paid by the Department directly to the Hospital Corporation.

B. At that time, the Borough Mayor was Jack Roderick, and he advised me in his office that if the Department sent the grant funds through the Borough,

that he would not cooperate, and that he would not transfer the funds to the Hospital. Therefore, the application was made directly.

C. This is a good example of local political interference with the orderly process of law, and is precisely why the legislature, in its wisdom, gave the local health facility the right to apply directly. Borough Mayor Jack Roderick acted improperly and contrary to the law.

D. The Department researched the project at that time and determined that by law the Hospital Corporation was indeed entitled to apply and receive grant funds directly from the State. Therefore, their new regulation attempts to frustrate the intent of the law.

2. Mr. McCarter, Departmental Division Director of Revenue Sharing, volunteered the information that there were no funds now being held for the hospital.

There is a letter of encumbrance in the Department files showing that in December of 1976, \$200,000 was encumbered by the Department pending review of the question. To the best of my knowledge, these funds are still encumbered. They rightfully belong to the Hospital Corporation.

3. Mr. McCarter also noted that the audit showed no checks for some expenses claimed. That is only a nasty half-truth and I resent it.

Some expenses claimed include telephone, rent, secretarial services, etc., all routine and ordinary expenses which were paid out of other accounts since the Hospital had very limited funds of its own.

But all the major expenses, much more than sufficient to satisfy the matching fund requirements, were paid from the hospital checking account, and they were double signature checks with one signature being that of an officer of the California company which was assisting us on the project at that time.

Further, the books and records of the corporation are perfectly clean and clear. The accountants from Feat, Marwick, Mitchell & Co. have always been the accountants and auditors of record for the hospital corporation, since inception, and I am sure under oath would testify to the records.

4. The Department expressed lack of knowledge as regards the Fairbanks and Soldotna hospital projects and their cost accounting records. This is ridiculous.

The administrator of the Soldotna hospital, at the time of receipt of State grant funds in 1972, told me personally of that project history and application. All costs were included and were accepted by the Department. No questions

.. Senator Joseph Orsini, Chairman

March 21, 1977

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were asked. The Department knows this, but it is just being coy. If they don't, or won't, produce the records, I think it speaks for itself.

5. Testimony clearly showed, I believe, that the regulations were developed by the Department solely to apply to this hospital project. I believe that they are not only unfair and improper but that they are illegal as well. The Department's efforts to make these regulations apply two years retroactively are further evidence of the personalized character of the attack against me.

Prompt action on the part of the committee would indeed be appreciated.

Very truly yours,

Dr. Mike Beirne  
State Representative

NB:js

19 AAC 30.020. STANDARDS FOR PAYMENTS OF ENTITLEMENTS UNDER AS 43.18 AND THIS CHAPTER. Applicants for payments under AS 43.18.010 - 045 will demonstrate to the department that they are qualified for payments in the following categories of service for which they have power and exercise the power with a minimum level of financial support:

(1) POLICE PROTECTION: An applicant is eligible for payment if the following minimum standards are met:

(A) the applicant must provide police protection with one or more police officers on duty or on call at all times;

(B) a police officer must be at least 19 years of age and must not have been convicted by a court of a crime which is classified as a felony in this state within the past 10 years;

(C) an applicant will not be eligible to receive revenue sharing funds unless a police officer within 12 months after his appointment has satisfactorily completed a basic course in police training approved by the Department of Public Safety. The commissioner may grant an extension of time for the completion of the basic program by a police officer upon presentation of evidence by the municipality that a police officer is unable to complete the basic program within 12 months of his appointment due to illness, injury, family emergency, military service or special duty assignment. An extension may also be made when the commissioner determines that it would be in the public interest.

(D) notwithstanding the provisions of (A) and (B) of this section, the commissioner may waive the requirements set forth in paragraph (C) on presentation of evidence by the municipality and acceptance of the evidence by the Police Standards Council that a police officer is otherwise qualified based on work experience, education, or training;

(E) recognition of the applicant by the Police Standards Council as a "participating police department" is evidence of eligibility under this section.

(2) FIRE PROTECTION:

(A) a municipal applicant is eligible for payment if it provides fire protection. Fire protection includes, but is not limited to, fire protection provided by a volunteer fire department which is currently registered with the state fire marshal and which has official recognition and financial support from the municipality in which it is located;

(B) a volunteer fire department located outside a municipality is eligible if it meets the following criteria:

(i) it is currently registered with the state fire marshal;  
and

(ii) minimum financial support as defined in 19 AAC 30.020(10) is provided; and

(iii) unexpended funds are dedicated irrevocably for the operation and maintenance of fire protection services;

(C) organizational grants shall be made on the same basis to facilitate the organization of a volunteer fire department in an area not in a municipality upon application of the proposed fire protection group to the state fire

marshal and approval of an application according to standards of organization and service prescribed by regulations promulgated by the state fire marshal, and upon submitting an application for state aid to the department.

(3) AIR OR WATER POLLUTION CONTROL. An applicant is eligible for payment under this category if it meets either of the following minimum standards:

(A) the municipality is engaged in a comprehensive study of an air pollution control program or implementing an air pollution control program, or

(B) the municipality has a sanitary sewage treatment facility and sewage disposal system which is in compliance with state law or the sewage treatment facility is under construction and will meet state requirements;

(4) LAND USE PLANNING: An applicant is eligible for payment if the following minimum standards are met:

(A) the municipality shall be in the process of preparing or updating a comprehensive land use plan or be implementing a comprehensive land use plan through exercise of platting or zoning powers; and

(B) if a municipality has a population over 12,000 persons, the municipality, to qualify for aid under this paragraph, shall employ a staff planner charged with the primary responsibility for land use planning and plan implementation; or

(C) if the municipality has a population fewer than 12,000 persons, the municipality shall qualify for aid under this paragraph by availing itself of planning assistance through one of the following:

(i) a staff planner charged with the primary responsibility of land use planning and plan implementation or a planning commission engaged in the preparation or implementation of a comprehensive land use plan; or

(ii) an annual contract with a recognized planning firm to provide land use planning and plan implementation on a consulting basis with a work program outline approved by the Department of Community and Regional Affairs; or

(iii) participation in the state's continuing planning advisory service program of the Department of Community and Regional Affairs through assistance in the preparation or implementation of a comprehensive planning program.

(5) PARKS AND RECREATION: An applicant is eligible for payment if one or more of the following minimum standards are met:

(A) a municipality must provide a park or recreational facility available to the public; or

(B) the municipality provides a recreational program on a regular and continuing basis available to the public; or

(6) TRANSPORTATION FACILITIES: an applicant is eligible for payment under this category if it operates one or more of the following facilities:

(A) a small boat harbor which provides deep water shelter, either natural or artificial, on the coast of a sea, lake, river or other body of water; or

(B) a port or dock which has the capability of receiving cargo from and discharging cargo to commercial vessels; or

(C) an airport for the convenience of private and commercial aircraft. Excluded are: airports exclusively operated and maintained by a federal or state agency or by a private party, airports maintained on a seasonal basis, and natural landing strips; or

(D) a transit system for the transportation of people in accordance with established tariffs by rail and monorail, or buses specifically designed and constructed to accommodate the general public; or

(7) ROAD MAINTENANCE: An applicant is eligible for payment under these categories if one or both of the following minimum standards are met:

(A) a public road, street or highway maintained by an applicant must be dedicated to public use by licensed automotive equipment; specifically excluded are roads, streets or highways maintained by a federal or state agency or maintained by the applicant pursuant to an agreement with a federal or state agency;

(B) an ice road maintained by an applicant must connect two or more inhabited areas and be used by licensed automotive equipment; or

(8) HEALTH FACILITIES AND HOSPITALS: An applicant is eligible for payment under these categories if one or more of the following minimum standards are met:

(A) Municipal Health Services: an applicant shall have and exercise the health power and have within its boundaries a qualifying hospital under (B) or (C) of this section;

(B) Municipal Hospitals: an applicant must have and exercise the power to provide hospital facilities and services. Payment shall be based on the number of beds actually set up for patient care limited to the number of beds licensed as of July 1 of the entitlement year by the Department of Health

and Social Services and provided for in the current construction design of the hospital. Funds received under this subparagraph may be used only for hospitals and shall be apportioned among qualifying hospitals as the applicant determines;

(C) Non-profit Hospitals: an applicant shall certify to the department before June 30 of the entitlement year that the hospital is in compliance with all standards for hospitals which have been adopted by the applicant. Payments to the applicant shall be transferred immediately to the hospital in accord with the basis by which the entitlement was generated by the hospital and shall be applied to the annual cost of operation and maintenance of the hospital or for the provision of health care service at the hospital as the directors of the hospital determine;

(D) to be eligible under (B) or (C) of this section, the hospital must be licensed as a general hospital by the Department of Health and Social Services; hospitals wholly operated or wholly supported by a federal or state agency are ineligible under (B) and (C) of this section,

(E) Health Facilities: an applicant must have and exercise the power of health service. Payment shall be based on the number of beds set up for patient care, or payment shall be made per health facility as the applicant determines;

(F) to be eligible under (E) of this section, a health facility shall be a public health center, maternity home, community mental health center, facility for the mentally or physically handicapped, nursing home, or convalescent center which is licensed, when required, by the state under AS 18.20.010 - 18.20.130 or if licensing is not required, approved by the department, and is owned or operated by an applicant or by a non-profit corporation or other non-profit sponsor. Facilities wholly operated or wholly supported by a federal or state agency are ineligible;

(G) financial eligibility for hospitals and health facilities and health services shall be based on the financial support provided by the applicant and excludes those services that are actually provided or wholly funded by a federal or state agency. Any unexpended entitlement received shall be dedicated irrevocably for the service, operation, or maintenance of the health facility or health service;

(H) funds received by a municipality under (A) or (E) of this section shall be used for expenses of health services or operation and maintenance of facilities as the applicant determines;

(9) CONSTRUCTION AID: an applicant is eligible for payment if the following minimum standards are met:

(A) if construction of a hospital or health facility began after January 1, 1968 and state matching aid for construction approved for payment to the municipality or other facility sponsor constitutes less than 25 percent of the total project cost, the state shall pay to the municipality or other facility sponsor each fiscal year a sum equal to \$2,500 a bed for the maximum number of beds provided for in the construction design of the hospital or health facility. State aid provided for in this section shall continue until the municipality or other facility sponsor has received an amount which, combined with state matching money for construction of the hospital or health facility, equals 25 percent of the total project cost. No funds received for construction shall be used for any other purpose;

(B) state matching aid for construction means any construction aid program administered by the Department of Health and Social Services;

(C) project or construction costs shall be those contracted costs that are eligible for financial participation under the Hill-Burton Construction Program for construction of new buildings, including, but not limited to, the expansion, replacement and modernization of existing buildings and initial equipment of any such buildings, including architect and consultant fees, but not including the cost of land acquisition and off-site improvements;

(D) other facility sponsor shall refer to a public or non-profit corporation which owns or operates, or both, a hospital or health facility which is located outside the corporate limits of a municipality;

(10) FINANCIAL BASIS FOR ELIGIBILITY: (a) A determination that a service was provided or a power was exercised shall be based on the financial support provided during an applicant's fiscal year containing July 1, 1976. Subsequently, the financial support shall be determined from the applicant's previous fiscal year containing July 1 of the previous entitlement period.

(b) Financial support is defined as a minimum cash disbursement of not less than 20 percent of the amount received for a category of service funded during the previous fiscal year, or in the case of a newly acquired power, a budget appropriation not less than 20 percent of the amount to be received for the eligible category of service.

Authority: AS 43.18.010  
43.18.040  
44.47.050 (14)  
44.47.160

Attachment #4

December 8, 1975

Senator Genie Chance  
310 "K" Street  
Suite 701  
Anchorage, Alaska 99501

Dear Senator Chance:

I am pleased to enclose with this letter two pieces of proposed legislation which represent the recommendations of this interim committee in the area of shared revenues with municipalities. The proposed legislation is the product of a number of meetings of the committee in the months since the adjournment of the legislature plus two public hearings. One of these public hearings was held in conjunction with the October convention of the Alaska Federation of Natives, in order to receive bush community viewpoints. The other hearing was held in conjunction with the October conference of the Alaska Municipal League. In addition, suggestions and constructive criticism were requested by mail and received from a wide variety of cities and communities throughout the State of Alaska.

It was considered crucial, since revenue sharing has been created solely for the purpose of assisting municipalities in the funding of needed local services, that the final product of the committee take maximum note of the views and suggestions of the various municipalities across the state. The enclosed bill represents what the committee considers to be the most beneficial and most feasible of those suggestions.

Perhaps some review might be in order concerning the need for revision of the current shared revenue program. Although the program in concept currently enjoys the unanimous and enthusiastic support of every municipality in the state, the following were considered deficiencies which new legislation could correct.

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MEMBER, RULES COMMITTEE  
MEMBER, COMMITTEE ON COMMITTEES

First, it was felt that a "foundation" approach might be useful in the field of revenue sharing--"foundation" approach meaning a formula with a foundation amount similar in concept to that utilized in the school foundation statutes. The beauty of such an approach is that whenever a legislature wishes to raise the foundation amount (to recognize increases in the cost of doing business) it is necessary merely to amend one word in the statutes. Absent the foundation approach it is necessary, whenever you wish to recognize the increase in the cost of doing business, to go into the statutes and revise the per capita dollar figure for each of the various categories in which shared revenue assistance is given to municipalities. This is both cumbersome and, in practice, inequitable. Some categories tend to get raised, others do not and the system can easily get out of balance.

It was felt, too, that the amount of shared revenues being designated for small communities was much too small. It was recognized that the present purely per capita approach just did not offer the very small communities enough money to assist in any meaningful way in meeting the obligations of local government. It was recognized that whether a second class city had 25 residents, or 75 residents, or 125 residents there was nonetheless an irreducible minimum cost of doing business, and that that minimum was just as great for very small villages as it was for medium sized second class cities. It was, therefore, considered desirable that a minimum grant base be established for these communities and it was further considered desirable that the base amount agreed upon be as generous as possible in order that the benefits of government on the local level be economically feasible for the communities.

Another deficiency in the current statutes was the lack of the requirement for standards and criteria by which the Department of Community and Regional Affairs could determine whether communities were actually entitled to shared revenues in the various categories under which they were seeking aid. This deficiency has long been recognized by the Department of Community and Regional Affairs and has been recognized additionally by the Legislative Budget and Audit staff. This is not to say that the shared revenue monies allotted to the communities should be required to be spent in the categories designated--far from it. It was and still is the consensus of the committee and of the municipalities that local discretion should continue in the spending of shared revenue receipts. It was felt, however, that in order to receive shared revenue monies in, for example the fire department category it should be demonstrated that the community can meet minimum standards in that category.

Finally, there was a question projected by some communities as to whether the use of categories in sharing state revenues was even appropriate. It was thought perhaps more appropriate simply to allocate available dollars to the municipalities and let each local government establish its own priorities without regard to existing municipal services.

In order to correct these deficiencies the committee drafted three alternate pieces of legislation for consideration by the committee and the municipalities of Alaska. With considerable--and greatly appreciated--assistance from the University of Alaska/Anchorage, we were able to develop extensive data showing the practical results (i.e., the dollars to be received) for each community in the state under the various alternatives. We developed similar data based on proposed legislation already in the house (legislation which, incidentally, had been previously endorsed by the Alaska Municipal League) and also on a simple per capita allocation of funds to municipalities. Four of these five total alternative were specifically noncategorical in approach. All of the alternatives and all of the data were presented to delegates of the Alaska Federation of Natives Convention and delegates to the Alaska Municipal League Conference. In addition, this material was mailed to virtually every municipality, large and small, in the state with requests for evaluations and suggestions.

I think it would be fair to say that prior to the hearings and meetings there was a strong feeling among the larger communities, in particular, that revenue sharing should be based on tax effort. The feeling was that those who tax themselves the most should receive the most additional state aid. This was the principle thrust of the existing proposed legislation which the Alaska Municipal League had previously endorsed. The committee recognized this concept in two of the alternatives they proposed, but built in additional factors including the availability of tax resources plus tax effort in relation to those resources. Interestingly, when all the facts--in the form of state-wide computerized reports--were laid before the communities a very noticeable modification of opinion became apparent during the hearings and in countless conversations afterward. Committee members noted a discernible reluctance on the part of communities, large and small, to terminate the categorical approach. What was needed, several elected officials indicated, was a bill, which more or less continued the "tried and true" categorical approach, in the present revenue sharing system but which also incorporated the "foundation approach".

Basically, then, this is the bill which the interim subcommittee has proposed:

First, the bill does create a municipal "foundation approach" to revenue sharing. It does so by allocating varying numbers of units to various categories of municipal services and then multiplying those units times population, and then multiplying this product times a "foundation" base figure. For this bill the committee established a foundation base at \$1.00. In future years if the cost of doing business goes up, for instance 11%, the legislature may, if it chooses, raise the foundation amount by simply changing the figure \$1.00 to \$1.11.

In establishing categories and establishing unit values within each category, the committee did indeed stick by the "tried and true" categories of past years. Police protection, for instance, which in previous years earned communities shared revenue at the rate of \$12.00 per capita will earn units within the foundation formula at the rate of 12 units. Fire protection is 7.5 units (as opposed to \$7.50 per capita under the present system). Additional ingredients include air or water pollution control (2 units), land use planning (2 units), parks and recreation (5 units). Two important changes have been made in the categorical designations. Under present law a community can receive \$5.00 per capita for operating either a small boat harbor/ port or for operating mass transit or for operating an airport. In the proposed bill 5 units can be accumulated in each of these categories. The second important difference is the addition of solid waste disposal as a new category, which in the proposed bill will be valued at 2 units.

The proposed legislation establishes a \$25,000 minimum grant for municipalities whose low per capita standing would otherwise earn them only small amounts of revenue. The committee felt the \$25,000 figure was a generous but nonetheless fair amount. It was interesting to note that at neither public hearing was there any criticism of this amount. At one meeting of the committee, a single individual did observe that he thought the figure was pretty high for the very smallest communities. He did not, however, seek to have the committee change the amount.

Additional features of the bill include the following:

Special start-up grants have been established in various categories for municipalities who do not currently offer such services as police protection, fire protection, air

and water pollution control, land use planning, parks and recreation, small boat harbors/ports, air ports or mass transit systems. The Department of Community and Regional Affairs is specifically charged with creating minimum standards of service in the various categories for which municipalities can receive revenue sharing. Revenue sharing for hospitals remains virtually the same as under current law except that responsibility for administering this section is transferred to the Department of Health and Social Services. Additionally, in the area of health, a paragraph specifies that no hospital or health facility shall be eligible for revenue sharing unless the facility has received a Certificate of Need from a municipality or the state. This paragraph anticipates that "Certificate of Need" legislation will be passed in this session of the legislature. Another interim committee is studying the whole broad area of health facilities so this section may undergo substantial modification when that interim committee completes its deliberations. Shared revenues for road maintenance remains virtually the same as current law. A very important feature of the new legislation is that if a new second class city is created in an organized borough after passage of this law, the city would not be eligible for the \$25,000 minimum grant. This feature is designed to preclude small gatherings of 25 people or more from incorporating simply to take advantage of the \$25,000 revenue sharing opportunity. Finally, a very important feature of the proposed legislation is the clause which guarantees each municipality that it will not receive less money than it is receiving under the current statutes.

There, of course, are many additional features to the legislation, but this summary covers most of the major changes.

As noted earlier, the committee is submitting two bills for introduction and for consideration by the legislature. One is quite large and comprehensive and is described in the report above. The other bill consists of only one paragraph and this paragraph constitutes one of the many provisions of the larger bill.

The provision, drafted at the request of the Department of Community and Regional Affairs, simply mandates that the department create minimum standards and criteria to qualify municipalities for grants in each category of shared revenue. If the major bill should run into difficulties and if passage does not seem assured, then it is recommended that the legislature consider and enact the oneparagraph small piece of "clean-up" legislation.

December 8, 1975  
Senator Genie Chance  
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The fiscal impact of the legislation will be to raise the state shared revenue allocation from a current level of about \$15 million to a level of approximately \$20 million--if the bill is fully funded. The raise, of course, comes from creating the \$25,000 minimum grants to small cities, from creating a new category (solid waste) and from separating the now-combined port/harbor-airport-mass transit category into three separate categories.

This report would not be complete without making special acknowledgement of the work of the several individuals and agencies. The committee is extremely appreciative of the hours of work, both during committee sessions and out of session, by Dr. Garth Jones and P. J. Hill, both of the University of Alaska/Anchorage. The vast volume of computerized data that both Dr. Jones and Mr. Hill provided was crucial in the final deliberations and directions of the committee.

Similarly, we would like to give a special thanks to Mr. Rich Wilson and Mr. Sam Coxson, both of the City of Anchorage who helped in obtaining and analyzing the data, and who attended most of the sessions and hearings of the committee and contributed greatly to the deliberations. We are indebted as well to the Alaska Federation of Natives who made time available for us during the annual AFN convention in Anchorage, and the Alaska Municipal League who similarly made time available during its annual conference in that same city. The League, as well, was most helpful to the committee in circularizing its membership and alerting municipalities of Alaska to the work of the committee. Finally, I would like to acknowledge the fine work of the staff of the Legislative Affairs Agency, and Bill Berrier in particular, plus the membership of the interim committee. Interest was lively, suggestions were broad and imaginative and attitudes were positive throughout the course of the committee's deliberations. It has been a pleasure to chair this committee and of course all of us on the committee stand ready to answer any questions which you or other members of the legislature might have concerning the recommended legislation. Thank you for your own fine support of the committee.

Sincerely,



Mike Miller, Chairman, Interim  
Committee on Shared Revenues  
with Municipalities

MM:smh

Enclosures

BY THE COMMUNITY AND REGIONAL AFFAIRS  
COMMITTEE BY REQUEST OF THE LEGISLA-  
TIVE COUNCIL INTERIM COMMITTEE ON  
SHARED REVENUE WITH MUNICIPALITIES

1 IN THE HOUSE

2 HOUSE BILL NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to municipal revenue sharing; and pro-  
7 viding for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 § Section 1. AS 43 is amended by adding a new chapter to read:

10 CHAPTER 17. MUNICIPAL REVENUE SHARING.

11 Sec. 43.17.010. CONSTRUCTION AND IMPLEMENTATION OF CHAPTER. (a)

12 This chapter may not be construed so as to create a debt of the state.

13 (b) The special municipal services account is established. Funds  
14 to carry out the provisions of this chapter may be appropriated  
15 annually by the legislature to the account. If amounts in the account  
16 are insufficient for the purpose of each local government's share  
17 authorized under this chapter, such funds as are available shall be  
18 distributed pro rata among eligible local governments.

19 (c) Money in the special municipal services account which, at the  
20 end of the fiscal year for which the money is appropriated, exceeds  
21 the amount required for the allocations authorized in this chapter re-  
22 verts to the general fund.

23 Sec. 43.17.020. MINIMUM GRANTS TO MUNICIPALITIES. (a) A  
24 municipality may, in lieu of obtaining revenue sharing money as pro-  
25 vided in this chapter, obtain instead a minimum grant of \$25,000.

26 (b) In addition to the minimum grant, a municipality which assumes  
27 a new service listed below and has elected to receive the minimum  
28 grant provided for in (a) of this section shall receive a grant as set  
29 out in (1) - (8) of this subsection for the first year it provides the

1 new service and, for the next four years receive respectively 80 per  
2 cent, 60 per cent, 40 per cent and 20 per cent of that amount. A grant  
3 received under this subsection must be expended on the service which gave  
4 rise to the grant entitlement. The services and the amount per capita  
5 grant are:

- 6 (1) police protection, \$75
- 7 (2) fire protection, \$25
- 8 (3) air or water pollution control, \$10
- 9 (4) land use planning, \$10
- 10 (5) parks and recreation, \$25
- 11 (6) small boat harbor or port, \$25
- 12 (7) airport, \$25
- 13 (8) mass transit system, \$25.

14 (c) For purposes of computing the grant under this section, the  
15 population figure for a municipality having less than 250 people shall  
16 be 250; the population figure for a municipality having 250 - 500 shall  
17 be 500; and the population figure for a municipality having more than  
18 500 people shall be the actual population recorded to the next highest  
19 even hundred.

20 (d) The department shall issue regulations regarding procedures  
21 and time limits for making an election under this section.

22 Sec. 43.17.030. BASIC GRANTS TO MUNICIPALITIES. (a) The amount  
23 of revenue sharing for which each municipality which does not elect to  
24 receive instead of the grant as provided for under sec. 20 of this  
25 chapter shall be calculated: as a result of  $B \times F$  where

26 (1) B is the base revenue sharing amount of \$1 times the  
27 service units for each service performed by the municipality established  
28 as follows:

29 (A) police protection 12 units

1	(B) fire protection	7.5 units
2	(C) air or water pollution control	2 units
3	(D) land use planning	2 units
4	(E) parks and recreation	5 units
5	(F) small boat harbor or port	5 units
6	(G) mass transit	5 units
7	(H) airport	5 units
8	(I) solid waste disposal	2 units

9 (2) P is the population of the municipality rounded up to the  
10 nearest 500.

11 (b) If a municipality contains areas having differential rates of  
12 taxation, the entitlement shall be calculated for areawide services and  
13 for each area separately and totaled to reach the entitlement of the  
14 municipality. Revenue sharing money for which the entitlement is based  
15 upon areawide services may be used for areawide purposes only, and  
16 revenue sharing money for which the entitlement is based upon service  
17 area services may be used for that service area only.

18 Sec. 43.17.040. HEALTH FACILITIES AND HOSPITALS. (a) During  
19 each fiscal year the state shall make payments as follows:

20 (1) \$1,000 per hospital bed to organized boroughs having  
21 health powers for each hospital bed actually used for patient care,  
22 limited to the number of beds provided for in the construction design  
23 of the hospital, or \$50,000 per hospital for those hospitals with 10  
24 or more beds or \$20,000 per hospital for those hospitals with less  
25 than 10 beds as the local government may determine;

26 (2) \$1,000 per hospital bed to each hospital located outside  
27 an organized borough having health powers for each hospital bed  
28 actually used for patient care, limited to the number of beds provided  
29 for in the construction design of the hospital, or \$50,000 for those

1 hospitals with 10 or more beds or \$20,000 per hospital for those  
2 hospitals with less than 10 beds, as the hospital may determine;

3 (3) \$1,000 per bed to an organized borough or city outside  
4 an organized borough in which a health facility is operated for each  
5 bed actually used for patient care, limited to the number of beds  
6 provided for in the construction design of the health facility, or  
7 \$4,000 per health facility as the local government may determine;

8 (4) funds received by a local government under (1), (2) or  
9 (3) of this subsection shall be used for expenses of operation, main-  
10 tenance, or health services or facilities, as the local government  
11 or hospital outside a municipality determines;

12 (5) before funds may be distributed under this subsection,  
13 the commissioner of health and social services shall certify to the  
14 distributing agency that any accumulation of assets by nonprofit  
15 corporations or other recipients under this subsection are dedicated  
16 irrevocably to a public purpose.

17 (b) If construction of a facility began after January 1, 1968,  
18 a bond issued by a surety company licensed to do business in the state  
19 in a form and amount determined by the department to be adequate to  
20 assure completion of the project has been furnished the department,  
21 and state matching aid for construction approved for payment to the  
22 local government or other facility sponsor constitutes less than 25  
23 per cent of the total project cost, the state shall pay to the local  
24 government or other facility sponsor each fiscal year a sum equal to  
25 \$2,500 a bed for the maximum number of beds provided for in the  
26 construction design of the facility. State aid provided for in this  
27 subsection shall continue until the local government or other facility  
28 sponsor has received an amount which, combined with state matching  
29 money for construction of the facility, equals 25 per cent of the

1 total project cost. No funds received for construction shall be used  
2 for any other purpose.

3 (c) In this section

4 (1) "hospital" means a licensed hospital determined by the  
5 Department of Health and Social Services to be a general hospital;  
6 the term excludes facilities operated or wholly supported by the state  
7 or the federal government;

8 (2) "health facility" means public health centers, maternity  
9 homes and community mental health centers, facilities for the mentally  
10 or physically handicapped, nursing homes and convalescent centers which  
11 are licensed, when required, by the state under AS 18.20.010 -- 18.20.---  
12 130 and are owned or operated or both by a local government or by a  
13 nonprofit corporation or other nonprofit sponsor; the term excludes  
14 facilities operated or wholly supported by the state or the federal  
15 government.

16 (d) This section shall be administered by the Department of Health  
17 and Social Services.

18 (e) A municipality may expend funds received under this section  
19 only for the specific facilities and services which gave rise to the  
20 grant entitlement.

21 (f) No hospital or health facility is eligible for revenue  
22 sharing under this section unless the hospital or health facility has  
23 received a certificate of need from the municipality in which it is  
24 located or from a state agency authorized to issue certificates of  
25 need.

26 Sec. 43.17.050. VOLUNTEER FIRE DEPARTMENTS OUTSIDE MUNICIPALITIES.  
27 The state shall pay to a volunteer fire department registered with the  
28 state fire marshal and serving an area not in an organized borough or a  
29 city a sum for protection purposes equal to \$7.50 per capita for the pop.

1 lation served by the department, as determined by the state fire marshal  
2 using the latest figures of the United States Bureau of the Census or  
3 other reliable data. Grants shall be made on the same basis to facili-  
4 tate the organization of volunteer fire departments in an area not in an  
5 organized borough or a city, upon application of the proposed fire pro-  
6 tection group to the state fire marshal and approval of applications  
7 according to standards of organization and service prescribed by regula-  
8 tions promulgated by the state fire marshal.

9 Sec. 43.17.060. AREA COST-OF-LIVING DIFFERENTIAL. (a) State.  
10 payments to a city or an organized borough under this chapter shall  
11 reflect area cost-of-living differential. Amounts distributed shall be  
12 based upon the sum of the grants due each city or organized borough  
13 multiplied by the appropriate area cost-of-living differential. The  
14 area cost-of-living differential for each city and organized borough  
15 shall be determined annually by election district under the provisions  
16 of AS 39.27.030; however, the area cost-of-living differential to be  
17 applied shall not result in an amount to be distributed less than the  
18 base allocation.

19 (b) The election districts used in (a) of this section are those  
20 designated by the proclamation of reapportionment and redistricting  
21 of December 7, 1961, and retained for the house of representatives by  
22 proclamation of the governor September 3, 1955.

23 Sec. 43.17.070. FINANCIAL REPORTS. No money may be distributed  
24 to a municipality under this chapter unless the municipality has first  
25 submitted a financial report to the department for each of the two fis-  
26 cal years immediately preceding the fiscal year in which funds are to be  
27 distributed and a budget for the municipality's fiscal year in which funds  
28 are to be distributed. The department may, by regulation, prescribe  
29 procedures and filing dates for submitting financial reports and for

1 obtaining all information required to determine the municipality's tax  
2 effort.

3 Sec. 43.17.080. POPULATION DETERMINATION. For purposes of this  
4 chapter, population shall be determined by the latest figures of the  
5 United States Bureau of the Census, Department of Labor estimates or  
6 other population data which, in the judgment of the department, is  
7 reliable.

8 Sec. 43.17.090. ADDITIONAL LIMIT ON EXPENDITURE OF FUND. In  
9 addition to the limitations on expenditure of funds contained in sec.  
10 40 of this chapter:

11 (1) If a borough exercises the powers in sec. 30(a)(1) of  
12 this chapter in the borough area outside cities only, or in a service  
13 area only, the grants authorized under this section shall be based on  
14 the population of the borough area outside cities or the service area  
15 respectively;

16 (2) If a city within an organized borough provides police  
17 protection services, the borough may not qualify for aid under (a)(1) of  
18 this section unless

19 (A) police protection services are provided in the  
20 borough area outside cities, or if limited to a service area, in  
21 the service area, through borough contract with a city or in the  
22 state or

23 (B) the borough assumes and exercises power to provide  
24 police protection services on an areawide basis in the manner  
25 provided by law.

26 Sec. 43.17.100. ROAD MAINTENANCE. During each fiscal year the  
27 state shall pay to a city or organized borough of any class which has  
28 power to provide for road maintenance and exercises the power a sum  
29 equal to \$1,500 a mile for each mile of road, street or highway main-

1        tained by the local government, excluding the official state highway  
2        system, roads, streets, or highways not dedicated to public use, any  
3        roads, streets or highways maintained under the local service road pro-  
4        gram (AS 19.30.111 - 19.30.251), and alleyways, in accordance with regu-  
5        lations adopted by the Department of Highways. No payments may be made  
6        for maintenance of roads not used by automotive equipment. Frozen  
7        waterways and connections from inhabited areas to the waterways which  
8        may be safely used for public transportation by automotive equipment  
9        and are so used during a portion of a year are eligible for payments of  
10       \$900 per mile if the waterways and connections are maintained during  
11       the period of use by a municipality or combination of municipalities.  
12       The Department of Community and Regional Affairs, after consultation  
13       with the Department of Highways, shall determine which waterways and  
14       connections qualify and, where the waterways or connections lie outside  
15       the corporate limits of a municipality, which municipality is eligible  
16       for the shared revenue unless the municipalities involved have agreed  
17       in writing to a particular distribution.

18        Sec. 43.17.110. REGULATIONS. The department shall adopt regula-  
19       tions necessary to carry out the purposes of this chapter. The regula-  
20       tions shall include minimum standards of service required to qualify  
21       a municipality for service unit credit for each service and provisions  
22       for a performance audit adequate to demonstrate to the department that  
23       each service for which credit was allowed was actually performed by the  
24       municipality at least at the prescribed minimum level.

25        Sec. 43.17.120. EXPENDITURE OF FUNDS. Funds received by a munic-  
26       ipality under this chapter may be expended for any public purpose for  
27       which the municipality has power to expend funds except as provided in  
28       secs 20(b) and 40 of this chapter.

29        Sec. 43.17.130. DEFINITIONS. In this chapter

1 (1) "department" means the Department of Community and  
2 Regional Affairs;

3 (2) "municipality" for revenue sharing purposes means a  
4 city, borough or unified municipality incorporated under the laws of the  
5 State of Alaska except a second class city incorporated after the effec-  
6 tive date of this Act and lying within an organized borough.

7 \* Sec. 2. AS 43.18.010 - 43.18.050 are repealed.

8 \* Sec. 3. Other provisions of this Act notwithstanding, a municipality  
9 which would receive less money under the provisions of this Act than it was  
10 entitled to receive in 1975 under the provisions of AS 43.18 repealed by this  
11 Act shall continue to receive an amount equal to that authorized for 1975  
12 under the former provisions of AS 43.18, in accordance with those provisions.

13 \* Sec. 4. AS 29.18.020 is amended to read:

14 Sec. 29.18.020. SECOND CLASS CITIES. A community outside an  
15 organized borough having 25 or more permanent residents may incorporate  
16 as a second class city. A community located within an organized borough  
17 having 125 or more permanent residents may incorporate as a second class  
18 city.

19 \* Sec. 5. This Act takes effect July 1, 1976.  
20  
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23  
24  
25  
26  
27

BY THE COMMUNITY AND REGIONAL  
AFFAIRS COMMITTEE BY REQUEST OF  
THE LEGISLATIVE COUNCIL INTERIM  
COMMITTEE ON SHARED REVENUES  
WITH MUNICIPALITIES

1 IN THE HOUSE

2 HOUSE BILL NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to municipal revenue sharing."

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8 \* Section 1. AS 43.18.040 is amended to read:

9 Sec. 43.18.040. REGULATIONS. The Department of Community and  
10 Regional Affairs shall adopt regulations necessary to carry out the  
11 purposes of secs. 10 - 99 of this chapter. The regulations shall include  
12 minimum standards required to qualify a municipality for grants for each  
13 service and provisions for a performance audit adequate to demonstrate  
14 to the department that each service for which credit was allowed was  
15 actually performed by the municipality, at least at the prescribed  
16 minimum level.

Original sponsor: Community and Regional Affairs Committee by request of the Legislative Council Interim Committee on Shared Revenue with Municipalities

Offered: 3/3/76  
Referred: Finance

1 IN THE HOUSE

BY THE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 539

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to municipalities and municipal revenue sharing; and providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 43 is amended by adding a new chapter to read:

10 CHAPTER 17. MUNICIPAL REVENUE SHARING

11 Sec. 43.17.010. CONSTRUCTION AND IMPLEMENTATION OF CHAPTER. (a)

12 This chapter may not be construed so as to create a debt of the state.

13 (b) The special municipal services account is established. Funds

14 to carry out the provisions of this chapter may be appropriated annually

15 by the legislature to the account. If amounts in the account are

16 insufficient for the purpose of each local government's share authorized

17 under this chapter, such funds as are available shall be distributed pro

18 rata among eligible local governments.

19 (c) Money in the special municipal services account which, at the

20 end of the fiscal year for which the money is appropriated, exceeds the

21 amount required for the allocations authorized in this chapter reverts

22 to the general fund.

23 Sec. 43.17.020. MINIMUM GRANTS TO MUNICIPALITIES. (a) A municipi-

24 tality proposing to provide administrative services or a service pro-

25 vided for in sec. 30(a)(1) of this chapter may, in lieu of obtaining

26 revenue sharing money as provided in this chapter, obtain instead a

27 minimum grant of \$25,000.

28 (b) The department shall issue regulations regarding procedures

29 and time limits for making an election under this section.

1           Sec. 43.17.030. BASIC GRANTS TO MUNICIPALITIES. (a) If a municipi-  
2           pality elects not to receive the grant provided for under sec. 20 of  
3           this chapter, the amount of revenue sharing for which it is eligible  
4           shall be calculated: as a result of B X P where

5                     (1) B is the base revenue sharing amount of \$1 times the  
6           service units for each service performed by the municipality established  
7           as follows:

8                     (A) police protection	12 units
9                     (B) fire protection	7.5 units
10                    (C) water pollution control	2 units
11                    (D) land use planning	2 units
12                    (E) parks and recreation	5 units
13                    (F) small boat harbor or port	5 units
14                    (G) mass transit	5 units
15                    (H) airport	5 units
16                    (I) solid waste disposal	2 units
17                    (J) ambulance	2 units
18                    (K) air pollution	2 units

19                     (2) P is the population of the municipality rounded up to the  
20           nearest 100.

21                     (b) If a municipality contains areas having differential rates of  
22           taxation, the entitlement shall be calculated for areawide services and  
23           for each area separately and totaled to reach the entitlement of the  
24           municipality. Revenue sharing money for which the entitlement is based  
25           upon areawide services may be used for areawide purposes only, and  
26           revenue sharing money for which the entitlement is based upon service  
27           area services may be used for that service area only.

28           Sec. 43.17.040. HERBAGE FACILITIES AND HOSPITALS. (a) During each  
29           fiscal year the state shall make payments as follows:

1 (1) \$1,000 per hospital bed to municipalities having health  
2 powers for each hospital bed actually used for patient care, limited to  
3 the number of beds provided for in the construction design of the  
4 hospital, or \$50,000 per hospital for those hospitals with 10 or more  
5 beds or \$20,000 per hospital for those hospitals with less than 10 beds  
6 as the local government may determine;

7 (2) \$1,000 per hospital bed to each hospital located outside  
8 a municipality having health powers for each hospital bed actually used  
9 for patient care, limited to the number of beds provided for in the  
10 construction design of the hospital, or \$50,000 for those hospitals with  
11 10 or more beds or \$20,000 per hospital for those hospitals with less  
12 than 10 beds, as the hospital may determine;

13 (3) \$1,000 per bed to a municipality in which a health  
14 facility is operated for each bed actually used for patient care,  
15 limited to the number of beds provided for in the construction design of  
16 the health facility, or \$4,000 per health facility as the local govern-  
17 ment may determine;

18 (4) Funds received under this section shall be used for ex-  
19 pense of operation or maintenance of health services or health facilities  
20 or hospitals in the municipality or hospital outside a municipality de-  
21 termined;

22 (5) Before funds may be distributed under this subsection,  
23 the commissioner of health and social services shall certify to the  
24 distributing agency that any accumulation of assets by nonprofit cor-  
25 porations or other recipients under this subsection is dedicated irrev-  
26 ocably to a public health purpose.

27 (b) If construction of a hospital or health facility began before  
28 January 1, 1976, and state matching aid for construction approved under  
29 AS 18 for payment to a municipality or other facility sponsor

1 constitutes less than 25 per cent of the total project cost, the state  
2 shall pay to the municipality or other facility sponsor each fiscal year  
3 a sum equal to \$2,500 a bed for the maximum number of beds provided for  
4 in the construction design of the facility. State aid provided for in  
5 this subsection shall continue until the municipality or other facility  
6 sponsor has received an amount which, combined with state matching money  
7 for construction of the facility approved under AS 18, equals 25 per  
8 cent of the total project cost. No funds received for construction  
9 shall be used for any other purpose.

10 (c) In this section

11 (1) "hospital" means a licensed hospital determined by the  
12 Department of Health and Social Services to be a general hospital; the  
13 term excludes facilities operated or wholly supported by the state or  
14 the federal government;

15 (2) "health facility" means public health centers, maternity  
16 homes and community mental health centers, facilities for the mentally  
17 or physically handicapped, nursing homes and convalescent centers which  
18 are licensed, when required, by the state under AS 18.20.010 - 18.20.130  
19 and are owned or operated or both by a local government or by a non-  
20 profit corporation or other nonprofit sponsor; the term excludes facili-  
21 ties operated or wholly supported by the state or the federal government;

22 (3) "other facility sponsor" means a public or nonprofit  
23 corporation located outside a municipality which owns or operates, or  
24 both, a hospital or health facility.

25 Sec. 13.17.050. VOLUNTEER FIRE DEPARTMENTS OUTSIDE MUNICIPALITIES.  
26 The state shall pay to a volunteer fire department registered with the  
27 state fire marshal and serving an area not in an organized borough or a  
28 city a sum for protection purposes equal to \$7.50 per capita for the  
29 population served by the department, as determined by the state fire

1 marshal using the latest figures of the United States Bureau of the  
2 Census or other reliable data. Grants shall be made on the same basis  
3 to facilitate the organization of volunteer fire departments in an area  
4 not in an organized borough or a city, upon application of the proposed  
5 fire protection group to the department and approval of applications  
6 according to standards of organization and service prescribed by regu-  
7 lations promulgated by the department.

8 Sec. 43.17.060. AREA COST-OF-LIVING DIFFERENTIAL. (a) State  
9 payments to a municipality or to a hospital or volunteer fire department  
10 located outside a municipality under this chapter shall reflect area  
11 cost-of-living differential. Amounts distributed shall be based upon  
12 the sum of the grants due each municipality or each hospital or volun-  
13 teer fire department located outside a municipality multiplied by the  
14 appropriate area cost-of-living differential. The area cost-of-living  
15 differential for each municipality or each hospital or volunteer fire  
16 department located outside a municipality shall be determined annually  
17 by election district under the provisions of AS 39.27.030; however, the  
18 area cost-of-living differential to be applied shall not result in an  
19 amount to be distributed less than the base allocation.

20 (b) The election districts used in (a) of this section are those  
21 delineated by the proclamation of reapportionment and redistricting of  
22 December 7, 1961, and retained for the house of representatives by  
23 proclamation of the governor September 3, 1965.

24 Sec. 43.17.070. FINANCIAL REPORTS. No money may be distributed to  
25 a municipality under this chapter unless the municipality has first  
26 submitted a financial report to the department for each of the two fis-  
27 cal years immediately preceding the fiscal year in which funds are to be  
28 distributed and a budget for the municipality's fiscal year in which  
29 funds are to be distributed. The department may, by regulation, pre-

1       scribe procedures and filing dates for submitting financial reports and  
2       for obtaining all information required to determine the municipality's  
3       tax effort.

4           Sec. 43.17.030. POPULATION DETERMINATION. For purposes of this  
5       chapter, population shall be determined by the latest figures of the  
6       United States Bureau of the Census, Department of Labor estimates or  
7       other population data which, in the judgment of the department, is  
8       reliable. However, a municipality may not receive state shared revenue  
9       based on the population residing on that portion of a military reser-  
10      vation annexed to a city or borough after January 1, 1973, except as  
11      provided in this section. If a military reservation is located within a  
12      city or borough, the city or borough is limited in its entitlement to  
13      state shared revenue, based on the population residing on the reserva-  
14      tion, as follows: 50 per cent of the amount paid per capita for police  
15      protection under this chapter; 25 per cent of the amount paid per capita  
16      for parks and recreation under this chapter; 50 per cent of the amount  
17      paid per capita for mass transit under this chapter; 50 per cent of the  
18      amount paid per capita for water pollution under this chapter; and 50  
19      per cent of the amount paid per capita for air pollution under this  
20      chapter.

21           Sec. 43.17.090. ADDITIONAL LIMIT. In addition to the limitations  
22      on expenditure of funds contained in sec. 40 of this chapter:

23           (1) If a borough exercises the powers in sec. 30(a)(1) of  
24      this chapter in the borough area outside cities only, or in a service  
25      area only, the grants authorized under this section shall be based on  
26      the population of the borough area outside cities or the service area  
27      respectively;

28           (2) If a city within an organized borough provides police  
29      protection services, the borough may not qualify for aid under sec.

1 30(a)(1)(A) of this chapter unless

2 (A) police protection services are provided in the  
3 borough area outside cities, or if limited to a service area, in  
4 the service area, through borough contract with a city or with the  
5 state or

6 (B) the borough assumes and exercises power to provide  
7 police protection services on an areawide basis in the manner  
8 provided by law.

9 Sec. 43.17.100. ROAD MAINTENANCE. During each fiscal year the  
10 state shall pay to a city or organized borough of any class which has  
11 power to provide for road maintenance and exercises the power a sum  
12 equal to \$1,500 a mile for each mile of road, street or highway main-  
13 tained by the local government, excluding the official state highway  
14 system, roads, streets, or highways not dedicated to public use, any  
15 roads, streets or highways maintained under the local service road pro-  
16 gram (AS 19.30.111 - 19.30.251), and alleyways, in accordance with regu-  
17 lations adopted by the Department of Highways. No payments may be made  
18 for maintenance of roads not used by automotive equipment. Frozen  
19 waterways and connections from inhabited areas to the waterways which  
20 may be safely used for public transportation by automotive equipment and  
21 are so used during a portion of a year are eligible for payments of \$900  
22 per mile if the waterways and connections are maintained during the  
23 period of use by a municipality or combination of municipalities. The  
24 Department of Community and Regional Affairs, after consultation with  
25 the Department of Highways, shall determine which waterways and connec-  
26 tions qualify and, where the waterways or connections lie outside the  
27 corporate limits of a municipality, which municipality is eligible for  
28 the shared revenue unless the municipalities involved have agreed in  
29 writing to a particular distribution.

1           Sec. 43.17.110. REGULATIONS. The department shall adopt regula-  
2           tions necessary to carry out the purposes of this chapter. The regula-  
3           tions shall include minimum standards of service required to qualify a  
4           municipality for service unit credit for each service and provisions for  
5           a performance report adequate to demonstrate to the department that each  
6           service for which credit was allowed was actually performed by the  
7           municipality at least at the prescribed minimum level.

8           Sec. 43.17.120. EXPENDITURE OF FUNDS. Funds received by a munici-  
9           pality under this chapter may be expended for any public purpose for  
10          which the municipality has power to expend funds except as provided in  
11          sec. 40 of this chapter.

12          Sec. 43.17.130. DEFINITIONS. In this chapter

13           (1) "department" means the Department of Community and  
14          Regional Affairs;

15           (2) "municipality" for revenue sharing purposes means a city,  
16          borough or unified municipality incorporated under the laws of the State  
17          of Alaska except a second class city incorporated after the effective  
18          date of this Act and lying within an organized borough.

19          \* Sec. 2. AS 43.18.010 - 43.18.050 are repealed.

20          \* Sec. 3. Other provisions of this Act notwithstanding, a municipality  
21          which would receive less money under the provisions of this Act than it was  
22          entitled to receive in 1975 under the provisions of AS 43.18 repealed by this  
23          Act shall continue to receive an amount equal to that authorized for 1975  
24          under the former provisions of AS 43.18, in accordance with those provisions.

25          \* Sec. 4. AS 29.18.020 is amended to read:

26           Sec. 29.18.020. SECOND CLASS CITIES. A community outside an  
27          organized borough having 25 or more permanent residents may incorporate  
28          as a second class city. A community located within an organized borough  
29          having 125 or more permanent residents may incorporate as a second class

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city.

# Sec. 5. This Act takes effect July 1, 1976.

#

THE LEGISLATURE OF THE STATE OF ALASKA  
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. 13 and 14 Senate document  
 Title \_\_\_\_\_  
 Requested by \_\_\_\_\_ Date \_\_\_\_\_

II. FISCAL DETAIL

Agency Affected Community & Regional Affairs  
 Program Category Affected Municipal Revenue Sharing  
 Budget Request Unit(s) Affected 07-73-02-01-01

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.	312.5	312.5	312.5	312.5	312.5	312.5
<b>TOTAL</b>	<b>312.5</b>	<b>312.5</b>	<b>312.5</b>	<b>312.5</b>	<b>312.5</b>	<b>312.5</b>

FUNDING (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
GENERAL FUND	218.9*	312.5	312.5	312.5	312.5	312.5
FEDERAL FUNDS						
OTHER (Specify)						

\*Encumbered -208.385 FY '76  
 10.6 FY '77 Balance

POSITIONS

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
FULL TIME	0	0	0	0	0	0
PART TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Based on proposed beds -

Assumption 1 - The State is unsuccessful in its proposed suit against the Lake Otis Clinic.

Assumption 2 - The Lake Otis Clinic makes a timely application to the Department of Community and Regional Affairs and the project meets the standards to be promulgated by the Department.

IV. DATE April 21, 1977

PREPARED BY \_\_\_\_\_  
 AGENCY Community & Regional Affairs-Local Gov't  
 PHONE 465-4707 Assist.

Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

October 8, 1976

CERTIFIED/RETURN RECEIPT REQUESTED

Dr. M. F. Beirne  
Lake Otis Clinic, Inc.  
P. O. Box 4-1539  
Anchorage, Alaska 99509

Dear Dr. Beirne:

Re: State Aid to Local Governments

Your application dated September 17, 1976 for the State Aid to Local Government Municipal Revenue Sharing Program is being returned. According to 19 AAC 30.020 (9)(D), Lake Otis Clinic, Inc. does not qualify as an applicant for State Aid as an "other facility sponsor" since the clinic is located inside the corporate limits of a municipality. Your request for construction aid must be included with the Municipality of Anchorage's application for State Aid.

To qualify for funding under the State Aid to Local Government Program, 19 AAC 30.020 (9)(B) requires that the Department of Health and Social Services first approve Lake Otis Clinic, Inc. for any State matching aid programs for hospital construction.

Should you have any questions, please contact this office.

Sincerely,

Palmer McCarter  
Director

PMCC/ES/be

Enclosure

**APPLICATION FOR STATE AID TO LOCAL GOVERNMENTS  
SUMMARY**

Date: September 17, 1976

TO: Department of Community  
and Regional Affairs  
Pouch B  
Juneau, Alaska 99811

From: Lake Otis Clinic, Inc.

Medical Arts Bldg., Ste. 203  
207 E. Northern Lights Blvd.  
Anchorage, Alaska 99503

OFFICIAL PERMANENT RESIDENT POPULATION: (Total) \_\_\_\_\_

(If this figure is different from the 1970 U. S. Census or the latest population figure accepted by the Department for purposes of State Shared Revenue, refer to the section regarding "POPULATION ADJUSTMENTS" in the instructions accompanying the application forms).

Service Areas	
Name	Population
ANCHORAGE	_____
_____	_____
_____	_____

INSTRUCTIONS: Attach Supplemental Applications for each municipal service for which you are requesting state aid under the State Aid to Local Governments Municipal Services Revenue Sharing Program (AS 43.18.010-050).

Complete the information below for each Supplemental Application attached.

FORM	MUNICIPAL SERVICE	RATE OF ENTITLEMENT	BASIS OF COMPENSATION	STATE AID REQUESTED
1	Police Protection	\$ 12 per capita	_____ pop.	\$ _____
2	Fire Protection	\$ 7.50 per capita	_____ pop.	\$ _____
3	Air and/or Water Pollution Control	\$ 2 per capita	_____ pop.	\$ _____
4	Land Use Planning	\$ 2 per capita	_____ pop.	\$ _____
5	Parks and Recreation	\$ 5 per capita	_____ pop.	\$ _____
6	Transportation Facilities	\$ 5 per capita	_____ pop.	\$ _____
7	Road Maintenance			
	(a) Public Roads	\$ 1,500 per mile	_____ miles	\$ _____
	(b) Ice Roads	\$ 900 per mile	_____ miles	\$ _____
8	Hospitals	\$ 1,000 per bed	_____ beds	\$ _____
		\$20,000 per hosp.	_____ hosp.	\$ _____
		\$50,000 per hosp.	_____ hosp.	\$ _____
	Health Facilities	\$ 1,000 per bed	_____ beds	\$ _____
		\$ 4,000 per fac.	_____ fac.	\$ _____
	State Construction Aid for Health Facilities	\$ 2,500 per bed	125 beds	\$ 312,500.00
STATE AID REQUESTED:				\$ 312,500.00

SIGNATURE OF MUNICIPAL OFFICIAL \_\_\_\_\_  
NAME Michael F. Belrne, M.D. TITLE President, Lake Otis Clinic, Inc. DATE 9/17/76

STATE AID TO LOCAL GOVERNMENTS  
HOSPITALS AND HEALTH FACILITIES

MUNICIPALITY: ANCHORAGE

DATE: September 17, 1976

HOSPITALS

1. List all general hospitals, licensed by the Department of Health and Social Services, operating within the corporate limits of your municipality. Do not include facilities operated or wholly supported by the state or federal government.

NAME OF FACILITY	NUMBER OF BEDS	SPONSORING AGENCY
LAKE OTIS HOSPITAL	125	LAKE OTIS CLINIC, INC.

HEALTH FACILITIES

2. List all public health centers, maternity homes, community mental health centers and facilities for the mentally and physically handicapped which are owned or operated or both by your municipality or by a non-profit corporation or other non-profit sponsor. Do not include facilities operated or wholly supported by the state or federal government.

NAME OF FACILITY	TYPE OF FACILITY	NUMBER OF BEDS	SPONSORING AGENCY
LAKE OTIS HOSPITAL	GENERAL HOSPITAL	125	LAKE OTIS CLINIC, INC.

STATE CONSTRUCTION AID

3. List all hospitals or in-patient health facilities the construction of which began after January 1, 1968 and for which state matching aid for construction approved for payment by the Department of Health and Social Services, constitutes less than 25 percent of the total project cost:

Name of facility: LAKE OTIS HOSPITAL  
 Type of facility: GENERAL HOSPITAL; Full Service; 125 beds  
 Date construction began: August, 1973  
 Date construction ended: under construction now  
 Construction cost: 10 million dollars  
 Sponsoring agency: Lake Otis Clinic, Inc.

March 8, 1974

Michael F. Beirne, M.D., President  
Lake Otis Clinic, Inc.  
Post Office Box 4-1539  
Anchorage, Alaska 99503

Re: Lake Otis Hospital  
Anchorage, Alaska  
CLA Project No. 2119

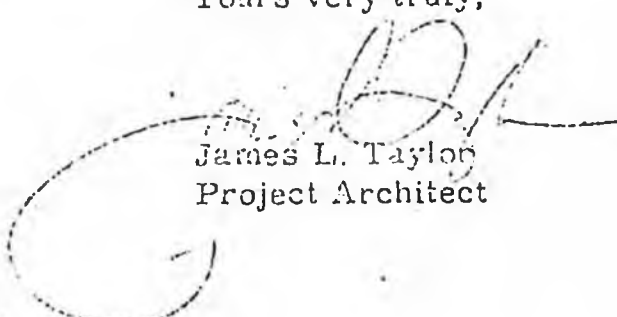
Dear Dr. Beirne:

In order to best respond to your query of probable construction cost figures for this project, I have had some conversation with Mr. Les Brown of Chanen Construction Company and the following is our estimate of the project cost with the information currently available:

Estimated Construction Cost	\$ 8,000,000
Estimated Cost of Group I & II Medical Equipment	\$ 2,000,000
TOTAL	\$10,000,000

I hope this information will be useful. If there is anything we can do, please feel free to contact this office at anytime.

Yours very truly,



James L. Taylor  
Project Architect

JLT:hs

② 3-11-74

District Director  
Internal Revenue Service

Date:

In reply refer to:

8 20 1972

1-178, Code 434428:EMC

SEA:SU:72-1172

The Lake Otis Clinic, Inc.  
P. O. Box 4-1539  
Anchorage, Alaska 99503

Gentlemen:

Based on information supplied, and assuming your operations will be as stated in your application for recognition of exemption, we have determined you are exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code.

We have further determined you are not a private foundation within the meaning of section 509(a) of the Code, because you are an organization described in section 509(a)(2).

You are not liable for social security (FICA) taxes unless you file a waiver of exemption certificate as provided in the Federal Insurance Contributions Act. You are not liable for the taxes imposed under the Federal Unemployment Tax Act (FUTA).

Since you are not a private foundation, you are not subject to the excise taxes under Chapter 42 of the Code. However, you are not automatically exempt from other Federal excise taxes.

Donors may deduct contributions to you as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to you or for your use are deductible for Federal estate and gift tax purposes under sections 2055, 2105, and 2522 of the Code.

If your purposes, character, or method of operation is changed, you must let us know so we can consider the effect of the change on your exempt status. Also, you must inform us of all changes in your name or address.

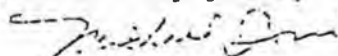
If your gross receipts each year are normally more than \$5,000, you are required to file Form 990, Return of Organization Exempt From Income Tax, by the 15th day of the fifth month after the end of your annual accounting period. The law imposes a penalty of \$10 a day, up to a maximum of \$5,000, for failure to file a return on time.

You are not required to file Federal income tax returns unless you are subject to the tax on unrelated business income under section 511 of the Code. If you are subject to this tax, you must file an income tax return on Form 990-T. In this letter we are not determining whether any of your present or proposed activities are unrelated trade or business as defined in section 513 of the Code.

You need an employer identification number even if you have no employees. If an employer identification number was not entered on your application, a number will be assigned to you and you will be advised of it. Please use that number on all returns you file and in all correspondence with the Internal Revenue Service.

Please keep this determination letter in your permanent records.

Sincerely yours,



Michael Sassi  
District Director



DEPARTMENT OF REVENUE — STATE OF ALASKA

1976

ALASKA BUSINESS LICENSE

Expires: December 31, 1976. (AS 43.70)

76- 29962

INITIAL FEE \$25.00

This is to certify that the licensee named below • has made application and paid the initial fee for an Alaska Business License covering the calendar year January 1, 1976, to December 31, 1976, or fraction thereof, to engage in the business of

80 MEDICAL AND OTHER HEALTH SERVICES

920038394

\*

LAKE OTIS CLINIC INC  
LAKE OTIS CLINIC INC  
BOX 4-1539  
ANCH AK 99509

and has agreed to file, or cause to be filed, a true, correct and complete return of the "Gross Receipts" for the period for which the license is issued on or before February 28, 1977 with the Commissioner of Revenue, Juneau, Alaska, and pay the balance of the license tax due, if any, PROVIDED, HOWEVER, That this license shall not be taken as permission to do business in the State without having complied with the other requirements of the laws of the State of Alaska or of the United States.

This License must be Posted in a Conspicuous Place at the Location.  
It is Not Transferable or Assignable.

COMMISSIONER OF REVENUE

FORM 04 632

DEPARTMENT  
of  
HEALTH AND SOCIAL SERVICES



CONSTRUCTION ONLY  
No. 28

This is to Certify: That a license is hereby granted by the Department of Health and

Social Services to LAKE OTIS CLINIC, INC.

construct

To ~~construct~~ 125 general beds

(mailing - 207 E. Northern Lights Blvd.)

~~InXXXXXX premises~~ located at 42nd Avenue & Lake Otis Parkway Anchorage, Alaska 99503  
STREET CITY

This license shall expire June 30, 1977, and is subject to the provisions of TITLE 18, CHAPTER 20, ALASKA STATUTES. This license shall not be assignable or transferable and shall be subject to revocation at any time by the Department of Health and Social Services for failure to comply with the laws of Alaska or rules and regulations as provided under the Alaska Administrative Code.

In Witness Whereof I have hereunto set my hand and seal of the Commissioner of

Health and Social Services this 1st day of July, 1976

By Francis O. Williamson  
COMMISSIONER OF HEALTH AND SOCIAL SERVICES

NOTE: This License Must Be Posted In A Conspicuous Place On The Premises

Fiscal Note SCR 13 - assumes passage of SCR 14

1. 302.5 FY 77
2. 0 FY 78 and following years until final years of entitlement under Hill-Burton restrictions -- then additional funds until total project costs funded at 25%
3. Any additional funds needed for other facilities for costs beyond Hill Burton are not included in these estimates.

Fiscal Note SCR 14 - assumes either passage or failure of SCR 13

1. 312.5 FY 78 and beyond.

*Judy Crowder*

THE LEGISLATURE OF THE STATE OF ALASKA  
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SCR 13 -

Title Annuling regulations limiting eligible costs

Requested by Senate Finance

Date 4-22-77

II. FISCAL DETAIL

Agency Affected Community & Regional Affairs

Program Category Affected Municipal Revenue Sharing

Budget Request Unit(s) Affected 07-73-02-01-01

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.	302.5	312.5*	312.5*	312.5*	312.5*	312.5*
TOTAL						

\*To be taken from the FY approved budget appropriation for the municipal revenue sharing account.

FUNDING (Thousands of Dollars)

GENERAL FUND	302.5	312.5	312.5	312.5	312.5	312.5
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Assumptions:

1. Assume that SCR 14 passes and Lake Otis applies directly to the State by-passing the municipality of Anchorage.
2. Assume the legislature does not establish any alternative minimum standards and that all costs are allowed.
3. Assume that \$10,000 (approx.) is available in FY '77 Municipal Revenue Service account.
4. Assume that all other hospitals, previously funded under Hill-Burton standards, do not apply for other costs previously denied.
5. Assume LOC qualifies as a non-profit facility sponsor under Alaska Law.

IV. DATE 4/22/77

PREPARED BY Palmer McCarter

AGENCY Local Government Assistance

PHONE 465-4707

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA  
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SCR 14  
 Title Annuling regulations defining "other facility sponsor"  
 Requested by Senate Finance Date April 22, 1977

II. FISCAL DETAIL

Agency Affected Community & Regional Affairs  
 Program Category Affected Municipal Revenue Sharing  
 Budget Request Unit(s) Affected 07-73-02-01-01

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.	-0-	312.5*	312.5*	312.5*	312.5*	312.5*

TOTAL \*To come from the approved budget authorization of the municipal revenue sharing account.

FUNDING (Thousands of Dollars)

GENERAL FUND	-0-	312.5	312.5	312.5	312.5	312.5
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Assumptions:

1. Assume that SCR 13 fails and Lake Otis Clinic must meet Hill-Burton standards.
2. Assume LOC does meet Hill-Burton standards as of July 1, 1978 as relates to eligible costs and allowed expenditures.
3. Assume LOC qualifies as a non-profit facility sponsor under the laws of Alaska and reimburses any previously disallowed costs for ineligible expenditures.

IV. DATE April 22, 1977 PREPARED BY Palmer McCarter  
 AGENCY Local Government Assistance  
 Original: Legislative Finance PHONE 465-4707  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

# STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

JAY S. HAMMOND, GOVERNOR

OFFICE OF THE COMMISSIONER

POUCH B - JUNEAU 99811

April 22, 1977

The Honorable John C. Sackett  
Chairman, Senate Finance Committee  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

RE: SCR 13 and SCR 14

Dear Senator <sup>Sackett</sup> Sackett:

At the April 22, 1977 Senate Finance Committee hearing on SCR 13 and SCR 14, the committee asked what the effect would be on the cost shown in our fiscal note if SCR 13 fails and SCR 14 passes.

If SCR 13 fails and SCR 14 passes, it will have no effect on the costs shown in the fiscal note because it is the intent of the law that the State shall pay to the municipality or other facility sponsor a sum equal to \$2,500 a bed for the maximum number of beds provided for in the construction design of the hospital or health facility. Therefore, the State will continue to pay an annual amount of \$312,500 (125 beds at \$2,500 per bed) until 25 percent of the total project cost has been met regardless of whether the Hill-Burton Construction Program limits the total project cost to a dollar value less than what is now contemplated by the Lake Otis Clinic.

Enclosed are two new fiscal notes separating each resolution and providing for some base assumptions.

Sincerely,

Lee McAnaney  
Commissioner

By: <sup>W. S. Carter</sup>  
Rainer McCarter  
Director

IMA:PMC:sj  
Enclosures

# STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES

OFFICE OF THE COMMISSIONER  
OFFICE OF PLANNING AND RESEARCH

JAY S. HAMMOND, GOVERNOR

POUCH II B1A - JUNEAU 99811

April 25, 1977

Ms. Judy Crondahl  
Administrative Assistant  
Senate Finance

Dear Ms. Crondahl:

A review of our project records indicates a fiscal note on Senate Concurrent Resolution No. 13 cannot be prepared for the following reasons:

Land acquisition costs, legal costs, interim financing costs, and interest on construction loans are not shown on our project records and we have no records on those projects which are constructed with private funds.

When the Revenue Sharing Program was administered by the Department of Health and Social Services, all funds were disbursed to projects in accordance with the Hill Burton allowable and non-allowable cost regulations.

As the program is now administered by the Department of Community and Regional Affairs FY77 and 78 budget figures should be requested from that Department. We will be pleased to assist them in any way possible.

Sincerely,

  
Lowell W. Swartz, Coordinator  
Health Facilities Development

LWS:kc

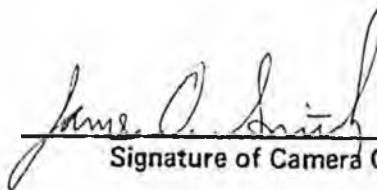
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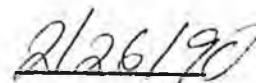


# RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

  
\_\_\_\_\_  
Signature of Camera Operator

  
\_\_\_\_\_  
Date

# COMMITTEE REPORT

## SENATE

\_\_\_\_\_ Date

Mr. President:

The Committee on FINANCE has had BILL  
under consideration. A majority of the members of the Committee

- recommends it do pass
- recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for \_\_\_\_\_ and that  
CS for \_\_\_\_\_ do pass
- (and) recommends it be referred to the \_\_\_\_\_  
committee
- reports it back without recommendation
- AND attaches a report of its intent
- (other) \_\_\_\_\_

MEMBERS SIGNING THE MAJORITY REPORT:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

\_\_\_\_\_ recommends: \_\_\_\_\_  
\_\_\_\_\_ recommends: \_\_\_\_\_  
\_\_\_\_\_ recommends: \_\_\_\_\_

\_\_\_\_\_  
Chairman

Introduced: 3/2/77  
Referred: Judiciary and  
Finance

BY THE RULES COMMITTEE BY  
REQUEST OF THE LEGISLATIVE  
BUDGET AND AUDIT COMMITTEE

1 IN THE SENATE

2 SENATE JOINT RESOLUTION NO. 16

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Constitution  
6 of the State of Alaska relating to the  
7 work of interim committees of the legisla-  
8 ture.

9 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 \* Section 1. Article II, sec. 11, Constitution of the State of Alaska is  
11 amended to read:

12 Section 11. INTERIM COMMITTEES. There shall be a legislative  
13 council, and the legislature may establish other interim committees,  
14 including a committee to approve jointly with the governor, as provided  
15 by law, revisions to the appropriated state budget. The council and  
16 other interim committees may meet between legislative sessions. They  
17 may perform duties and employ personnel as provided by the legislature.  
18 Their members may receive an allowance for expenses while performing  
19 their duties.

20 \* Sec. 2. The amendment proposed by this resolution shall be placed  
21 before the voters of the state at the next general election in conformity  
22 with art. XIII, sec 1, Constitution of the State of Alaska, and the election  
23 laws of the state.

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57216

9)

FEB 21 1977



ADVISORY  
COMMISSION ON INTERGOVERNMENTAL RELATIONS

WASHINGTON, D.C. 20575

February 11, 1977

To: Governors, Lieutenant Governors, State Legislators, Budget Officers,  
State Legislative Staff

Enclosed you will find suggested state legislation and model constitutional language calling for state legislative appropriation of federal funds. This language implements ACIR recommendations urging state legislatures to take a more active role in state decision-making relating to the receipt and expenditure of federal grants to the states. It was drafted by the staff of the Advisory Commission on Intergovernmental Relations after consultation with various state representatives and others interested in the issue of state appropriation of federal funds.

No model statutory or constitutional language can possibly address the variations in appropriations procedures which exist in our 50 states. Thus this language is not intended to answer all questions nor to fit every situation. However, it is provided as a guide to all states -- from those which wish to clarify or strengthen an existing appropriation policy to those states which now do not appropriate federal funds and wish to set up the mechanism to do so.

The Commission staff is available upon request to answer questions about this legislation, help adapt it to various states, explain it in hearings or assist in the legislative process in any appropriate way. Any states having questions or seeking assistance should contact Carol S. Weissert, ACIR's Information Officer at (202) 382-2116 or write, 726 Jackson Place, N.W., Washington, D.C. 20575.

An Act to Provide State Legislative Appropriation of Federal  
Funds Entering the State

In the early years of the federal grant process, the money and amount of discretion afforded to elected officials concerning its use were minimal. In recent years both the form and the amount of federal aid have changed drastically. Even as late as 1966, 98 percent of the federal aid going to state and local governments was in categorical grants. By 1976, this percentage was around 76 percent, with general revenue sharing and block grants making up 24 percent of the total federal aid shared with state and local governments. In 1954, total federal aid was \$2.9 billion; in 1976 it topped \$60 billion with three-quarters going directly to states (including local "pass-through" money).

Yet many state legislatures do not account for federal aid in their budgetary deliberations. And many of those that do provide some accounting for federal funds use loose "estimates" with little if any instruction concerning excess monies or agency discretion for use of funds. Such lack of interest on the part of the legislatures allows state agencies and the governor to set priorities that often lead to allocation of state monies without legislative involvement. Thus the traditional role of the legislature as controller of the state's "purse strings" and its more recent responsibility toward oversight of programs are abdicated.

Several state legislatures have faced up to this expansion in the dollar value of and discretionary power conferred by federal grants. Hence, they have moved to become more involved in the decisions relating to the use of these funds. With this movement have come some legislative-executive disagreements and related court cases involving the constitutionality of the legislature's actions. In a widely-publicized court case at least temporarily resolved in 1976, a Pennsylvania commonwealth court (In Shapp v. Sloan) ruled that the legislature's enactment

providing that all federal funds be appropriated by the legislature was "within its (the General Assembly's) exclusive power and authority to appropriate money out of the State Treasury or to otherwise provide for disbursements therefrom." The ruling has been appealed.

A related issue that has received attention in the courts is the delegation of the appropriations function to a committee when the legislature is not in session. This issue is particularly important in those states with biennial sessions or sessions of short duration. If these states enact legislation requiring the legislature to appropriate all federal aid received, either the legislature must hold frequent special sessions to deal with the receipt of federal funds that exceed the amount originally appropriated or it must delegate this function to a special committee. In several cases, however, such delegation has been ruled unconstitutional by the courts or attorneys general.

In August 1976, the ACIR recommended that "state legislatures take much more active roles in state decision-making relating to the receipt and expenditure of federal grants to the states." Specifically, the Commission recommended that legislatures take action to provide for: inclusion of anticipated federal grants in appropriation or authorization bills; a prohibition of receipt or expenditure of federal grants more than the amount appropriated without the approval of the legislature or its delegate; and establishment of sub-program allocations, where state discretion is afforded in formula-based categorical and block grants, in order to specify priorities.

The following model bill and accompanying state constitutional amendment are designed to implement ACIR's recommendations. The language is deliberately simple and broad, in order to be applicable to as many of the wide-ranging and various state appropriations practices and procedures as possible. The proposed constitutional amendment is included to deal with the delegation issue. With a clear mandate in the state constitution, there can be little doubt as to the

legality of such delegation. This amendment is based on a section in the Oregon Constitution which outlines the duties and functions of an emergency interim committee.

ACIR's recommendation concerning establishment of sub-program allocations is not specifically reflected in the model language since state appropriations procedures vary considerably and model language in this area might be confusing and in many cases unnecessary.

In the suggested state legislation presented here:

Section 1 states the purpose of the act and Section 2 provides a definition of the terms used. The inclusion of the bracketed language, "state colleges or universities," will depend on the state's own appropriations procedures and its history of dealing with its public institutions of higher learning. Some states prefer to closely monitor appropriations and activities of state colleges and universities, others give them almost total autonomy in their budgets and actions.

Section 3 describes the manner in which the legislature can budget federal funds. It calls for federal funds to be deposited in the state's general fund account and for detailed and accurate accounting records providing source and amounts of federal aid for those appropriations. The only exceptions would be in instances where the legislature has created a special fund or restricted account for specific statutory purposes.

Section 4 prohibits expenditure by any state agency of federal funds unless they are appropriated by the legislature. It also provides that if federal funds are received in amounts less than those appropriated for a specific purpose, the total appropriation of federal and state funds for that purpose shall be reduced in proportion to the amount of the federal fund reduction; and if federal funds are received in amounts greater than those appropriated for a specific purpose, the total appropriation of federal and state funds for that purpose should remain at the level designated by the legislature.

Section (d) of Section 4 deals with the delegation of appropriation authority by the legislature to a special committee, to accept and provide the state match for federal grants available to states after the legislature has dealt with the budget. Unless the state already has necessary constitutional authority, this section should be accompanied by passage of the constitutional amendment authorizing its delegation, since the statutory designation alone has been held unconstitutional in several states.

[An Act to provide for state legislative appropriation of certain  
federal funds entering the state.]

(Be it enacted, etc.)

1 Section 1. Purpose. It is the purpose of this act to clarify the  
2 role of the state legislature in appropriating federal funds received by  
3 the state so as to assure that state purposes are served and legislative  
4 priorities are adhered to by the acceptance and use of such funds.

5 Section 2. Definitions. As used in this Act:

6 (a) "Agency" means all state offices, departments, divisions,  
7 boards, commissions, councils, committees, [state colleges or universities],  
8 or other entities of the executive branch, offices of the judicial branch,  
9 and offices of the legislative branch of state government.

10 (b) "Federal funds" means any financial assistance made to  
11 a state agency by the United States government, whether a loan, grant,  
12 subsidy, augmentation, reimbursement or in any other form except for  
13 federal pass-through funds to local governments and organizations which  
14 do not require additional state matching funds [or financial assistance to  
15 state colleges and universities].

16 Section 3. Receipt of Federal funds. (a) All federal funds shall be  
17 deposited in and credited to the general fund account and be available  
18 for appropriation by the legislature as part of the state's operating  
19 budget; furthermore, detailed and accurate accounting records shall be  
20 maintained for such federal funds.

21

22

1           (b) The provisions of Section (a) shall not apply in those  
2 cases where by statutory enactment the legislature has created a special  
3 fund or restricted receipt account and has specifically provided thereby  
4 for an exclusive, special purpose, or other use of federal funds so long  
5 as such federal funds are used solely and exclusively for such specific  
6 statutory purpose or purposes.

7 Section 4. Legislative Appropriation Authority [and Delegation Thereof].

8           (a) No state agency may make expenditures of any federal funds  
9 whether such funds are advanced prior to expenditure or as reimbursement,  
10 unless such expenditures are made pursuant to specific appropriations of  
11 the legislature.

12           (b) If the federal funds received are less than the amount of  
13 such funds appropriated by the legislature according to this act and for a  
14 specific purpose, the total appropriation of federal and state funds allocated  
15 for such purpose shall be reduced in proportion to the amount of reduction in  
16 federal funds.

17           (c) If the federal funds received are greater than the amount of  
18 such funds appropriated by the legislature according to this act and for a  
19 specific purpose, the total appropriation level of federal and state funds  
20 allocated for such purpose shall remain at the level designated by the  
21 legislature.

22           (d) When the legislature is out of session, a committee  
23 designated by that body may act in its behalf to approve the expenditure  
24 of available federal funds and appropriate necessary state matching funds.  
25 However, the designated committee shall act only when new or additional  
26 federal funds are available at a time so as to preclude the possibility  
27 of their inclusion in the budget submitted to the legislature.

Delegation of Certain Appropriations-Related  
Functions to an Interim Committee

Delegation of appropriations powers to a designated body of the legislature when the legislature is out of session has been declared unconstitutional in several states. Thus, in order to provide for any such designation, states should consider passage of a constitutional amendment, clearly giving the legislatures this power. The following language is modified from a section in the Oregon Constitution, which sets up an interim committee with broad appropriations-related powers. The language clarifies the role of the committee and describes its powers. It provides that such a committee shall approve the expenditure of federal funds that become available when the legislature is out of session and appropriate necessary state matching funds for those federal monies. As in the model statutory language, inclusion of state colleges and universities is optional. Acceptance of this constitutional language should prove particularly important to those state legislatures which meet infrequently and for relatively short periods of time.

[A Constitutional Amendment to Authorize a Designated Authority of the State Legislature to expend certain state monies and accept federal funds which become available when the legislature is not in session.]

(Be it enacted, etc.)

1           The state legislature may establish, by law, a joint committee,  
2 composed of members of both houses of the legislature, the membership  
3 to be fixed by law, to approve expenditures of available federal funds  
4 and appropriate necessary state matching funds when the legislature is  
5 not in session. Such committee shall act only in instances where new  
6 or additional federal funds are made available at such a time as to preclude  
7 the possibility of inclusion in the budget submitted to the legislature.  
8 Federal funds shall include any financial assistance made to a state  
9 agency by the United States government, whether a loan, grant, subsidy,  
10 augmentation, reimbursement, or any other except for [financial  
11 assistance to state colleges and universities and] federal pass through  
12 funds to local organizations or governments which do not require state  
13 matching funds.