

ALASKA LEGISLATURE COMMITTEE BILL FILES - 1987 - 1988 8879

SB 162 thru SB 167 65

S B

162

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Reid 4/30/87

REQUEST _____

Bill Version: CS SB 162
Publish Date: _____

Revision Date: 4/27/87
Title: An act relating to fisheries
business tax refunds to local gov't
Sponsor: Zharoff
Requestor: Finance

Agency Affected: Revenue
BRU: Administrative Services
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Attach a separate page if necessary

There is no measurable administrative impact on this division.
The accounting for shared taxes will be made slightly more complex.

Prepared By: Ervin B. Jones
Division: Administrative Services

Phone: 465-2313
Date: 4/27/87

Approved by Commissioner: [Signature]
Agency: Revenue

Date: 4/27/87

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

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APR 29 1987 page ____ of ____

LEGISLATIVE FINANCE

SENATE COMMITTEE REPORT

FURTHER:

4/10/87

DATE TURNED INTO OFFICE

4/29/87

Mr. President:

FINANCE

Committee considered

SB 162

fisheries business tax refunds to local government; efd.

and recommended:

[] replace with CS FOR) [x] same title
[x] or adopt CS FOR SB 162 (CERA)) [] new title

[] attached amendment(s) and

[x] do pass

[] do not pass

[] no recommendation

[] individual recommendations

[] further referral to

[] letter of intent adopted

Committee [x] attached or [] adopted fiscal note(s)

[] new [] updated or [x] previous
[x] zero [] fiscal impact

MEMBERS SIGNING DO-PASS

OTHER RECOMMENDATIONS

Handwritten signatures of committee members: Paul F. ...

Blank lines for other recommendations.

Chairman signature and recommendation DO PASS

[] Committee Backup Attached

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: SB 162

Publish Date: _____

REQUEST _____

Revision Date: _____

Agency Affected: Revenue

Title: An act relating to fisheries
business tax refunds to local gov't

RPU: Administrative Services

Sponsor: Zharoff

Components: _____

Requestor: Senate Labor & Commerce

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Attach a separate page if necessary

There is no measurable administrative impact on this division.
The accounting for shared taxes will be made slightly more complex.

Prepared By: Ervin B. Jones
Division: Administrative Services

Phone: 465-2313

Date: 3/17/87

Approved by Commissioner: [Signature]
Agency: Revenue

Date: 3/18/87

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

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MAR 20 1987

page _____ of _____

LEGISLATIVE FINANCE

B

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bill Version : SB 162
Publish Date : _____

Revision Date: _____
Title: Relating to Fisheries Business Tax
Refunds to Local Government
Sponsor: Zharo'i'i
Requestor: _____

Agency Affected: Revenue
BRU: _____
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						

CAPITAL						
----------------	--	--	--	--	--	--

REVENUE		-0-	-0-	-0-	-0-	-0-
----------------	--	-----	-----	-----	-----	-----

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Robert Elliott *RE* Phone: 465-2173
Division: Research Section Date: 3/12/87

Approved by Commissioner: *H. Malone* Date: 3/18/87
Agency: _____

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)
Senate Secretary

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MAR 20 1987

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: SB 162
Publish Date: _____

REQUEST _____

Revision Date: 3/10/87
Title: An Act relating to fisheries
business refunds to local governments
Sponsor: Zharoff
Requestor: _____

Agency Affected: Revenue
BRU: Audit
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
TRAVEL	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
CONTRACTUAL	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
SUPPLIES	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
EQUIPMENT	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
LANDS & STRUCTURES	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
GRANTS, CLAIMS	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
MISCELLANEOUS	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
TOTAL OPERATING	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
CAPITAL	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
REVENUE	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -

FUNDING: (Thousands of Dollars)

GENERAL FUND	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
FEDERAL FUNDS	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
OTHER	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
TOTAL	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: See attached.

Prepared By: Steven E. Kettel *Steve E. Kettel*
Division: Audit

Phone: 465-2320
Date: 3/10/87

Approved by Commissioner: *A. Malone*
Agency: _____

Date: 3/17/87

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

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SB 162

Fiscal Note Analysis
Senate Bill 162
Prepared 3/10/87

The communities of Sand Point, King Cove, Akutan, False Pass and Nelson Lagoon will soon be incorporating to form a new borough within the state. AS 43.75.130(a) currently provides that to each unified municipality and to each city located within an unorganized borough, 50 percent of the amount of fisheries business tax revenue collected in the municipality will be refunded by the commissioner of revenue to these agencies. The cities named above have in past years received this 50 percent share. However, when a city lies within an organized borough, the city and the borough each receive a 25 percent share. Therefore, in order to phase in an anticipated reduction in shared revenues to these areas, SB 162 amends AS 43.75.130 by adding a new subsection (d) to minimize the revenue impact on the impacted cities.

AS 43.75.130(d) provides that the commissioner of revenue shall pay to each city in a borough that is incorporated after the effective date of this Act: 45 percent of the taxes collected during the calendar year in which incorporation occurs; 40 percent of the taxes collected during the first calendar year following the year of incorporation; 35 percent of the taxes collected during the second calendar year; and 30 percent of the taxes collected during the third calendar year.

Subsection (d) also provides that the commissioner shall pay to each borough that is incorporated after the effective date of this Act: 5 percent of the taxes collected during the calendar year in which the borough is incorporated; 10 percent during the first calendar year after incorporation; 15 percent during the second calendar year; and 20 percent during the third calendar year.

The Act is to take effect immediately under AS 01.10.070(c).

18

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bill Version: AB HB 162
Publish Date: _____

Revision Date: _____
Title: An Act relating to fisheries
business tax refunds to local gov't
Sponsor: Senator Zharoff
Requestor: Senate L & C Committee

Agency Affected: Community & Regional Affs.
BRU: Local Government Assistance

Components: Statewide Assistance

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS :

Prepared by: Michael Cushing, Planner
Division: Municipal & Regional Assistance

Phone: 465-4750
Date: 3/16/87

Approved by Commissioner: David G. Hoffmann
Agency: Community & Regional Affairs

Date: 3-16-87

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

Original sponsor: Zharoff

1 IN THE SENATE BY THE COMMUNITY AND
REGIONAL AFFAIRS COMMITTEE

2 CS FOR SENATE BILL NO. 162 (C&RA)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to fisheries business tax refunds to
7 local government; and providing for an effective
8 date."

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

10 * Section 1. AS 43.75.130(a) is amended to read:

11 (a) Except as provided in (d) of this section, the [THE] commis-
12 sioner of revenue shall pay

13 (1) to each unified municipality and to each city located
14 in the unorganized borough, 50 percent of the amount of tax revenue
15 collected in the municipality from taxes levied under [BY] this chap-
16 ter;

17 (2) to each city located within a borough, 25 percent of
18 the amount of tax revenue collected in the city from taxes levied
19 under [BY] this chapter; and

20 (3) to each borough

21 (A) 50 percent of the amount of tax revenue collected
22 in the area of the borough outside cities from taxes levied under
23 [BY] this chapter; and

24 (B) 25 percent of the amount of tax revenue collected
25 in cities located within the borough from taxes levied under [BY]
26 this chapter.

27 * Sec. 2. AS 43.75.130 is amended by adding new subsections to read:

28 (d) Notwithstanding the provisions of (a)(2) and (a)(3)(B) of
29 this section, the commissioner shall pay

1 (1) to each city in a borough that is incorporated after
2 the effective date of this Act the following percentages of the tax
3 revenue collected in the city from taxes levied under this chapter:

4 (A) 45 percent of the taxes collected during the
5 calendar year in which the borough is incorporated;

6 (B) 40 percent of the taxes collected during the first
7 calendar year after the calendar year in which the borough is
8 incorporated;

9 (C) 35 percent of the taxes collected during the
10 second calendar year after the calendar year in which the borough
11 is incorporated; and

12 (D) 30 percent of the taxes collected during the third
13 calendar year after the calendar year in which the borough is
14 incorporated; and

15 (2) to each borough that is incorporated after the effec-
16 tive date of this Act the following percentages of the tax revenue
17 collected in the cities located within the borough from taxes levied
18 under this chapter:

19 (A) 5 percent of the taxes collected during the calen-
20 dar year in which the borough is incorporated;

21 (B) 10 percent of the taxes collected during the first
22 calendar year after the calendar year in which the borough is
23 incorporated;

24 (C) 15 percent of the taxes collected during the
25 second calendar year after the calendar year in which the borough
26 is incorporated; and

27 (D) 20 percent of the taxes collected during the third
28 calendar year after the calendar year in which the borough is
29 incorporated.

1 (e) Notwithstanding the provisions of (d) of this section, a
2 city may adopt an ordinance to transfer a portion of the funds re-
3 ceived under (d)(1) of this section to the borough in which the city
4 is located.

5 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

1 IN THE SENATE

BY ZHAROFF

2

SENATE BILL NO. 162

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to fisheries business tax refunds to
7 local government; and providing for an effective
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19 under [BY] this chapter; and

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3 revenue collected in the city from taxes levied under this chapter:

4 (A) 45 percent of the taxes collected during the
5 calendar year in which the borough is incorporated;

6 (B) 40 percent of the taxes collected during the first
7 calendar year after the calendar year in which the borough is
8 incorporated;

9 (C) 35 percent of the taxes collected during the
10 second calendar year after the calendar year in which the borough
11 is incorporated; and

12 (D) 30 percent of the taxes collected during the third
13 calendar year after the calendar year in which the borough is
14 incorporated; and

15 (2) to each borough that is incorporated after the effec-
16 tive date of this Act the following percentages of the tax revenue
17 collected in the cities located within the borough from taxes levied
18 under this chapter:

19 (A) 5 percent of the taxes collected during the calen-
20 dar year in which the borough is incorporated;

21 (B) 10 percent of the taxes collected during the first
22 calendar year after the calendar year in which the borough is
23 incorporated;

24 (C) 15 percent of the taxes collected during the
25 second calendar year after the calendar year in which the borough
26 is incorporated; and

27 (D) 20 percent of the taxes collected during the third
28 calendar year after the calendar year in which the borough is
29 incorporated.

1 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

CITY OF KING COVE

FE: 2 - 1987

P.O. Box 37 • King Cove, Alaska 99612 • (907) 497-2340

February 23, 1987

Honorable Fred Zharoff
Alaska State Senate
Box V
Juneau, Alaska 99811

RE: Request for Fish Tax Legislation to Support Aleutians
East Borough Incorporation

Dear Senator Zharoff:

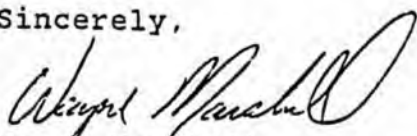
The Aleutians East region requests your support in submitting legislation to enable a phased transition of fish business tax revenues between cities and a borough when an Aleutians East Borough is established. Enclosed is a copy of language prepared by the Department of Community and Regional Affairs that amends the existing statute to allow this phased transition. The region supports this language and recommends it be used in the legislation.

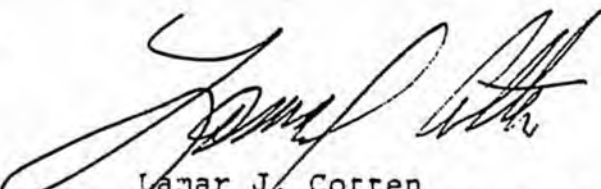
As we have discussed, the regional representatives that met at the February 8 meeting in Anchorage support the phased transition of fish tax revenues to resolve one of the disincentives affecting transition to a borough government. This transition is of particular concern to the Cities of King Cove and Akutan, which would lose a significant amount of their operating revenues from establishment of a borough. We believe this legislation will present opportunities for the cities to gradually adjust to decreased revenues and that it is the best way to ensure the region's residents that the Borough will comply with this phased transfer.

We will also explore opportunities for the Borough to address this phased transition of revenues in its incorporation petition to the Local Boundary Commission. However, we recommend legislation be introduced as the best way to guarantee that this transfer would occur for incorporation of the Aleutians East borough and potential other boroughs.

We hope we can work together to have this legislation submitted and adopted this legislature session.

Sincerely,


Wayne Marshall
City Manager, King Cove


Lamar J. Cotten
City Administrator, Sand Point

CITY OF KING COVE

P.O. Box 37 • King Cove, Alaska 99612 • (907) 497-2340

January 12, 1987

The Honorable Fred Zharoff
P.O. Box 40
Kodiak, Alaska 99615

RE: Establishing a Borough Government in the Aleutians East Region

Dear Senator Zharoff:

The six communities of the Aleutians East region, Akutan, Cold Bay, False Pass, King Cove, Nelson Lagoon and Sand Point, are pursuing possible formation of a borough government. On November 10, 1986, leaders from the above communities met to examine concerns facing the region and the merits of forming a borough as a way to address these concerns. The general consensus of the 27 persons that participated in this meeting was:

- o there are a number of serious financial, capital improvement project, political and other problems facing the region;
- o community leaders should meet again early in 1987 to make a more informed decision on establishing a Borough;
- o additional information must be gathered and examined before community leaders decide if the area should incorporate an Aleutians East Borough;
- o an Aleutians East Borough is probably the best way for residents to address many of the region's problems; and
- o incorporation of an Aleutians East Borough may soon be necessary.

This consensus reflects an awareness that the serious financial problems facing the State and Aleutians East communities will require the region to examine ways to raise additional local revenues to maintain service delivery.

In addressing forming a borough, community leaders identified concerns which may be impediments to establishing a Borough. Three of these concerns, which are identified below and

described in the attached topical papers, are ones which will require legislative assistance and action to accomplish. The region asks for your support and direction in helping to relieve the problems caused by these impediments.

The three concerns which require legislative attention include:

1) Effect of Establishing a Borough Government on Revenues for Education Services that the Region will Receive. The concern centers on the potential of significantly decreased revenues to the district for education if a Borough is established. The existing State School Foundation Funding Formula does not include provisions to address the merging of three school districts into a single district. The region needs assistance from you to work with the Departments of Education and Revenue, and fellow legislators to ensure the Borough School District receives a level of education funds equal to those which would have been provided to the Aleutians REAA and King Cove and Sand Point School Districts.

2) Shared Fish Tax Distribution - Borough/Cities: The concern centers on the loss of State Shared Fish Tax (Fishery Business Taxes) revenues to the region's four cities if a Borough is established. This occurs because the present law requires cities in the organized borough to equally share raw fish tax revenues they would receive with a borough, while a city in the unorganized borough receives a full share of these taxes. The region proposes the existing law be amended to allow a three year phase-out of the amount of revenue the cities will lose to a borough. This amendment is fully explained in the attached issue paper and will require legislative action.

3) Borough Formation Assistance Funds: The region needs approximately \$30,000 and assistance from the Department of Community and Regional Affairs (DCRA) to complete its efforts to form a Borough. To date, the region has used FY 85 Regional Strategy Funds from DCRA to fund its organizational efforts. These funds are now exhausted. The region would use the funds to conduct meetings of regional representatives, gather data, prepare its incorporation petition and publish public information. The region will need the funds to conduct these activities in March -December 1987.


These three issues, if they can be resolved, will lessen the impediments and provide incentives to establish a Borough. The region will keep you apprised of our efforts to pursue Borough formation and is available to further discuss the above three concerns with you. In addition you and your staff are invited to participate in the next meeting of community leaders, which is tentatively scheduled for the first week of February in Anchorage.

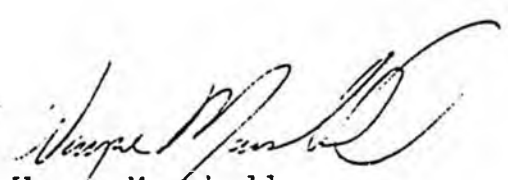
Also, enclosed for your review is information that has been produced on the Aleutians East Borough. This information includes:

- o Aleutians East Regional Government Study, March 1986 report;
- o Executive summary of the above report, March 1986;
- o Aleutians East Regional Government Study, Issues/Data Update paper, October 31, 1986, which was distributed to representatives that attended the November 10, 1986 meeting;
- o Aleutians East Borough - Why Is It Being Considered?, brochure, January 1987, which was distributed on January 9, 1987 to all box holders in the Aleutians East region.

We would appreciate the opportunity to discuss the region's concerns with you when you pass through Anchorage on you way to Juneau.

Sincerely,


Lamar J. Cotten
City Administrator


Wayne Marshall
City Manager

1689 'C' Street
Anchorage, Alaska 99501
276-2700

STATE FISHERIES BUSINESS (RAW FISH) TAX

DESCRIPTION OF PRESENT DISTRIBUTION SYSTEM FOR STATE FISHERIES BUSINESS TAX REVENUES: Existing State law provides that the State and cities in the Unorganized Borough equally share, 50%-50%, State Fisheries Business Tax revenues (for fish delivered within city boundaries). However, if a borough exists, the State receives its 50% share, but the borough and cities within the borough must equally share the other 50% of revenues. Thus, if an Aleutians East Borough is established, cities which presently receive 50% of State Fisheries Tax revenues see this amount decrease to 25% of the State tax, a loss of half of the cities' present fish tax revenues.

The cities of Akutan, King Cove and Sand Point, and to a lesser extent, Cold Bay, receive a large amount of their municipal revenues from State Fish Tax revenues. For example, the following represents revenues received for FY 86 and FY 87:

	<u>Akutan</u>	<u>King Cove</u>	<u>Sand Point</u>	<u>Cold Bay</u>
FY 86	\$121,000	\$410,000	\$ 88,000	(about)\$2,500
FY 87	\$356,000	\$327,000	\$114,000	(about)\$2,500

In short, the above cities received a total of \$621,500 in FY 86, and \$800,000 in FY 87.

DESCRIPTION OF CONCERN: In examining Borough formation, the present distribution method causes significant concern among the cities in the Aleutians East region. If a Borough is established, each city would immediately lose a significant amount of its local revenue base to the new Borough. This loss, when coupled with projected decreases in State Municipal Assistance (elimination of this program has been publicly discussed by Governor Cowper's administration), State Revenue Sharing and State School Foundation funds, will make it extremely difficult for these cities to absorb the loss of half of the State Fish Tax monies. This revenue loss is heightened because it occurs in one year; the year the borough is incorporated.

The City of King Cove's budget and revenues are used to illustrate the extent of loss. In FY 86, King Cove had general operating revenues of about \$1,000,000. Of these, \$411,000 or about 41%, were obtained from the 50% disbursement of State Shared Fish Tax revenues. If a borough existed in FY 86, King Cove would have lost about \$205,000 or 20% of its general operating revenue base to the borough.

Similarly, in FY 87, about 35% (\$327,000) of King Cove's revenues are from State Shared Fish Tax revenues; or a loss of about 18% of its operating funds if a borough existed. Akutan obtains an even greater percentage of its operating funds than King Cove from State Shared Fish Tax revenues, while Sand Point receives a lesser, but significant amount.

Collectively, the Aleutians East region cities view the present method for distributing State Shared Fish Tax revenues as a disincentive to establishing a borough. This revenue loss (if a borough is established), combined with the projected losses in other State assistance funds, and little, if any, decrease in services which the cities deliver, except for education, will cause severe shortfalls in City budgets. The cities need a way to mitigate these losses so they, like the State, can gradually adjust to reduced revenues. Specifically, the Aleutians East region cities need time to adjust to the elimination of half of the Fish Tax Revenues which they presently receive.

LEGISLATIVE ASSISTANCE NEEDED: Cities in the Aleutians East region as well as those in other coastal areas which may pursue borough formation, would benefit from a phased reduction in the amount of State Shared Fish Tax revenues, rather than an abrupt immediate reduction of half of these revenues. The intent of the phased reduction is to provide the cities with a transition period to adjust to permanent revenue losses, and to mitigate one of the disincentives for borough incorporation. Two options are recommended for legislative action to help accomplish this objective.

Option 1 - The State provides each City 75% of its full share for year one, 50% for year two, and 25% for year three, of the difference between 50% and 25% of State Shared Fish Tax revenues after a Borough is established. In addition, the Borough begins to receive its full 25% share of State revenues from the date the Borough is established.

The following illustrates how Option #1 would apply assuming a City were eligible to receive (if it had remained in the Unorganized Borough) \$400,000 in State Shared Fish Tax revenues for each of 3 years.

Year #1. City receives \$200,000, plus an additional appropriation of \$150,000 (75% of funds Borough would receive), and the Borough would receive \$200,000.

Year #2. City receives \$200,000, plus an additional appropriation of \$100,000 (50% of funds Borough would receive), and Borough would receive \$200,000.

Year #3. City receives \$200,000, plus an additional appropriation of \$50,000 (25% of funds Borough would receive) and Borough would receive \$200,000.

Year #4 and beyond. City receives \$200,000 and Borough receives \$200,000. No additional State funds are required.

Option #1 will enable cities to adjust to the permanent loss of these revenues over a three year period, rather than in one year. Also, this provides a Borough with the funds it needs to deliver services to borough residents. This approach would require the State to provide additional revenues for a period of three years to this region (and potentially others that may establish a Borough), but would not require a permanent commitment of State funds above and beyond present State Fish Tax formula distributions. In return, the State would encourage Borough formation, a State goal, by removing one of the obstacles - immediate loss of revenues - to the Cities.

This approach is similar to the State's method of trying to reach a sustainable budget. The State is gradually reducing services/budget to a sustainable level, rather than making wholesale reductions in one year because of revenue shortfalls --- making the budget equal revenues received. This policy is being pursued even though it requires the infusion of one time sources of revenues or reserve or savings account funds into the State budget.

Option 2 - The State retains its 50% of revenues, and each city receives its 25% share, plus a graduated reduction of the borough's 25% share. The proposed distribution of a percentage of the Borough's State Shared Fish Tax revenue to the respective cities would be over 3 years. Each City would receive its respective share at the rate of 75% of Borough share -year 1, 50% of Borough share -year 2, and 25% of Borough share -year 3.

Using the same example as Option #1, \$400,000 per year in Fish Tax business done within city limits, Option #2 would result in the following:

Year #1. City would receive \$200,000, plus 75% of the Borough's allocation \$150,000, and the Borough would receive \$50,000.

Year #2. City would receive \$200,000, plus 50% of the Borough's allocation \$100,000, and the Borough would receive \$100,000.

Year #3. City would receive \$200,000, plus 25% of the Borough's allocation \$50,000, and the Borough would receive \$150,000.

Year #4 and beyond. City would receive \$200,000, but none of the borough share, and the borough would receive its full \$200,000 allocation.

This would allow cities to gradually wean themselves from reliance on fish tax revenues and mitigate one of the concerns with establishing a Borough - immediate loss of almost 20% of city revenues for at least 2 of the Aleutians East cities.

However, this approach, unlike option 1, may cause problems for Borough service delivery. The newly established borough will not receive its full share of Fish Tax revenues, and may not have adequate funds to operate. For example, in FY 87, the Aleutians East Borough (if it was established) would not have received approximately \$360,000, because the cities would retain these funds in year one using this option. In year two, this amount would decrease to about \$240,000, and in year three, would further decrease to about \$120,000, because of the graduated reduction. However, this method would not require the allocation of additional State funds, it would only require legislative action to adopt the change, and administrative action to implement it. The major disadvantage to this option from the region's perspective is the loss of funds to help the newly established borough become operational.

The communities which are considering borough formation in the Aleutians East recognize that either of these options may be difficult to achieve, but believe a phased reduction in State Shared Fish Tax revenues is needed to encourage borough formation.

March 18, 1987

Dear Honorable Members of the Senate Labor and Commerce Committee

The communities of the Aleutians East region, Akutan, Cold Bay, False Pass, King Cove, Nelson Lagoon and Sand Point, ask for your support of SB162, an Act relating to Fisheries Business Tax refunds. Our region is presently circulating the petition required to establish a borough government, and we view passage of SB162 as critical to formation of the new Aleutians East borough.

SB162 will enable the phased transfer of fish tax revenues between existing cities and newly established boroughs. This transition would occur over a period of four years and would allow the cities to adjust existing service delivery to the decrease in the amount and percentage of fish tax revenues they will receive.

Alaska Statutes stipulate that the State equally share its fish tax revenues with cities in the unorganized borough for fish harvested in city boundaries. However, if a borough exists, the State retains its 50% share, but the cities (25%) and the borough (25%) equally share the other 50%. Thus, under existing statutes, when the Aleutians East Borough is established, the cities will lose one-half of the fish tax revenues they have traditionally received.

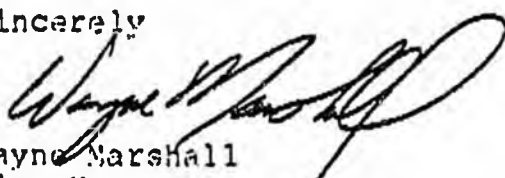
The amount of fish tax the cities receive varies each year, but the loss of one-half of this tax would generally result in a 15% - 20% decrease in Akutan's and King Cove's annual operating revenues, and a 5% - 10% decrease in Sand Point's revenues. Simply stated, this revenue loss, when coupled with losses in State Revenue Sharing, Municipal Assistance, Federal Revenue Sharing and other traditional sources of city revenues, is difficult to adjust to in one year. SB162 would provide cities a phased four year adjustment period by reducing the percentage of city fish tax revenues each year by 5% until the equal sharing of revenues with the borough is obtained.

Also, this legislation will not negatively affect the newly established borough's ability to meet service delivery expenses. The borough, because of its larger boundaries, will be receiving fish tax revenues that the State has not previously shared with cities. These revenues will be collected from the area that was in the unorganized borough. SB162 structures the phase in of revenues so that as the borough undertakes delivering service which were previously done by the Cities, its percentage of revenues will increase and the city share of revenues will decrease. In four years, the borough will receive their full share.

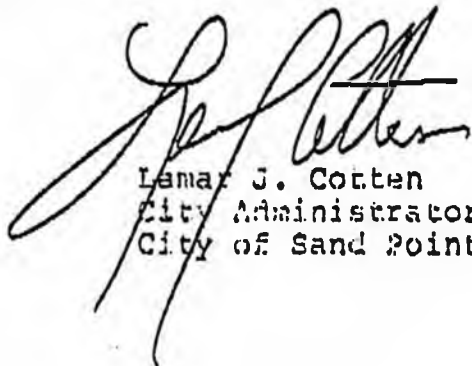
In addition, as SB162 addresses one of the disincentives that affects borough formation, its passage may encourage cities in areas other than the Aleutians East to consider establishing a borough. The Aleutians East region is pursuing Borough formation because of decreases in State and Federal expenditures in the region and the region's present and future desire to continue quality service delivery. Other areas may need to pursue borough government for similar reasons.

We ask for your support of SB162 to remove one of the disincentives affecting borough organization, particularly in the Aleutians East region. This bill will not affect the new borough's ability to deliver quality services, does not affect fish tax revenues existing boroughs and receive does not affect State revenues. In addition, it does not require any new State monies to implement.

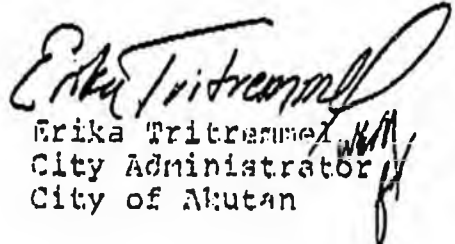
Sincerely



Wayne Marshall
City Manager
City of King Cove



Lamar J. Cotten
City Administrator
City of Sand Point



Erika Tritsune
City Administrator
City of Akutan

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

March 16, 1987

POSITION PAPER

RE: SB 162 -- "An Act relating to fisheries business tax refunds to local government; and providing for an effective date."

SPONSOR: Senator Zharoff

Program Effects of Bill:

Section 1 of the bill amends existing language in AS 43.75.130(a) to provide for a new subsection (d) as well as several minor "house cleaning" wording changes.

Section 2 of the bill amends AS 43.75.130 by adding a new subsection (d) which provides for a five-year phasing in of the sharing of fish tax revenues between cities and boroughs in the instance of new borough formation.

Section 3 of the bill provides for an immediate effective date for the Act.

Comments:

The existing State Fisheries Business Tax law provides for a "refund" of this state tax to municipalities in whose jurisdiction the tax was collected. In the case of unified municipalities and cities in the unorganized borough, 50 percent of the tax revenue collected within municipal boundaries is returned. However, cities located within a borough must in turn share 50 percent of their fish tax refund with the surrounding borough. In other words, such a city would receive only 25 percent of the fish tax collected within its jurisdiction; the other 25 percent would go to the borough.

The state fish tax provides a significant and relatively stable portion of total revenues for many cities presently located outside of organized boroughs. The formation of a borough which would include such cities would result in sudden and substantial revenue losses for these cities. Cities located within the new borough have no guarantee of receiving any of this funding back from the borough. The prospect of such a revenue shock represents a clear disincentive to borough formation. Providing for a phased transition into the sharing of fish tax revenues from cities to new boroughs would reduce the severity of the shock to city operations; consequently, reducing the disincentive to borough formation.

STEVE COWPER, GOVERNOR

P.O. BOX B
JUNEAU, ALASKA 99811-2100
PHONE: (907) 465-4700

949 E. 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508-4302
PHONE: (907) 563-1073

SB 162
March 16, 1987
Page Two

The establishment of strong, self-sufficient, local and regional government throughout Alaska is a longstanding goal of the Department of Community and Regional Affairs. The Department endorses practical measures which provide incentives, or reduce existing disincentives, with regard to borough formation. The measures provided for in this bill appear to be straightforward in effect and relatively simple in their implementation. The Department therefore supports the expeditious passage of this bill.



David G. Hoffman, Commissioner

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

Bill Version : HB 162
Publish Date : _____

REQUEST: _____

Revision Date: _____
Title: An Act relating to fisheries
business tax refunds to local gov't
Sponsor: Senator Zharoff
Requestor: Senate L & C Committee

Agency Affected: Community & Regional Affs.
BRU: Local Government Assistance

Components: Statewide Assistance

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						


FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Michael Cushing, Planner 
Division: Municipal & Regional Assistance

Phone: 465-4750
Date: 3/16/87

Approved by Commissioner: David G. Hoffmann
Agency: Community & Regional Affairs

Date: 3-16-87

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

SENATE COMMITTEE REPORT

FURTHER:

FINANCE

3/19/87

DATE TURNED INTO OFFICE

4/10/87

Mr. President:

CS&RA

Committee considered

SB 162

fisheries business tax refunds to local government; efd.

and recommended:

replace with

CS FOR

SB 162 (C+RA)

) same title

or adopt

CS FOR

) new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to

letter of intent adopted

Committee attached or adopted fiscal note(s)

new

updated or

previous

zero

fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Tim Kelly
[Signature]
[Signature]

Curtis Stungulinski Do Pass
Chairman signature and recommendation

Committee Backup Attached

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 3-12-87 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

**FISCAL NOTE(S) ATTACHED X ** (4)
IN ACCORDANCE WITH AS 24.08.035
(see below)

FURTHER: C&RA
FINANCE

DATE TURNED INTO OFFICE _____

Mr. President:

LABOR & COMMERCE Committee considered SB 162

fisheries business tax refunds to local government; efd.

and recommended:

- replace with CS _____ same title
- attached amendment(s) and new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to _____
- letter of intent adopted and attached

** Committee attached or adopted fiscal note(s)
 zero fiscal impact

MEMBERS SIGNING DO PASS

[Handwritten signatures]

OTHER RECOMMENDATIONS

[Handwritten signature]

Tim Kelly - Do Pass
Chairman signature and recommendation

Committee Backup Attached

CSSB

162

HOUSE COMMITTEE REPORT

(11)

Date referred: 5/7/87

FURTHER REFERRALS:

DATE: 5-14-87

The Finance Committee has considered CSSB 162 (C&RA) am

"An Act relating to fisheries business tax refunds to local government; and providing for an effective date."

RECOMMENDS:

- replace with HCS CSSB 162 (FIN) the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

ADAMS Adams

POURCHOT Pourchot

GOLD Gold

SWACK-HAMMER Swack-Hammer

RIEGER Rieger

FRANK Frank

WALLS Walls

LARSON Larson No Rec.

BROWN Brown No Rec.

DAVIS Davis No Rec.

Albert H. Adams
Chairman's signature

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

Bill Version: HCS CSSB 162 (FIN)
 Publish Date: _____

REQUEST: _____
 Revision Date: _____
 Title: An Act relating to fisheries
business tax refunds to local gov't
 Sponsor: Senator Zharoff
 Requestor: Senate L & C Committee

Agency Affected: Community & Regional Affs.
 BRU: Local Government Assistance
 Components: Statewide Assistance

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Michael Cushing, Planner *(Signature)* Phone: 465-4750
 Division: Municipal & Regional Assistance Date: 3/16/87

Approved by Commissioner: *(Signature)* Date: 3-16-87
 Agency: Community & Regional Affairs

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)
 - Senate Secretary

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: HCS CSSB 162 (FIN)
Publish Date: _____

REQUEST _____

Revision Date: 3/10/87
Title: An Act relating to fisheries
business refunds to local governments
Sponsor: Zharoff
Requestor: _____

Agency Affected: Revenue
BRU: Audit

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
TRAVEL	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
CONTRACTUAL	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
SUPPLIES	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
EQUIPMENT	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
LANDS & STRUCTURES	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
GRANTS, CLAIMS	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
MISCELLANEOUS	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
TOTAL OPERATING	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
CAPITAL	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
REVENUE	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -

FUNDING: (Thousands of Dollars)

GENERAL FUND	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
FEDERAL FUNDS	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
OTHER	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
TOTAL	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: See attached.

Prepared By: Steven E. Kettel
Division: Audit

Phone: 465-2320
Date: 3/10/87

Approved by Commissioner: [Signature]
Agency: _____

Date: 3/18/87

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

Fiscal Note Analysis
Senate Bill 162
Prepared 3/10/87

The communities of Sand Point, King Cove, Akutan, False Pass and Nelson Lagoon will soon be incorporating to form a new borough within the state. AS 43.75.130(a) currently provides that to each unified municipality and to each city located within an unorganized borough, 50 percent of the amount of fisheries business tax revenue collected in the municipality will be refunded by the commissioner of revenue to these agencies. The cities named above have in past years received this 50 percent share. However, when a city lies within an organized borough, the city and the borough each receive a 25 percent share. Therefore, in order to phase in an anticipated reduction in shared revenues to these areas, SB 162 amends AS 43.75.130 by adding a new subsection (d) to minimize the revenue impact on the impacted cities.

AS 43.75.130(d) provides that the commissioner of revenue shall pay to each city in a borough that is incorporated after the effective date of this Act: 45 percent of the taxes collected during the calendar year in which incorporation occurs; 40 percent of the taxes collected during the first calendar year following the year of incorporation; 35 percent of the taxes collected during the second calendar year; and 30 percent of the taxes collected during the third calendar year.

Subsection (d) also provides that the commissioner shall pay to each borough that is incorporated after the effective date of this Act: 5 percent of the taxes collected during the calendar year in which the borough is incorporated; 10 percent during the first calendar year after incorporation; 15 percent during the second calendar year; and 20 percent during the third calendar year.

The Act is to take effect immediately under AS 01.10.070(c).

Original sponsor: Zharoff

1 IN THE SENATE BY THE FINANCE COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 162 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the fisheries business tax; and
7 providing for an effective date."

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

9 * Section 1. AS 43.75.017 is amended to read:

10 Sec. 43.75.017. EXCLUSION FROM FISHERIES BUSINESS TAX. A person
11 is not liable for the fisheries business tax under AS 43.75.015 when
12 the fishery resource is frozen or iced aboard a fishing vessel if

13 (1) the vessel is operated as a commercial fishing vessel
14 under a valid commercial fishing license;

15 (2) the fishery resource is not processed beyond heading,
16 gutting or cleaning, freezing, and glazing;

17 (3) the fishery resource was caught by the vessel; and

18 (4) the fishery resource is sold by the person claiming an
19 exclusion from the tax to a fisheries business licensed under this
20 chapter.

21 * Sec. 2. AS 43.75.130(a) is amended to read:

22 (a) Except as provided in (d) of this section, the [THE] commis-
23 sioner of revenue shall pay

24 (1) to each unified municipality and to each city located
25 in the unorganized borough, 50 percent of the amount of tax revenue
26 collected in the municipality from taxes levied under [BY] this chap-
27 ter;

28 (2) to each city located within a borough, 25 percent of
29 the amount of tax revenue collected in the city from taxes levied

1 under [BY] this chapter; and

2 (3) to each borough

3 (A) 50 percent of the amount of tax revenue collected
4 in the area of the borough outside cities from taxes levied under
5 [BY] this chapter; and

6 (B) 25 percent of the amount of tax revenue collected
7 in cities located within the borough from taxes levied under [BY]
8 this chapter.

9 * Sec. 3. AS 43.75.130 is amended by adding new subsections to read:

10 (d) Notwithstanding the provisions of (a)(2) and (a)(3)(B) of
11 this section, the commissioner shall pay

12 (1) to each city that is located in a borough incorporated
13 after the effective date of this Act the following percentages of the
14 tax revenue collected in the city from taxes levied under this chap-
15 ter:

16 (A) 45 percent of the taxes collected during the
17 calendar year in which the borough is incorporated;

18 (B) 40 percent of the taxes collected during the first
19 calendar year after the calendar year in which the borough is
20 incorporated;

21 (C) 35 percent of the taxes collected during the
22 second calendar year after the calendar year in which the borough
23 is incorporated; and

24 (D) 30 percent of the taxes collected during the third
25 calendar year after the calendar year in which the borough is
26 incorporated; and

27 (2) to each borough that is incorporated after the effec-
28 tive date of this Act the following percentages of the tax revenue
29 collected in the cities located within the borough from taxes levied

1 under this chapter:

2 (A) 5 percent of the taxes collected during the calen-
3 dar year in which the borough is incorporated;

4 (B) 10 percent of the taxes collected during the first
5 calendar year after the calendar year in which the borough is
6 incorporated;

7 (C) 15 percent of the taxes collected during the
8 second calendar year after the calendar year in which the borough
9 is incorporated; and

10 (D) 20 percent of the taxes collected during the third
11 calendar year after the calendar year in which the borough is
12 incorporated.

13 (e) Notwithstanding the provisions of (d) of this section, a
14 city may adopt an ordinance to transfer a portion of the funds re-
15 ceived under (d)(1) of this section to the borough in which the city
16 is located.

17 * Sec. 4. AS 43.75.140(4) is amended to read:

18 (4) "fisheries business" means a person who engages in
19 processing fisheries resources for sale by icing, freezing, cooking,
20 salting, or other method and includes but is not limited to canneries,
21 cold storages, freezer ships, and processing plants;

22 * Sec. 5. This Act takes effect immediately under AS 01.10.070(c).
23
24
25
26
27
28
29

by Rep. Wallis

Explanation of Proposed amendment to CSSB 162(C&RA) am

The amendment would clarify the definition of fisheries business to include icing. When fish are landed, they are either completely processed immediately, or partially processed and prepared for additional processing. One such way of partially processing fish is icing.

Icing of fish is a costly process and requires a significant business investment, especially in rural Alaska. Iced fish are typically shipped by air to another location for completion of the processing. Icing is the first step in the processing of some fish. Without icing the fish first, the quality of the fish would be lost or seriously reduced.

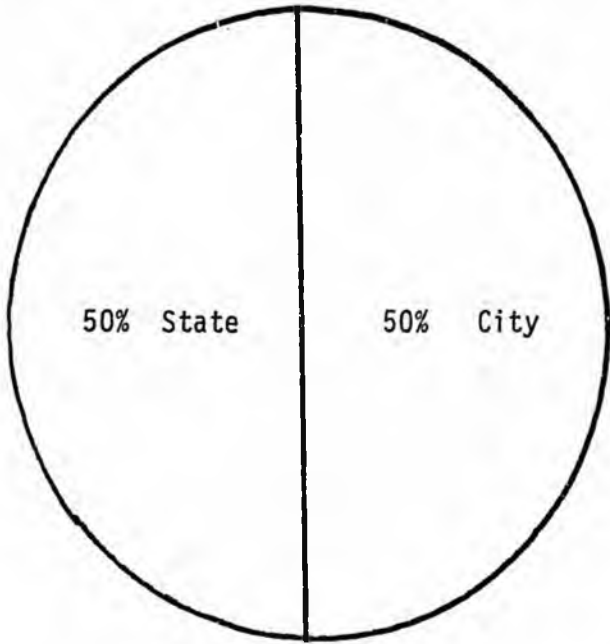
Since icing is an essential part of a complete processing system, it should be recognized as such in statute.

The amendment is in two parts. The first part adds icing to the definition of "fisheries business." The second part makes it clear that commercial fishing vessels who ice their fish are excluded from paying the fisheries business tax. They are currently excluded from paying the tax if they freeze their fish.

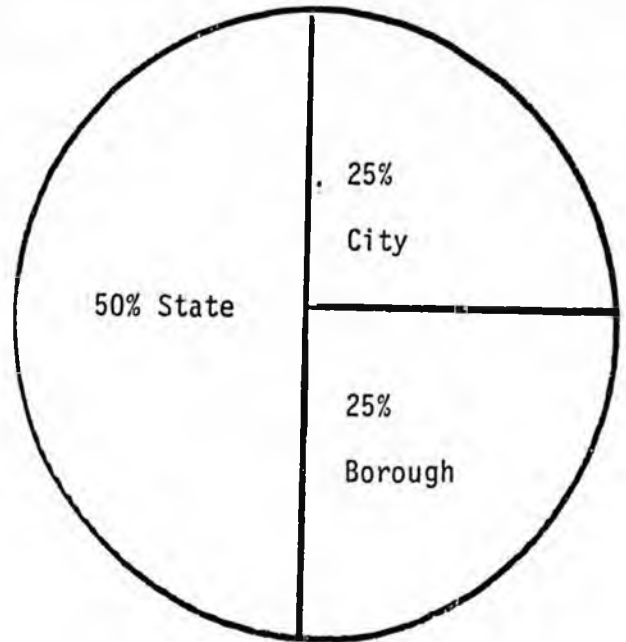
FISH TAX REVENUE

Representative Herrman

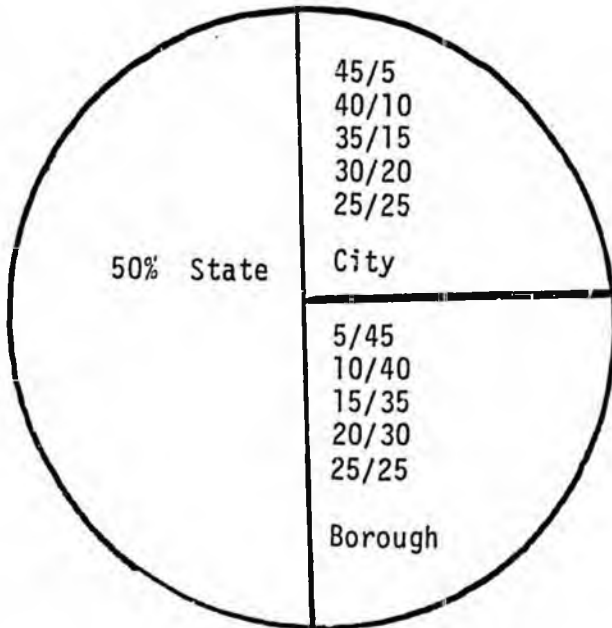
CITIES - under current law the state shares fish tax revenue 50% / 50% with cities



BOROUGH'S - when a Borough is formed, cities are required to share half of their fish tax revenue with the new Borough



SB. 162



First year of Incorporation: City retains 45% and returns 5% to Borough

First calendar year of Borough: City retains 40% and returns 10% to Borough

Second calendar year of Borough: City retains 35% and returns 15% to Borough

Third Calendar year of Borough: City retains 30% and returns 20% to Borough

Fourth Calendar year of Borough: City retains 25% and returns 25%

Because the cities are giving up a substantial portion of their fish tax revenue to the new Borough organization, SB 162 will help to ease the revenue loss by phasing in revenue payments to the new organization.

This affects only revenues generated within the cities boundaries and does not affect the portion of revenues generated in the new borough boundaries. Those additional revenues will be shared 50% state / 50% Borough

Fish processor plant proposed, would lease city's ice machine

By BETSY LONGENBAUGH

THE JUNEAU EMPIRE

It's good news on the fisheries front.

A fish processor is in town this week with a proposal to build a plant here, using an ice machine supplied by the city-borough and employing up to 80 people during the summer salmon season and possibly 25 people year-round.

Bill Kallenberg's proposal calls for his new company, Capital Seafoods, to lease the city-owned ice machine currently located in the Juneau Cold Storage Building.

Capital Seafoods would then begin processing fish by Aug. 1, employing some 30 to 40 people at that time. The processing plant would be capable of handling between 40,000 and 60,000 pounds of fish each day, either flying

it out fresh or freezing it.

Under the proposal, the ice machine would be moved from the cold storage building - which is scheduled for demolition in June - and placed at a municipal fisheries terminal on University of Alaska-Juneau property if the site is ready.

If it isn't, Kallenberg has arranged to temporarily lease a dock near the Douglas Bridge for the ice machine and store fish in the Lemon Creek area until the municipal site is ready.

Helping Kallenberg in this venture as his local representative is Eric Eckholm of Juneau. Kallenberg would manage the plant, however, and plans to move here from Seattle. Kallenberg is currently part-owner and operator of a fish processor in Egegik, which handles fish from the

Bristol Bay fishery.

Capital Seafoods' proposal was in response to the city-borough's decision to seek proposals to renovate and operate the ice machine. Funds to renovate the 15-year-old machine would be supplied by the city-borough from a federal grant of \$150,000.

Ira Winograd, assistant planner for the municipality, said Capital Seafoods' proposal will be recommended for award at the Juneau City-Borough Assembly's Monday meeting.

He said municipal staff will recommend Capital Seafoods' proposal over those received by Douglas Cold Storage and Bob File of Juneau.

Winograd said Capital Seafoods' proposal is preferred because of Kallenberg's experience with sea-

Please turn to Page 8



MARK KELLEY/JUNEAU EMPIRE

BILL KALLENBERG

Processor...

Continued from Page 1
food processing, the number of jobs provided by Capital Seafoods, its proposal to remain open year-round and its agreement to renovate the ice machine within the available federal funds.

Winograd added, however, that the federal grant funds have one stipulation attached - Capital Seafoods will be asked to employ workers who meet federal low-income standards.

Kallenberg, who arrived in Ju-

neau today, said he has considered putting a processing plant in Juneau for some time. He said he has fished here and knows what's available.

"I've had a lot of experience in Juneau and I understand the resource here," he said.

Kallenberg said that while Juneau isn't able to supply "a huge amount of salmon," it has "a steady and good quality resource of fish from Lynn Canal and Taku River."

He also anticipates that Juneau will be a good site for groundfish - which is caught during the winter and would keep the processor open year-round.

Kallenberg said the market for fresh groundfish has increased, and having two airlines in Juneau makes it a better base for flying out fresh fish than other Southeast towns.

He said this winter would be a "pilot program" for the groundfish operation, when he hopes to have between five and 10 boats selling fish to him.

Kallenberg said he is also interested in putting a processor in Juneau because of the fish available from local hatcheries and because of the skilled work force available here.

"I see the labor pool here being a real asset," he said.

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

March 16, 1987

POSITION PAPER

STEVE COWPER, GOVERNOR

- P.O. BOX B
JUNEAU, ALASKA 99811-2100
PHONE: (907) 465-4700
- 949 E. 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508-4302
PHONE: (907) 563-1073

RE: SB 162 -- "An Act relating to fisheries business tax refunds to local government; and providing for an effective date."

SPONSOR: Senator Zharoff

Program Effects of Bill:

Section 1 of the bill amends existing language in AS 43.75.130(a) to provide for a new subsection (d) as well as several minor "house cleaning" wording changes.

Section 2 of the bill amends AS 43.75.130 by adding a new subsection (d) which provides for a five-year phasing in of the sharing of fish tax revenues between cities and boroughs in the instance of new borough formation.

Section 3 of the bill provides for an immediate effective date for the Act.

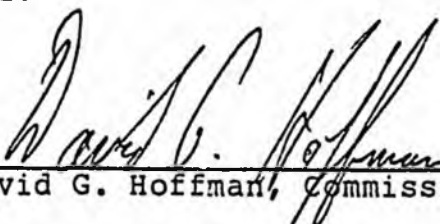
Comments:

The existing State Fisheries Business Tax law provides for a "refund" of this state tax to municipalities in whose jurisdiction the tax was collected. In the case of unified municipalities and cities in the unorganized borough, 50 percent of the tax revenue collected within municipal boundaries is returned. However, cities located within a borough must in turn share 50 percent of their fish tax refund with the surrounding borough. In other words, such a city would receive only 25 percent of the fish tax collected within its jurisdiction; the other 25 percent would go to the borough.

The state fish tax provides a significant and relatively stable portion of total revenues for many cities presently located outside of organized boroughs. The formation of a borough which would include such cities would result in sudden and substantial revenue losses for these cities. Cities located within the new borough have no guarantee of receiving any of this funding back from the borough. The prospect of such a revenue shock represents a clear disincentive to borough formation. Providing for a phased transition into the sharing of fish tax revenues from cities to new boroughs would reduce the severity of the shock to city operations; consequently, reducing the disincentive to borough formation.

SB 162
March 16, 1987
Page Two

The establishment of strong, self-sufficient, local and regional government throughout Alaska is a longstanding goal of the Department of Community and Regional Affairs. The Department endorses practical measures which provide incentives, or reduce existing disincentives, with regard to borough formation. The measures provided for in this bill appear to be straightforward in effect and relatively simple in their implementation. The Department therefore supports the expeditious passage of this bill.



David G. Hoffman, Commissioner

CITY OF KING COVE

P.O. Box 37 • King Cove, Alaska 99812 • (907) 497-2340

May 11, 1987

The Honorable Al Adams, Chairman
House Finance Committee
Alaska House of Representatives
Pouch V
Juneau, Alaska 99811

RE: HB 226/SB 162

Dear Representative Adams:

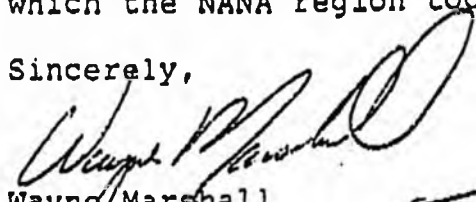
The Communities of the Aleutians East region, Akutan, Cold Bay, False Pass, King Cove, Nelson Lagoon and Sand Point, ask for your support of SB 162/HB 226, an Act relating to Fisheries Business Tax refunds. Our region has submitted the petition required to establish the Aleutians East Borough, and if the State Local Boundary Commission acts favorably, an election will be held in October, 1987, on incorporating a borough. We view passage of SB 162/HB 226 as critical to residents voting to form the new Aleutians East Borough.

This legislation allows the phased transfer of fish tax revenues between existing cities and a newly established borough. The transition will occur over a period of five years and would allow the cities to adjust existing service delivery to the decrease in amount and percentage of fish tax revenues they will receive. The net effect is that the bill will decrease one of the disincentives for borough incorporation for cities in the Aleutians East region which heavily depend on the fish tax revenues they currently receive. For example, the Cities of Akutan and King Cove receive 15%-20% of their general operating revenues from the State Fish Tax. Also, the bill will not affect the new borough's ability to deliver quality services, does not affect fish tax revenues existing boroughs receive, does not affect State revenues, and does not require any new State monies to implement.

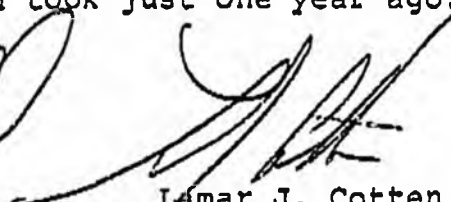
To date, this legislation has been acted on by the Senate and was approved by this Chamber's Labor and Commerce, Community and Regional Affairs and Finance Committees. On the House side, the Resources and Community and Regional Affairs Committees have approved the legislation. We ask now for the

House Finance Committee's support so the legislation can be adopted this legislative session. The legislation will remove one of the obstacles to establishing a borough and more self-government in the Aleutians East region, a step which the NANA region took just one year ago.

Sincerely,



Wayne Marshall
City Manager
City of King Cove



Lamar J. Cotten
City Administrator
City of Sand Point.

cc: Rep. Herrmann
Sen. Zharoff

CITY OF KING COVE

P.O. Box 37 • King Cove, Alaska 99612 • (907) 497-2340

January 12, 1987

The Honorable Fred Zharoff
P.O. Box 405
Kodiak, Alaska 99615

RE: Establishing a Borough Government in the Aleutians East Region

Dear Senator Zharoff:

The six communities of the Aleutians East region; Akutan, Cold Bay, False Pass, King Cove, Nelson Lagoon and Sand Point, are pursuing possible formation of a borough government. On November 10, 1986, leaders from the above communities met to examine concerns facing the region and the merits of forming a borough as a way to address these concerns. The general consensus of the 27 persons that participated in this meeting was:

- o there are a number of serious financial, capital improvement project, political and other problems facing the region;
- o community leaders should meet again early in 1987 to make a more informed decision on establishing a Borough;
- o additional information must be gathered and examined before community leaders decide if the area should incorporate an Aleutians East Borough;
- o an Aleutians East Borough is probably the best way for residents to address many of the region's problems; and
- o incorporation of an Aleutians East Borough may soon be necessary.

This consensus reflects an awareness that the serious financial problems facing the State and Aleutians East communities will require the region to examine ways to raise additional local revenues to maintain service delivery.

In addressing forming a borough, community leaders identified concerns which may be impediments to establishing a Borough. Three of these concerns, which are identified below and

described in the attached topical papers, are ones which will require legislative assistance and action to accomplish. The region asks for your support and direction in helping to relieve the problems caused by these impediments.

The three concerns which require legislative attention include:

1) Effect of Establishing a Borough Government on Revenues for Education Services that the Region will Receive. The concern centers on the potential of significantly decreased revenues to the district for education if a Borough is established. The existing State School Foundation Funding Formula does not include provisions to address the merging of three school districts into a single district. The region needs assistance from you to work with the Departments of Education and Revenue, and fellow legislators to ensure the Borough School District receives a level of education funds equal to those which would have been provided to the Aleutians REAA and King Cove and Sand Point School Districts.

2) Shared Fish Tax Distribution - Borough/Cities: The concern centers on the loss of State Shared Fish Tax (Fishery Business Taxes) revenues to the region's four cities if a Borough is established. This occurs because the present law requires cities in the organized borough to equally share raw fish tax revenues they would receive with a borough, while a city in the unorganized borough receives a full share of these taxes. The region proposes the existing law be amended to allow a three year phase-out of the amount of revenue the cities will lose to a borough. This amendment is fully explained in the attached issue paper and will require legislative action.

3) Borough Formation Assistance Funds: The region needs approximately \$30,000 and assistance from the Department of Community and Regional Affairs (DCRA) to complete its efforts to form a Borough. To date, the region has used FY 85 Regional Strategy Funds from DCRA to fund its organizational efforts. These funds are now exhausted. The region would use the funds to conduct meetings of regional representatives, gather data, prepare its incorporation petition and publish public information. The region will need the funds to conduct these activities in March -December 1987.

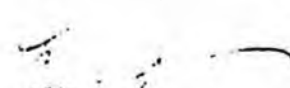
These three issues, if they can be resolved, will lessen the impediments and provide incentives to establish a Borough. The region will keep you appraised of our efforts to pursue Borough formation and is available to further discuss the above three concerns with you. In addition you and your staff are invited to participate in the next meeting of community leaders, which is tentatively scheduled for the first week of February in Anchorage.

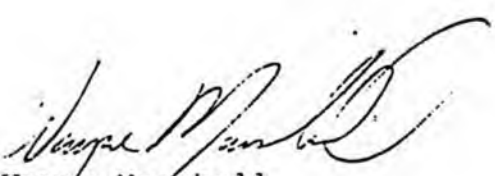
Also, enclosed for your review is information that has been produced on the Aleutians East Borough. This information includes:

- o Aleutians East Regional Government Study, March 1986 report;
- o Executive summary of the above report, March 1986;
- o Aleutians East Regional Government Study, Issues/Data Update paper, October 31, 1986, which was distributed to representatives that attended the November 10, 1986 meeting;
- o Aleutians East Borough - Why Is It Being Considered?, brochure, January 1987, which was distributed on January 9, 1987 to all box holders in the Aleutians East region.

We would appreciate the opportunity to discuss the region's concerns with you when you pass through Anchorage on your way to Juneau.

Sincerely,


Lamar J. Cotten
City Administrator


Wayne Marshall
City Manager

1689 'C' Street
Anchorage, Alaska 99501
276-2700

STATE FISHERIES BUSINESS (RAW FISH) TAX

DESCRIPTION OF PRESENT DISTRIBUTION SYSTEM FOR STATE FISHERIES BUSINESS TAX REVENUES: Existing State law provides that the State and cities in the Unorganized Borough equally share, 50%-50%, State Fisheries Business Tax revenues (for fish delivered within city boundaries). However, if a borough exists, the State receives its 50% share, but the borough and cities within the borough must equally share the other 50% of revenues. Thus, if an Aleutians East Borough is established, cities which presently receive 50% of State Fisheries Tax revenues see this amount decrease to 25% of the State tax, a loss of half of the cities' present fish tax revenues.

The cities of Akutan, King Cove and Sand Point, and to a lesser extent, Cold Bay, receive a large amount of their municipal revenues from State Fish Tax revenues. For example, the following represents revenues received for FY 86 and FY 87:

	<u>Akutan</u>	<u>King Cove</u>	<u>Sand Point</u>	<u>Cold Bay</u>
FY 86	\$121,000	\$410,000	\$ 88,000	(about)\$2,500
FY 87	\$356,000	\$327,000	\$114,000	(about)\$2,500

In short, the above cities received a total of \$621,500 in FY 86, and \$800,000 in FY 87.

DESCRIPTION OF CONCERN: In examining Borough formation, the present distribution method causes significant concern among the cities in the Aleutians East region. If a Borough is established, each city would immediately lose a significant amount of its local revenue base to the new Borough. This loss, when coupled with projected decreases in State Municipal Assistance (elimination of this program has been publicly discussed by Governor Cowper's administration), State Revenue Sharing and State School Foundation funds, will make it extremely difficult for these cities to absorb the loss of half of the State Fish Tax monies. This revenue loss is heightened because it occurs in one year; the year the borough is incorporated.

The City of King Cove's budget and revenues are used to illustrate the extent of loss. In FY 86, King Cove had general operating revenues of about \$1,000,000. Of these, \$411,000 or about 41%, were obtained from the 50% disbursement of State Shared Fish Tax revenues. If a borough existed in FY 86, King Cove would have lost about \$205,000 or 20% of its general operating revenue base to the borough.

Similarly, in FY 87, about 35% (\$327,000) of King Cove's revenues are from State Shared Fish Tax revenues; or a loss of about 18% of its operating funds if a borough existed. Akutan obtains an even greater percentage of its operating funds than King Cove from State Shared Fish Tax revenues, while Sand Point receives a lesser, but significant amount.

Collectively, the Aleutians East region cities view the present method for distributing State Shared Fish Tax revenues as a disincentive to establishing a borough. This revenue loss (if a borough is established), combined with the projected losses in other State assistance funds, and little, if any, decrease in services which the cities deliver, except for education, will cause severe shortfalls in City budgets. The cities need a way to mitigate these losses so they, like the State, can gradually adjust to reduced revenues. Specifically, the Aleutians East region cities need time to adjust to the elimination of half of the Fish Tax Revenues which they presently receive.

LEGISLATIVE ASSISTANCE NEEDED: Cities in the Aleutians East region as well as those in other coastal areas which may pursue borough formation, would benefit from a phased reduction in the amount of State Shared Fish Tax revenues, rather than an abrupt immediate reduction of half of these revenues. The intent of the phased reduction is to provide the cities with a transition period to adjust to permanent revenue losses, and to mitigate one of the disincentives for borough incorporation. Two options are recommended for legislative action to help accomplish this objective.

Option 1 - The State provides each City 75% of its full share for year one, 50% for year two, and 25% for year three, of the difference between 50% and 25% of State Shared Fish Tax revenues after a Borough is established. In addition, the Borough begins to receive its full 25% share of State revenues from the date the Borough is established.

The following illustrates how Option #1 would apply assuming a City were eligible to receive (if it had remained in the Unorganized Borough) \$400,000 in State Shared Fish Tax revenues for each of 3 years.

Year #1. City receives \$200,000, plus an additional appropriation of \$150,000 (75% of funds Borough would receive), and the Borough would receive \$200,000.

Year #2. City receives \$200,000, plus an additional appropriation of \$100,000 (50% of funds Borough would receive), and Borough would receive \$200,000.

Year #3. City receives \$200,000, plus an additional appropriation of \$50,000 (25% of funds Borough would receive) and Borough would receive \$200,000.

Year #4 and beyond. City receives \$200,000 and Borough receives \$200,000. No additional State funds are required.

Option #1 will enable cities to adjust to the permanent loss of these revenues over a three year period, rather than in one year. Also, this provides a Borough with the funds it needs to deliver services to borough residents. This approach would require the State to provide additional revenues for a period of three years to this region (and potentially others that may establish a Borough), but would not require a permanent commitment of State funds above and beyond present State Fish Tax formula distributions. In return, the State would encourage Borough formation, a State goal, by removing one of the obstacles - immediate loss of revenues - to the Cities.

This approach is similar to the State's method of trying to reach a sustainable budget. The State is gradually reducing services/budget to a sustainable level, rather than making wholesale reductions in one year because of revenue shortfalls --- making the budget equal revenues received. This policy is being pursued even though it requires the infusion of one time sources of revenues or reserve or savings account funds into the State budget.

Option 2 - The State retains its 50% of revenues, and each city receives its 25% share, plus a graduated reduction of the borough's 25% share. The proposed distribution of a percentage of the Borough's State Shared Fish Tax revenue to the respective cities would be over 3 years. Each City would receive its respective share at the rate of 75% of Borough share -year 1, 50% of Borough share -year 2, and 25% of Borough share -year 3.

Using the same example as Option #1, \$400,000 per year in Fish Tax business done within city limits, Option #2 would result in the following:

Year #1. City would receive \$200,000, plus 75% of the Borough's allocation \$150,000, and the Borough would receive \$50,000.

Year #2. City would receive \$200,000, plus 50% of the Borough's allocation \$100,000, and the Borough would receive \$100,000.

Year #3. - City would receive \$200,000, plus 25% of the Borough's allocation \$50,000, and the Borough would receive \$150,000.

Year #4 and beyond. City would receive \$200,000, but none of the borough share, and the borough would receive its full \$200,000 allocation.

This would allow cities to gradually wean themselves from reliance on fish tax revenues and mitigate one of the concerns with establishing a Borough -immediate loss of almost 20% of city revenues for at least 2 of the Aleutians East cities.

However, this approach, unlike option 1, may cause problems for Borough service delivery. The newly established borough will not receive its full share of Fish Tax revenues, and may not have adequate funds to operate. For example, in FY 87, the Aleutians East Borough (if it was established) would not have received approximately \$360,000, because the cities would retain these funds in year one using this option. In year two, this amount would decrease to about \$240,000, and in year three, would further decrease to about \$120,000, because of the graduated reduction. However, this method would not require the allocation of additional State funds, it would only require legislative action to adopt the change, and administrative action to implement it. The major disadvantage to this option from the region's perspective is the loss of funds to help the newly established borough become operational.

The communities which are considering borough formation in the Aleutians East recognize that either of these options may be difficult to achieve, but believe a phased reduction in State Shared Fish Tax revenues is needed to encourage borough formation.

Original sponsor: Zharoff

1 IN THE SENATE BY THE COMMUNITY AND
REGIONAL AFFAIRS COMMITTEE

2 CS FOR SENATE BILL NO. 162 (C&RA)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to fisheries business tax refunds to
7 local government; and providing for an effective
8 date."

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

10 * Section 1. AS 43.75.130(a) is amended to read:

11 (a) Except as provided in (d) of this section, the [THE] commis-
12 sioner of revenue shall pay

13 (1) to each unified municipality and to each city located
14 in the unorganized borough, 50 percent of the amount of tax revenue
15 collected in the municipality from taxes levied under [BY] this chap-
16 ter;

17 (2) to each city located within a borough, 25 percent of
18 the amount of tax revenue collected in the city from taxes levied
19 under [BY] this chapter; and

20 (3) to each borough

21 (A) 50 percent of the amount of tax revenue collected
22 in the area of the borough outside cities from taxes levied under
23 [BY] this chapter; and

24 (B) 25 percent of the amount of tax revenue collected
25 in cities located within the borough from taxes levied under [BY]
26 this chapter.

27 * Sec. 2. AS 43.75.130 is amended by adding new subsections to read:

28 (d) Notwithstanding the provisions of (a)(2) and (a)(3)(B) of
29 this section, the commissioner shall pay

1 (1) to each city in a borough that is incorporated after
2 the effective date of this Act the following percentages of the tax
3 revenue collected in the city from taxes levied under this chapter:

4 (A) 45 percent of the taxes collected during the
5 calendar year in which the borough is incorporated;

6 (B) 40 percent of the taxes collected during the first
7 calendar year after the calendar year in which the borough is
8 incorporated;

9 (C) 35 percent of the taxes collected during the
10 second calendar year after the calendar year in which the borough
11 is incorporated; and

12 (D) 30 percent of the taxes collected during the third
13 calendar year after the calendar year in which the borough is
14 incorporated; and

15 (2) to each borough that is incorporated after the effec-
16 tive date of this Act the following percentages of the tax revenue
17 collected in the cities located within the borough from taxes levied
18 under this chapter:

19 (A) 5 percent of the taxes collected during the calen-
20 dar year in which the borough is incorporated;

21 (B) 10 percent of the taxes collected during the first
22 calendar year after the calendar year in which the borough is
23 incorporated;

24 (C) 15 percent of the taxes collected during the
25 second calendar year after the calendar year in which the borough
26 is incorporated; and

27 (D) 20 percent of the taxes collected during the third
28 calendar year after the calendar year in which the borough is
29 incorporated.

1 (e) Notwithstanding the provisions of (d) of this section, a
2 city may adopt an ordinance to transfer a portion of the funds re-
3 ceived under (d)(1) of this section to the borough in which the city
4 is located.

5 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

1 IN THE SENATE

BY ZHAROFF

2

SENATE BILL NO. 162

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

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29 incorporated.

1 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

SB

167

SENATE COMMITTEE REPORT

FURTHER:

DATE TURNED INTO OFFICE 4/9/87

Mr. President:

FINANCE Committee considered SB 167

grants for water supply, sewage, and solid waste facilities; establishing a revolving loan fund; efd.

and recommended:

replace with _____ CS FOR _____) same title
 or adopt _____ CS FOR _____) new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted _____

Committee attached or adopted fiscal note(s)

new updated or previous #2
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[Handwritten signatures: Paul G. Murphy, John D. ...]

[Handwritten signature] DO PASS
Chairman signature and recommendation

Committee Backup Attached

ADOPTED

2

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST: _____

Bill Version: SB 167
Publish Date: _____

Revision Date: _____
Title: Grants for water supply & sewage facilities; establishing revolving loan fund
Sponsor: Senator Halford
Requestor: _____

Agency Affected: Environmental Conservation
BRU: Facility Construction & Operation
Components: _____

EXPENDITURES: REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	2179.0	2152.7	2252.7	2905.4	2179.0
FEDERAL FUNDS	-0-	10895.4	10763.6	11263.6	14527.2	10895.4
OTHER						
TOTAL	-0-	13074.4	12916.3	13516.3	17432.6	13074.4

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary) Passage of the revolving loan fund bill will give the state the ability to accept a total of \$69,240,000 in federal dollars to capitalize the fund. Federal funds require a 20% state match. Passage of the bill does not obligate the state to accept the federal dollars or to appropriate the match. *Please see attachment.

Prepared by: Lori Telfer
Division: Facility Construction and Operation

Phone: 465-2610
Date: 3/17/87

Approved by Commissioner: [Signature]
Agency: Environmental Conservation

Date: 3/17/87

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)
 - Senate Secretary

1 IN THE SENATE

BY HALFORD

2

SENATE BILL NO. 167

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to grants for water supply, sewage,

7

and solid waste facilities; establishing a revolving

8

loan fund; and providing for an effective date."

9

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

10

* Section 1. AS 46.03.030(c) is amended to read:

11

(c) There is a water quality enhancement program and [,] water

12

supply, sewage [SEWERAGE], and solid waste facilities fund created in

13

the department to carry out the purposes of this section.

14

* Sec. 2. AS 46.03.030(d) is amended to read:

15

(d) The department shall, by regulation, identify those costs

16

that [WHICH] are eligible costs for the purposes of this section.

17

Eligible costs include the costs established in a construction con-

18

tract which are necessary for construction of a project, but do not

19

include the cost of interest and financing and right-of-way acquisi-

20

tion, or costs related to operation, maintenance, or repair [OR RE-

21

PLACEMENT] of a project.

22

* Sec. 3. AS 46.03.030(e) is amended to read:

23

(e) The department may grant to a municipality not more than 50

24

percent of the eligible costs that [, INCLUDING COSTS OF OBTAINING

25

FEDERAL WAIVERS FROM THE REQUIREMENT FOR SECONDARY TREATMENT PLANTS,

26

WHICH] are not paid for by the federal government for solid waste

27

processing or disposal facilities constructed after July 1, 1980.

28

However, the department may grant a municipality up to 60 percent of

29

the eligible costs not paid for by the federal government for a solid

1 waste processing or disposal facility constructed after July 1, 1980,
2 if the facility is used for resource recovery. The eligible costs of
3 a solid waste processing or disposal facility are determined by the
4 federal agency granting the most monetary assistance for construction
5 of the facility. For a solid waste processing or disposal facility
6 for which federal money is not available, the department shall deter-
7 mine the eligible costs in accordance with (d) of this section. A
8 municipality shall construct solid waste processing or disposal
9 facilities financed by grants under this section according to plans
10 and specifications approved by the department.

11 * Sec. 4. AS 46.03 is amended by adding a new section to read:

12 Sec. 46.03.032. ALASKA CLEAN WATER FUND. (a) There is estab-
13 lished as a separate fund the Alaska clean water fund, which is dis-
14 tinct from any other money or fund in the treasury, and which consists
15 of money appropriated by the legislature, federal capitalization
16 grants, loan repayments, interest received from loan repayments, and
17 interest received from investment of money in the clean water fund.

18 (b) The department shall administer the Alaska clean water fund.

19 (c) The department may accept and make use of all capitalization
20 grants provided by the federal government under the federal Clean
21 Water Act, as amended by P.L. 100-4.

22 (d) Except as otherwise limited by federal law, the Alaska clean
23 water fund may be used for the following:

24 (1) buying or refinancing treatment works debt obligations
25 of municipalities;

26 (2) planning, designing, building, constructing, and re-
27 habilitating facilities associated with public sewage collection,
28 treatment, and discharge facilities;

29 (3) constructing, equipping, modifying, improving, and

1 expanding public water supply, treatment, and distribution systems;
2 (4) guaranteeing or purchasing insurance for public agency
3 obligations related to treatment works construction.
4 (e) Repayment of loans must be secured in a manner that the
5 department determines is feasible to assure prompt repayment under a
6 loan agreement entered into with the borrower.
7 (f) The department may spend money from the fund to pay the
8 costs of administering the fund.
9 (g) A municipality wishing to borrow money from the fund must
10 demonstrate to the satisfaction of the department,
11 (1) sufficient legal authority to incur the debt for which
12 it is applying; and
13 (2) that it will establish and maintain a dedicated source
14 of revenue or other acceptable revenue source for repayment of the
15 loan.
16 (h) Allocation of Alaska clean water fund loans must be made in
17 accordance with the priority list developed by the department, using
18 criteria specified in regulations adopted by the department.
19 (i) Before making a loan from the Alaska clean water fund, the
20 department shall, by regulation, specify
21 (1) standards for the eligibility of borrowers and the type
22 of projects to be financed with loans;
23 (2) loan term and interest rate policies for loans made
24 from the fund;
25 (3) standards regarding the technical and economic viability
26 and revenue self-sufficiency of eligible projects;
27 (4) collateral or other security required for loans;
28 (5) terms of loans; and
29 (6) other relevant criteria, standards, or procedures.

1 (j) A loan made by the department must be made according to the
2 standards, criteria, and procedures established by regulations under
3 this section.

4 (k) The department shall prepare reports required by the federal
5 government in conjunction with federal capitalization grant award
6 conditions. The department shall also provide the Alaska legislature
7 with an annual report on the Alaska clean water fund on or before the
8 first day of each legislative session.

9 (1) Loan repayments and interest earned by loans from the Alaska
10 clean water fund must be deposited in the fund.

11 (m) Annual principal payments must commence within one year
12 after project completion, or within two years after the date the loan
13 is made, whichever is earlier.

14 * Sec. 5. This Act takes effect immediately under AS 01.10.070(c).

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPT. OF ENVIRONMENTAL CONSERVATION

POSITION PAPER

Bill No: SB 167

Date: March 16, 1987

Title: An Act relating to grants for water supply, sewage, and solid waste facilities; establishing a Revolving Loan Fund; and providing for an effective date.

Contact: Gary Hayden
465-2610

Department's Position

We support the bill.

Effect of the Bill

SB 167 would create the mechanism the State needs to take advantage of federal dollars authorized under the 1987 amendments to the Clean Water Act. The amendments provide for a transition from a federally funded grant program for sewage treatment facilities to a federally and State funded loan program. About \$69 million in federal funds will be available in the next seven years to capitalize a revolving loan fund in Alaska. The State would match with another twenty percent. SB 167 will allow the Department of Environmental Conservation to make low interest loans to communities to construct sewage treatment plants.

The bill also makes adjustments to the existing statute concerning the Department's fifty percent Construction Grants Program.

Impact on the Agency

The proposed revolving loan program would replace the federal grant program being administered by the Department. Therefore, we would administer the proposed loan program with existing staff, with no increase in the operating budget.



Dennis D. Kelso
Commissioner

ATTACHED

1

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST: _____

Bill Version : SB 167
Publish Date : _____

Revision Date: _____
Title: Act establishing a Revolving
Loan Fund (Alaska Clean Water Fund)
Sponsor: Senator Rick Halford
Requestor: _____

Agency Affected: Environmental Conservation
BRU: Facility Construction & Operation

Components : _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	2,179.0	2,152.7	2,252.7	2,905.4	2,179.0	1,452.7
FEDERAL FUNDS	10,895.4	10,763.6	11,263.6	14,527.2	10,895.4	7,263.6
OTHER						
TOTAL	13,074.4	12,916.3	13,516.3	17,432.6	13,074.4	8,716.3

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary) Passage of the revolving loan fund bill will give the state the ability to accept a total of \$69,240,000 in federal dollars to capitalize the funds. Federal Funds require a 20% state match. Passage of the bill does not obligate the state to accept the federal dollars or to appropriate the match (see attachment).

Prepared by: Lori Telfer Phone: 465-2610
Division: Facility Construction & Operation Date: 3/17/87

Approved by Commissioner: _____ Date: _____
Agency: Environmental Conservation

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)
Senate Secretary

ATTACHED

3

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST: _____

Bill Version: SB 167
Publish Date: _____

Revision Date: _____
Title: Act establishing a Revolving Loan
Fund (Alaska Clean Water Fund)
Sponsor: Senator Rick Halford
Requestor: _____

Agency Affected: Environmental Conservation
BRU: Facility Construction & Operation
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	4,331.8	2,252.7	2,905.4	2,179.0	1,452.7
FEDERAL FUNDS	-0-	21,659.0	11,263.6	14,527.2	10,895.4	7,262.6
OTHER						
TOTAL	-0-	25,990.8	13,516.3	17,432.6	13,074.4	8,715.3

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary) Passage of the revolving loan fund bill will give the state the ability to accept a total of \$69,240,000 in federal dollars to capitalize the funds. Federal funds require a 20% state match. Passage of the bill does not obligate the state to accept the federal dollars or to appropriate the match (see attachment).

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Division: Facility Construction & Operation Date: 3/17/87

Approved by Commissioner: _____ Date: _____
Agency: Environmental Conservation

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

3-17-87

513167

CAPITALIZATION OF THE STATE REVOLVING LOAN FUND

FED F.Y.	FED SEED GRANT	STATE MATCH	TOTAL
88	\$10,895,400	\$2,179,080	\$13,074,480
89	\$10,763,600	\$2,152,720	\$12,916,320
90	\$11,263,600	\$2,252,720	\$13,516,320
91	\$14,527,200	\$2,905,440	\$17,432,640
92	\$10,895,400	\$2,179,080	\$13,074,480
93	\$7,263,600	\$1,452,720	\$8,716,320
94	\$3,631,800	\$726,360	\$4,358,160
TOTALS:	\$69,240,600	\$13,848,120	\$83,088,720

CAPITALIZATION OF THE STATE REVOLVING LOAN FUND

1987	1988	1989	1990	1991	1992	1993	1994	1995
July	July	July	July	July	July	July	July	July
SFY 88	SFY 89	SFY 90	SFY 91	SFY 92	SFY 93	SFY 94		

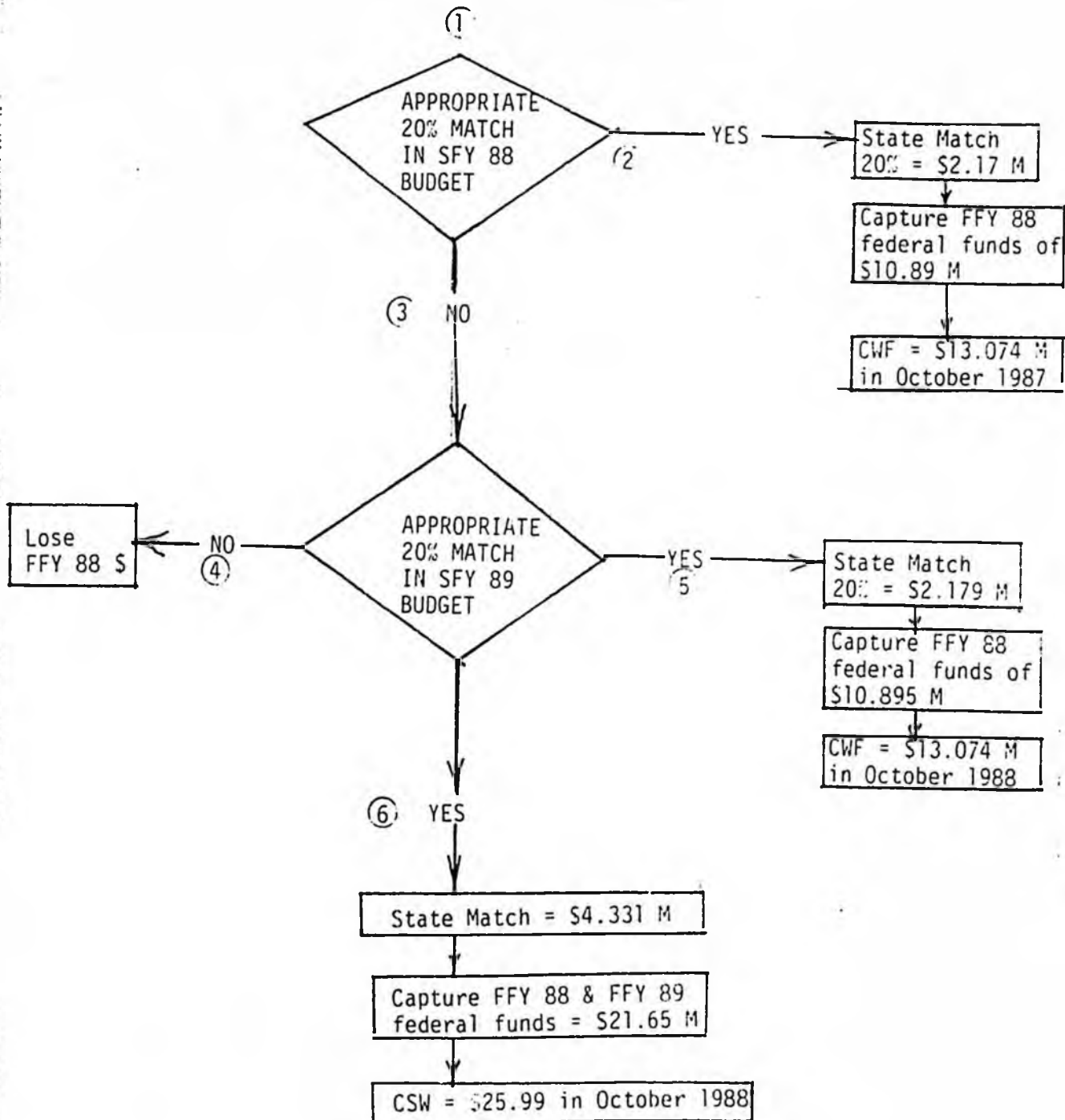
Oct	Oct	Oct	Oct	Oct	Oct	Oct	Oct	Oct
FFY 88	FFY 89	FFY 90	FFY 91	FFY 92	FFY 93	FFY 94		
\$ 10.89 M	\$ 10.76 M	\$ 11.26 M	\$ 14.53 M	\$ 10.89 M	\$ 7.26 M	\$ 3.63 M		

3-17-87

SB167

STATE MATCH DECISION TREE

Note: SFY=State Fiscal Year
FFY=Federal Fiscal Year



Alaska State Legislature

ARLISS STURGULEWSKI, Chairman
TIM KELLY, Vice Chairman
RICK HALFORD
MIKE SZYMANSKI
FRED ZHAROFF



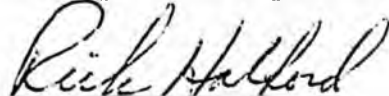
P. O. BOX V
JUNEAU, ALASKA 99811
(907) 465-4589


Senate Community and Regional Affairs Committee

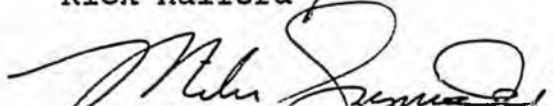
LETTER OF INTENT
SB 167

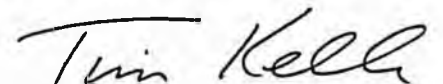
It is the intent of the Senate Committee on Community and Regional Affairs that, contingent upon federal requirements, when establishing interest rate policy as defined in AS 46.03.032 (i) (2) and setting interest standards for collateral or security as defined in AS 46.03.032 (i) (4) and (e), the department will adhere to the following;


1. The interest rate charged to a community for loans from the Alaska Clean Water Fund will be 66% of the current rate for revenue bonds as defined by the Alaska Municipal Bond Bank Authority for all loans prior to July 1, 1992, and 75% of the current rate for all loans after July 1, 1992; and
2. In order to determine that repayment of loans is secured (as required by federal legislation), the department will perform a financial capability review of the community. This review must demonstrate that the recipient has sufficiently pledged a dedicated revenue stream to repay the loan as well as operate and maintain the facility; and
3. Municipalities that repay loans to the Alaska Clean Water Fund by consumer utility billings will charge a rate that is consistent with the savings realized by municipalities participating in this loan program.


Rick Halford


Fred Zharoff


Mike Szymanski


Tim Kelly, Vice Chairman


Arliss Sturgulewski, Chair

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 3/19/87 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: FINANCE

**FISCAL NOTE(S) ATTACHED **
IN ACCORDANCE WITH AS 24.08.035

(see below)

3/11/87

DATE TURNED INTO OFFICE 4/1/87

Mr. President:

C&RA Committee considered SB 167

grants for water supply, sewage, and solid waste facilities;
establishing a revolving loan fund; efd.

and recommended:

[] replace with CS _____ [] same title
[] attached amendment(s) and [] new title

[] do pass

[] do not pass

[] no recommendation

[] individual recommendations

[] further referral to _____

letter of intent adopted and attached

** Committee ⁽²⁾ attached ^{and} ¹ adopted fiscal note(s)
[] zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Rick Hatfield
Mike Symantzi
and [Signature]

Artis Stimpulinski DePano
Chairman signature and recommendation

Committee Backup Attached

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

March 27, 1987

SUBJECT: Dedication of funds to clean water fund by
SB 167 (Grants for water supply, sewage and
solid waste facilities)

TO: Senator Rick Halford

FROM: Teresa B. Cramer *TBC*
Legislative Counsel

You have asked whether the Alaska clean water loan fund created by SB 167 violates the constitutional prohibition against the dedication of state funds for a special purpose. You have provided me with a copy of Title VI (State Water Pollution Control Revolving Funds) of P.L. 100-4, amending the Federal Water Pollution Control Act (33 U.S.C. 1251 - 1376), commonly known as the Clean Water Act.

The Alaska Constitution, Article IX, Section 7, permits the state to dedicate funds "when required by the federal government for participation in federal programs." The question then is whether SB 167 creates a dedicated fund in order to participate in a federal program and whether the state program is not more extensive than the federal requirements. In my opinion, the bill complies with the requirements of the exception for a federal program.

The recent amendments to the federal Clean Water Act require that states establish revolving loan funds that meet certain standards in order to be eligible to participate in the capitalization grants. The state must establish a separate fund consisting of federal capitalization grant payments (Sec. 602(b)(1)), the required state matching funds (Sec. 602(b)(2)), loan repayments including interest (Sec. 603(d)(1)(D)), and interest earned on fund accounts (Sec. 603(d)(6)). As long as the state does not deposit more than the required state match in the fund, contributions specified in the bill should be exempt from the prohibition against dedicated funds.

Senator Halford
Page 2
March 27, 1987

The requirements imposed in SB 167 for management of the fund and the projects that are eligible for participation in the program appear to be consistent with the federal legislation. Under AS 46.03.032(d), added by section 4 of SB 167, the state permits the fund to be used for

- (1) buying or refinancing municipal treatment works debt obligations;
- (2) constructing facilities associated with public sewage collection treatment and discharge facilities;
- (3) constructing public water supply, treatment, and distribution systems; and
- (4) guaranteeing or purchasing insurance for public agency obligations related to treatment works construction.

Under sec. 603 (c) of the federal legislation, amounts in the fund are to be used only for financial assistance

- (1) for construction of publicly owned treatment works (as defined in section 212 of this Act), (2) for the implementation of a management program established under section 319 of this Act, and (3) for development and implementation of a conservation and management plan under sec 320 of this Act.

Under Sec. 603(d)(2), the fund may also be used to buy or refinance municipal debt obligations.

"Treatment works" is defined at 33 U.S.C 1292(2)(A) and apparently is not amended in the new federal legislation. The term includes devices and systems used for storage, treatment, recycling, and reclamation of municipal sewage or industrial wastes or necessary to recycle or reuse water. The proposed use of funds in the Alaska clean water revolving loan fund appears consistent with the requirements of federal law and necessary to participate in a federal program. Therefore, the dedication of funds does not violate the Alaska constitution.

If I may be of further assistance, please advise.

TBC:mkr
m10/063

OFFICE OF THE COMMISSIONER
P.O. BOX 0, JUNEAU 99811-1800

March 25, 1987

The Honorable Arliss Sturgulewski
Alaska State Senate
P.O. Box V
Juneau, AK 99811

Dear Senator Sturgulewski:

During the public hearing on SB 167 held by the Community and Regional Affairs Committee, you asked for an explanation of how the proposed Alaska Clean Water Fund will impact the Department's existing grant program.

The Department of Environmental Conservation administers three grant programs:

1. The 50 Percent Matching Construction Grants Program;
2. The Village Safe Water Program; and
3. The Federally Funded Construction Grants Program.

SB 167 would set up a state revolving loan fund that would take the place of the federally funded Construction Grants Program. This program is being phased out by Congress. However, federal restrictions would limit the type of projects that could be constructed through the proposed loan fund. Therefore, the State must maintain the two State funded programs. Additional reasons for this conclusion are described below.

1. 50 PERCENT MATCHING CONSTRUCTION GRANTS PROGRAM (AS 46.03)

The Construction Grants Program provides grants up to 50 percent of the nonfederally financed costs for water, sewer, and solid waste projects. These grants pay for engineering, construction, legal, administrative, and equipment costs. Only incorporated municipalities can receive grants through this program. Traditionally, local governments have raised their match by the formation of local improvement districts, sales tax, or the sale of local bonds.

Back-up SB167

2. VILLAGE SAFE WATER PROGRAM (AS 46.07)

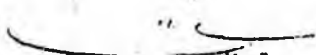
The Village Safe Water (VSW) Program is available to unincorporated and second class communities and covers 100 percent of project expenses. VSW is more than just a funding mechanism. Our engineering staff, experienced in cold climate utility development, acts as the village's "city engineer" in the planning, design, and construction management of the project when the community does not have the management expertise needed for a major capital project. These grants can be used for construction of water systems, wastewater collection and disposal, solid waste disposal, laundromats, and bathing facilities.

3. ALASKA CLEAN WATER ACT (Proposed by SB 167)

The Federal Construction Grants Program currently provides about \$14 million a year to Alaskan communities for construction of wastewater treatment plant projects. This program has existed since 1972, but will be phased out and replaced with a State Revolving Loan Fund Program. SB 167 establishes the framework for Alaska's revolving fund. Monies in the fund will be available to all incorporated communities. However, federal eligibility guidelines will restrict the use of the funds to major sewage treatment facilities and some segments of sewage collection systems. The federal monies cannot be used for water supply and solid waste projects.

Each program targets a different community-type and is tailored to meet specific needs. To maintain mechanisms for meeting the State's sanitation needs, all three programs must be in place. The Legislature, as it has in the past, will continue to direct the State's efforts in meeting these sanitation needs, through the capital budgeting process.

Sincerely,


Dennis D. Kelso
Commissioner

DDK:GH:jh

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bill Version : SB 167
Publish Date : _____

Revision Date: _____
Title: Grants for water supply & sewage facilities; establishing revolving loan fund
Sponsor: Senator Halford
Requestor: _____

Agency Affected: Environmental Conservation BRU: Facility Construction & Operation
Components: _____

*Shirley FN
Yuleal Wilson*

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	2179.0	2152.7	2252.7	2905.4	2179.0
FEDERAL FUNDS	-0-	10895.4	10763.6	11263.6	14527.2	10895.4
OTHER						
TOTAL	-0-	13074.4	12916.3	13516.3	17432.6	13074.4

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary) Passage of the revolving loan fund bill will give the state the ability to accept a total of \$69,240,000 in federal dollars to capitalize the fund. Federal funds require a 20% state match. Passage of the bill does not obligate the state to accept the federal dollars or to appropriate the match. *Please see attachment.

Prepared by: Lori Telfer Phone: 465-2610
Division: Facility Construction and Operation Date: 3/17/87

Approved by Commissioner: _____ Date: 3/17/87
Agency: Environmental Conservation

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)
 - Senate Secretary

RECEIVED
MAR 18 1987

LEGISLATIVE FINANCE

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bi
Put

Revision Date: _____

Agency Affects
BRU: Facili

Title: Grants for water supply & sewage facilities; establishing revolving loan fund

Sponsor: Senator Halford

Components: _____

Requestor: _____

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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

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Approved by Commissioner: [Signature] Date: 3/17/87
Agency: Environmental Conservation

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- Legislative Finance
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RECEIVED
MAR 18 1987

LEGISLATIVE FINANCE

Attachment 1

FISCAL NOTE ASSUMPTIONS AND ANALYSIS

- 1 All operating and administrative expenses will be paid by a percentage set aside from annual federal grants to the program. Operating projections have, therefore, been left blank. Additional staff will not be needed. Staff that now administer the federal grant program will administer the federal loan program.
- 2 Loan repayments to the fund and interest earned by the fund have not been included in this analysis.
- 3 Federal capitalization grants to the loan fund will be available annually for seven years (FFY 88 - FFY 94). An extension of the fiscal analysis on the front page is given below.

	<u>FY 93</u>	<u>FY 94</u>
General Fund	1,452,720	726,360
Federal Funds	7,262,600	3,631,800
Other	-0-	-0-
Total	8,716,320	4,358,160

SEVEN YEAR TOTAL: General Fund \$ 13,848,120
 Federal Funds \$ 69,240,600
 \$ 83,088,720

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPT. OF ENVIRONMENTAL CONSERVATION

POSITION PAPER

Bill No: SB 167

Date: March 16, 1987

Title: An Act relating to grants for water supply, sewage, and solid waste facilities; establishing a Revolving Loan Fund; and providing for an effective date.

Contact: Gary Hayden
465-2610

Department's Position

We support the bill.

Effect of the Bill

SB 167 would create the mechanism the State needs to take advantage of federal dollars authorized under the 1987 amendments to the Clean Water Act. The amendments provide for a transition from a federally funded grant program for sewage treatment facilities to a federally and State funded loan program. About \$69 million in federal funds will be available in the next seven years to capitalize a revolving loan fund in Alaska. The State would match with another twenty percent. SB 167 will allow the Department of Environmental Conservation to make low interest loans to communities to construct sewage treatment plants.

The bill also makes adjustments to the existing statute concerning the Department's fifty percent Construction Grants Program.

Impact on the Agency

The proposed revolving loan program would replace the federal grant program being administered by the Department. Therefore, we would administer the proposed loan program with existing staff, with no increase in the operating budget.



Dennis D. Keiso
Commissioner