

ALASKA LEGISLATURE COMMITTEE BILL FILES - 1987 - 1988 8879

CSHB 89 cont thru HB 90-S 245

MEMORANDUM

State of Alaska

TO: Jay Hogan, Associate Director
Division of Budget Review
Office of Management & Budget

DATE: October 28, 1986

FILE NO.:

THRU:

TELEPHONE NO.: 249-1565

SUBJECT: Disaster Relief Fund

for EGP/1m
FROM: MG Edward G. Pagano
The Adjutant General
Department of Military
and Veterans Affairs

The Department of Military and Veterans Affairs requests that you enact the transfer of \$4.885 million to the Disaster Relief Fund. This amount is necessary to fund the State portion of the recent disaster declarations on the North Slope and in Southcentral Alaska. The federal government is expected to contribute approximately \$15.0 million for the disasters. A funding breakout by disaster is listed below:

	<u>Total</u>	<u>Public Assistance</u>	<u>Temp Housing</u>	<u>Individual Family Grant</u>	<u>Admin</u>
Mat-Su Borough	4,005,000	1,500,000	325,000	1,800,000	380,000
Kenai Peninsula Borough	8,850,000	7,000,000	270,000	1,000,000	580,000
Cordova	250,000	245,000			5,000
Kotzebue	940,000	900,000			40,000
North Slope Borough	<u>7,163,000</u>	<u>7,139,000</u>			<u>24,000</u>
TOTAL	21,208,000	16,784,000	595,000	2,800,000	1,029,000

Most programs will be paid on a 75/25 federal/state ratio. There are some projects, however, which the federal government will not support at the 75% level. For that reason, we are requesting 30% of the total be supported by the State allowing for a 5% contingency for items not reimbursed by the federal government. This Department's request of \$4.885 million is calculated below:

Total Disaster Declaration	21,208,000
State of Alaska Portion	30%
	<u>6,362,400</u>
Amounts already declared from Disaster Relief Fund (see attachment)	<u>1,477,500</u>
DMVA Transfer Request	4,884,900

Your earliest approval of this request is appreciated. If you have any questions or require additional information, please contact Richard Rountree, Director/ASSD at 465-4600.

EGP/1m
Attachment

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS
DECLARED DISASTERS

Mat-Su Borough	400,000
Kenai Peninsula Borough	250,000
Cordova	27,500
Kotzebue	400,000
North Slope Borough	<u>400,000</u>
TOTAL	1,477,500

(10/28/86)

<u>Date</u>	<u>Disaster</u>	<u>Cause</u>	<u>Total</u>	<u>Public Assistance</u>	<u>Individual Family Grants</u>	<u>Temporary Housing</u>	<u>Administration</u>
<u>FY86 07/01/85 - 06/30/86</u>							
07/85	Pitka Point Sewage System	flood	50,000	40,000			10,000
07/85	Bethel Erosion	flood	500,000	480,000			20,000
08/85	Gambell Power System	fire	400,000	335,000	35,000		30,000
10/85	Cordova Water System	landslide	25,000	22,000			3,000
11/85	Manokotak Power System	fire	70,000	63,000			7,000
11/85	Thorne Bay Water System	freeze up	265,000	245,000			20,000
12/85	Metlakatla Power System	dry reservoir	120,000	110,000			10,000
12/85	Unalaska Flood	winter storm	280,000	260,000			20,000
01/86	Thorne Bay Bridge Collapse		25,000	22,000			3,000
03/86	Venetie Power Failure		55,000	50,000			5,000
03/86	Pelican School Roof	wind storm	130,000	125,000			5,000
05/86	Crown Point Chemical	train accident	980,000	200,000	250,000	450,000	80,000
05/86	Napakia Relocation	erosion	15,000	15,000			-0-
Total FY86			2,915,000	1,967,000	285,000	450,000	213,000

FY87 07/01/86 - 06/30/87

09/86	North Slope Wind Storm	winter storm	7,163,000	7,139,000			24,000
09/86	Barrow Wind Storm	winter storm	300,000	276,000			24,000
09/86	Wainwright Wind Storm	winter storm	50,000	35,000			15,000
10/86	Kotzebue Wind Storm	winter storm	940,000	900,000			40,000
10/86	Mat-Su Wind Storm	winter storm	4,005,000	1,500,000	1,800,000	325,000	380,000
10/86	Kenai Peninsula Wind Storm	winter storm	8,850,000	7,000,000	1,000,000	270,000	580,000
10/86	Cordova Wind Storm	winter storm	250,000	245,000			5,000
10/86	Aniak Sewer System		52,500	50,000			2,500
01/87	Venetie Power System	fire	86,000	83,000			3,000
01/87	Hazard Mitigation	federal requirement	150,000	150,000			-0-
02/87	Kotzebue Water System	freeze up	990,000	980,000			10,000
Total FY87, year-to-date			22,836,500	18,358,000	2,800,000	595,000	1,083,500
			Federal (14,845,500)				

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS
 HISTORICAL DATA ON DECLARED DISASTERS
 FISCAL YEAR 1984 TO PRESENT

<u>Date</u>	<u>Disaster</u>	<u>Cause</u>	<u>Total</u>	<u>Public Assistance</u>	<u>Individual Family Grants</u>	<u>Temporary Housing</u>	<u>Administration</u>
<u>FY84 07/01/83 - 06/30/84</u>							
09/83	Cordova Water System	flash flood	200,000	193,000			7,000
11/83	Chefornak Power System		50,000	44,000			6,000
03/84	Unalakleet Water System	freeze up	1,000,000	990,000			10,000
03/84	Mountain Village Water System	freeze up	1,000,000	985,000			15,000
03/84	Elim Water System	freeze up	480,000	474,000			6,000
04/84	Kotzebue Water System	freeze up	1,419,000	1,408,000			11,000
05/84	Cold Bay Power		3,000				3,000
06/84	Alakanuk Flood	spring thaw	550,000	540,000			10,000
06/84	Emmonak Flood	spring thaw	33,000	30,000			3,000
	Total FY84		4,735,000	4,664,000			71,000
<u>FY85 07/01/84 - 06/30/85</u>							
07/84	Cold Bay Power System		740,000	500,000			240,000
08/84	Russian Mission Power	fire	165,000	161,000			4,000
11/84	Southeast Storm	winter storm	1,000,000	775,000	200,000		25,000
01/85	Haines Sewer System	excessive rains	1,600,000	1,590,000			10,000
02/85	Savoonga Water System	freeze up	370,000	363,000			7,000
03/85	Gambell Fuel	inadequate storage	35,000	34,000			1,000
05/85	Buckland Flood	spring thaw	160,000	150,000			10,000
05/85	Kobuk Flood	spring thaw	35,000	30,000			5,000
05/85	Anvik Flood	spring thaw	35,000	20,000	10,000		5,000
05/85	Pilot Station Flood	spring thaw	50,000	43,000			7,000
06/85	Emmonak Flood	spring thaw	75,000	68,000			7,000
06/85	McGrath/Sleetmute/Red Devil	spring thaw	70,000	62,000			8,000
06/85	St. Paul Breakwater - Loan, repaid by Risk Management		3,400,000	3,400,000			
	Total FY85		7,735,000	7,196,000	210,000		329,000

Original sponsor: Rules/Governor

Funding Information

General Fund	\$ 5,875,000
Other Funds	-0-
	<u>\$ 5,875,000</u>

1 IN THE HOUSE BY THE FINANCE COMMITTEE
2 CS FOR HOUSE BILL NO. 89 (Finance)(efd fld)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - FIRST SESSION
5 A BILL
6 For an Act entitled: "An Act making a special appropriation for disaster
7 relief; appropriating the balance of the budget
8 reserve fund to the general fund."
9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
10 * Section 1. The sum of \$5,875,000 is appropriated from the budget
11 reserve fund (AS 37.05.156) to the disaster relief fund (AS 44.19.048).
12 * Sec. 2. The intent of the legislature in enacting sec. 1 of this Act
13 is to ratify a transfer of money from the budget reserve fund to the disas-
14 ter relief fund that was made under AS 26.23.020(g)(2) and 26.23.050(a).
15 This funding was needed for disaster relief purposes during the North Slope
16 Borough, Cordova, Kotzebue, Matanuska-Susitna Borough, and Kenai Peninsula
17 Borough disasters.
18 * Sec. 3. The balance of the budget reserve fund (AS 37.05.156) on the
19 effective date of this Act is appropriated to the general fund.
20 * Sec. 4. Section 1 of this Act is retroactive to September 1, 1986.

DOA - Peska

(PREPARED 2/17/87)

	TODAY	IF BUDGET RESERVE IS RELEASED
TOTAL ASSETS	1,970.7	1,970.7
TOTAL LIABILITIES	257.9	257.9
TOTAL FUND EQUITY (6/30/86)	1,712.8	1,712.3
LEGAL RESERVES		
RAILBELT ENERGY RESERVE FUND	(281.0)	(281.0)
BUDGET RESERVE FUND	(431.5)	0.0
TOTAL LEGAL RESERVES	(712.5)	(281.0)
RESERVES FOR PRIOR YEAR APPROPRIATIONS		
ENCUMBRANCES	(401.5)	(401.5)
CONTINUING - OPERATING	(22.2)	(22.2)
CONTINUING - CAPITAL	(537.0)	(537.0)
TOTAL RESERVES FOR PRIOR YEAR APPROP.	(960.7)	(960.7)
ACCOUNTING RESERVES AND RESTRICTIONS		
RESTRICTED FOR NON-LIQUID INVESTMENTS	(131.7)	(131.7)
RESTRICTED FOR DEFERRED COMPENSATION	(66.6)	(66.6)
LOANS TO OTHER JURISDICTIONS	(12.3)	(12.3)
RETIREMENT AND OTHER RESERVES	(25.0)	(25.0)
TOTAL ACCOUNTING RESERVES & RESTRICTIONS	(235.6)	(235.6)
AVAILABLE FOR APPROPRIATION (6/30/86)	(196.0)	235.5
FY 87 ESTIMATED REVENUE	1,582.0	1,582.0
(DOR 30% CASE \$1,334.2, ADJ. \$247.8)		
APPROPRIATIONS		
FY 87 OPERATING	(2,169.9)	(2,169.9)
FY 87 CAPITAL PROJECTS	(337.6)	(337.6)
FY 87 LOAN PROGRAMS	(61.0)	(61.0)
FY 86 SUPPLEMENTALS	(10.0)	(10.0)
ADJUST FOR FY 86 EFFECTIVE DATES	122.2	122.2
SHEFFIELD OPERATING RESTRICTIONS	195.3	195.3
TOTAL APPROPRIATIONS	(2,261.0)	(2,261.0)
ESTIMATED UNRESTRICTED GF SHORTFALL - FY 87	(875.0)	(443.5)
SHEFFIELD RESTRICTIONS		
CAPITAL	213.4	213.4
LOANS	6.1	6.1
TOTAL RESTRICTIONS	219.5	219.5
ESTIMATED UNRESTRICTED GF SHORTFALL AFTER SHEFFIELD RESTRICTIONS	(655.5)	(224.0)

37.05.152

§ 37.05.153

PUBLIC FINANCE

§ 37.05.156

is determined to be available for lapse at the end of the fiscal year. (§ 1 ch 17 SLA 1986)

appropriation

Revisor's notes. — Enacted as AS SLA 1986, makes this section effective 37.05.156. Renumbered in 1986. April 24, 1986, in accordance with AS Effective dates. — Section 2, ch. 17, 01.10.070(c).

shall be fund:

Sec. 37.05.153. Railbelt energy fund. There is established in the general fund the Railbelt energy fund. The fund consists of money appropriated to it by the legislature. The Department of Revenue shall manage the fund. Interest received on money in the fund shall be accounted for separately and may be appropriated into the fund annually. The legislature may appropriate money from the fund to assist in meeting Railbelt energy needs. (§ 1 ch 29 SLA 1986)

030(c);

enterprises

Revisor's notes. — Enacted as AS 44.25.050. Renumbered in 1986. Effective dates. — Section 2, ch. 29, SLA 1986, makes this section effective May 24, 1986, in accordance with AS 01.10.070(c). Cross references. — For railbelt energy council formed to review railbelt energy problems and needs, see ch. 30, SLA 1986, in the Temporary and Special Acts.

the funds of revenue at fund.

Sec. 37.05.155. [Renumbered as AS 37.05.151.]

establishing agencies for

Sec. 37.05.156. Budget reserve fund; Appropriation limit. (a) There is established as a separate fund in the state treasury the budget reserve fund. The budget reserve fund consists of appropriations to the fund. Money received by the state that is subject to the appropriation limit under (b) of this section and that exceeds that limit, may be appropriated to the budget reserve fund.

at bene-

(b) Except for appropriations to the permanent fund or for Alaska permanent fund dividends, appropriations to the budget reserve fund, appropriations of revenue bond proceeds, appropriations required to pay the principal and interest on general obligation bonds, and appropriations of money received from a nonstate source in trust for a specific purpose, including revenue of a public enterprise or public corporation of the state that issues revenue bonds, appropriations from the treasury made in a fiscal year may not exceed appropriations made in the preceding fiscal year by more than five percent plus the change in population and inflation since the beginning of the preceding fiscal year. For purposes of applying this limit an appropriation is considered to be made in the fiscal year in which it is enacted and a reappropriation remains attributed to the fiscal year in which the original appropriation is enacted. The determination of the change in population for purposes of this subsection shall be based on an annual estimate of population by the Department of Labor. The determination of the change in inflation for purposes of this subsection shall be based

liabil-

working for the implementation shall be out in pending treatment of bene- riation its that

on the Consumer Price Index for all urban consumers for Anchorage prepared by the United States Bureau of Labor Statistics. The amount of money received by the state that is subject to the appropriation limit includes the balance in the general fund carried forward from the preceding fiscal year.

(c) If the legislature determines that the money subject to the appropriation limit received by the state in a fiscal year is less than the maximum permitted to be appropriated under (b) of this section, up to 25 percent of the balance of the budget reserve fund may be appropriated to the general fund.

(d) The Department of Revenue shall manage and invest assets of the budget reserve fund in the manner set out for the management and investment of the assets of the general fund under AS 37.10.070. Income from investment of the budget reserve fund may be appropriated to the fund each year by law.

(e) Notwithstanding other provisions of this section, appropriations may be made from the budget reserve fund needed by the governor to meet a disaster. In this subsection, "disaster" has the meaning given in AS 26.23.230. (§ 1 ch 58 SLA 1986)

Effective dates. — Section 4, ch. 58. SLA 1986 provides that this section SLA 1986, provides: "This Act takes effect July 1, 1986." "applies to fiscal year 1988 and fiscal years thereafter."

Editor's notes. — Section 3, ch. 58.

Sec. 37.05.159. Reserve for emergency operating expenses account. [Repealed, § 2 ch 58 SLA 1986.]

Sec. 37.05.165. Petty cash accounts [Effective July 1, 1987]. The Department of Administration shall determine the amount of the petty cash accounts needed by each state agency and inspect the petty cash accounts at least once each year to determine that the total plus amounts of receipts for unreplenished disbursements is equal to the fixed sum of cash set aside. Shortages in petty cash accounts are a personal liability of the responsible head of the agency to whom the account is set aside. The department shall adopt necessary regulations governing use and replenishment of petty cash funds. (§ 38 ch 106 SLA 1986)

Revisor's notes. — Enacted as AS 37.05.232. Renumbered in 1986. SLA 1986, makes this section effective July 1, 1987.

Effective dates. — Section 69, ch. 106.

POTENTIAL PENALTIES FOR DELAYED PAYMENTS

1. If a major payroll is not met on time, penalties would accumulate at the rate of approximately \$400,000 per day. Generally, penalty pay may occur if warrants are not mailed 4 work days prior to the end of the pay period. For the monthly payroll the pay period ends on the last working day of the month. For the hourly payroll, the pay periods are the 15th and the last working day of the month.
2. Lease payments for State office space generally does not have a monetary penalty for the first 60 days of most leases. The primary exception is the Frontier Building lease in Anchorage which has a penalty of \$8,300 if payment is not made within 3 days of the 1st of each month.
3. Payments to vendors must be paid within 30 days of the invoice day or the date the goods and services are received. We estimate that if payments were delayed for one week the interest penalty would amount to approximately \$78,500. A two week delay would cost approximately \$287,870 and three weeks would cost \$628,000.
4. Delay of non covered payments such as school foundation program, municipal grants and other recipients of assistance payments do not generally carry a penalty to the state for delayed payment. However it is important to note that most school districts, grantees, and recipients of assistance payments depend and scheduled pay days for meeting their individual obligations. A delay in payment by the state would most likely result in costs to these third parties.

----- 1986 -----

	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	TOTAL	EXCLUSIONS	TOTAL SUBJECT TO PENALTY
1 Office of the Governor	387,874	581,775	895,715	469,347	591,924	537,147		537,147
2 Department of Administration	7,077,149	25,172,812	7,872,671	7,618,953	6,251,996	10,798,578 [1]	5,399,289	5,399,289
4 Department of Law	2,961,832	2,895,487	2,072,935	1,837,102	1,273,689	2,208,209		2,208,209
5 Department of Revenue	1,241,492	3,825,685	9,436,470	3,266,758	3,788,767	4,299,834		4,299,834
6 Department of Education	68,941,864	51,997,857	65,157,169	58,653,570	53,619,682	59,553,968 [2]	47,189,826	12,364,082
7 Dept of Health and Social Services	6,134,155	10,473,836	15,988,743	9,430,059	13,591,915	11,123,740 [3]	5,561,870	5,561,870
8 Department of Labor	1,122,602	950,537	769,567	619,118	558,338	804,032		804,032
9 Dept Commerce and Economic Devel.	12,491,975	10,095,875	9,813,098	7,324,773	9,656,286	9,858,491		9,858,491
10 Department of Mil. and Vet. Affairs	836,164	986,740	578,191	523,845	895,185	764,425		764,425
11 Department of Natural Resources	3,760,674	9,268,445	8,395,415	5,937,633	3,624,127	6,197,019		6,197,019
12 Department of Fish & Game	3,598,631	4,058,526	3,592,698	2,643,713	3,522,690	3,465,216		3,465,216
13 Department of Public Safety	3,131,399	5,552,020	4,994,565	3,507,664	3,114,991	4,060,170		4,060,170
14 Dept. of Environmental Conserv.	4,528,060	1,219,925	744,582	2,390,233	1,659,568	2,106,490		2,106,490
15 Department of Corrections	5,189,918	3,723,859	5,272,996	7,674,668	5,643,589	5,501,008		5,501,008
16 Dept. of Community & Regional Affairs	10,228,915	15,527,317	10,322,976	20,223,253	22,013,784	15,663,249 [4]	7,831,625	7,831,625
17 DOT/PF	59,643,743	101,737,567	86,607,273	81,090,564	74,318,133	80,679,456 [5]	30,000,000	50,679,456
18 Alaska State Legislature	2,074,339	5,452,226	1,068,385	879,863	647,378	2,024,439		2,024,439
19 State Bond Committee	463	14,161	4,742	1,067	1,255	4,326		4,326
20 Alaska Court System	1,211,899	2,695,447	2,579,787	2,337,167	1,887,215	2,124,285		2,124,285
	194,382,458	256,142,169	236,077,588	215,698,743	206,568,763	221,773,944	95,982,610	125,791,335

21 DAYS 23 DAYS 28 DAYS 24 DAYS 24 DAYS 24 DAYS 24 DAYS

AVG. PAYMENTS PER DAY INTEREST RATE INTEREST PER DAY

DOT/PF	50,679,456 / 20 DAYS	2,533,973	0.00875	22.172
OTHER AGENCIES	75,111,879 / 20 DAYS	3,755,594	0.01500	56.334
TOTAL	125,791,335	6,289,567		78.506

[1] ADJUSTED FOR LEASE PAYMENTS NOT ON SCHEDULED PAYMENTS AND NOT SUBJECT TO INTEREST PENALTY
 [2] SCHOOL FOUNDATION PAYMENTS NOT SUBJECT TO INTEREST PENALTY
 [3] ESTIMATE OF EXCLUDED PAYMENTS
 [4] ESTIMATE OF EXCLUDED PAYMENTS
 [5] ESTIMATED SEASONAL ADJUSTMENT ON DOT CONTRACTS

[A] PAYMENTS ON DOT CONTRACTS SUBJECT TO 10.5 % AFTER 30 DAYS.
 [B] INTEREST PENALTY FOR OTHER VENDOR PAYMENTS AT 18 % FOR PAYMENTS OVER 30 DAYS.

PREPARED BY: DIVISION OF FINANCE
 DEPARTMENT OF ADMINISTRATION

DAYS DELAYED

DAY	DAY	DAY	DAY	DAY	DAY	DAY	DAY	DAY	DAY	DAY	DAY	DAY	DAY	DAY	DAY	TOTAL
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		
1	5,234															5,234
2	10,468	5,234														15,702
3	15,702	10,468	5,234													31,404
4	20,936	15,702	10,468	5,234												52,340
5	26,170	20,936	15,702	10,468	5,234											73,510
6	31,404	26,170	20,936	15,702	10,468	5,234										109,914
7	36,638	31,404	26,170	20,936	15,702	10,468	5,234									146,552
8	41,872	36,638	31,404	26,170	20,936	15,702	10,468	5,234								183,424
9	47,106	41,872	36,638	31,404	26,170	20,936	15,702	10,468	5,234							235,530
10	52,340	47,106	41,872	36,638	31,404	26,170	20,936	15,702	10,468	5,234						287,870
11	57,574	52,340	47,106	41,872	36,638	31,404	26,170	20,936	15,702	10,468	5,234					345,444
12	62,808	57,574	52,340	47,106	41,872	36,638	31,404	26,170	20,936	15,702	10,468	5,234				408,252
13	68,042	62,808	57,574	52,340	47,106	41,872	36,638	31,404	26,170	20,936	15,702	10,468	5,234			476,294
14	73,276	68,042	62,808	57,574	52,340	47,106	41,872	36,638	31,404	26,170	20,936	15,702	10,468	5,234		549,570
15	78,510	73,276	68,042	62,808	57,574	52,340	47,106	41,872	36,638	31,404	26,170	20,936	15,702	10,468	5,234	628,080

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 29, 1987

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Grussendorf.

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a special appropriation bill to provide money to cover the state's share of disaster relief for several areas affected by disasters several months ago. The federal government is expected to contribute approximately 15 million dollars for these disasters. The areas covered are the Matanuska-Susitna Borough, the Kenai Peninsula Borough, Cordova, Kotzebue, and the North Slope Borough.

AS 26.23.020(g)(2) provides that the governor may "use all available resources of the state government and of each political subdivision of the state as reasonably necessary to cope with the disaster emergency." In addition, AS 26.23.050(a) provides that "it is the intent of the legislature, and declared to be the policy of the state, that funds to meet disaster emergencies will always be available." Acting under those statutes, the Sheffield Administration transferred money from the budget reserve fund to the disaster relief fund to deal with those emergencies. It is now advisable to ratify that transfer by expressly appropriating the necessary amount, and I encourage your prompt action on this measure.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Cowper".

Steve Cowper
Governor

HB

90

HOUSE COMMITTEE REPORT

(11)

Date referred: 2/18/87

FURTHER REFERRALS:

DATE: 3-4-87

The Finance Committee has considered HB 90

"An Act relating to time periods to be used for administering the tax equalization program and the municipal assistance program; and providing for an effective date."

RECOMMENDS:

- replace with _____ 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 1/30/87
- zero with analysis

SIGNING DO PASS:

Adams Al Adams

Bouchot Pat Bouchot

Larson Ronald L. Larson

Goll John Goll

Swack Al Swack

Boyer Mark Boyer

Rieger Steve Rieger

Brown Fan Brown

Davis Mike Davis

Wallis F. Kay Wallis

SIGNING OTHER RECOMMENDATIONS:

Alberts L. L...
Chairman's signature

7-12 70
0038
11/30/87

STATE OF ALASKA 1987 LEGISLATIVE SESSION FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No. : _____
 Title : "An Act relating to time periods
 to be used for administering tax equal-
 ization & Municipal assistance programs
 Sponsor : Rules/Governor
 Requestor : Governor
 Date of Request : 11/21/86

FISCAL DETAIL

Agency Affected : Community & Regional Affairs
 BRU : Local Government Assistance

 Components : Grants Administration

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-		

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

REVENUE						
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FUNDING : (Thousands of Dollars)

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

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by: Doug Griffin, Deputy Director
 Division: Municipal & Regional Assistance

Phone: 465-4750
 Date: 11/21/86

Approved by Commissioner: [Signature]
 Agency: Community & Regional Affairs

Date: 11/20/86

Distribution (by Agency preparing fiscal note):

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

Introduced: 1/30/87
Referred: Community & Regional
Affairs and Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 90

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 time periods to be used for
7 administering the tax equalization program and the
8 municipal assistance program; and providing for an
9 effective date."

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

11 * Section 1. AS 29.60.010 is amended to read:

12 Sec. 29.60.010. STATE EQUALIZATION OF TAX RESOURCES FOR MUNICI-
13 PAL SERVICES. (a) During each state fiscal year the department shall
14 compute an equalization entitlement for municipal services provided by
15 a taxing unit for payment the following state fiscal year.

16 (b) The equalization entitlement computed for a taxing unit is
17 based on the population, relative ability to generate revenue, and
18 local tax burden of the taxing unit and is determined by the applica-
19 tion of the formula

20 Entitlement = P x R

21 where P = population, and

22 R = millage rate equivalent, determined by dividing the sum
23 of the locally generated revenue of the taxing unit by one-tenth of
24 one percent of the full and true value of assessed property of the
25 taxing unit determined under AS 29.60.030(d); however, the per capita
26 property value used under this subsection may not be less than 15
27 percent of the statewide average per capita full and true assessed
28 property value.

29 (c) For purposes of this section, locally generated revenue

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(1) includes

(A) the actual revenue derived from the levy and collection of local taxes in the taxing unit for municipal services [DURING THE PRECEDING FISCAL YEAR OF THE TAXING UNIT];

(B) motor vehicle payments received by the municipality [DURING THE PRECEDING FISCAL YEAR] under AS 28.10.431;

(C) revenue from fees, rentals, leases, penalties, licenses or permits received [DURING THE PRECEDING FISCAL YEAR] by the municipality for a function or service over which it has control, including revenues derived from parks and recreation services, mass transit, offstreet parking, and garbage and solid waste disposal services;

(D) special assessments received [DURING THE PRECEDING FISCAL YEAR]; and

(E) payments received by a municipality from a utility that are in place of taxes levied and collected by the municipality;

(2) excludes

(A) revenue derived from the levy and collection of municipal taxes and appropriated for the operating expenses and debt service of utilities;

(B) revenue from interest earned on investments and from the sale and lease of land or equipment; and

(C) all other revenue from whatever service derived;

(3) is calculated on the basis of the actual revenue received during the fiscal year of the taxing unit preceding the year in which the department's determination of the millage rate equivalent is made under AS 29.60.030.

* Sec. 2. AS 29.60.030(a) is amended to read:

1 (a) The department may require a municipality to return a certi-
2 fication, signed by the municipal treasurer or manager and the mayor,
3 that provides an estimate of the locally generated revenue received by
4 the municipality during its [THE PRECEDING] fiscal year preceding the
5 year in which the department's determination of the millage rate
6 equivalent is made under (c) of this section.

7 * Sec. 3. AS 29.60.030(c) is amended to read:

8 (c) As early as possible, but not later than January [DECEMBER]
9 15 of each year, the department shall make a [FINAL] determination of
10 the millage rate equivalent of each taxing unit to use to compute and
11 distribute equalization entitlements under AS 29.60.010 -- 29.60.080
12 for the following state fiscal year. The department shall base the
13 determination on audits, financial statements, and other financial
14 reports prepared and submitted by a municipality. The department
15 shall adjust the locally generated revenue reported by a municipality
16 to exclude the municipal revenue claimed that does not qualify for
17 inclusion in or recognition as locally generated revenue for municipal
18 purposes under AS 29.60.010(c)(1). The adjustment must [SHALL] be
19 made by deducting from total revenue claimed by the municipality the
20 amount of the department's estimate of revenue that is not recognized
21 for municipal purposes.

22 * Sec. 4. AS 29.60.040 is amended to read:

23 Sec. 29.60.040. REPORTS. A payment of an equalization entitle-
24 ment may not be made to a municipality under AS 29.60.010 -- 29.60.080
25 until the municipality has submitted its certificate of estimated
26 revenue and its financial report to the department for the municipal
27 fiscal year preceding the year in [FOR] which the department's deter-
28 mination of the millage rate equivalent is made under AS 29.60.030
29 [EQUALIZATION ENTITLEMENT IS SOUGHT], together with the municipality's

1 [A] budget for the [MUNICIPALITY'S CURRENT] fiscal year for which an
2 entitlement is sought. The financial report must [SHALL] include a
3 listing of general revenue collected from taxes levied and assessed
4 and any other revenue that, in the opinion of the municipal officials,
5 is eligible for inclusion in computations of the locally generated
6 revenue of the taxing unit.

7 * Sec. 5. AS 29.60.290(a) is amended to read:

8 (a) A municipality qualifying for an entitlement under AS 29.-
9 60.010 -- 29.60.080 or 29.60.100 -- 29.60.180 shall receive a minimum
10 payment of \$25,000 plus an area cost-of-living differential for each
11 fiscal year if

12 (1) the municipality has conducted a regular election
13 during the state fiscal year preceding the year in [FOR] which the
14 department's determination of the municipality's millage rate equiva-
15 lent is made under AS 29.60.030 [PAYMENT OF AN ENTITLEMENT IS AUTHOR-
16 IZED BY AS 29.60.010 -- 29.60.080 or 29.60.100 -- 29.60.180] and has
17 reported the results of the election to the commissioner;

18 (2) regular meetings of the governing body are held in the
19 municipality during the state fiscal year preceding the year in [FOR]
20 which the department's determination of the municipality's millage
21 rate equivalent is made under AS 29.60.030 [PAYMENT OF AN ENTITLEMENT
22 IS AUTHORIZED BY AS 29.60.010 -- 29.60.080 or 29.60.100 -- 29.60.180]
23 and a record of the proceedings is maintained;

24 (3) a municipal budget has been adopted for the fiscal year
25 during which payment of an entitlement is authorized by AS 29.60.-
26 010 -- 29.60.080 or 29.60.100 -- 29.60.180 and an audit or financial
27 statement for the [PRECEDING] fiscal year preceding the year in which
28 the department's determination of the municipality's millage rate
29 equivalent is made under AS 29.60.030 has been prepared and furnished

1 to the department in accordance with AS 29.20.640(a); and

2 (4) local ordinances adopted by the municipality have been
3 codified in accordance with AS 29.25.050.

4 * Sec. 6. AS 29.60 is amended by adding a new section to read:

5 Sec. 29.60.310. TIME OF PAYMENT. The department shall make pay-
6 ments under AS 29.60.010 -- 29.60.300 no later than July 31, based
7 upon the entitlement calculations made during the preceding fiscal
8 year.

9 * Sec. 7. AS 29.60.350(b) is amended to read:

10 (b) The department shall distribute money from the municipal
11 assistance fund to each municipality on an annual basis as provided in
12 AS 29.60.360 and 29.60.370. A municipality may not receive payment
13 until it submits to the department a resolution approved by the gov-
14 erning body of the municipality that requests the money. Distribution
15 of money from the municipal assistance fund to all municipalities must
16 [A MUNICIPALITY WITH A FISCAL YE/R BEGINNING ON JANUARY 1 SHALL] be
17 made on February 1 of the state fiscal year for which the appropria-
18 tion to the fund is made. [DISTRIBUTION OF MONEY FROM THE MUNICIPAL
19 ASSISTANCE FUND TO ALL OTHER MUNICIPALITIES SHALL BE MADE ON JUNE 1 OF
20 THE STATE FISCAL YEAR FOR WHICH THE APPROPRIATION TO THE FUND IS
21 MADE.] A municipality that incorporates after December 31 of a state
22 fiscal year is not eligible for a distribution under this section
23 until the following state fiscal year.

24 * Sec. 8. AS 29.60.030(b) is repealed.

25 * Sec. 9. Notwithstanding secs. 1 -- 8 of this Act, the Department of
26 Community and Regional Affairs and municipalities seeking payment under
27 AS 29.60.010 -- 29.60.375 for the state fiscal year ending June 30, 1988
28 shall follow the procedures set out in those sections before amendment by
29 this Act. The Department of Community and Regional Affairs shall follow

1 the deadlines and procedures established by this Act for the state fiscal
2 year ending June 30, 1989.

3 * Sec. 10. This Act takes effect July 1, 1987.

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 29, 1987

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the time periods to be used in administering the tax equalization and municipal assistance programs. The bill amends sections of AS 29.60 to compute municipal revenue sharing entitlements, and to distribute revenue sharing and municipal assistance, on a new timetable.

Each year, the Alaska legislature appropriates money for municipal revenue sharing, known as "equalization entitlements," to be distributed in the following state fiscal year. Equalization entitlements are the product of multiplying a municipality's millage rate equivalent by the municipality's population. AS 29.60.010(b). Two factors used in determining the millage rate equivalent are the municipality's locally generated revenue and property values. AS 29.60.010(c). A municipality's locally generated revenue and full and true assessed property value in one year are the foundation for computing the municipality's equalization entitlement for the next state fiscal year. However, the current system for determining revenue sharing does not give municipalities sufficient opportunity to plan ahead; a municipality must plan its budget in advance without an accurate idea of its entitlement for the following fiscal year.

Two time periods underly the existing timetable for determining entitlements and distributing payments: (1) the municipal fiscal year from which the locally generated revenue and full and true assessed property value are derived, and (2) the succeeding state fiscal year in which both the computation and distribution of entitlements takes place. In its December 9, 1985 report, the Governor's Task Force on State Shared Revenues requested that the latter functions be separated into two years, so that computation of entitlement is done in the state fiscal year before the distribution of payments. This is informally described as the "prior year data" basis for handling revenue sharing entitlements.

To implement the prior-year system, this bill amends various sections of AS 29.60 to reflect three relevant time periods: the municipal fiscal year from which revenue and property value data is collected, the state fiscal year of entitlement computation, and the state fiscal year of entitlement payment. With the computation of entitlement occurring in the fiscal year before payment, the department will be able to distribute entitlements sooner each fiscal year.

Section 1 of the bill amends AS 29.60.010(a) to reflect that computation of an equalization entitlement occurs in the state fiscal year before the fiscal year of payment. AS 29.60.010(c) is amended to state that a municipality's locally generated revenue is calculated on the basis of revenue received during the municipal fiscal year preceding the year in which the department determines the millage rate equivalent. Section 2 makes a similar change to AS 29.60.030(a).

Because the prior-year system splits computation and distribution of revenue sharing into two state fiscal years, there is no longer a need for municipalities to submit preliminary data by October 15. As a result, sec. 8 of the bill repeals AS 29.60.030(b).

In sec. 3 of the bill, the deadline for the department's determination of each municipality's millage rate equivalent is changed from December 15 to January 15 of each year. AS 29.60.030(c). That statute is also amended to state that that determination is to be used for the distribution of equalization entitlements that will occur in the state fiscal year that begins after the January 15 computation.

AS 29.60.040 sets out the municipal reports required before payment of an equalization entitlement. Section 4 of the bill amends the statute to reflect that a municipality's financial reports should cover the fiscal year preceding the year in which the department computes the millage rate equivalent. The municipality must submit a budget for the fiscal year for which an entitlement is sought. AS 29.60.040.

Additional requirements are currently placed on a municipality in order to qualify for revenue sharing. AS 29.60.290. Section 5 of the bill amends AS 29.60.290(a) (1) and (2) to require that a regular election and regular meetings of the municipal governing body be held in the state fiscal year preceding the year in which the department computes the millage rate equivalent. As current law requires, the

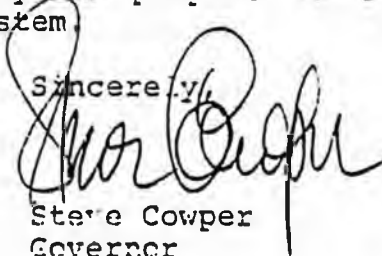
municipal budget must cover the year that the entitlement will be paid, but the requisite audit or financial statement from the municipality covers the fiscal year preceding the department's determination of the millage rate equivalent. AS 29.60.290(a)(3).

Section 6 of the bill adds a new AS 29.60.310 that specifies that the department is to make its tax equalization (or revenue sharing) payment no later than July 31, based upon the calculations made in the preceding fiscal year.

Section 7 of the bill amends the timetable for payment of municipal assistance under AS 29.60.350. AS 29.60.350(b) currently provides two different deadlines for payment of municipal assistance depending on a municipality's fiscal year. The statute is amended to set a single date, February 1, as the deadline, instead of February 1 or June 1.

Section 9 of the bill provides for a transition between the current system and the new prior-year system. The existing timetable for computation and distribution would be followed in FY 1988, but the bill's new timetable would apply to FY 1989. The switch to a prior-year system will require the use of the same locally generated revenue data in two consecutive fiscal years, which is unavoidable. Section 10 of the bill provides for a July 1, 1987 effective date, giving the Department the authority to prepare in FY 1988 for implementation of the new system.

Sincerely,



Steve Cowper
Governor

08-18-45-03-00 (00-00-0-00-00-00)

STATE OF ALASKA -- COMPONENT BUDGET SUMMARY

SALSFRMA 16:00 1/29/87

AGENCY: DEPARTMENT OF COMMUNITY & REGIONAL AFFAIRS
CATEGORY: DEVELOPMENTPROGRAM: MUNICIPAL REVENUE SHARING
SUB-PROGRAM: MUNICIPAL ASSISTANCE

LEO. FIN.

----- F I S C A L Y E A R 1 9 8 8 -----

EXPENDITURES & FUNDING	(01) FY86 ACT	(02) FY87 ATH	(24)	(03) FY87 REV	(04) TRANSFER	(05) DECRMTS	(06) INCRMTS	(23)	(08) GOVERNOR	(09) HOUSE	(10) SENATE	(11) C. C.	(12) BILLS
01 PERS. SERV.													
02 TRAVEL													
03 CONTRACTUAL													
04 COMMODITIES													
05 EQUIPMENT													
06 LANDS/BLDG													
07 GRANTS, CLMS	81248.0	73176.1		65858.5		-13171.7			52686.8				
08 MISC.													
MM TOTAL EXPEND	81248.0	73176.1		65858.5		-13171.7			52686.8				
09 I-A TRANSFER													
1004 GEN FUND	81248.0	73176.1		65858.5		-13171.7			52686.8				
15 FULL TIME													
16 PART TIME													
17 TEMPORARY													
18 STAFF MONTHS													

Introduced: 1/30/87
 Referred: Community & Regional
 Affairs and Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
 REQUEST OF THE GOVERNOR

2

HOUSE BILL NO. 90

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 time periods to be used for
 7 administering the tax equalization program and the
 8 municipal assistance program; and providing for an
 9 effective date."

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

11 * Section 1. AS 29.60.010 is amended to read:

12

Sec. 29.60.010. STATE EQUALIZATION OF TAX RESOURCES FOR MUNICI-
 13 PAL SERVICES. (a) During each state fiscal year the department shall
 14 compute an equalization entitlement for municipal services provided by
 15 a taxing unit for payment the following state fiscal year.

16

(b) The equalization entitlement computed for a taxing unit is
 17 based on the population, relative ability to generate revenue, and
 18 local tax burden of the taxing unit and is determined by the applica-
 19 tion of the formula

20

Entitlement = P x R

21

where P = population, and

22

R = millage rate equivalent, determined by dividing the sum
 23 of the locally generated revenue of the taxing unit by one-tenth of
 24 one percent of the full and true value of assessed property of the
 25 taxing unit determined under AS 29.60.030(d); however, the per capita
 26 property value used under this subsection may not be less than 15
 27 percent of the statewide average per capita full and true assessed
 28 property value.

29

(c) For purposes of this section, locally generated revenue

1 (1) includes

2 (A) the actual revenue derived from the levy and col-
3 lection of local taxes in the taxing unit for municipal services
4 [DURING THE PRECEDING FISCAL YEAR OF THE TAXING UNIT];

5 (B) motor vehicle payments received by the municipal-
6 ity [DURING THE PRECEDING FISCAL YEAR] under AS 28.10.431;

7 (C) revenue from fees, rentals, leases, penalties,
8 licenses or permits received [DURING THE PRECEDING FISCAL YEAR]
9 by the municipality for a function or service over which it has
10 control, including revenues derived from parks and recreation
11 services, mass transit, offstreet parking, and garbage and solid
12 waste disposal services;

13 (D) special assessments received [DURING THE PRECEDING
14 FISCAL YEAR]; and

15 (E) payments received by a municipality from a utility
16 that are in place of taxes levied and collected by the municipal-
17 ity;

18 (2) excludes

19 (A) revenue derived from the levy and collection of
20 municipal taxes and appropriated for the operating expenses and
21 debt service of utilities;

22 (B) revenue from interest earned on investments and
23 from the sale and lease of land or equipment; and

24 (C) all other revenue from whatever service derived;

25 (3) is calculated on the basis of the actual revenue re-
26 ceived during the fiscal year of the taxing unit preceding the year in
27 which the department's determination of the millage rate equivalent is
28 made under AS 29.60.030.

29 * Sec. 2. AS 29.60.030(a) is amended to read:

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3 that provides an estimate of the locally generated revenue received by
4 the municipality during its [THE PRECEDING] fiscal year preceding the
5 year in which the department's determination of the millage rate
6 equivalent is made under (c) of this section.

7 * Sec. 3. AS 29.60.030(c) is amended to read:

8 (c) As early as possible, but not later than January [DECEMBER]
9 15 of each year, the department shall make a [FINAL] determination of
10 the millage rate equivalent of each taxing unit to use to compute and
11 distribute equalization entitlements under AS 29.60.010 -- 29.60.080
12 for the following state fiscal year. The department shall base the
13 determination on audits, financial statements, and other financial
14 reports prepared and submitted by a municipality. The department
15 shall adjust the locally generated revenue reported by a municipality
16 to exclude the municipal revenue claimed that does not qualify for
17 inclusion in or recognition as locally generated revenue for municipal
18 purposes under AS 29.60.010(c)(1). The adjustment must [SHALL] be
19 made by deducting from total revenue claimed by the municipality the
20 amount of the department's estimate of revenue that is not recognized
21 for municipal purposes.

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23 Sec. 29.60.040. REPORTS. A payment of an equalization entitle-
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28 mination of the millage rate equivalent is made under AS 29.60.030
29 [EQUALIZATION ENTITLEMENT IS SOUGHT], together with the municipality's

1 [A] budget for the [MUNICIPALITY'S CURRENT] fiscal year for which an
2 entitlement is sought. The financial report must [SHALL] include a
3 listing of general revenue collected from taxes levied and assessed
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19 municipality during the state fiscal year preceding the year in [FOR]
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21 rate equivalent is made under AS 29.60.030 [PAYMENT OF AN ENTITLEMENT
22 IS AUTHORIZED BY AS 29.60.010 -- 29.60.080 or 29.60.100 -- 29.60.180]
23 and a record of the proceedings is maintained;

24 (3) a municipal budget has been adopted for the fiscal year
25 during which payment of an entitlement is authorized by AS 29.60.-
26 010 -- 29.60.080 or 29.60.100 -- 29.60.180 and an audit or financial
27 statement for the [PRECEDING] fiscal year preceding the year in which
28 the department's determination of the municipality's millage rate
29 equivalent is made under AS 29.60.030 has been prepared and furnished

1 to the department in accordance with AS 29.20.640(a); and

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3 codified in accordance with AS 29.25.050.

4 * Sec. 6. AS 29.60 is amended by adding a new section to read:

5 Sec. 29.60.310. TIME OF PAYMENT. The department shall make pay-
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7 upon the entitlement calculations made during the preceding fiscal
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10 (b) The department shall distribute money from the municipal
11 assistance fund to each municipality on an annual basis as provided in
12 AS 29.60.360 and 29.60.370. A municipality may not receive payment
13 until it submits to the department a resolution approved by the gov-
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15 of money from the municipal assistance fund to all municipalities must
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19 ASSISTANCE FUND TO ALL OTHER MUNICIPALITIES SHALL BE MADE ON JUNE 1 OF
20 THE STATE FISCAL YEAR FOR WHICH THE APPROPRIATION TO THE FUND IS
21 MADE.] A municipality that incorporates after December 31 of a state
22 fiscal year is not eligible for a distribution under this section
23 until the following state fiscal year.

24 * Sec. 8. AS 29.60.030(b) is repealed.

25 * Sec. 9. Notwithstanding secs. 1 -- 8 of this Act, the Department of
26 Community and Regional Affairs and municipalities seeking payment under
27 AS 29.60.010 -- 29.60.375 for the state fiscal year ending June 30, 1988
28 shall follow the procedures set out in those sections before amendment by
29 this Act. The Department of Community and Regional Affairs shall follow

1 the deadlines and procedures established by this Act for the state fiscal
2 year ending June 30, 1989.

3 * Sec. 10. This Act takes effect July 1, 1987.

HB

90.S

SENATE COMMITTEE REPORT

FURTHER:

DATE TURNED INTO OFFICE 5/4/87

Mr. President:

FINANCE Committee considered HB 90

time periods to be used for administering the tax equalization program and the municipal assistance program; 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
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Frank J. Murphy
James J. ...
Paul ...
Paul ...
Paul ...
Paul ...
Paul ...
Paul ...
Paul ...
Paul ...
Paul ...

John B. ... Do PASS
Chairman signature and recommendation

Committee Backup Attached

24B 90
AR
C038
11/30/87

STATE OF ALASKA 1987 LEGISLATIVE SESSION FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No. : _____
 Title : "An Act relating to time periods
 to be used for administering tax equal-
 ization & Municipal assistance programs
 Sponsor : Rules/Governor
 Requestor : Governor
 Date of Request : 11/21/86

FISCAL DETAIL

Agency Affected : Community & Regional Affairs
 BRU : Local Government Assistance

 Components : Grants Administration

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-		

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

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


FUNDING : (Thousands of Dollars)

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

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by : Doug Griffin, Deputy Director  Phone : 465-4750
 Division : Municipal & Regional Assistance Date : 11/21/86

Approved by Commissioner :  Date : 11/20/86
 Agency : Community & Regional Affairs

Distribution (by Agency preparing fiscal note) :

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

Introduced: 1/30/87
 Referred: Community & Regional
 Affairs and Finance

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BY THE RULES COMMITTEE BY
 REQUEST OF THE GOVERNOR

2

HOUSE BILL NO. 90

3

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FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

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 15 a taxing unit for payment the following state fiscal year.

16

(b) The equalization entitlement computed for a taxing unit is
 17 based on the population, relative ability to generate revenue, and
 18 local tax burden of the taxing unit and is determined by the applica-
 19 tion of the formula

20

Entitlement = P x R

21

where P = population, and

22

R = millage rate equivalent, determined by dividing the sum
 23 of the locally generated revenue of the taxing unit by one-tenth of
 24 one percent of the full and true value of assessed property of the
 25 taxing unit determined under AS 29.60.030(d); however, the per capita
 26 property value used under this subsection may not be less than 15
 27 percent of the statewide average per capita full and true assessed
 28 property value.

29

(c) For purposes of this section, locally generated revenue

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(1) includes

(A) the actual revenue derived from the levy and collection of local taxes in the taxing unit for municipal services [DURING THE PRECEDING FISCAL YEAR OF THE TAXING UNIT];

(B) motor vehicle payments received by the municipality [DURING THE PRECEDING FISCAL YEAR] under AS 28.10.431;

(C) revenue from fees, rentals, leases, penalties, licenses or permits received [DURING THE PRECEDING FISCAL YEAR] by the municipality for a function or service over which it has control, including revenues derived from parks and recreation services, mass transit, offstreet parking, and garbage and solid waste disposal services;

(D) special assessments received [DURING THE PRECEDING FISCAL YEAR]; and

(E) payments received by a municipality from a utility that are in place of taxes levied and collected by the municipality;

(2) excludes

(A) revenue derived from the levy and collection of municipal taxes and appropriated for the operating expenses and debt service of utilities;

(B) revenue from interest earned on investments and from the sale and lease of land or equipment; and

(C) all other revenue from whatever service derived;

(3) is calculated on the basis of the actual revenue received during the fiscal year of the taxing unit preceding the year in which the department's determination of the millage rate equivalent is made under AS 29.60.030.

* Sec. 2. AS 29.60.030(a) is amended to read:

1 (a) The department may require a municipality to return a certi-
2 fication, signed by the municipal treasurer or manager and the mayor,
3 that provides an estimate of the locally generated revenue received by
4 the municipality during its [THE PRECEDING] fiscal year preceding the
5 year in which the department's determination of the millage rate
6 equivalent is made under (c) of this section.

7 * Sec. 3. AS 29.60.030(c) is amended to read:

8 (c) As early as possible, but not later than January [DECEMBER]
9 15 of each year, the department shall make a [FINAL] determination of
10 the millage rate equivalent of each taxing unit to use to compute and
11 distribute equalization entitlements under AS 29.60.010 -- 29.60.080
12 for the following state fiscal year. The department shall base the
13 determination on audits, financial statements, and other financial
14 reports prepared and submitted by a municipality. The department
15 shall adjust the locally generated revenue reported by a municipality
16 to exclude the municipal revenue claimed that does not qualify for
17 inclusion in or recognition as locally generated revenue for municipal
18 purposes under AS 29.60.010(c)(1). The adjustment must [SHALL] be
19 made by deducting from total revenue claimed by the municipality the
20 amount of the department's estimate of revenue that is not recognized
21 for municipal purposes.

22 * Sec. 4. AS 29.60.040 is amended to read:

23 Sec. 29.60.040. REPORTS. A payment of an equalization entitle-
24 ment may not be made to a municipality under AS 29.60.010 -- 29.60.080
25 until the municipality has submitted its certificate of estimated
26 revenue and its financial report to the department for the municipal
27 fiscal year preceding the year in [FOR] which the department's deter-
28 mination of the millage rate equivalent is made under AS 29.60.030
29 [EQUALIZATION ENTITLEMENT IS SOUGHT], together with the municipality's

1 [A] budget for the [MUNICIPALITY'S CURRENT] fiscal year for which an
2 entitlement is sought. The financial report must [SHALL] include a
3 listing of general revenue collected from taxes levied and assessed
4 and any other revenue that, in the opinion of the municipal officials,
5 is eligible for inclusion in computations of the locally generated
6 revenue of the taxing unit.

7 * Sec. 5. AS 29.60.290(a) is amended to read:

8 (a) A municipality qualifying for an entitlement under AS 29.-
9 60.010 -- 29.60.080 or 29.60.100 -- 29.60.180 shall receive a minimum
10 payment of \$25,000 plus an area cost-of-living differential for each
11 fiscal year if

12 (1) the municipality has conducted a regular election
13 during the state fiscal year preceding the year in [FOR] which the
14 department's determination of the municipality's millage rate equiva-
15 lent is made under AS 29.60.030 [PAYMENT OF AN ENTITLEMENT IS AUTHOR-
16 IZED BY AS 29.60.010 -- 29.60.080 or 29.60.100 -- 29.60.180] and has
17 reported the results of the election to the commissioner;

18 (2) regular meetings of the governing body are held in the
19 municipality during the state fiscal year preceding the year in [FOR]
20 which the department's determination of the municipality's millage
21 rate equivalent is made under AS 29.60.030 [PAYMENT OF AN ENTITLEMENT
22 IS AUTHORIZED BY AS 29.60.010 -- 29.60.080 or 29.60.100 -- 29.60.180]
23 and a record of the proceedings is maintained;

24 (3) a municipal budget has been adopted for the fiscal year
25 during which payment of an entitlement is authorized by AS 29.60.-
26 010 -- 29.60.080 or 29.60.100 -- 29.60.180 and an audit or financial
27 statement for the [PRECEDING] fiscal year preceding the year in which
28 the department's determination of the municipality's millage rate
29 equivalent is made under AS 29.60.030 has been prepared and furnished

1 to the department in accordance with AS 29.20.640(a); and

2 (4) local ordinances adopted by the municipality have been
3 codified in accordance with AS 29.25.050.

4 * Sec. 6. AS 29.60 is amended by adding a new section to read:

5 Sec. 29.60.310. TIME OF PAYMENT. The department shall make pay-
6 ments under AS 29.60.010 -- 29.60.300 no later than July 31, based
7 upon the entitlement calculations made during the preceding fiscal
8 year.

9 * Sec. 7. AS 29.60.350(b) is amended to read:

10 (b) The department shall distribute money from the municipal
11 assistance fund to each municipality on an annual basis as provided in
12 AS 29.60.360 and 29.60.370. A municipality may not receive payment
13 until it submits to the department a resolution approved by the gov-
14 erning body of the municipality that requests the money. Distribution
15 of money from the municipal assistance fund to all municipalities must
16 [A MUNICIPALITY WITH A FISCAL YEAR BEGINNING ON JANUARY 1 SHALL] be
17 made on February 1 of the state fiscal year for which the appropria-
18 tion to the fund is made. [DISTRIBUTION OF MONEY FROM THE MUNICIPAL
19 ASSISTANCE FUND TO ALL OTHER MUNICIPALITIES SHALL BE MADE ON JUNE 1 OF
20 THE STATE FISCAL YEAR FOR WHICH THE APPROPRIATION TO THE FUND IS
21 MADE.] A municipality that incorporates after December 31 of a state
22 fiscal year is not eligible for a distribution under this section
23 until the following state fiscal year.

24 * Sec. 8. AS 29.60.030(b) is repealed.

25 * Sec. 9. Notwithstanding secs. 1 -- 8 of this Act, the Department of
26 Community and Regional Affairs and municipalities seeking payment under
27 AS 29.60.010 -- 29.60.375 for the state fiscal year ending June 30, 1988
28 shall follow the procedures set out in those sections before amendment by
29 this Act. The Department of Community and Regional Affairs shall follow

1 the deadlines and procedures established by this Act for the state fiscal
2 year ending June 30, 1989.
3 * Sec. 10. This Act takes effect July 1, 1987.

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

MUNICIPAL & REGIONAL ASSISTANCE DIVISION

STEVE COWPER, GOVERNOR

April 29, 1987

Mr. Mark Earnest
Aide to Senator John Binkley
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Mr. Earnest:

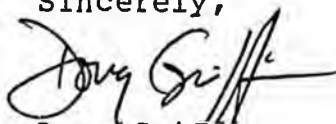
RE: HB 90 - TIME PERIOD FOR REVENUE SHARING
AND MUNICIPAL ASSISTANCE

As requested of Jim Plasman, an informational packet on HB 90 has been prepared. The bill is virtually identical to HB 558 from the 14th Legislature, which received favorable attention from the Legislature last year, but got caught in committee in the final rush to adjournment. The only difference between the final version of HB 558 and HB 90 is language clarifying references to "fiscal year" as either the state fiscal year or the fiscal year of the recipient.

Included are the Department's position paper, a memorandum from the Alaska Municipal League to the House Community and Regional Affairs Committee in support of HB 90, materials prepared for the Senate Community and Regional Affairs Committee last year regarding HB 558, and a sectional analysis of HB 558 prepared last year by Legislative Legal Services.

If you have any further questions, please feel free to give me or Jim Plasman a call.

Sincerely,



Doug Griffin
Deputy Director

Enclosures

cc: Jim Plasman, LGS IV

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STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

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February 11, 1987

POSITION PAPER

RE: House Bill 90--"An Act relating to time periods to be used for administering the tax equalization program and the municipal assistance program; and providing for an effective date."

SPONSOR: Rules Committee by Request of the Governor

PROGRAM EFFECTS: This bill would alter procedures for collection of data and calculation of revenue sharing entitlements and would allow earlier disbursement of revenue sharing and municipal assistance entitlements to municipalities and other recipients.


COMMENTS: This legislation was introduced at the request of the Department and represents one of its highest priorities. This bill is a product of the Governor's 1985 Task Force on State Shared Revenue and a very similar version (HB 558) was nearly passed by the Legislature last session.

The legislation would benefit municipalities in two ways. First, it would provide greater predictability to the entitlement process. Currently, a municipality must plan its budget without an accurate idea of its entitlement for the budget year. Under the proposed bill, the department will have the necessary municipal data to provide very accurate estimates to cities and boroughs for budget preparation based upon proposed or adopted levels of appropriation. The question of appropriation level can be addressed if Governor Cowper's request for an FY 1989 appropriation for State Revenue Sharing and Municipal Assistance is enacted.

Second, the proposed legislation will allow the department to disburse funds within the first month of the fiscal year. Under the current system, a prepayment of about one-half of the entitlement is made in September or October, with a final payment in March. This earlier funding will alleviate municipal cash flow problems and provide greater flexibility for the management of these funds at the local level.

House Bill 90
February 11, 1987
Page Two

The legislation would also improve the administration of the State Revenue Sharing program by allowing the use of verified data elements in entitlement calculations instead of the present method of using estimates. The stretching of the data collection, calculation, and payment process over three years allows for a more thorough and deliberate approach to program administration and should reduce the likelihood of errors on the part of municipalities and the Department. The present system which compresses the three step process into a one year time frame often results in incomplete or inaccurate information because deadlines restrict complete discussion between local governments and the Department regarding data determinations.



David G. Hoffman, Commissioner

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST: HB 90

Bill Version: HB 0090A
Publish Date: 1/30/87

Revision Date: _____
Title: "An Act relating to time period
...tax equalization & mun. assist."

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

Sponsor: Rules/Governor
Requestor: House C&RA Committee

Components: Grants Administration

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						
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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: Doug Griffin, Deputy Director
Division: Municipal & Regional Assistance

Phone: 465-4750
Date: 2-10-87

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

Date: 2-10-87

Distribution (by preparer):

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

Alaska




TELEPHONE
(907) 586-1325

League

105 MUNICIPAL WAY, SUITE 301
JUNEAU, ALASKA 99801

To: Representative Henry Springer, Chair
Members of the House Community and Regional Affairs Committee

From: Scott A. Burgess, Executive Director 

Date: February 13, 1987

Subject: HB 90 - Time periods for the Revenue Sharing and Municipal Assistance Programs

On behalf of the Alaska Municipal League, we support HB 90. While the legislation does not address the level of funding for the revenue sharing and municipal assistance programs, top AML priorities, it would make the best of the funding that is appropriated by the Legislature for those programs.

This legislation is based on the recommendations of the Governor's Shared Revenue Task Force, outlined in their report of December 9, 1985. As proposed, the legislation would appear to allow the distribution of funds in a more timely manner providing a greater degree of predictability in the level of funding, and getting the money out to the municipalities more quickly to provide for needed municipal services. Basically, this is done by basing the revenue sharing entitlement formula on earlier data as to population, taxes, audits etc.

The second major benefit is requiring all municipal assistance payments to be made to municipalities by February 1st, regardless of their fiscal year. This action will make the payment period more equitable by not penalizing those municipalities on a July 1st fiscal year which currently must wait at least four months for their funds.

A similar bill was introduced in the Second Session of the 14th Legislature and passed the House. The bill reached the Senate Finance Committee but got caught in the rush to adjourn, and died. I urge the Committee to approve the legislation, and encourage its passage by the House.

On behalf of the League, I would like to thank Governor Cowper, Commissioner Hoffman, Deputy Director Doug Griffin and Jim Plasman of the Division of Municipal and Regional Assistance for the work that resulted in this legislation, and for working with the Alaska Municipal League prior to submitting legislation which directly affects our membership.

Thank you.

BILL SHEFFIELD, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

April 23, 1986

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APR 25 1986

The Honorable Edna DeVries
Alaska State Senate
P.O. Box V
Juneau, AK 99811

Dear Senator DeVries:

RE: HB 558

I have taken the liberty of preparing an informational packet regarding HB 558, relating to time periods for distribution of state revenue sharing and municipal assistance payments, for you and members of the Senate Community and Regional Affairs Committee.

This bill is an attempt to get the most from each dollar spent. The increased predictability and earlier payments provided under this bill will mitigate to some extent the effects of lower state shared revenues for municipalities and other recipients of funds under these programs. This bill is designed to address one of the biggest complaints about the State Revenue Sharing Program, its lack of predictability. Additionally, the bill provides for payment of revenue sharing and municipal assistance funds much earlier in the fiscal year than under the current law.

The unpredictability in the State Revenue Sharing Program has two elements. First, recipients of revenue sharing do not know what amount of funding they will receive until well into their fiscal year. Second, the payment schedule is uncertain because of complications which arise in the calculation process. This two-fold lack of predictability disrupts the ability of municipalities to adequately plan their fiscal affairs.

This lack of predictability is largely the result of the program structure. Currently entitlements are calculated on the basis of information collected from the municipal fiscal year preceding the state fiscal year in which calculations and payments are made. Because of the compression of the calculation and payment function into one year, there is no way to predict entitlements with any degree of accuracy.

Senator DeVries
April 23, 1986
Page Two

In order to address this problem, the Governor's Task Force on State Shared Revenues recommended the calculation and payment functions be separated into two separate years. A detailed discussion of the proposal is contained in the task force report at pages 12 - 19, which I have attached to this letter as Attachment 1. A chart, summarizing the current revenue sharing time table and the proposed revenue sharing time table under this bill is also enclosed as Attachment 2.

Because the Department will have the data necessary to calculate revenue sharing entitlements the year before payment, we will be able to give out reasonably accurate estimates of the amount of payment to each recipient before their fiscal year starts, usually in time for use in budget preparation by the municipality. An additional benefit is that revenue sharing payments can be made at the beginning of the new state fiscal year, so that recipients will have the money earlier than at present. This allows additional financial flexibility and the possibility of additional income through investment, which, in the case of communities like Anchorage may be substantial.

The bill also proposes that the payment date for municipal assistance be made February 1 for all municipalities, rather than just those on a calendar fiscal year. Currently, municipalities on a state fiscal year are not paid until June 1. The benefit to municipalities again relates to earlier receipt of payment as well as correction of what has been perceived to be an inequity in payment schedules among municipalities based upon their fiscal year.

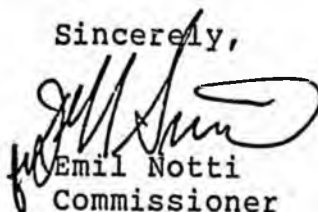
This bill received favorable attention in the House of Representatives. Favorable testimony was received by the House Community and Regional Affairs Committee from Scott Burgess of the Alaska Municipal League in support of the legislation. He also supplied a memorandum in support of the bill, a copy of which is attached (Attachment 3). Chip Dennerlein, on behalf of Mayor Knowles in his capacity as President of the Alaska Conference of Mayors at the time the proposal was released by the task force, spoke in favor of the legislation. Larry Semmons from the Kenai Peninsula Borough, testifying on behalf of the Municipal Finance Officers of Alaska, expressed the support of that organization as well. One concern raised by Mr. Semmons' testimony was the need for a date certain in the bill for disbursement of revenue sharing funds. That concern was addressed in the House Finance Committee with an amendment to provide for payment by July 31.

Senator DeVries
April 23, 1986
Page Three

A final enclosure is a copy of Governor Sheffield's letter of transmittal to the Speaker of the House which accompanied this bill.

If you have any further questions, the Department will gladly participate in any discussions or hearings on this bill.

Sincerely,



Emil Notti
Commissioner

Enclosures (4)

cc: Members of the Senate Community
and Regional Affairs Committee

A second source of impetus for modification was the desire to base payments upon a "basic needs" approach. It was felt that certain categories of "basic needs" in local government services should be identified and payments should be determined on that basis. To a great extent, this may be seen to be a return to the categorical program which the equalization program replaced in 1981. Past analysis had indicated that this categorical approach biased the program in favor of wealthier, more populous communities which could afford to provide more services than poorer, less populous ones. Further, complaints were made that local governments should make the decisions about what services should be funded at the local level, rather than have the State mandate these services through the categories chosen to be eligible to receive funding. Additionally, proving eligibility for specific categories and monitoring expenditures for eligible services placed excessive administrative burdens upon the state and local governments.

On August 14, 1985, the Alaska Conference of Mayors met in Fairbanks to discuss these and other fiscal issues of interest to local governments. It was determined at that meeting that any changes in the formulas for municipal assistance and revenue sharing were unacceptable under the current financial and political climate of the state, and this determination was subsequently transmitted to the Task Force.

The combination of these factors has led the Task Force to recommend that no change be made to the distribution formulas utilized by the Municipal Assistance and State Revenue Sharing Programs.

B. Predictability and Stability

One of the biggest complaints about the current State Revenue Sharing Program is its lack of predictability. This complaint is twofold: first, recipients do not know what the exact level of payment will be until well into their fiscal year, and secondly, the payment schedule is uncertain. This uncertainty and lack of predictability creates problems in the planning and budgeting process and general disruption of the fiscal affairs of municipalities. This problem is largely a result of the way the program is structured.

from The Governor's Task

Force on State Shared

Revenues, Dec. 9, 1985

1. Current Time Table.

Revenue Sharing entitlements are determined by a variety of data elements. A municipality's population, locally generated revenues, and property values are used to determine its Municipal Tax Resource Equalization entitlement. Miles of roads, hospital and health facility beds and so on are used to determine a recipient's Miscellaneous Services entitlement. These data elements are determined as of the following dates:

Population - the July 1 immediately preceding application;

locally generated revenues - total for the municipality's fiscal year preceding the year of application;

full and true property values - the January 1 of the year preceding the calendar year of application; and

service provision dates for State Aid for Miscellaneous Services (roads and health facilities, volunteer fire departments, unincorporated communities) - in service July 1 of the year of application.

The application deadlines are as follows:

October 1 - application and budget must be postmarked as of this date to qualify for prepayment.

November 1 - application and budget must be postmarked as of this date to qualify for payment and preserve appeal rights.

December 1 - application and budget must be postmarked as of this date to qualify for payment, but appeal rights are waived.

The administrative processes for calculating final entitlements are on the following time line:

October 15 - initial determination of municipal population and data elements.

December 15 - deadline for municipal population revision requests by municipalities and final data element determinations by department.

January 15 - deadline for appeal of data element determinations by municipalities.

February to March - resolution of appeals.

March - computer run of final entitlements.

March - final payments sent to recipients.

June 30 - deadline for submission of audits/certified financial statements.

The time lag from the measurement of these elements to final payment under the current system amounts to the following, assuming a March final payment date:

Population: July 1 to March 30 = 9 months.

Locally generated revenues (for state fiscal year municipalities): fiscal year ending June 30 to March 30 = 9 months.

Full and true property value: January 1 of year preceding calendar year of application to March 30 = 27 months.

Service provision: July 1 to March 30 = 9 months.

Prepayments are sent out as soon as possible after receipt of the completed application and budget. Final payments should go out in March; however, in the last two fiscal years, because of extended deadlines and a Legislative Budget and Audit Committee audit, 90 percent provisional payments were issued in March and final payments were not made until May. Additionally, an audit or certified financial statement for the fiscal year preceding the year of application must be submitted before a final payment may be released. Obviously, if the audit or financial statement is not submitted by the time of the final entitlement computer run, the Department is unable to compare estimated revenues claimed in the application with the audited or certified figures. This has led in the past to the necessity of assessing corrective prior year adjustments in subsequent years which are not only administratively burdensome to the state, but may be devastating to a recipient which had grossly over-estimated locally generated revenues.

2. Prior Year Data Proposal.

The most promising proposal considered by the Task Force which would address these issues and retain the current revenue sharing formula is the use of "prior year" data. In its simplest terms, this proposal would allow the Department to use certain data from the year preceding the one currently utilized. By so doing, the data necessary to make the calculations to determine recipients' final entitlements would be available much earlier than at present so that the Department could 1) notify recipients of their expected entitlements in a timely manner to allow proper budgeting and financial planning, and 2) disburse the money much earlier in the fiscal year, perhaps as early as the first week in July.

Under this proposal, data would be determined for the entitlement year as of the following dates:

Population - October 1 of the year preceding the entitlement year.

Locally generated revenues (for municipalities on the state fiscal year) - the fiscal year ending June 30 preceding the year before the entitlement year.

Full and true value - January 1 of the fiscal year preceding the year before the entitlement year.

Service provision date - October 1 of the year preceding the entitlement year.

Application deadlines would be altered as well. There would no longer be a need for a prepayment deadline, although there may still be two deadlines, one to ~~preserve appeal rights~~ and one which results in waiver of appeal rights. The retention of the November 1 and December 1 deadlines would allow the following schedule:

October 15 - initial determination of population figures.

November 1 - deadline for applications for following fiscal year to preserve appeal rights.

December 1 - final deadline for applications, appeal rights waived.

January 1 - final deadline for calendar year municipalities.

January 15 - final determination of data elements and deadline for requests for population revision.

February 15 - appeal deadline.

February/March - resolution of appeals.

End of March - preliminary entitlement run.

June 1 - deadline for submission of audits/certified financial statements for preceding fiscal year covering claimed locally generated revenues.

End of June - final entitlement run.

July 1 - beginning of entitlement year.

First week of July - final payments disbursed to recipients conditioned upon submission of budget for entitlement year.

Perhaps the only drawback to utilizing the prior year data proposal is the perceived increased time lag between the measurement of data elements and the receipt of payment based upon that data. This perception may have been based upon the terminology used to designate the proposal, as "prior year data" implies an additional twelve month time lag between calculation and payment beyond the current lag. Additionally, early formulations of the proposal showed potentially significant time lags between the data calculation and final payment.

Further refinements of the proposal have tended to reduce this time lag, in some cases, significantly. The time lag between calculation of data elements to final payment under the proposed system would be as follows, assuming a July 1 payment:

Population: October 1 to July 1 = 9 months.

Locally generated revenues (for municipalities on the State fiscal year): June 30 of the fiscal year of the year preceding the year of application to July 1 = 12 months.

Full and true value: January 1 of calendar year preceding year of application to July 1 of entitlement year (succeeding year of application) = 18 months.

Service provision: October 1 to July 1 = 9 months.

This reveals the following comparison:

<u>Data Element</u>	<u>Current</u>	<u>Proposed</u>
Population	9 months	9 months
Locally Generated Revenues	9 months	12 months
Full and True Value	27 months	18 months
Service Provision	9 months	9 months

It should be noted, of course, that the current program disburses prepayments, which amount to about half the entitlement, as much as 5 months earlier than the March 30 date used to calculate time lag for the current program in the above comparison.

3. Analysis of Changes.

The problem of predictability is addressed in that accurate preliminary estimates of entitlements will be available to municipalities by the end of March for use in budget formulation and financial planning. Those estimates will be based upon the finalized municipal data elements and the Governor's requested budget appropriation level for the program, unless the operating budget has been passed, in which case the appropriation level will be adjusted accordingly. Payments will be available at the beginning of the fiscal year, thus relieving much of the uncertainty involved in receipt of payments. An additional advantage is that communities will have their entire payment available much earlier in the fiscal year, allowing more flexibility in financial planning, as well as the possibility of earning additional interest from the funds.

Applications will be made in the year preceding the entitlement year, rather than the entitlement year itself. Application deadlines may be retained to avoid confusion among smaller communities. It may be desirable, however, to alter the deadline for calendar year municipalities to provide for their special needs. Service provision dates will be changed from July 1 to October 1 of the application year. This will allow the entire building season to be completed for inclusion of claimed service (e.g., roads). This will allow services that could not be counted for an additional 12 months under the current system, because they were not in service until after the July 1 deadline, to be available for inclusion in the entitlement calculation if completed by October 1. Population will be determined as of October 1 to minimize the lag between population increase or decrease and payment based upon those figures. Additionally, it will allow communities to utilize summer months for census taking, if desired.

The millage rate equivalent will be determined by using the year preceding the year of application for determining locally generated revenues. That amounts to the year prior to the one currently used; however, because the final payment date will be advanced to early July rather than the end of March (or later, in cases of provisional payments), the change in lag time will be minimized. The most significant change will be in the use of the full and true value calculations. Currently, those determinations are made on the basis of data generated the January of the calendar year of the year preceding the year of application. This has been necessary in the past because the needed data is not available in time for utilization in entitlement determinations and calculations. With the new determination and calculation deadlines, full and true value data will be available from the January immediately preceding the November applications, so that the time from data generation to payment of entitlements will actually be reduced.

The format of the applications will remain the same; however, budgets need not be submitted with the application. Rather, submission of a budget will be a condition of payment in the entitlement year. No payment will be made until the Department has received the applicant's budget for the entitlement year (the applicant's fiscal year which includes July 1 of the State fiscal year in which payment is made.) An audit or certified financial statement will be required, as is now the case.

4. Special Impact Fund.

Early formulations of the prior year data scheme created a longer time lag than later refinements, creating concerns that communities experiencing rapid growth would feel impacts of this growth before receiving state funds to address those impacts under the revenue sharing program. This had led to interest in the creation of a special impact fund which would be available to give special grants to those communities experiencing serious impacts from rapid growth. However, as has been shown above, there will actually be a smaller change in time lags than originally projected. That, combined with the difficulty in determining criteria for distribution of such a fund and the absence of state revenue to support such a fund, has led to a determination that such a fund is not a necessary component of the prior year data proposal.

5. Calendar Year Municipalities.

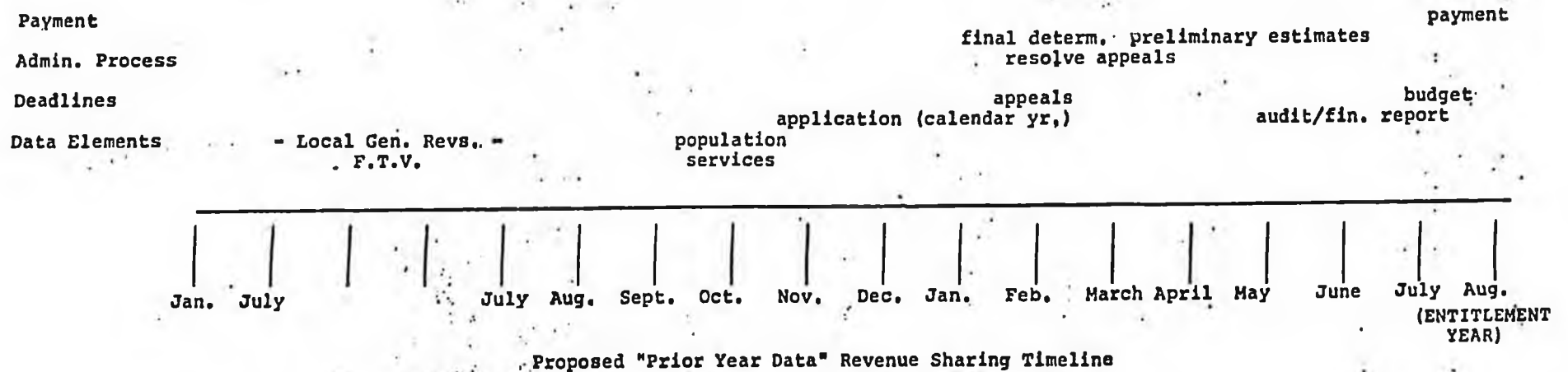
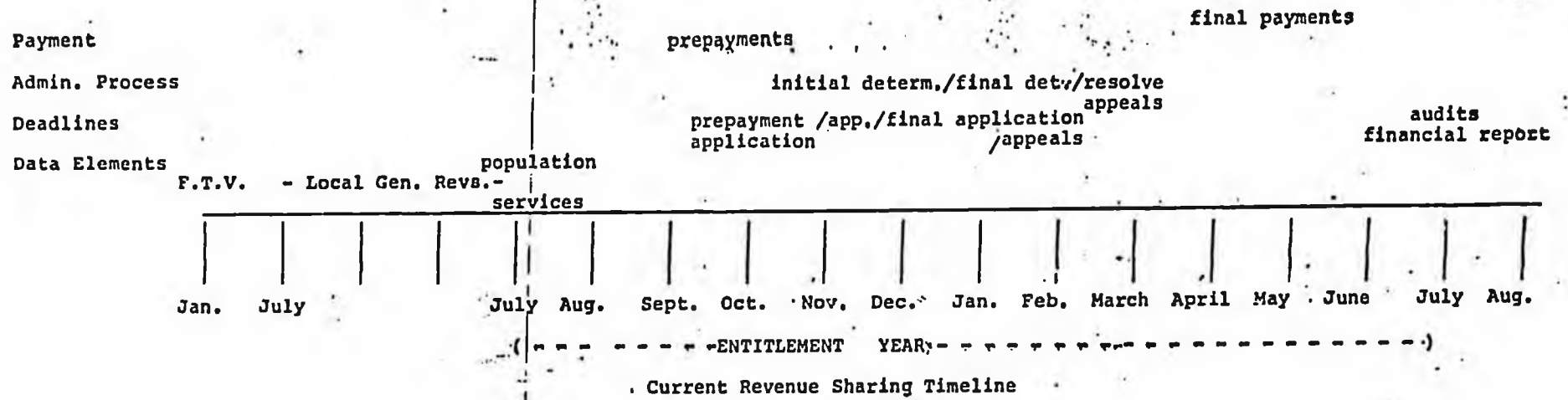
The discussion above has applied largely to municipalities on a State fiscal year. Currently, calendar year municipalities are, in a sense, already on a prior year data basis, as the locally generated revenues claimed in an application submitted by October 1 (to qualify for prepayment) come from the fiscal year of January 1 to December 31 prior to that October, so that the actual time lag from that data to the time of final payment at the end of March is at 15 months. Under the proposed system, this time lag would have increased an additional three months to early July. To ameliorate this, the application deadline for calendar year municipalities has been made January 1, allowing such a municipality to base its application on the fiscal year which ended December 1 immediately preceding application. While this may require an estimate of the revenues from that fiscal year, a timely submission of the municipality's audit or certified financial statement will allow corrections before the final entitlement computer run. This would have the effect of cutting the time lag to six months for locally generated revenues.

Because of the obvious advantages of the prior year data system and the lack of substantial cost to realize the advantages, the Task Force has recommended the Governor introduce legislation to allow implementation of this system.

6. Predictability of Funding.

An additional aspect of the issue of predictability of entitlements is the appropriation level for the program. Various proposals have been set forth to address this aspect of the problem. Among them have been 1) forward funding, 2) a two-year appropriation cycle for revenue sharing, and 3) legislative resolution of funding level each session for each succeeding year. The forward funding alternative is currently being pursued through legislation introduced by Senator Coghill and would seem to provide the greatest degree of certainty from one year to the next. The issue is partly addressed by the adoption of the 120 day legislative session limit. This virtually ensures that the budget will be acted upon in time for reasonably timely estimations of the appropriation level for municipal budgeting purposes. Additionally, revenue sharing has been appropriated at or about the level requested by the Governor in past years, so that the Governor's budget level further establishes a reasonable level of expectation for estimation purposes. For these reasons, the Task Force does not recommend the Governor introduce separate legislation on the subject of forward funding.

Attachment 2



Alaska



League

TELEPHONE
(907) 586-1325

105 MUNICIPAL WAY, SUITE 301
JUNEAU, ALASKA 99801

To: Representative Peter Goll, Chairman
Members of the House Community and Regional Affairs Committee

From: Scott A. Burgess, Executive Director *[Signature]*

Date: February 26, 1986

Subject: HB 558 - Prior Year Data for Revenue Sharing and Municipal Assistance

On behalf of the Alaska Municipal League, we support HB 558. While the legislation does not address the level of funding for the revenue sharing and municipal assistance programs, top AML priorities, it would make the best of the funding that is appropriated by the Legislature for those programs.

This legislation is based on the recommendations of the Governor's Shared Revenue Task Force, outlined in their report of December 9, 1985. As proposed, the legislation would appear to allow the distribution of funds in a more timely manner providing a greater degree of predictability in the level of funding, and getting the money out to the municipalities more quickly to provide for needed municipal services. Basically, this is done by basing the entitlement formula on earlier data as to population, taxes etc.

On behalf of the League and the Task Force members, I would like to thank the Governor, Commissioner Notti, Deputy Commissioner Smith, Deputy Director (MRAD) Doug Griffin and Jim Plasman for the work that resulted in the report and this piece of legislation, and for working with the Alaska Municipal League prior to submitting legislation which directly affects our membership.

Thank you.

BILL SHEFFIELD
GOVERNOR*CS*
2/10STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to revenue sharing and municipal assistance. The bill amends sections of AS 29.60 to compute municipal revenue sharing entitlements, and to distribute revenue sharing and municipal assistance, on a new timetable.

Each year, the Alaska legislature appropriates money for municipal revenue sharing, known as "equalization entitlements," to be distributed in the following state fiscal year. Equalization entitlements are the product of multiplying a municipality's millage rate equivalent by the municipality's population. AS 29.60.010(b). Two factors used in determining the millage rate equivalent are the municipality's locally generated revenue and property values. AS 29.60.010(c). A municipality's locally generated revenue and full and true assessed property value in one year are the foundation for computing the municipality's equalization entitlement for the next state fiscal year. However, the current system for determining revenue sharing does not give municipalities sufficient opportunity to plan ahead; a municipality must plan its budget in advance without an accurate idea of its entitlement for the following fiscal year.

Two time periods underly the existing timetable for determining entitlements and distributing payments: (1) the municipal fiscal year from which the locally generated revenue and full and true assessed property value are

derived, and (2) the succeeding state fiscal year in which both the computation and distribution of entitlements takes place. In its December 9, 1985 report, the Governor's Task Force on State Shared Revenues requested that the latter functions be separated into two years, so that computation of entitlement is done in the state fiscal year before the distribution of payments. This is informally described as the "prior year data" basis for handling revenue sharing entitlements.

To implement the prior year system, this bill amends various sections of AS 29.60 to reflect three relevant time periods: the municipal fiscal year from which revenue and property value data is collected, the state fiscal year of entitlement computation, and the state fiscal year of entitlement payment. With the computation of entitlement occurring in the fiscal year before payment, the department will be able to distribute entitlements sooner each fiscal year.

Section 1 of the bill amends AS 29.60.010(a) to reflect that computation of an equalization entitlement occurs in the state fiscal year before the fiscal year of payment. AS 29.60.010(c) is amended to state that a municipality's locally generated revenue is calculated on the basis of revenue received during the municipal fiscal year preceding the year in which the department determines the millage rate equivalent. Section 2 makes a similar change to AS 29.60.030(a).

Because the prior year system splits computation and distribution of revenue sharing into two state fiscal years, there is no longer a need for municipalities to submit preliminary data by October 15. As a result, sec. 7 of the bill repeals AS 29.60.030(b).

In sec. 3 of the bill, the deadline for the department's determination of each municipality's millage rate equivalent is changed from December 15 to January 15 of each year. AS 29.60.030(c). That statute is also amended to state that distribution of equalization entitlements occurs the state fiscal year following the January 15 computation.

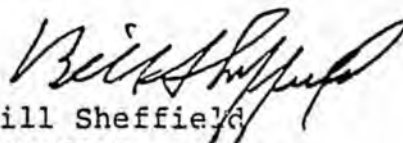
AS 29.60.040 sets out the municipal reports required before payment of an equalization entitlement. Section 4 of the bill amends the statute to reflect that a municipality's financial reports should cover the fiscal year preceding the state fiscal year in which the department computes the millage rate equivalent. The municipality must submit a budget for the fiscal year for which an entitlement is sought. AS 29.60.040.

Additional requirements are currently placed on a municipality in order to qualify for revenue sharing. AS 29.-60.290. Section 5 of the bill amends AS 29.60.290(a)(1) and (2) to require that a regular election and regular meetings of the municipal governing body be held in the year preceding the year in which the department computes the millage rate equivalent. As current law requires, the municipal budget must cover the year that the entitlement will be paid, but the requisite audit or financial statement from the municipality covers the year before the department's determination of the millage rate equivalent. AS 29.60.290(a)(3).

Section 6 of the bill amends the timetable for payment of municipal assistance under AS 29.60.350. AS 29.60.350(b) currently provides two different deadlines for payment of municipal assistance depending on a municipality's fiscal year. The statute is amended to set a single date, February 1, as the deadline, instead of February 1 or June 1. AS 29.60.350(b).

Section 8 of the bill provides for a transition between the current system and the new prior year system. The existing timetable for computation and distribution would be followed in FY 1987, but the bill's new timetable would apply to FY 1988. The switch to a prior year system will require the use of the same locally generated revenue data in two consecutive fiscal years, which is unavoidable. Section 9 of the bill provides for a July 1, 1986 effective date, giving the department the authority to prepare in FY 1987 for ~~implementation of the new system.~~

Sincerely,


Bill Sheffield
Governor

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 18, 1986

APR 18 1986

SUBJECT: Administration of the tax equalization program and the municipal assistance program (CSHB 558(Fin))

TO: Senator Edna DeVries, Chair
Community and Regional Affairs Committee

FROM: Tamara Brandt Cook *TBC*
Director
Division of Legal Services

Section 1. The tax equalization entitlements computed during a fiscal year will be paid the following fiscal year. Under existing law payments are computed and paid during the same fiscal year.

Sec. 2. This permits the Department of Community and Regional Affairs to require an estimate of locally generated revenue for the year preceding the year in which the determination of the millage rate equivalent is made.

Sec. 3. By January 15, the department is required to make a determination of the millage rate equivalent to be used in computing an entitlement for the following year. Under existing law the determination is made by December 15 of the year and is to be used to compute the entitlements for that year.

Sec. 4. A municipality is required to submit its estimated revenue for the fiscal year preceding the year in which the department's determination of the millage rate equivalent is made together with the municipality's budget for the fiscal year for which the entitlement is sought.

Sec. 5. The various actions required to be accomplished by a municipality in the year preceding the year in which payment of an entitlement is authorized under existing law are now required to be accomplished during the year preceding the year in which the department determines the municipality's millage rate equivalent.

Senator Edna DeVries

Page 2

April 18, 1986

Sec. 6. The department is required to make revenue sharing payments no later than July 31, based on calculations made during the preceding fiscal year.

Sec. 7. Distributions from the municipal assistance fund are to be made on February 1 of the fiscal year for which the appropriation to the fund is made. Under existing law distributions are made on February 1 only for municipalities with fiscal years beginning on January 1. Distributions to other municipalities are made on June 1.

Sec. 8. The provision requiring an initial determination of the millage rate equivalent of each taxing unit to be used for computing equalization entitlements is repealed.

Sec. 9. Revenue sharing and municipal assistance payments for the fiscal year ending June 30, 1987 are to be made in accordance with laws before amendment under this bill. The procedures set out in the bill will be used beginning fiscal year 1988.

Sec. 10. The bill takes effect July 1, 1986.

TBC:mkr
m4/138

Introduced: 1/30/87
Referred: Community & Regional
Affairs and Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2

HOUSE BILL NO. 90

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 time periods to be used for
administering the tax equalization program and the
municipal assistance program; and providing for an
effective date."

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9

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

11 * Section 1. AS 29.60.010 is amended to read:

12

Sec. 29.60.010. STATE EQUALIZATION OF TAX RESOURCES FOR MUNICI-
PAL SERVICES. (a) During each state fiscal year the department shall
compute an equalization entitlement for municipal services provided by
a taxing unit for payment the following state fiscal year.

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(b) The equalization entitlement computed for a taxing unit is
based on the population, relative ability to generate revenue, and
local tax burden of the taxing unit and is determined by the applica-
tion of the formula

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Entitlement = P x R

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where P = population, and

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R = millage rate equivalent, determined by dividing the sum
of the locally generated revenue of the taxing unit by one-tenth of
one percent of the full and true value of assessed property of the
taxing unit determined under AS 29.60.030(d); however, the per capita
property value used under this subsection may not be less than 15
percent of the statewide average per capita full and true assessed
property value.

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(c) For purposes of this section, locally generated revenue

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(1) includes

(A) the actual revenue derived from the levy and collection of local taxes in the taxing unit for municipal services [DURING THE PRECEDING FISCAL YEAR OF THE TAXING UNIT];

(B) motor vehicle payments received by the municipality [DURING THE PRECEDING FISCAL YEAR] under AS 28.10.431;

(C) revenue from fees, rentals, leases, penalties, licenses or permits received [DURING THE PRECEDING FISCAL YEAR] by the municipality for a function or service over which it has control, including revenues derived from parks and recreation services, mass transit, offstreet parking, and garbage and solid waste disposal services;

(D) special assessments received [DURING THE PRECEDING FISCAL YEAR]; and

(E) payments received by a municipality from a utility that are in place of taxes levied and collected by the municipality;

(2) excludes

(A) revenue derived from the levy and collection of municipal taxes and appropriated for the operating expenses and debt service of utilities;

(B) revenue from interest earned on investments and from the sale and lease of land or equipment; and

(C) all other revenue from whatever service derived;

(3) is calculated on the basis of the actual revenue received during the fiscal year of the taxing unit preceding the year in which the department's determination of the millage rate equivalent is made under AS 29.60.030.

* Sec. 2. AS 29.60.030(a) is amended to read:

1 (a) The department may require a municipality to return a certi-
2 fication, signed by the municipal treasurer or manager and the mayor,
3 that provides an estimate of the locally generated revenue received by
4 the municipality during its [THE PRECEDING] fiscal year preceding the
5 year in which the department's determination of the millage rate
6 equivalent is made under (c) of this section.

7 * Sec. 3. AS 29.60.030(c) is amended to read:

8 (c) As early as possible, but not later than January [DECEMBER]
9 15 of each year, the department shall make a [FINAL] determination of
10 the millage rate equivalent of each taxing unit to use to compute and
11 distribute equalization entitlements under AS 29.60.010 -- 29.60.080
12 for the following state fiscal year. The department shall base the
13 determination on audits, financial statements, and other financial
14 reports prepared and submitted by a municipality. The department
15 shall adjust the locally generated revenue reported by a municipality
16 to exclude the municipal revenue claimed that does not qualify for
17 inclusion in or recognition as locally generated revenue for municipal
18 purposes under AS 29.60.010(c)(1). The adjustment must [SHALL] be
19 made by deducting from total revenue claimed by the municipality the
20 amount of the department's estimate of revenue that is not recognized
21 for municipal purposes.

22 * Sec. 4. AS 29.60.040 is amended to read:

23 Sec. 29.60.040. REPORTS. A payment of an equalization entitle-
24 ment may not be made to a municipality under AS 29.60.010 -- 29.60.080
25 until the municipality has submitted its certificate of estimated
26 revenue and its financial report to the department for the municipal
27 fiscal year preceding the year in [FOR] which the department's deter-
28 mination of the millage rate equivalent is made under AS 29.60.030
29 [EQUALIZATION ENTITLEMENT IS SOUGHT], together with the municipality's

1 [A] budget for the [MUNICIPALITY'S CURRENT] fiscal year for which an
2 entitlement is sought. The financial report must [SHALL] include a
3 listing of general revenue collected from taxes levied and assessed
4 and any other revenue that, in the opinion of the municipal officials,
5 is eligible for inclusion in computations of the locally generated
6 revenue of the taxing unit.

7 * Sec. 5. AS 29.60.290(a) is amended to read:

8 (a) A municipality qualifying for an entitlement under AS 29.-
9 60.010 -- 29.60.080 or 29.60.100 -- 29.60.180 shall receive a minimum
10 payment of \$25,000 plus an area cost-of-living differential for each
11 fiscal year if

12 (1) the municipality has conducted a regular election
13 during the state fiscal year preceding the year in [FOR] which the
14 department's determination of the municipality's millage rate equiva-
15 lent is made under AS 29.60.030 [PAYMENT OF AN ENTITLEMENT IS AUTHOR-
16 IZED BY AS 29.60.010 -- 29.60.080 or 29.60.100 -- 29.60.180] and has
17 reported the results of the election to the commissioner;

18 (2) regular meetings of the governing body are held in the
19 municipality during the state fiscal year preceding the year in [FOR]
20 which the department's determination of the municipality's millage
21 rate equivalent is made under AS 29.60.030 [PAYMENT OF AN ENTITLEMENT
22 IS AUTHORIZED BY AS 29.60.010 -- 29.60.080 or 29.60.100 -- 29.60.180]
23 and a record of the proceedings is maintained;

24 (3) a municipal budget has been adopted for the fiscal year
25 during which payment of an entitlement is authorized by AS 29.60.-
26 010 -- 29.60.080 or 29.60.100 -- 29.60.180 and an audit or financial
27 statement for the [PRECEDING] fiscal year preceding the year in which
28 the department's determination of the municipality's millage rate
29 equivalent is made under AS 29.60.030 has been prepared and furnished

1 to the department in accordance with AS 29.20.640(a); and

2 (4) local ordinances adopted by the municipality have been
3 codified in accordance with AS 29.25.050.

4 * Sec. 6. AS 29.60 is amended by adding a new section to read:

5 Sec. 29.60.310. TIME OF PAYMENT. The department shall make pay-
6 ments under AS 29.60.010 -- 29.60.300 no later than July 31, based
7 upon the entitlement calculations made during the preceding fiscal
8 year.

9 * Sec. 7. AS 29.60.350(b) is amended to read:

10 (b) The department shall distribute money from the municipal
11 assistance fund to each municipality on an annual basis as provided in
12 AS 29.60.360 and 29.60.370. A municipality may not receive payment
13 until it submits to the department a resolution approved by the gov-
14 erning body of the municipality that requests the money. Distribution
15 of money from the municipal assistance fund to all municipalities must
16 [A MUNICIPALITY WITH A FISCAL YEAR BEGINNING ON JANUARY 1 SHALL] be
17 made on February 1 of the state fiscal year for which the appropria-
18 tion to the fund is made. [DISTRIBUTION OF MONEY FROM THE MUNICIPAL
19 ASSISTANCE FUND TO ALL OTHER MUNICIPALITIES SHALL BE MADE ON JUNE 1 OF
20 THE STATE FISCAL YEAR FOR WHICH THE APPROPRIATION TO THE FUND IS
21 MADE.] A municipality that incorporates after December 31 of a state
22 fiscal year is not eligible for a distribution under this section
23 until the following state fiscal year.

24 * Sec. 8. AS 29.60.030(b) is repealed.

25 * Sec. 9. Notwithstanding secs. 1 -- 8 of this Act, the Department of
26 Community and Regional Affairs and municipalities seeking payment under
27 AS 29.60.010 -- 29.60.375 for the state fiscal year ending June 30, 1988
28 shall follow the procedures set out in those sections before amendment by
29 this Act. The Department of Community and Regional Affairs shall follow

1 the deadlines and procedures established by this Act for the state fiscal
2 year ending June 30, 1989.

3 * Sec. 10. This Act takes effect July 1, 1987.

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 29, 1987

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the time periods to be used in administering the tax equalization and municipal assistance programs. The bill amends sections of AS 29.60 to compute municipal revenue sharing entitlements, and to distribute revenue sharing and municipal assistance, on a new timetable.

Each year, the Alaska legislature appropriates money for municipal revenue sharing, known as "equalization entitlements," to be distributed in the following state fiscal year. Equalization entitlements are the product of multiplying a municipality's millage rate equivalent by the municipality's population. AS 29.60.010(b). Two factors used in determining the millage rate equivalent are the municipality's locally generated revenue and property values. AS 29.60.010(c). A municipality's locally generated revenue and full and true assessed property value in one year are the foundation for computing the municipality's equalization entitlement for the next state fiscal year. However, the current system for determining revenue sharing does not give municipalities sufficient opportunity to plan ahead; a municipality must plan its budget in advance without an accurate idea of its entitlement for the following fiscal year.

Two time periods underly the existing timetable for determining entitlements and distributing payments: (1) the municipal fiscal year from which the locally generated revenue and full and true assessed property value are derived, and (2) the succeeding state fiscal year in which both the computation and distribution of entitlements takes place. In its December 9, 1985 report, the Governor's Task Force on State Shared Revenues requested that the latter functions be separated into two years, so that computation of entitlement is done in the state fiscal year before the distribution of payments. This is informally described as the "prior year data" basis for handling revenue sharing entitlements.

To implement the prior-year system, this bill amends various sections of AS 29.60 to reflect three relevant time periods: the municipal fiscal year from which revenue and property value data is collected, the state fiscal year of entitlement computation, and the state fiscal year of entitlement payment. With the computation of entitlement occurring in the fiscal year before payment, the department will be able to distribute entitlements sooner each fiscal year.

Section 1 of the bill amends AS 29.60.010(a) to reflect that computation of an equalization entitlement occurs in the state fiscal year before the fiscal year of payment. AS 29.60.010(c) is amended to state that a municipality's locally generated revenue is calculated on the basis of revenue received during the municipal fiscal year preceding the year in which the department determines the millage rate equivalent. Section 2 makes a similar change to AS 29.60.030(a).

Because the prior-year system splits computation and distribution of revenue sharing into two state fiscal years, there is no longer a need for municipalities to submit preliminary data by October 15. As a result, sec. 8 of the bill repeals AS 29.60.030(b).

In sec. 3 of the bill, the deadline for the department's determination of each municipality's millage rate equivalent is changed from December 15 to January 15 of each year. AS 29.60.030(c). That statute is also amended to state that that determination is to be used for the distribution of equalization entitlements that will occur in the state fiscal year that begins after the January 15 computation.

AS 29.60.040 sets out the municipal reports required before payment of an equalization entitlement. Section 4 of the bill amends the statute to reflect that a municipality's financial reports should cover the fiscal year preceding the year in which the department computes the millage rate equivalent. The municipality must submit a budget for the fiscal year for which an entitlement is sought. AS 29.60.040.

Additional requirements are currently placed on a municipality in order to qualify for revenue sharing. AS 29.60.290. Section 5 of the bill amends AS 29.60.290(a) (1) and (2) to require that a regular election and regular meetings of the municipal governing body be held in the state fiscal year preceding the year in which the department computes the millage rate equivalent. As current law requires, the

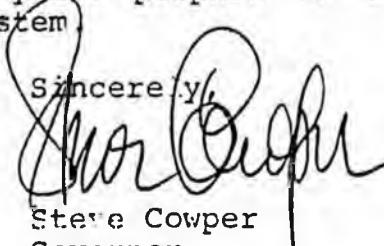
municipal budget must cover the year that the entitlement will be paid, but the requisite audit or financial statement from the municipality covers the fiscal year preceding the department's determination of the millage rate equivalent. AS 29.60.290(a)(3).

Section 6 of the bill adds a new AS 29.60.310 that specifies that the department is to make its tax equalization (or revenue sharing) payments no later than July 31, based upon the calculations made in the preceding fiscal year.

Section 7 of the bill amends the timetable for payment of municipal assistance under AS 29.60.350. AS 29.60.350(b) currently provides two different deadlines for payment of municipal assistance depending on a municipality's fiscal year. The statute is amended to set a single date, February 1, as the deadline, instead of February 1 or June 1.

Section 9 of the bill provides for a transition between the current system and the new prior-year system. The existing timetable for computation and distribution would be followed in FY 1988, but the bill's new timetable would apply to FY 1989. The switch to a prior-year system will require the use of the same locally generated revenue data in two consecutive fiscal years, which is unavoidable. Section 10 of the bill provides for a July 1, 1987 effective date, giving the department the authority to prepare in FY 1988 for implementation of the new system.

Sincerely,



Steve Cowper
Governor

08-18-45-03-00 (00-00-0-00-00-00)

STATE OF ALASKA -- COMPONENT BUDGET SUMMARY

SALSFRMA 16:00 1/29/87

AGENCY: DEPARTMENT OF COMMUNITY & REGIONAL AFFAIRS
CATEGORY: DEVELOPMENTPROGRAM: MUNICIPAL REVENUE SHARING
SUB-PROGRAM: MUNICIPAL ASSISTANCE

LEO. FIN.

----- F I S C A L Y E A R 1 9 8 8 -----

EXPENDITURES & FUNDING	(01) FY86 ACT	(02) FY87 ATH	(24)	(03) FY87 REV	(04) TRANSFER	(05) DECRMTS	(06) INCRMNTS	(25)	(08) GOVERNOR	(09) HOUSE	(10) SENATE	(11) C. C.	(12) BILLS
01 PERS. SERV.													
02 TRAVEL													
03 CONTRACTUAL													
04 COMMODITIES													
05 EQUIPMENT													
06 LANDS/BLDGS													
07 GRANTS, CLMS	81248.0	73176.1		63858.5		-13171.7			52686.8				
08 MISC.													
NW TOTAL EXPEND	81248.0	73176.1		63858.5		-13171.7			52686.8				
09 I-A TRANSFER													
1004 GEN FUND	81248.0	73176.1		63858.5		-13171.7			52686.8				
15 FULL TIME													
16 PART TIME													
17 TEMPORARY													
18 STAFF MONTHS													

Unclaimed Property Unit
Foreign Companies Reporting \$750 or less
As of February 1, 1987

Prepared by:
Steven E. Kettel
Audit Division
February 6, 1987

USX CORPORATION
F. W. WOOLWORTH CO.
ZURICH INSURANCE CO., U.S. BRANCH
COLEMAN COMPANY, INC.
LOUISIANA-PACIFIC CORPORATION
TAISHO MANAGAEMENT CORP.
SPERRY CORPORATION
BANKAMERICA CORPORATION
ITT CORPORATION
NORTHERN LIFE INSURANCE CO.
NATIONAL GENERAL INSURANCE CO.
NATIONAL WESTERN LIFE INSURANCE CO.
NCR CORPORATION
NORTHWESTERN NATIONAL LIFE INSURANCE CO.
PENNSYLVANIA LIFE INSURANCE CO.
PILLSBURY COMPANY, THE
POLAROID CORPORATION

ROCKWELL INTERNATIONAL CORP.
SECURITY LIFE INS. CO. OF AMERICA
SUNSET LIFE INSURANCE CO. OF AMERICA
TEXACO INC. & SUBSIDIARIES
TEXAS GAS TRANSMISSION CORPORATION
TICOR TITLE INSURANCE
TRUST SERVICES OF AMERICA
UNION CARBIDE CORP.
UNITED AIRLINES, INC.
FIRST FARWEST CORP.
FIRST NATIONAL BANK OF ANCHORAGE
FORT CAMPBELL FEDERAL CREDIT UNION
GENERAL ELECTRIC

HERCULES INC.
HONEYWELL, INC.
IDS FINANCIAL SERVICES, INC.
JERMAIN, DUNNAGAN & OWNES, P.C.
LA MEXICANA, INC.
MERCK & CO., INC.
MIDLAND NATIONAL LIFE INSURANCE CO.
MOBIL OIL CORPORATION

WARNER COMMUNICATIONS, INC.
YOSEMITE INSURANCE COMPANY
ZURN INDUSTRIES, INC.
CONOCO, INC.
GEORGIA-PACIFIC CORP (BANK OF AMERICA)
CENVILL INVESTORS, INC.
FUQUA INDUSTRIES, INC.
SAFEWAY STORES, INC.
ARMCO, INC.
MUTUAL PROTECTIVE INSURANCE CO.
NATIONAL HOME LIFE ASSURANCE CO.
NATIONWIDE MUTUAL INSURANCE CO.
NEW HAMPSHIRE INSURANCE GROUP
NORWEST CORP.
PENTAGON FEDERAL CREDIT UNION
PMI MORTGAGE INSURANCE CO.
R. L. POLK & CO.
RAINIER MORTGAGE COMPANY
ROYAL INSURANCE
SHELL OIL CO. AND SUBSIDIARIES
TEACHERS INSURANCE CO.
TEXAS EASTERN CORPORATION
TEXAS INSTRUMENTS INC.
TITLE INSURANCE AGENCY
UAL, INC.
UNIROYAL, INC.
UNITED GUARANTY RESIDENTIAL INS CO OF IOWA
FIRST INTERSTATE BANK OF OREGON, N.A.
FORD AEROSPACE & COMMUNICATIONS CORP.
GENCORP, INC.
GENERAL ELECTRIC MTG INS CORP
HALLIBURTON COMPANY
HOME SAVINGS OF AMERICA
HOUSEHOLD FINANCE CORP & FINANCE SUBS
INVESTORS INSURANCE CORP
KIEWIT HOLDINGS
MANAGMENT & TECHNICAL SERVICES CO.
APCO LIQUIDATING TRUST
MINNESOTA MINING & MANUFACTURING
A.I. CREDIT CORPORATION

ALLEGHENY INTERNATIONAL, INC.
AMERICAN GEN'L LIFE INS. CO. OF DELAWARE
AMP INCORPORATED
ARKANSAS LOUISIANA GAS CO.
B. F. GOODRICH COMPANY, THE
CAMPBELL SOUP COMPANY
CHASE MANHATTAN BANK, N.A.

CITIES SERVICE OIL & GAS CORP.
CONSOLIDATED PAPERS, INC.
CREDIT THRIFT FINANCIAL MANAGEMENT
EASTMAN KODAK COMPANY

EMPLOYERS REINSURANCE CORPORATION

ALLIED-SIGNAL, INC.
AMERICAN LIFE & CASUALTY INS. CO.
ARGONAUT INSURANCE CO.
BECHTEL, INC.
BRUNSWICK CORPORATION
CATERPILLAR, INC.
CHURCH OF JESUS CHRIST OF LATTER-DAY
SAINTS
COLONIAL PENN LIFE INSURANCE COMPANY
CONTROL DATA CORPORATION
DANIEL INTERNATIONAL CORPORATION
EMPLOYERS INSURANCE OF WAUSAU
A MUTUAL COMPANY
FARMERS NEW WORLD LIFE INS. CO.

4/26/87
5 day notice date

SENATE COMMITTEE REPORT

FURTHER:

FINANCE

3/9/87

DATE TURNED INTO OFFICE 4/1/87

Mr. President:

COMMUNITY & REGIONAL AFFAIRS Committee considered HB 90

time periods to be used for administering the tax equalization program and the municipal assistance program; 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
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Tim Kelly
Rich Harford
Mike Szymanski
Paul J. Gandy

Arthur J. Frangolenti Do Pass
Chairman signature and recommendation

Committee Backup Attached