

LEGISLATIVE FINANCE-HOUSE / SENATE FINANCE COMM. FILES 8879

HJR 13 cont. - 21 416 7

RECEIVED

OCT 4 1988

BOARDS & COMMISSIONS

OCT 6 1988

GOVERNOR'S OFFICE

October 2, 1988

Governor Steve Cowper
P.O. Box A
Juneau, Alaska 99811

Dear Mr. Cowper,

I'd like to thank you for taking the time to meet with the members of the Curriculum Cabinet on September 30 and for sharing with us your proposal for using a portion of the permanent fund interest earnings to create an educational endowment. You asked for the support of the associations represented at the cabinet meeting, and I think I can speak for all of us that you will certainly have that support.

I'm pleased that you are willing to take steps now to assure adequate funding for education in the years to come when our state budget will most likely be further depleted and more tightly stretched.

Again, thank you for your attendance at the Curriculum Cabinet meeting and for your determination to provide for quality education in Alaska's future.

Yours truly,



Lois Petersen
Alaska Association of School Librarians, Representative
P.O. Box 7
Metlakatla, Alaska 99926



ALASKA ASCD

Association for Supervision and Curriculum Development

November 16, 1988

The Honorable Steve Cowper
Governor, State of Alaska
c/o 3601 C Street
Anchorage, AK 99503

Dear Governor Cowper:

The Board of Directors of the Alaska Association for Supervision and Curriculum Development discussed your proposed endowment for education at our recent board meeting, and voted unanimously to commend you in this effort.

AASCD is the state affiliate of a national organization with 110,000 members who represent all professional levels and jobs in education. In Alaska, we have 150 state and over 500 national members. In our recent newsletter, I reported on your speech to the Cabinet of Professional Associations, and hope that this publicity aids you in your effort to secure a sound financial future for Alaska's school districts.

Cordially,

A handwritten signature in cursive script, appearing to read "Nancy A. Buell".

Nancy A. Buell, Ed.D.
President, AASCD
c/o University of Alaska Anchorage
3211 Providence Drive
Anchorage, AK 99508

RECEIVED
NOV 21 1988
COOSA
GOVERNOR'S OFFICE

ALASKA BLACK CAUCUS

POSITION PAPER ON PERMANENT FUND

Given current conditions, this session certainly appears to be an appropriate time to assess the effectiveness of the Permanent Fund as presently constituted.

The Caucus has been steadfast in its support for the establishment of an educational endowment fund for K-12. While the Governor now seems receptive to such a concept, our organization differs with his approach. To endow the fund through future yearly contributions from the undistributed income of the existing Permanent Fund, we support a voter's referendum on splitting the existing fund into two funds of approximately five billion dollars each. One fund would serve the same purpose it now serves. The only modification would be that a designated amount of the undistributed income would be earmarked for large scale capital projects and life/cycle maintenance costs for previously completed capital projects.

The second fund would be for the express purpose of providing a stable source of revenue from the fund for K through 12 education by using the interest earnings.

OFFICE OF
MANAGEMENT & BUDGET

FEB 22 1989

LEGISLATIVE PLANNING

ALASKA CONFERENCE OF MAYORS

217 SECOND STREET, SUITE 200
JUNEAU, ALASKA 99801
586-1325
Fax 463-5480

PRESIDENT 1989
John J. Williams
Mayor City of Kenai
283-7539

VICE PRESIDENT
Willie Goodwin Jr.
Mayor City of Kotzebue
442-3401

February 23, 1989

SECRETARY/TREASURER
Harry E. Gieseler
Mayor City of Seward
224-3331

MEMORANDUM

TO: The Honorable Lyman Hoffman, Co-Chair, House Finance Committee
The Honorable Ron Larson, Co-Chair, House Finance Committee
Members of the House Finance Committee
and
The Honorable John Binkley, Co-Chair, Senate Finance Committee
The Honorable Rick Uehling, Co-Chair, Senate Finance Committee
Members of the Senate Finance Committee

FROM: Alaska Conference of Mayors

SUBJECT: Presentation before a Joint Session of the House and Senate
Finance Committees of the State of Alaska by the Alaska Conference
of Mayors.

The Alaska Conference of Mayors is pleased to offer for your consideration the following programs that we hope will help to enhance revenue to the State, create a more stable situation within the government in future years, and help to promote a balanced budget within the very near future. In addition, some programs will help develop infrastructure and insure quality education for generations to come. The results presented comprise the efforts of the Mayors over the last three months as they have studied the issues and are the result of a statewide survey conducted during the last 21 days. Sources of information were obtained from the Office of the Governor, members of the legislature and their staff, the Departments of Revenue, Labor, and Commerce. We wish to thank all of those who responded with time, information, and assistance in helping to complete this work. Included in our response is a compilation of the data and results of the survey. The Alaska Conference of Mayors, during their regularly scheduled meeting February 23, 1989, concurred in the findings and have declared it to be their official position regarding these issues.

2/23/89

(Attach. 1)

- 1....Recommend that a management audit should be performed to indicate the appropriateness of state services and the most effective method of delivering them.
- 2....Modify the Economic Limit Factor according to House Bill No. 118 now before the First Session of the Sixteenth Legislature.
- 3....Reinstate the State Income Tax allowing for maximum capture of revenue from non-resident employees working within the State.
- 4....Increase the motor fuels tax from eight (8) cents to sixteen (16) cents a gallon with appropriate rebates for boating and off road fuel use as recommended by the Governor's Task Force on Transportation Facilities.

5....EDUCATION SHORT-TERM

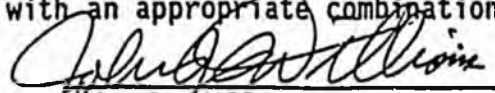
Reinstate the state school tax at a rate of \$50.00 per year per Alaska wage earner.

EDUCATION LONG-TERM

Support of the Governor's proposal to identify a portion of the surplus earnings of the Permanent Fund to establish an account within the Permanent Fund which would totally fund the school funding formula. (Requires placement on the ballot.)

- 6....Use a portion of the surplus earnings account of the Permanent Fund to establish a Revolving Loan Fund with guaranteed pay back provisions for capital projects that benefit local governments and which will have a long-term economic development component. Local government shall assist in and have maximum input when establishing program criteria.
- 7....Maintain the Railbelt Energy Fund for use in the railbelt area, with priority given to energy-related projects.

In making these revenue enhancement recommendations, the Alaska Conference of Mayors requests that the Governor and the Legislature recognize the importance of municipalities to the health of the state, and the disproportionate cuts to state aid to municipalities since FY 1986. The Governor and the Legislature should address the budget imbalance this year with an appropriate combination of fair cuts and revenue measures.



John J. Williams
President
Alaska Conference of Mayors



Harry Gieseler
Secretary/Treasurer
Alaska Conference of Mayors



Grand Camp
Alaska Native Brotherhood

Rec'd
2/6/89

ALASKA NATIVE SISTERHOOD AND BROTHERHOOD
76TH ANNUAL CONVENTION
JUNEAU, ALASKA
NOVEMBER 14-19, 1988

RESOLUTION NO. 34

TITLE: THE ESTABLISHMENT OF A PERMANENT EDUCATION FUND

WHEREAS, the highest priority for the Alaska Native Brotherhood and Sisterhood Grand Camp is education, and

WHEREAS, one in three of Alaska's people is under the age of 18, giving the state the youngest population in the nation, and

WHEREAS, the right to a free education for every child has been universally recognized, and in Alaska mandated by the State Constitution, and

WHEREAS, education provides the opportunity for reaching personal fulfillment and economic self-sufficiency, and

WHEREAS, to fail to provide that opportunity penalizes not only the individual child, but also the society as a whole, and

WHEREAS, volatile and unpredictable oil revenues have resulted in decreased state funding for education over the last few years, and

WHEREAS, future state oil revenues are projected to decline with the gradual decline of Prudhoe Bay production, making general fund support of public education more difficult and uncertain, and

WHEREAS, fluctuating local property values have also contributed to educational funding uncertainty, and

WHEREAS, federal funding for education has also become increasingly more unpredictable, now

THEREFORE BE IT RESOLVED that the Grand Camp of the Alaska Native Brotherhood and Sisterhood assembled in Juneau during the week of November 14-19, 1988 supports and endorses the establishment of an education fund that guarantees adequate financial support for elementary and secondary schools in the state: and

BE IT FURTHER RESOLVED that this resolution be directed to the Governor, the State's Commissioner of Education and the State Legislature.

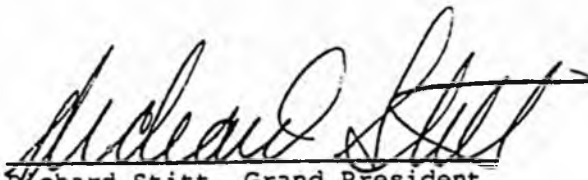
FEB 06 1989

STRATEGIC PLANNING

RESOLUTION NO. 34
Page 2 of 2

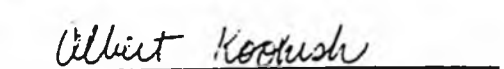
ATTEST:

I certify that this resolution
was adopted by the ANB-ANS
Grand Camp in Convention at
Juneau, Alaska during the week
of November 14-19, 1988.



Richard Stitt

Richard Stitt, Grand President



Albert Kookesh

Albert Kookesh, Grand Secretary

ASSOCIATION OF ALASKA SCHOOL BOARDS

316 W. 11th St. • Juneau, Alaska 99801-1510 • (907) 586-1083

POSITION PAPER

HJR 13 EDUCATION ENDOWMENT

The Association of Alaska School Boards actively supports the efforts of Governor Cowper to secure a constitutional amendment to create an Educational Endowment.

The opportunity and the need to solidify the future of Alaska's public education system is upon us. In terms of resources, Alaska has the opportunity and ability to provide a long term commitment to the education of its people with nominal effort. The need, in view of Alaska's economic situation, requires foresight and a bold approach if we are to insure a quality educational program for future generations of Alaskans.

The use of Permanent Fund earnings will continue to provide the security of a rainy day account while providing a sound foundation for the future cost of education.

CITY OF KAKTOVIK

RESOLUTION NUMBER 89-01

A RESOLUTION OF THE CITY OF KAKTOVIK, ALASKA SUPPORTING
THE PLACEMENT OF GOVERNOR COWPER'S EDUCATION FUNDING
AMENDMENT ON THE NEXT BALLOT.

WHEREAS, education is of the highest priority to the City of
Kaktovik, and

WHEREAS, uncertain education funding has been a continuing
source of anxiety for the City of Kaktovik, and

WHEREAS, the proposed account within the Permanent Fund
would totally fund the school funding formula in Alaska,

NOW, THEREFORE BE IT RESOLVED, that the City of Kaktovik
supports the placement of the Education Funding Amendment upon
the next State ballot.

PASSED AND APPROVED BY THE CITY COUNCIL OF KAKTOVIK,
ALASKA THIS 17th day of January, 1989.

George T. Tagarook
George Tagarook, Mayor

ATTEST:

Mary Soplu
Mary Soplu, City Clerk



KETCHIKAN GATEWAY BOROUGH SCHOOL DISTRICT

Resolution No.216
Ketchikan Gateway Borough School District

GOVERNOR'S EDUCATIONAL ENDOWMENT PLAN

WHEREAS, the school districts of the State have had to cope with the rising and falling price of oil and its impact upon the State's revenues and ultimately upon the foundation formula; and,

WHEREAS, the school districts of the State in 1986 endured revenue shortfalls after approval of their respective budget; and,

WHEREAS, the Governor of the State of Alaska has, with vision and foresight, proposed an amendment to the State's Constitution that would create an educational endowment fund; and,

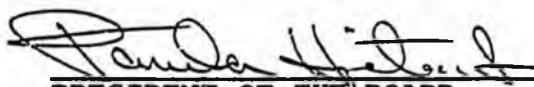
WHEREAS, the 10/6/88 draft of the proposed amendment with suspension provision added would be in the best interest of the students of the State; and,

WHEREAS, the endowment would begin payment to the school district of the state in the year 2000; and


WHEREAS, the suspension provision would protect the state in a time of serious revenue decline by not requiring payment to the fund;

THEREFORE BE IT RESOLVED, that the Ketchikan Gateway Borough School District Board of Education lends its full support to the concept of an educational endowment fund to be used for Public Elementary and Secondary Education and urges the passage of this amendment.

PASSED, APPROVED, AND ADOPTED BY THE BOARD OF EDUCATION OF THE KETCHIKAN GATEWAY BOROUGH SCHOOL DISTRICT OF KETCHIKAN, ALASKA THIS 15 DAY OF February, 1989.



PRESIDENT OF THE BOARD



CLERK-TREASURER OF THE BOARD



NEA-ALASKA

AFFILIATED WITH THE NATIONAL EDUCATION ASSOCIATION

JAN 27 1989

ANCHORAGE REGIONAL OFFICE

1411 W 33RD AVENUE
ANCHORAGE, ALASKA 99503 -
(907) 274-0536

JUNEAU OFFICE

105 MUNICIPAL WAY, SUITE 302
JUNEAU, ALASKA 99801
(907) 586-3090

FAIRBANKS REGIONAL OFFICE

2118 CUSHMAN STREET
FAIRBANKS, ALASKA 99701
(907) 456-4435

January 20, 1989

To: Rep. Johnny Ellis, Chair
Members, House HESS Committee

Re: House Joint Resolution No. 13; "Proposing
an amendment to the Constitution of the
State of Alaska, establishing a permanent
endowment for education in Alaska."

NEA-Alaska supports and encourages the passage of HJR 13.

Public education in Alaska is such an important and vital part of our long range future that removing its funding source from the annual "competition" within the budget process is essential for the stability which is necessary if we are to improve upon the programs and services which are available to students.

HJR 13 is a sound, long range solution to public school funding needs.

More importantly, it provides the opportunity for the general public to affirm its support for the funding source.

Utilization of permanent fund earnings to establish a basis for funding public education is consistent with the original intent and purpose of the permanent fund itself.

We encourage that the legislative discussion and deliberation also acknowledge that earnings from the endowment account may require periodic supplemental appropriations from other sources until the earnings from the account itself are sufficient to fully fund public education.

Finally, we also encourage that the Administration, the Alaska State Legislature, and the entire education community join together in articulating the need for HJR 13 when it is on the ballot in 1990.

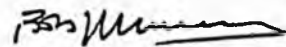
Thank you for your consideration of our position.

JAN 30 1989



STRATEGIC PLANNING

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Bob Manners", with a horizontal line underneath the name.

Bob Manners
Executive Secretary

cc: Governor Steve Cowper

NEWS CLIPPINGS IN
Fairbanks
Daily News Miner

Date: 1-23-1988

Editorial Opinion and Comment of

FAIRBANKS
Daily News - Miner

"Independent in All Things... Neutral in None"

Other opinions expressed on this page do not necessarily reflect those of the Daily News-Miner.

Education endowment deserves close look

One of the most interesting proposals from Gov. Steve Cowper this session is one for a constitutional amendment to set aside up to 40 percent of future permanent fund earnings for savings in a special education endowment account.

The governor has assigned it his No. 1 priority for the Legislature to pass, which means we are likely to hear a lot about it this year, and probably next year as well, before it goes on the ballot.

Problems may arise as the proposal is debated, but for the moment, at least, it seems to make a great deal of sense.

About 25 percent of the state's budget—nearly \$100 million—goes to costs of elementary and secondary education. Under the governor's proposal, earnings from the permanent fund would be placed in an account dedicated to education and invested with the rest of the fund. In the year 2001, when earnings in the education account are projected to reach \$167 million, they could be withdrawn to pay for costs of education.

The chief debate is likely to be over how the education endowment would affect dividends. In the short term, however, it's hard to see how it would affect dividends at all.

At present dividends are figured on a base of the fund's earnings over the previous five years. Half the earnings are used for dividends and the rest is added to the principal as inflation-proofing or placed in the undistributed income account, which is also invested in the fund. Gov. Cowper would like to use the earnings placed in the education account as inflation-proofing, cut dividends to 40 percent, and use the other 20 percent for operation of state government.

Until earnings are withdrawn from the education account in the year 2001, dividend projections with the account and without it are the same. The governor's proposals to use 20 percent of the fund's earnings and the \$575 million undistributed income account for state operating expenses have a much more immediate impact on dividends.

The education endowment would have the effect of forcing the state to reinvest 40 percent of the permanent fund's earnings into the fund. The principal thereby created, and its earnings, would not be available for dividends, but would be money saved by the state. The proposed constitutional amendment would allow the Legislature to extend, revise or cancel the account in the year 2010.

Some people argue that no use should be made of the permanent fund except to have it grow larger and pay dividends. This is not the purpose for which the fund was created, however. The education endowment would guarantee that the fund will grow larger and could eventually remove a major cost of state government from current operating expenses.

The governor's proposal to create an education endowment has many long-term ramifications, and some of them may not yet be clear. The principle seems sound, however, and we urge the Legislature to give it a sympathetic hearing.

Office of the Governor

Fairbanks, Alaska

Fund for education

When you get right down to it, there aren't all that many jobs a state has to do. Public safety and transportation come to mind, but the most important is education.

Under the Alaska Constitution, the state has the responsibility for seeing to it that young Alaskans get a proper education. That requirement is not contingent upon whether the state has enough money, nor does it matter where a child lives. An Aniak child has the same rights to an education as an Anchorage child.

Doing that is not easy – or cheap. Each year, a huge portion of the state operating budget – more than \$400 million – goes to school districts around the state.

The abrupt end of plentiful oil money has shaken awake many state leaders, who now realize Prudhoe Bay oil wealth is a finite and not very reliable source of income. By the end of the century, it won't be a major source of income at all.

Keeping that in mind, the state's leaders would be wise to establish some sort of mechanism to pay for education.

That's exactly what Gov. Steve Cowper is proposing. He is asking legislators to forward to voters a constitutional amendment to set aside 40 percent of the earnings of the state's oil wealth savings account, the Alaska Permanent Fund. That money would be allowed to grow until the year 2000, when it would be worth \$6.3 billion and produce \$500 million in interest annually. The fund would have a 20-year lifespan but could be extended.

Either through Gov. Cowper's plan or taxes, Alaskans will have to pay for education during the years to come. Aside from a reduction in their permanent fund dividends, this plan is as painless as any to pay our obligation to the children of Alaska.

Weigh that against the positive effect of reducing the state's budget requirements by more than \$400 million each year, and the argument in favor of Gov. Cowper's plan quickly gains favor.

It may not be perfect, but until we hear a better idea, we're for Gov. Cowper's education fund.

ISSUE: Governor offers plan for funding schools

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

11
2/2/89

January 16, 1989

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

Dear Representative Cotten:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a joint resolution proposing a constitutional amendment to establish an education endowment in the principal of the Alaska permanent fund. The purpose of the amendment is to provide a stable, long-term, and critically important source of funding for public elementary and secondary schools in Alaska.

Over the last few years, Alaska's public school funding has been subject to increasing uncertainty due to volatility of oil revenue, fluctuation of local property value, and decreasing federal support. This funding uncertainty endangers the ability of the public schools to offer quality education to children. To ensure a bright future for our children and our state, we must provide a stable financial base for education.

By placing the education endowment within the principal of the Alaska permanent fund, the endowment will enjoy the trust management and high earnings of the fund. The permanent fund will gain the increased support of a notable constituency -- Alaskans who care for our children's future. Under the proposed amendment, no less than 40 percent of the annual income of the permanent fund will be safeguarded for education. Dividends and the permanent fund assets will continue to grow.

Because this measure proposes a constitutional amendment, it must be placed before the voters for their approval at the next general election, in 1990.

I urge your favorable consideration of this resolution.

Sincerely,

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

Steve Cowper
Governor

HUTR

13

SENATE FINANCE COMMITTEE REPORT

DATE: 5/8/90

FURTHER:

DATE TURNED INTO OFFICE: 5/8/90

The Finance Committee considered

CSHJR 13 (Finance)

Amendments to the Constitution of the State of Alaska creating a permanent endowment for education

and recommended:

replace with _____ CS
 or adopt _____ CS

CSHJR 13 (Tud)

same title
 new title
 technical title change (HB only)

attached amendment(s)

_____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

ATTACHES NEW FISCAL NOTE(S):

Dept/Date:

fiscal note(s) Gov. Elections 2.2

zero fiscal note(s) _____

APPROVES PREVIOUS:

Dept/Date:

fiscal note(s) _____

zero fiscal note(s) _____

appropriation-no fiscal note

SIGNING DO PASS:

J. Danca
~~_____~~

OTHER RECOMMENDATIONS:

Peace - No Rec
Chad to shaft No Rec
Alton no rec
Dan, Mike (Do not pass unless permanent fund is OK)

John B. ...

Co-Chairs, Signatures and Recommendations

LET THE PEOPLE DECIDE, IT'S THEIR MONEY.

FISCAL NOTE

REQUEST:

Revision Date: 5/8/90 Agency Affected: Office of the Governor
 Title: Proposing amendments to the BRU: Division of Elections
Constitution of the State of Alaska
 Sponsor: Rules/Governor Components: 11 - Elections
 Requestor: Governor

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	2.2*	-0-	-0-	-0-	2.2*	-0-
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	2.2*	-0-	-0-	-0-	2.2*	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	2.2*	-0-	-0-	-0-	2.2*	-0-
FEDERAL FUNDS						
OTHER						
TOTAL	2.2*	-0-	-0-	-0-	2.2*	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

* Costs included cover 2 to 3 pages in each Official Election Pamphlet, for printing and typesetting, and costs estimated to cover computer programming requirements for vote counting purposes.

Prepared by: Linda Edgeworth Phone: 465-3520
 Division: Office of the Governor Date: 5/8/90

Approved by Commissioner: *Loren Berka* Date: 5/8/90
 Agency: Office of the Governor

Distribution (by preparer):

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

Original sponsor(s): Rules/Governor

1 IN THE HOUSE BY THE JUDICIARY COMMITTEE
2 SENATE CS FOR CS FOR HOUSE JOINT RESOLUTION NO. 13 (Judiciary)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Constitution
6 of the State of Alaska creating a perma-
7 nent endowment for education.

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

9 * Section 1. Article IX, Constitution of the State of Alaska, is amend-
10 ed by adding a new section to read:

11 SECTION 17. EDUCATION FUND. There is established an education
12 fund to endow public education. The education fund shall be invested
13 as required by law for permanent fund investments. Income from the
14 education fund may be appropriated only to finance public elementary
15 and secondary education in the State. Notwithstanding Section 7 of
16 this article, annual income that is not appropriated shall be retained
17 in the principal of the education fund.

18 * Sec. 2. Article XV, Constitution of the State of Alaska, is amended
19 by adding new sections to read:

20 SECTION 29. EDUCATION FUND DEPOSITS. After January 1, 1991,
21 forty percent of the income of the permanent fund shall be placed
22 annually in the education fund. Deposits shall be made annually
23 through December 31, 2005. Deposits made under this section are not
24 subject to the prohibition on dedicated funds under Section 7 of
25 Article IX.

26 SECTION 30. RECONSIDERATION OF EDUCATION FUND DEPOSITS. If the
27 1990 amendment establishing education fund deposits (art. XV, sec. 29)
28 is adopted, the lieutenant governor shall cause the ballot proposition
29 for the amendment to be placed on the ballot again at the general

1 election in 1994. If the amendment is rejected by a majority of those
2 voting on the proposition in 1994, the amendment shall be repealed.

3 * Sec. 3. The amendments proposed by this resolution shall be placed
4 before the voters at the next general election in conformity with art.
5 XIII, sec. 1, Constitution of the State of Alaska, and the election laws of
6 the state.

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 16, 1989

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

Dear Representative Cotten:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a joint resolution proposing a constitutional amendment to establish an education endowment in the principal of the Alaska permanent fund. The purpose of the amendment is to provide a stable, long-term, and critically important source of funding for public elementary and secondary schools in Alaska.

Over the last few years, Alaska's public school funding has been subject to increasing uncertainty due to volatility of oil revenue, fluctuation of local property value, and decreasing federal support. This funding uncertainty endangers the ability of the public schools to offer quality education to children. To ensure a bright future for our children and our state, we must provide a stable financial base for education.

By placing the education endowment within the principal of the Alaska permanent fund, the endowment will enjoy the trust management and high earnings of the fund. The permanent fund will gain the increased support of a notable constituency -- Alaskans who care for our children's future. Under the proposed amendment, no less than 40 percent of the annual income of the permanent fund will be safeguarded for education. Dividends and the permanent fund assets will continue to grow.

Because this measure proposes a constitutional amendment, it must be placed before the voters for their approval at the next general election, in 1990.

I urge your favorable consideration of this resolution.

Sincerely,

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

Steve Cowper
Governor

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Education Endowment - House
Joint Resolution
Sponsor: Rules Committee
Requestor: Governor Steve Lowper

Agency Affected: Alaska Permanent Fund Corp.
BRU: _____
Components: Alaska Permanent Fund Corp.

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Expenses for managing the education endowment will be minimal and will be covered in the normal accounting for Permanent Fund principal.

Prepared by: David A. Rose, Executive Director
Division: Alaska Permanent Fund Corporation

Phone: (907) 465-2047
Date: January 6, 1989

Approved by Commissioner: _____
Agency: DOR

Date: _____

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

FISCAL NOTE FOR EDUCATION ENDOWMENT

The attached fiscal note dated January 6, 1989 was prepared by the Executive Director of the Alaska Permanent Fund Corporation.

The investments of the endowment will incur costs. These costs would normally be appropriated from the earnings of the endowment itself.

If this is done, no costs would be paid by the general fund or by the Alaska Permanent Fund.

A handwritten signature in cursive script, appearing to read "J. Malone", is written in the right-center portion of the page.

HJR

15

HOUSE COMMITTEE REPORT

(11)

Date Referred: February 17, 1989

FURTHER REFERRALS:

Date of Committee Action: 3/6/89

The FINANCE Committee considered:

HJR 15

HOUSE JOINT RESOLUTION NO. 15

[FEDERAL MOTOR FUEL TAX INCREASE & USE]

Relating to the increase in federal motor fuel taxes and the use of fuel taxes to reduce the federal budget deficit.

RECOMMENDS:

- replacing with _____ the same title
- the 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
- zero fiscal note
- zero with analysis

APPROVES PREVIOUS:

- fiscal note(s) published: _____
- zero fiscal notes(s) published: 2/17/89

SIGNING DO PASS:

Ronald J. Larson LARSON
Swackhammer SWACKHAMMER
Alto Koponen KOPONEN
Shulitz SHULITZ
Phillips PHILLIPS
Barnes BARNES
Wallis WALLIS

SIGNING OTHER THAN DO PASS:

(Do Not Pass, No Recommendation, Amend)

Hoffman Hoffman (No Rec)
Brown Brown (No Rec)
Ulmer Ulmer (No Rec)

Chairman's signature
 Ronald J. Larson

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: HJR 15
PUBLISH DATE: 1/23/89

REQUEST: FISCAL NOTE

Revision Date: 1/23/89
Title: Relating to the increase in federal motor fuel taxes and the use of fuel taxes to reduce the federal budget deficit

Agency Affected: DOT&PF
BRU:

Sponsor: Cato
Requestor: House Transportation

Components: Highway Program

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTURAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (THOUSANDS OF DOLLARS)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER*	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

Prepared by: M. Clyde Stoltzfus, Special Assistant to the Commissioner
Division: Commissioner Office

Phone: 465-3900

Date: 02/16/89

Approved by Commissioner: Mark S. Hickey *MSH*
Agency: Department of Transportation and Public Facilities

Date: 02/16/89

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget

1 IN THE HOUSE

BY CATO

2

HOUSE JOINT RESOLUTION NO. 15

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - FIRST SESSION

5

Relating to the increase in federal

6

motor fuel taxes and the use of fuel

7

taxes to reduce the federal budget

8

deficit.

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

10 WHEREAS the United States Congress is looking for effective means to
11 reduce the federal budget deficit in the immediate future; and

12 WHEREAS several proposals being considered for deficit reduction would
13 increase the existing federal fuel taxes by various sizable increments; and

14 WHEREAS the United States Department of Energy has stated that a motor
15 fuel tax will create an economic loss that is greater than the possible
16 benefits of the tax; and

17 WHEREAS motor fuel taxes are regressive taxes and their increase would
18 affect the poor to a greater extent than persons of other income levels;
19 and

20 WHEREAS states would not receive direct revenue benefits from in-
21 creased federal fuel taxes, but would incur substantial increases in their
22 public assistance costs; and

23 WHEREAS United States residents in the south, midwest, and west pay
24 more fuel taxes because they must travel greater distances by personal
25 vehicles than residents of other regions and, therefore, would bear a
26 disproportionate burden of deficit reduction; and

27 WHEREAS since a great need exists to rehabilitate and reconstruct the
28 nation's transportation system infrastructure, motor fuel taxes should
29 continue to be dedicated to transportation purposes; and

1 WHEREAS the tourism industry, one of the top three employers in 80
2 percent of the states, would be adversely affected by the proposed fuel tax
3 increases; and

4 WHEREAS the gross national product, the consumer price index, and
5 employment all would be severely and negatively affected by the proposed
6 fuel tax hikes; and

7 WHEREAS raising the motor fuel taxes and using the taxes for deficit
8 reduction purposes would not only undermine the highway trust fund, but
9 would severely and negatively affect the nation's transportation system;

10 BE IT RESOLVED that the Alaska State Legislature urges the United
11 States Congress to oppose an increase in the federal motor fuel taxes and
12 the use of the taxes to reduce the federal budget deficit.

13 COPIES of this resolution shall be sent to the Honorable George Bush,
14 President of the United States; the Honorable Dan Quayle, Vice-President of
15 the United States and President of the U.S. Senate; the Honorable Jim
16 Wright, Speaker of the U.S. House of Representatives; to the Honorable
17 Samuel K. Skinner, the Secretary of the U.S. Department of Transportation;
18 and to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S.
19 Senators, and the Honorable Don Young, U.S. Representative, members of the
20 Alaska delegation in Congress.



Dept. of Transportation & Public Facilities

POSITION PAPER

BILL NO: HJR 15

TITLE: Relating to the increase in federal motor

APPROVED: Mark S. Hickey
Commissioner

DATE: February 16, 1989

fuel taxes and the use of fuel taxes to reduce
the federal budget deficit

The Department strongly supports the passage of this resolution for all the reasons stated in the resolution. For several years at the national level the U.S. Congress has considered proposals to impose a new federal gasoline tax of 20 to 30 cents per gallon to increase general revenues. Revenues from the existing federal tax of 9 cents per gallon are dedicated to the Highway Trust Fund.

The department has paid close attention to these proposals because of their potential impact on the federal-aid highway program. We anticipate that Alaska will receive at least \$140 to 150 million annually in federal highway funds for the next three years; this funding pays for almost all of our current highway construction budget. State transportation officials have been adamant in their opposition to these proposals because of the importance of using gas tax revenues to pay for highway construction.

The department believes it is the state's and the nation's best interest to support a strong federal-aid highway program financed through federal taxes on gasoline and diesel fuel purchase. Proposals to create an additional federal tax on gasoline purchase could endanger this successful financing mechanism and reduce significantly the amount of federal dollars Alaska receives each year.

POSITION PAPER
A.G.C. of ALASKA
TO THE
HOUSE FINANCE COMMITTEE
ON
HJR 15
INCREASE IN FEDERAL MOTOR FUEL TAXES AND THE USE OF FUEL TAXES
TO REDUCE THE FEDERAL BUDGET DEFICIT.



THANK YOU MS. CHAIRMAN. FOR THE RECORD, MY NAME IS RESA JERREL AND I AM THE DIRECTOR OF GOVERNMENTAL RELATIONS FOR THE ASSOCIATED GENERAL CONTRACTORS OF ALASKA (A.G.C. OF ALASKA). ON BEHALF OF OUR OVER 600 MEMBER FIRMS WE APPRECIATE THE OPPORTUNITY TO TESTIFY IN FAVOR OF HJR 15.

THE PROPOSAL TO INCREASE THE FEDERAL GASOLINE TAX FOR DEFICIT REDUCTION WOULD SEVERELY HAMPER THE NATIONS ABILITY TO MEET ITS TRANSPORTATION NEEDS AND WOULD ADVERSELY AFFECT THE NATION'S PRODUCTIVITY AND COMPETITIVENESS. SUCH A TAX WILL SURELY DESTROY THE NATIONS SUCCESSFUL HIGHWAY PROGRAM. NOT ONLY WILL IT BREACH THE USER FEE CONCEPT OF THE GAS TAX, IT WOULD COME AT A TIME WHEN WE SHOULD BE INCREASING OUR INVESTMENT IN HIGHWAYS.

A.G.C. OF ALASKA OPPOSES A FUEL TAX INCREASE FOR DEFICIT REDUCTION FOR THE FOLLOWING REASONS:

HIGHWAY AND BRIDGE NEEDS - RAISING THE GAS TAX FOR DEFICIT REDUCTION WOULD DIVERT BILLIONS OF DOLLARS ANNUALLY FROM THE HIGHWAY TRUST FUND WHILE THE CONDITION OF OUR HIGHWAYS AND BRIDGES CONTINUE TO DECLINE. FURTHERMORE, IT WOULD COME AT A TIME WHEN WE SHOULD BE INCREASING OUR INVESTMENT IN HIGHWAYS.

BREACH USER FEE CONCEPT - SUCH A TAX WOULD BREACH THE USER FEE CONCEPT OF THE GAS TAX WHICH HAS BEEN CRITICAL TO THE PUBLIC'S SUPPORT OF THE HIGHWAY PROGRAM.

PREEMPTIS STATE TAXES - THE TAX WOULD UNDERMINE STATE EFFORTS TO FINANCE THEIR OWN TRANSPORTATION NEEDS THROUGH USER FEE TAXES.

UNFAIR TAXATION - AMERICAN MOTORIST WOULD BE SINGLED OUT TO SHOULDER THE BURDEN OF REDUCING THE DEFICIT.

INEQUITIES - MOTORIST IN THE WESTERN STATES, IN PARTICULAR, WHERE DRIVING DISTANCES ARE GREATER, WOULD BE HIT ESPECIALLY HARD BY THE TAX.

HIGHWAYS PAY THEIR WAY - THE NATION'S HIGHWAY TRANSPORTATION SYSTEM HAS NOT CONTRIBUTED TO THE NATIONAL DEFICIT. THE FEDERAL HIGHWAY TRUST FUND IS REQUIRED BY CONGRESS ALWAYS TO HAVE ENOUGH FUNDS TO COVER EXPENDITURES.

WE URGE ALL OF YOU TO SUPPORT HJR 15 AND HELP IN EXPEDITING IT'S PASSAGE.

THANK YOU FOR THIS OPPORTUNITY SPEAK OUT IN FAVOR OF THE RESOLUTION.

NATIONAL

NEWSLETTER



February 9, 1989

Volume 41, Number 6

Route to _____



A coalition of groups opposed to a gas tax for deficit reduction is holding meetings at AGC of America.

GAS TAX FOR DEFICIT REDUCTION—AGC CONTINUES ITS OPPOSITION

AGC continues its efforts to protect the nation's highway program from the threat of a gasoline tax increase for deficit reduction.

As part of its continuing efforts, a coalition of industry groups opposed to such a tax met again at AGC of America on February 6 to outline a strategy to defeat any such proposal and to show our concern to House of Representatives staff. At an earlier meeting, Rep. Bud Shuster (R-Pa.) said the possibility of a gas tax for deficit reduction is the greatest threat he's ever seen to the nation's highway program.

House Resolution 41--introduced by Rep. Glenn Anderson (D-Calif.), Public Works and Transportation Committee Chairman, Rep. John Paul Hammerschmidt

(R-Ark.), the committee's Ranking Republican member, and Rep. Shuster, Ranking Republican on the Subcommittee on Surface Transportation, has 13 new cosponsors, bringing the current total to 124.

The new cosponsors are:

- | | |
|--------------------------------------|----------------------------------|
| <i>Richard Stallings (D-Ida.)</i> | <i>Mickey Edwards (R-Okla.)</i> |
| <i>Philip Crane (R-Ill.)</i> | <i>John Tanner (D-Tenn.)</i> |
| <i>Peter Visclosky (D-Ind.)</i> | <i>William Lipinsky (D-Ill.)</i> |
| <i>Richard Baker (R-La.)</i> | <i>Don Ritter (R-Pa.)</i> |
| <i>Ron Marlenee (R-Mont.)</i> | <i>Robert Walker (R-Pa.)</i> |
| <i>George Hochbrueckner (D-N.Y.)</i> | <i>Bill Sarpalius (D-Tex.)</i> |
| | <i>Richard Arme; (R-Tex.)</i> |

CONTACT YOUR SENATORS AND REPRESENTATIVE -- Let your Senators and Representative know your opposition to any proposals to increase the gas tax for deficit reduction. Address your letters to: The Hon. _____, United States Senate, Washington, DC 20510 or The Hon. _____, U.S. House of Representatives, Washington, DC 20515. The phone number for the Capitol switchboard is (202) 224-3121.

NEW AGC GASTAX PUBLICATION -- AGC has prepared a brochure detailing the case against raising the gas tax for deficit reduction. The brochure, which is in question and answer format, will be available for use by chapters shortly.

Rx FOR PRODUCTIVITY: BUILD INFRASTRUCTURE

BY DAVID ASCHAUER,
SENIOR ECONOMIST AT THE
FEDERAL
RESERVE BANK OF
CHICAGO

David Aschauer is senior economist at the Federal Reserve Bank of Chicago and author of landmark studies on the link between capital investment and productivity. His work has been featured in Business Week and Engineering News Record. Mr. Aschauer has uncovered striking evidence that the recent fall-off in public works—or infrastructure—investment is at the core of the current slowdown in U.S. productivity. What follows are excerpts from a speech Mr. Aschauer gave before the AGC explaining his findings.

Since 1982 the United States has staged a truly impressive economic performance. An expansion of output lasted longer than in any other peacetime period in American history; an addition of over 13 million workers to the ranks of the employed; a fall in the unemployment rate from 9.5 percent of the labor force to less than 6 percent; an inflation rate seemingly under control and minute in comparison with the double-digit rates of price increase which burst out in the 1970s—all are signs of a robust, vital economy.

Still, some troubling clouds have been gathering on the horizon. The growth in output that is not directly attributable to increased levels of private capital stock



"Our ability to compete with other nations has been eroded by the low level of public investment in the United States."

and employment—or what economists call "total factor productivity" growth—has slumped during the last decade and a half in the United States. A few specific numbers: the annual growth rate of total factor productivity in the private business economy has plummeted from 1.5 percent during the 1950s and 1.8 percent throughout the 1960s to .8 percent in the

1970s and a dismal .7 percent in the first half of the present decade.

Not only has productivity growth fallen over time, but relative to the experience of our major international competitors as well. The growth in Gross Domestic Product per employed person in the United States has been the lowest in the Group of Seven major industrialized countries. While Japan has achieved productivity growth in excess of 3 percent per annum and West Germany some 2.4 percent, the United States lags far behind at less than one percent.

Economists have offered several explanations of the decline in productivity growth in the United States. A surge in aggregate productivity can be expected whenever resources—labor and capital—are shifted from less to more productive sectors of the economy. The migration of labor from farm to nonfarm occupations had such an effect, but mostly came to a halt by the mid 1960s. Thus from then on productivity growth was slower than before. Zvi Griliches of Harvard University has emphasized a general slowing of expenditures on research and development and a related slowing of technological change. John Tatom and Robert Raasche have pointed a finger at higher energy prices. Finally, a lower level of capacity utilization also may explain some of the reduction of

productivity.

But there are problems with each of these explanations. For example, while the usual dating of the onset of the productivity slump is in early 1973, the first oil shock did not occur until October of that year. Also, while total R&D spending has fallen, this is due to a decline in government R&D and not private R&D, which instead has risen. And the combination of all these factors does not go far enough. The Bureau of Labor Statistics—the government productivity watchdog—estimates that these factors account for only about one-fourth of the slower productivity growth in the private economy.

Usually, concern about the infrastructure centers on questions of safety, convenience, and "quality of life." These concerns are legitimate. But there are deeper implications in the national neglect of our public facilities for the health of the United States economy. Indeed, I have uncovered striking evidence that the recent fall-off in public works spending is at the very core of the productivity slowdown.

Since the framing of the Constitution in the hot Philadelphia summer of 1787, the American populace has been suspicious of government, its individualistic spirit looking first to the free market for the proper conduct of economic affairs. Ronald Reagan's Inaugural assertion that "Government is not the solution to our problem" but rather "government is the problem" landed on sympathetic ears during the early 1980s. "Big government" brings with it intrusive and burdensome regulations, raising the costs of doing business through increased paperwork and forced expenditures on nonproductive items such as pollution control, safety devices, and health facilities. "Big government" involves transfer payments which often require individuals to halt productive activities just so as to qualify to receive welfare payments. Big government ultimately must be financed with higher taxes on labor, capital, or both, which diminish the incentives to produce on the market. Simply put, a large government sector acts as a drag on the process of economic growth. Indeed, a number of academic scholars have begun to estimate the economic effect of government spending

on the supply side of the economy. An expanding body of empirical evidence supports the hypothesis that there is a significant negative relationship between government spending levels and economic growth rates.

I am not an advocate of "big government." However, it must be admitted that on net a host of government activities must enhance rather than detract from the productivity of the private sector, particularly when it is recognized that what lowers unit production costs also increases private productivity. It goes nearly without saying that much private sector production is critically dependent on the availability of public services of a collective or quasi-collective sort such as transportation, water supply, and waste disposal, components of a basic public infrastructure.

Consider a New York firm producing clothing for distribution and sale throughout the United States and the world. The availability of mass transit lowers the commuting cost of the employees which, in turn, pushes down the wages the firm must offer to attract workers. The close proximity of fire and police stations reduces insurance premiums. An uninterrupted water supply allows for the washing and drying of fabrics; an unclogged sewer system clears away the tainted water for treatment. Uncongested city streets serve double duty. Materials can be brought in daily, thereby paring inventory levels and saving on inventory management costs. Trucks move finished clothing to interstate highways and to airports for national and international distribution.

Table 1 depicts the pattern of govern-

TABLE 1

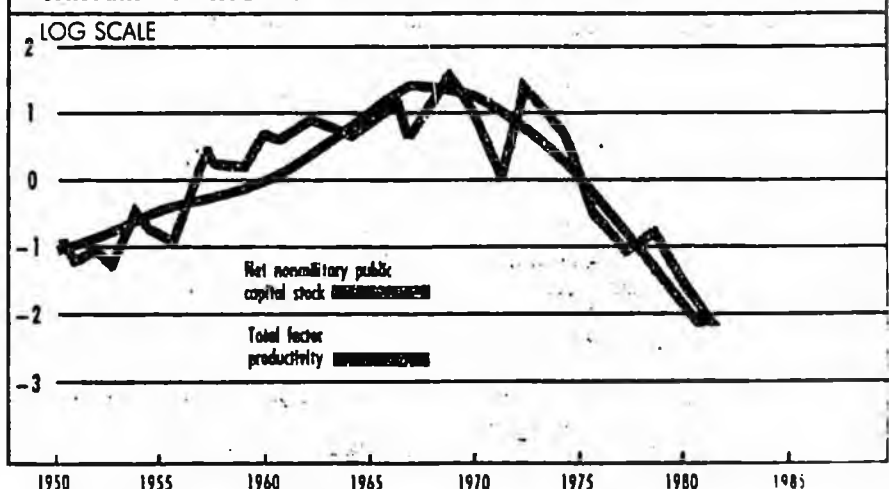
TRENDS IN GOVERNMENT SPENDING AS A PERCENTAGE OF GNP

	Total	Public Nonmilitary Investment	Transfers to Individuals	Net Interest
1950-55	25.0	3.2	4.7	1.3
1956-60	26.3	3.2	5.3	1.2
1961-65	27.7	3.4	6.0	1.2
1966-70	30.0	3.4	7.0	1.2
1971-75	31.7	2.9	9.9	1.1
1976-80	31.8	2.4	11.1	1.3
1981-85	34.4	2.0	12.3	2.1

Source: Bureau of Economic Analysis, U.S. Department of Commerce.

CHART 1.

TANDEM DOWNTURN: U.S. PRODUCTIVITY AND CAPITAL STOCK



Rx FOR PRODUCTIVITY: BUILD INFRASTRUCTURE

BY DAVID ASCHAUER,
SENIOR ECONOMIST AT THE
FEDERAL
RESERVE BANK OF
CHICAGO

ment spending over the period 1950 to 1985. Total government expenditure—consisting of outlays on goods and services, net interest, and transfer payments to individuals such as Social Security, AFDC (Aid to Families with Dependent Children), and Food Stamps—has steadily risen as a percentage of Gross National Product, from 25 percent during the early 1950s to 34.4 percent by the early 1980s. Of this total, the component increasing at the fastest rate has been transfer payments to individuals, from 4.7 percent of GNP during the first half of the 1950s to 12.3 percent by 1980-85. At the same time, government spending on nonmilitary capital goods—infrastructure expenditures—has fallen from 3.2 percent of GNP to a mere 2 percent. Statistically, it is clear that increased government transfer payments to individuals—accelerating after 1965—are largely responsible for both increased total government spending and a shift in budget shares away from public investment in infrastructure. The welfare state has squeezed out expenditures on more traditional government services such as roads, police services, fire protection, and waste disposal.

This shift in the composition of government spending has adversely affected private sector productivity. Chart 1 shows the tight relationship between productivity in the private business economy and the level of the nonmilitary public capital stock. Productivity clipped along at a 2 percent annual rate during 1950 to 1970 while the net public capital stock expanded by 4.1 percent per year. However, after 1970 the rate of increase in the public capital stock fell to a mere 1.6 percent per year, bringing with it a slump in productivity growth to a miserly .8 percent annual rate.

That there is a strong correlation between productivity and public capital appears beyond doubt. I have conducted various statistical tests to verify that low public investment causes the sluggish productivity growth, rather than vice versa. To prove this, we might isolate a particular sector of the economy and a particular type of public capital where

we would be very comfortable in ascribing a productivity interpretation to the relationship. As it turns out, the level of output per hour in the trucking and warehousing industry is highly positively related to the net stock of streets and highways, with a one percent increase in the stock of highways inducing an increase in trucking output per hour at .8 percent. Trucking is only one component of the process of moving people and goods in the United States, the total cost of which amounts to some 18 percent of Gross National Product. Extrapolating from this result then suggests how important an adequate and well-maintained transportation network is to an economy so dependent on the speedy distribution of goods and services from factory to market. As Nancy Rutledge, Executive Director of the National Council on Public

market as quickly, we may be putting a stranglehold on our economic future."

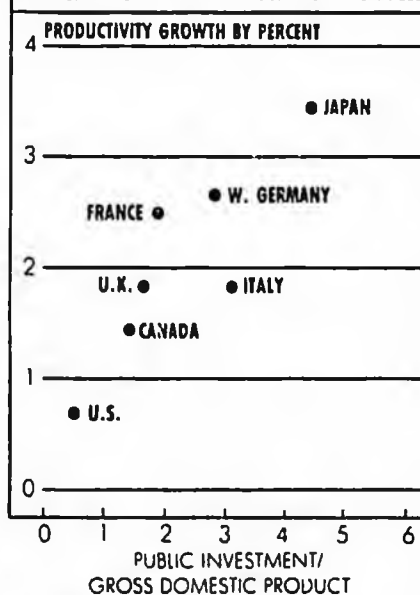
Indeed, this warning should be heeded. Our ability to compete with other nations has been eroded by the low level of public investment in the United States. Chart 2 shows that the U.S. lies at the back of the G-7 pack both in terms of growth in output per hour—labor productivity growth—and in the level of public investment relative to Gross Domestic Product. On the other hand, Japan has sustained higher levels of public investment and has achieved higher productivity growth.

That public capital augments private productivity as suggested above then leads directly to a policy proposal that the United States should dramatically increase its level of public investment spending. I adhere to the proposal of the National Council on Public Works Improvement that spending on infrastructure facilities should be boosted to some \$90 billion or \$100 billion a year.

The evidence presented suggests that more attention should be paid to the composition of the government's expenditure, and particularly the effects such composition may have on the macroeconomy's profitability and productivity. While total government spending mounts, investment in public works slides. Indeed, the share of total government outlays dedicated to public investment declined from nearly nine percent in 1965 to a mere six percent in 1985. By reorienting our public spending priorities so as to upgrade and expand the public capital stock, we can be confident we will heighten the productivity of our workforce and improve our position in the increasingly competitive international marketplace.

—By David Aschauer, senior economist, Federal Reserve Bank of Chicago

CHART 2. BACK OF THE G-7 PACK



Works Improvement, has warned, "there's another, more subtle and powerful effect of this deterioration in our capital works projects that is silently undermining our nation's ability to compete in the world market. It's not a dramatic bridge collapse or water shortage, but by virtue of the fact that we're not able to produce goods or get to the

AGC

NEWS RELEASE

For additional information:
William Henry
(202) 393-2040



THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA • 1957 E STREET, N.W.
WASHINGTON, D.C. 20006 • (202) 393-2040

FOR IMMEDIATE RELEASE

FEBRUARY 2, 1989

AGC PRESIDENT SUPICA SALUTES 110 COSPONSORS OF H.RES. 41 OPPOSING
A GAS TAX HIKE FOR DEFICIT REDUCTION

WASHINGTON, D.C. – Associated General Contractors of America (AGC) President Jim Supica saluted the 110 cosponsors of House Resolution 41 which opposes proposals to increase the nation's fuel tax for deficit reduction.

"Many members of the House Public Works Committee, and other representatives deeply involved in the nation's vital transportation programs, understand the devastating effect such a tax would have on our highways and bridges," Mr. Supica said. "They are showing their concern, in part, by cosponsoring H. Res. 41 opposing a federal gas tax increase for deficit reduction."

In a recent letter to all members of Congress, President Supica explained that such a tax "would severely hamper this nation's ability to meet its transportation needs and would adversely affect this nation's productivity and competitiveness." He urged Congress to reject any such proposal.

Mr. Supica pointed to a recent study by the American Association of State Highway and Transportation Officials which estimates that the nation's annual highway capital needs over the next 30 years are nearly double current investment levels. "In light of this study," Mr. Supica said, "a tax on gasoline for deficit reduction will surely destroy the nation's successful highway program. Not only will it breach the user fee concept of the gas tax...it would come at a time when clearly we should be increasing our investment in highways."

-more-

AGC is... 8,500-plus General Contracting Firms... 112 Nationwide Chapters... 22,000 Affiliate Firms... 3,500,000-plus Employees... \$150 Billion-plus Market. AGC members perform more than 80 percent of America's contract construction of commercial buildings, highways, heavy engineering, industrial, utility and municipal facilities, and more than 50 percent of the construction performed overseas by American firms.

Page 2

The nation's highway program is financed through user fees, in the form of state and federal gasoline taxes, Mr. Supica explained. "Taxing gasoline for deficit reduction will surely preempt any state's ability to avail of this key revenue source to meet ever increasing needs." Mr. Supica also reiterated his call for the \$15 billion Highway Trust Fund balance to be used for its intended purpose rather than for masking the deficit.

Mr. Supica explained that AGC opposes a fuel tax increase for deficit reduction for the following reasons:

Highway and bridge needs—Raising the gas tax for deficit reduction would divert billions of dollars annually from the Highway Trust Fund while the condition of our highways and bridges continues to decline. Furthermore, it would come at a time when we should be increasing our investment in highways.

Breach user fee concept—Such a tax would breach the user fee concept of the gas tax which has been critical to the public's support of the highway program.

Preempts state taxes—The tax would undermine state efforts to finance their own transportation needs.

Unfair taxation—American motorists would be singled out to shoulder the burden of reducing the deficit.

Regional inequities—Motorists in Western states, in particular, where driving distances are greater, would be hit especially hard by the tax.

###

NATIONAL

NEWSLETTER



January 12, 1989

Route to _____

Volume 41, Number 2

AGC PRESIDENT SUPICA TO 101ST CONGRESS: PROTECT AMERICA'S TRANSPORTATION SYSTEM - REJECT A GAS TAX HIKE FOR DEFICIT REDUCTION

Despite published reports to the contrary, a fuel tax increase for deficit reduction is a very real possibility, and a very real threat to the nation's transportation network, according to AGC President Jim Supica. In a letter to all members of Congress, President Supica explained this week that such a tax "would severely hamper this nation's ability to meet its transportation needs and would adversely affect this nation's productivity and competitiveness." He urged Congress to reject any such proposal. Mr. Supica pointed to a recent study by the American Association of State Highway and Transportation Officials which estimates that the nation's annual highway capital needs over the next 30 years are nearly double current investment levels. "In light of this study," Mr. Supica said, "a tax on gasoline for deficit reduction will surely destroy the nation's successful highway program. Not only will it breach the user fee concept of the gas tax...it would come at a time when clearly we should be increasing our investment in highways."



The nation's highway program is financed through user fees, in the form of state and federal gasoline taxes, Mr. Supica explained. "Taxing gasoline for deficit reduction will surely preempt any state's ability to avail of this key revenue source to meet ever increasing needs." Mr. Supica also reiterated his call for the \$15 billion Highway Trust Fund balance to be used for its intended purpose rather than for masking the deficit.

CONTACT YOUR SENATORS AND REPRESENTATIVE

Let your Senators and Representative know your opposition to any proposals to increase federal fuel taxes for deficit reduction. Address your letters to: The Hon. _____, United States Senate, Washington, DC 20510 or The Hon. _____, U.S. House of Representatives, Washington, DC 20515. The phone number for the Capitol switchboard is (202) 224-3121.

WHY AGC OPPOSES A GAS TAX INCREASE FOR DEFICIT REDUCTION

- **Highway and bridge needs**--Raising the gas tax for deficit reduction would divert billions of dollars annually from the Highway Trust Fund while the condition of our highways and bridges continues to decline. Furthermore, it would come at a time when we should be increasing our investment in highways.
- **Breach user fee concept**--Such a tax would breach the user fee concept of the gas tax which has been critical to the public's support of the highway program.
- **Preempts state taxes**--The tax would undermine state efforts to finance their own transportation needs.
- **Unfair taxation**--American motorists would be singled out to shoulder the burden of reducing the deficit.
- **Regional inequities**--Motorists in Western states, in particular, where driving distances are greater, would be hit especially hard by the tax.

NATIONAL

NEWSLETTER



January 19, 1989

Route to _____

Volume 41, Number 3

GAS TAX FOR DEFICIT REDUCTION—MAJOR THREAT TO THE NATION'S HIGHWAY PROGRAM

AGC continues its efforts to protect the nation's highway program from a very real possibility and threat—a gasoline tax increase for deficit reduction.

During a January 18 meeting of industry groups opposed to such a tax, held at AGC of America, Rep. Bud Shuster (R-Pa.) said that the possibility of a gas tax for deficit reduction is the greatest threat he's ever seen to the nation's highway program.

Explaining that the federal government is not even spending badly needed dollars which have accumulated in the Highway Trust Fund, Rep. Shuster said adding a gas tax for deficit reduction would further harm efforts to improve the highway system. Rep. Shuster, Rep.



Rep. Bud Shuster

Glenn Anderson (D-Calif.), Public Works and Transportation Committee Chairman, and Rep. John Paul Hammerschmidt (R-Ark.), the committee's Ranking Republican member, today introduced a resolution, H.R. 41, opposing any efforts to increase the gas tax for deficit reduction. The resolution has 61 original cosponsors. Last week, AGC President Jim Supica called on Congress to reject a gas tax increase for deficit reduction. In a letter to all members of Congress, President Supica said such a tax "would severely hamper this nation's ability to meet its transportation needs and would adversely affect this nation's productivity and competitiveness."

Growing Opposition To Gas Tax For Deficit Reduction...As many industry and consumer groups have mobilized opposition to a gas tax for deficit reduc-

tion, media coverage opposing such a tax has grown. In a recent column in the *Washington Times*, for instance, former Federal Highway Administrator Ray Barnhart said that "While deficit reduction is clearly a worthy national priority, it should not blind us to the overwhelmingly negative impact this tax would have" on America's deteriorating road infrastructure.

"IT IS IMPERATIVE THAT AGC MEMBERS URGE THEIR REPRESENTATIVE TO COSPONSOR HOUSE RESOLUTION 41 OPPOSING A GAS TAX FOR DEFICIT REDUCTION"--AGC PRESIDENT SUPICA

A FUEL TAX INCREASE FOR DEFICIT REDUCTION—NO SOLUTION

With pressure mounting to reduce the federal budget deficit, the threat of an increase in the federal fuel tax for deficit reduction has never been greater.

Some have embraced the idea as the "easy solution" to the federal deficit. But what looks like an easy solution is really no solution at all. In fact, the tax would have severe consequences on America's transportation system, the economy, and freedom of mobility.

continued on page 2

Page 1

GAS TAX from page 1

A gas tax increase for deficit reduction would:

- Only reduce the federal deficit by 27 cents for every dollar of tax raised.
- Threaten the nation's highway program by destroying the user fee concept of the gas tax.
- Divert billions of dollars annually from highways at a time when increased infrastructure investment is desperately needed.
- Single out the nation's motorists to shoulder the burden of reducing the deficit.
- Derail many state initiatives for increasing funding for state highway and bridge improvements.
- Drive up the cost of doing business, increase inflation and harm American businesses in the world marketplace.
- Take away from infrastructure investment, thus further harming the economy.
- Place the heaviest burdens on rural Americans and on the poor.
- Undo many beneficial aspects of tax reform.



A Coalition of industry groups opposed to a gas tax increase for deficit reduction mapped strategy during a recent meeting at AGC headquarters. Rep. Bud Shuster is speaking. The meeting was also addressed by AGC Legislative Committee Chairman Doug Pltcock.

HJR

16

HOUSE COMMITTEE REPORT

(11)

Date Referred: April 14, 1989

FURTHER REFERRALS:

Date of Committee Action: 4/25/89

The FINANCE Committee considered:

HJR 16

HOUSE JOINT RESOLUTION NO. 16

[MEDICAL BENEFITS FOR VETERANS]

Relating to medical benefits for veterans.

RECOMMENDATIONS:

- [] be replaced with _____ [] the same title
- [] _____ [] a new title
- [] have attached amendment(s)
- do pass
- [] do not pass
- [] no recommendation
- [] individual recommendations
- [] additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):
(Dept)

APPROVES PREVIOUS: (Date/Dept)

- [] fiscal impact _____ [] fiscal note(s) _____
- [] zero fiscal note _____ [] zero fiscal note(s) 4/14/89 H.H.ESS
- [] zero with analysis _____ [] zero fn/analysis _____

SIGNING DO PASS:

SIGNING:

(Check approp. column)

Do Not
Pass No Rec Amend

[Signature]

[Signature]

[Signature]

[Signature]

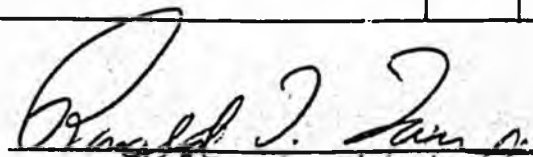
[Signature]

[Signature]

[Signature]

[Signature]

[Signature]



 Chairman's Signature

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: _____
 Title: Medical Benefits for veterans BRU: _____
 Sponsor: Foster et.al. Components: _____
 Requestor: House HESS

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

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

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

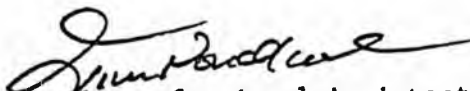
FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by:  Phone: 465-3759
 Division: House HESS Committee Date: 4-13-89

Approved by Commissioner: _____ Date: _____
 Agency: _____

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

BY FOSTER, GRUENBERG, NAVARRE,
GRUSSENDORF, SHARP, ZAWACKI, GOLL,
MENARD, SHULTZ, M.DAVIS, C.DAVIS,
COLLINS, HUDSON, BOUCHER, CATO,
ULMER, BARNES AND KOPONEN

1 IN THE HOUSE

2

HOUSE JOINT RESOLUTION NO. 16

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - FIRST SESSION

5

Relating to medical benefits for veter-

6

ans.

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

8 WHEREAS comprehensive health care is a benefit that veterans have
9 earned through their service to our country; and

10 WHEREAS comprehensive health care benefits for veterans have histor-
11 ically included coverage for the costs of heart transplants when medically
12 necessary or desirable; and

13 WHEREAS the federal Veterans Administration is currently reviewing its
14 policy of covering heart transplants for veterans under their health bene-
15 fits, and this coverage may be restricted or eliminated; and

16 WHEREAS restricting or denying heart transplant coverage to veterans
17 would unfairly deny to them their right to comprehensive health care;

18 BE IT RESOLVED by the Alaska State Legislature that heart transplant
19 coverage should remain part of the comprehensive health care package that
20 is available to veterans.

21 COPIES of this resolution shall be sent to the Honorable Dan Quayle,
22 Vice-President of the United States and President of the United States
23 Senate; the Honorable Jim Wright, Speaker of the United States House of
24 Representatives; Edward J. Derwinski, Administrator of Veterans Affairs;
25 and to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S.
26 Senators, and the Honorable Don Young, U.S. Representative, members of the
27 Alaska delegation in Congress.



Official Business

Alaska State Legislature

House

P.O. BOX V
State Capitol
Juneau, Alaska 99811

MEMORANDUM:

TO: Health, Education, and Social Services Committee

FROM: Rep. Richard Foster *RF*

DATE: April 13, 1989

RE: HOUSE JOINT RESOLUTION NO. 16

Thank you for scheduling HJR 16. Either I or one of my staff will be available for the committee meeting. This problem was first brought to my attention by a constituent who had a heart transplant in Salt Lake City last year. Added information concerning proposed cuts in spending for veteran medical benefits was highlighted in the "Vet's Forum", Volume 3, Number 1, page 3, January/February 1989; Division of Veterans' Affairs, State of Alaska. See the attached copy of the referenced page.



"A man who is good enough to shed his blood for his country is good enough to be given a square deal afterwards. More than that no man is entitled to, and less than that no man shall have." --Theodore Roosevelt

★ ★ ★ **WHAT'S NEW & ON THE HORIZON FOR VETERANS** ★ ★ ★

VA Budget Plan Draws Congressional FIRE

(From the House Veterans Affairs Committee news Jan. 1989)

WASHINGTON -- The Reagan Administration presented Capitol Hill with a proposed spending plan for veterans' programs that would cut nearly 9,000 VA health care employees, reduce medical facility construction, and deny medical care to thousands of veterans.

"This is shocking. Whoever planned this budget certainly isn't paying close attention to the real world," remarked Rep. G. V. "Sonny" Montgomery (D-MS), Chairman of the House Veterans' Affairs Committee. "It marks a continuation of OMB's [Office of Management and Budget] pattern of back door approaches to kill veterans' health care programs. They continue to cut employees and hold back resources and naturally, fewer veterans will receive care. Then they base their projections on this reduction, and so on, and so on. It's a cycle they've played to the hilt, and this Committee is fed up with it."

The Veterans Administration, in recent months, has begun to terminate health care programs, take hospital beds out of service (in addition to thousands already closed), and deny to certain groups of veterans, care at virtually every veterans' hospital in the country. House Veterans' Affairs Committee staff forecast, conservatively, a medical budget shortfall over the next two years of \$1.1 billion below the amount needed to deliver the level of services provided in FY '88. The Administration projects what Montgomery calls "unrealistic" declines in the number of veterans utilizing VA health care services. Funding cuts are calculated on these same projections. According to the Administration, (and their upside-down crystal ball,) there will be (FY 90 compared to FY 89): 17,516 fewer patients treated in VA hospitals; a 23.8% (6,269) decrease in the number of domiciliary patients; & a 23.7% (7,983) decrease in nursing home care patients.

"These numbers fly in the face of all facts and logic. Eligible veterans are literally standing in line for care that this budget seeks to deny them," said Montgomery. The Administration also proposed to cut the number of full-time medical and research employees by 8,957 -- from 199,852 to 190,895. The Administration requested medical facility construction funding that falls short of published VA recommendations for FY 90 by at least \$180.3 million.

Medical care is not the only program that would be adversely affected if the budget proposals were implemented. Under the Administration's FY 90 blueprint, funding for the Department of Veterans' Benefits, which is responsible for the adjudication of claims for compensation, pension and education benefits as well as home loan guarantees and burial benefits, is \$30 million short of a current services level.

The Department's employment level would fall 6% from the 1988 level of 12,872. This, despite the fact that, since 1979, more than one-third of the DVB (benefits counselors) workforce has been cut, which has resulted in a continuing deterioration in timeliness and quality of service to veterans.

Other Administration recommendations:

- increase from 1% to 3.8% the origination fee charged a veteran for a VA-guaranteed home loan; repeal the recently-reinstated travel allowance eligibility provisions to allow only veterans in need of special transportation or those who live 100 miles or more from a VA medical facility to receive the benefit; and

- reduce medical and prosthetic research by \$12.9 million.

The House Veterans' Affairs Committee has scheduled budget hearings in early February.

NOTE: The impact of these projected shortfalls and reductions of services would be a severe blow to veterans' entitlements -- your entitlements and the services you may need. Drop a letter to your congressional representatives and encourage them to help preserve veterans benefits and entitlements. Listed below are Alaska's Senators and Representative.

Senator Ted Stevens
U.S. Senate
522 Hart Building
Washington, D.C. 20510
Local Phone #: 907-271-5915

Senator Frank Murkowski
U.S. Senate 522 Hart Building
Washington, D.C. 20510
Local Phone #:907-271-3735

Representative Don Young
House of Representatives
2331 Rayburn Building
Washington, D.C. 20515
Local Phone #:907-271-5978



DID YOU KNOW? ★ DID YOU KNOW?

Burial in a National Cemetery is available to a veteran's widow, minor children, unmarried children under the age of 23 attending school and under certain conditions to unmarried adult children.



Official Business

Alaska State Legislature

House

P.O. BOX V
State Capitol
Juneau, Alaska 99811

MEMORANUM:

TO: House Finance Committee

FROM: Rep. Richard Foster *RF*

DATE: April 20, 1989

RE: HOUSE JOINT RESOLUTION NO. 16

Thank you for scheduling HJR 16. Either I or one of my staff will be available for the committee meeting. This problem was first brought to my attention by a constituent who had a heart transplant in Salt Lake City last year. Added information concerning proposed cuts in spending for veteran medical benefits was highlighted in the "Vet's Forum", Volume 3, Number 1, Page 3, January/February 1989; Division of Veterans' Affairs, State of Alaska. See the attached copy of the referenced page.

The issue of veterans' benefits will become more important in future years as the large number of WW II veterans retire and move from private health care plans provided by employers. At the same time they are approaching the age where there will be a dramatic increase in the need for health care.

In rural Alaska there is a large group of veterans who do not have private health care. They depend upon the Indian Health Service (IHS) for health care. President Bush and Congress have also proposed substantial cuts in IHS as well.

21

and

HOUSE COMMITTEE REPORT

{11}

Date Referred: February 17, 1989

FURTHER REFERRALS:

Date of Committee Action: 2/23/89

The FINANCE Committee considered:

HJR 21

HOUSE JOINT RESOLUTION NO. 21

[DISAPPROVE FBNKS. N. STAR BORO ANNEXATION]

Disapproving the Local Boundary Commission recommendation for annexation of territory to the Fairbanks North Star Borough.

RECOMMENDS:

- replacing with _____ the same title
- the 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
- zero fiscal note Educ.
- zero with analysis

APPROVES PREVIOUS:

- fiscal note(s) published: 2/17/89
- zero fiscal notes(s) published: 2/17/89

SIGNING DO PASS:

SIGNING OTHER THAN DO PASS:
(Do Not Pass, No Recommendation, Amend)

 _____ DO NOT PASS

 Chairman's signature

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Education
 Title: Disapproving the Local Boundary
Commission Recommendation...Fairbanks BRU: K-12 Support
 Sponsor: Wallis Components: Foundation
 Requestor: House Finance

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

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

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Disapproval of annexation results in no change to the Foundation cost estimate.

Prepared by: Mary Hakala Phone: 465-2800
 Division: Commissioner's Office Date: 2/23/89
 Approved by Commissioner: William G. Demmert Date: 2/23/89
 Agency: Education

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

STATE OF ALASKA
1989 LEGISLATIVE SESSION

Bill Version: HJR 21
Publish Date: HOUSE 2/17/89

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Department of Revenue
Title: Disapproving Local Boundary Comm. BRU: Oil and Gas Audit
Rec. for annex of territory to Fbks No Star Borough
Sponsor: Martin and Gruenberg Components: _____
Requestor: House State Affairs

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
OPERATING						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE		(1,981.2)	*	*	*	*

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: Assumed to be effective for FY90, 1-1-90 for property tax purposes. Value estimated to be \$161,820,000 as of 1-1-90 with a mill rate of 12.243.

*Property valuation is projected to decline at a rate of 7% per year. Declining valuation will reduce the estimated total dollar loss to the state.

Prepared By: C. D. Heier
Division: Oil and Gas Audit

Phone: 276-1363
Date: 2/15/89

Approved by Commissioner: [Signature]
Agency: Department of Revenue

Date: 2/16/1989

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

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "A Resolution disapproving the LBC recommendation for annexation to FNSB"
Sponsor: Representative Kay Wallis
Requestor: _____

Agency Affected: Community & Regional Affairs
BRU: Local Boundary Commission
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

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

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Prepared by: *Jim Plouman*
Division: Municipal & Regional Assistance
Approved by Commissioner: *Clifford DC, CNA*
Agency: Community & Regional Affairs

Phone: 465-4750
Date: 2/7/89
Date: 2/7/89

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

1 IN THE HOUSE

BY WALLIS

2

HOUSE JOINT RESOLUTION NO. 21

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - FIRST SESSION

5

Disapproving the Local Boundary Commis-

6

sion recommendation for annexation of

7

territory to the Fairbanks North Star

8

Borough.

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

10

WHEREAS, under art. X, sec. 12, Constitution of the State of Alaska,

11

the Local Boundary Commission has presented to the legislature its rec-

12

ommendation dated January 18, 1989, entitled "Annexation to the Fairbanks

13

North Star Borough"; and

14

WHEREAS a recommendation of the Local Boundary Commission presented to

15

the legislature becomes effective 45 days after presentation or at the end

16

of the session, whichever is earlier, unless disapproved by a resolution

17

concurring in by the majority of the members of each house;

18

BE IT RESOLVED by the Alaska State Legislature that the recommendation

19

of the Local Boundary Commission dated January 18, 1989, and entitled

20

"Annexation to the Fairbanks North Star Borough" is disapproved.

STATEMENT ON HJR 21
BY
REPRESENTATIVE NIILLO KOPONEN

I am submitting this statement in opposition to HJR 21 disallowing the Fairbanks North Star Borough's proposed annexation of Pump Station 7 for insertion into the written record since I note that no one has written from personal interest in and knowledge of the area in question.

My wife and I resided on the Elliott Highway in the early 1950's and knew nearly all of the "old-timers" who lived along and traveled on that road. At that time the entire area up to and including Livengood was an integral part of the social and economic unit that constituted the Fairbanks Mining District. As mining declined (and people aged) many moved their residences into Fairbanks itself.

With the "oil boom" economic activity expanded, but Fairbanks remained the core of the area. When we organized the Chena Goldstream Volunteer Fire Department, we undertook to provide emergency medical services along the Elliott Highway from CGVFD Station #1 located on Goldstream Road east of Fox. Indeed, the CGVFD went on one record breaking run up the Haul Road itself - a 385 mile run to Atigun Pass and back to rescue an injured truck driver, when the weather did not permit a helicopter rescue. This service was provided by a combination of volunteer effort by Borough residents, grants and insurance billing and ended for the area under consideration when our insurance carrier refused to cover us for areas beyond the Borough boundary. The CGVFD currently will go up to the Borough line, but any pump station employee injured further out will have to crawl back on their own as Alyeska Pipeline Service Company will only provide emergency medical assistance to company personnel injured on company property during their workshift. My authority for that statement is fellow Chena Goldstream volunteer Bob Betts, formerly employed by Alyeska as a paramedic/security guard who currently resides in Juneau. Should the annexation proceed, emergency service will be resumed along that hilly and dangerous stretch of road.

The area to be annexed is not large. The pump station is about ten miles north of the current boundary and it's 36 employees reside within the current Borough boundaries. The original directive to the Boundary Commission after statehood

provided that proper planning and control of river drainages should be a priority: the Tatalina River flows into the Borough and is fed by O'Brien, State and Globe Creeks within the proposed annexation area.

I hold that the weight of historical, social, economic and land use planning information supports this annexation and that it should be allowed to proceed. I was involved in supporting the very beginning of the Alaska Native Land Claims movement and have continued that support. I know of no way in which this annexation is counter to the interests or aspirations of Alaska's rural residents.

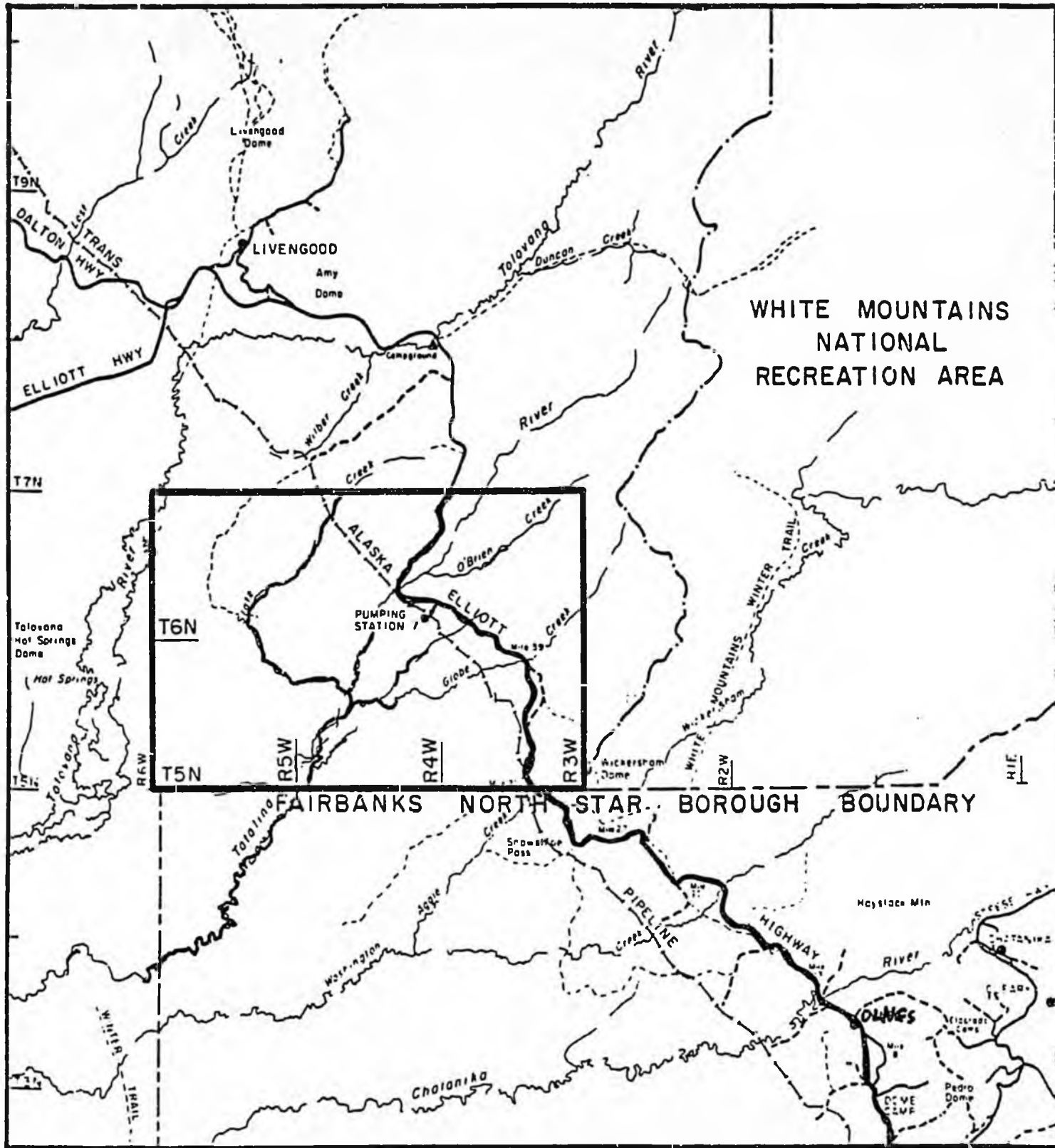
EXHIBIT MAP A

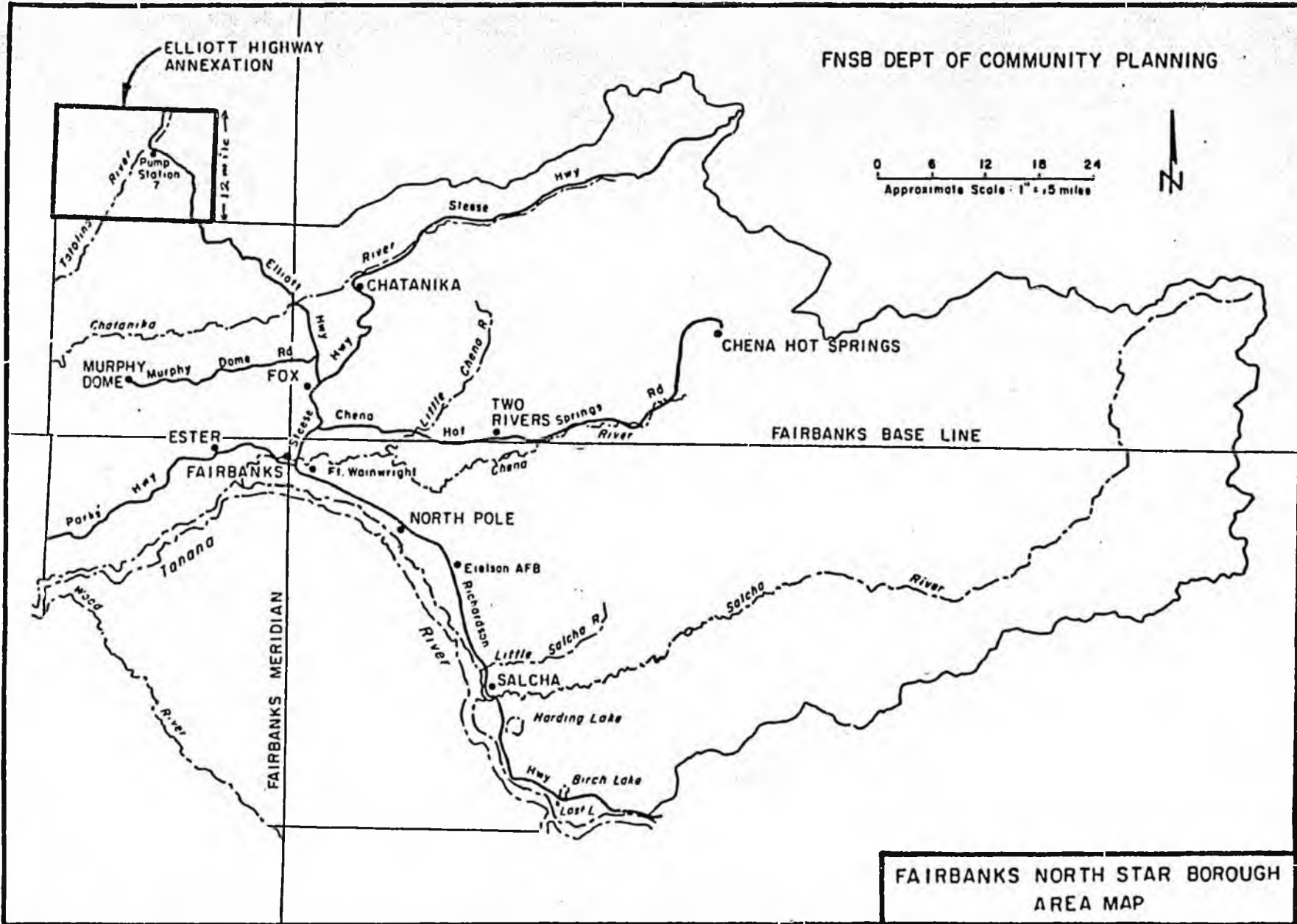
FNSB DEPT OF COMMUNITY PLANNING



Derived from USGS LIVENGOOD QUADRANGLE

ELLIOTT HIGHWAY ANNEXATION



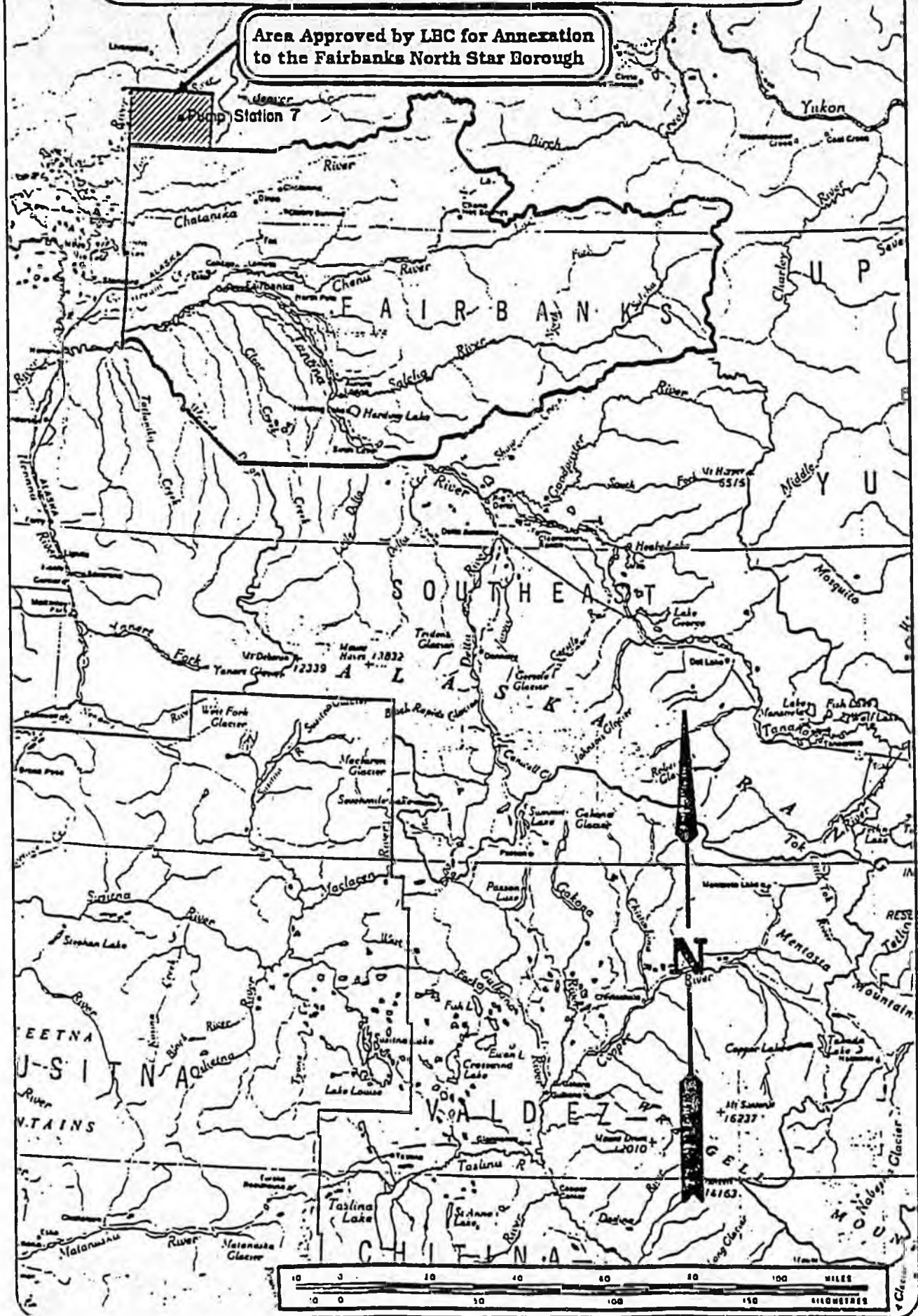


ELLIOTT HIGHWAY ANNEXATION

EXHIBIT MAP B

EXHIBIT B
ANNEXATION TO THE FAIRBANKS NORTH STAR BOROUGH

Area Approved by LBC for Annexation
to the Fairbanks North Star Borough





Alaska State Legislature

Please enter into the record my testimony to the Senate Finance
 committee name
 committee on SJR 19, dated 2/24/89
 bill/subject

See attached

Signed: M.W. Hooper.
 Testifier

SELF

Representing (Optional) P.O. Box 73864

50 Mile Elliott Hwy FAIRBANKS AK 99702

Address

456 4051.

Phone No.

DEAR MEMBERS

My NAME is G.W. Hooper My family and one other will be the city property owners. Affected by the proposed annexation of the NORTH STAR BOROUGH. The other family being located at pump #17.

I've listened to testimony from FT, Yukon, Livengood, The Borough, etc.

I've yet to hear anyone with any knowledge of the facts.

Just a lot of people wanting the golden ring. With out paying for the CROUSEL RIDE.

Enclosed a list of facts that have not been considered by those for or opposed of the annexation.

(1) My property located at 50 miles Elliott TOWN 4W. was purchased from Survey # 5794. When this homestead was resurveyed in 1986. It was not on the boundary line. This will place my sewer & drive in the ①

North Star Borough and my business
is the bush.

(2) There is a school at 50 mile
T7N-3W. The Lingenfied population wants
it moved to Lingenfied 20 miles north
Township 8N.

(3) The Yukon Flats School Dist was
given 15 acres in the proposed section
of T6N-4W. They spent over \$300,000
~~on~~ on needs assessments, soil samples,
and survey work.

Later the state allotted more land
at 56 mile. Now they want the school
at Lingenfied DOT camp.

(4) I have questions about the future
gas line with a compressor station
located at T5N 3west.

(5) I have questions about 40 recreatio
on sites at T6N-3W.

(6) I have questions about 6500
acres state allotment of 40 ac per
home sites located in T6N-3W

Please consider the following

- (1) Not to have my sawyer or driver in the Borough and my business in the bush.
- (2) Some time for the Sebook Dist. to decide if they want the 15 acres that's cost \$300,000, The new allotment at 56 mile. or the schools moved to the DOT camp 20 miles north
- (3) Some time for the TANANA Chief to get their act together.
- (4) Time and direction for the Community to understand they have to move with progress or get covered up.

I don't think you should just deny the Borough its request and I don't think you should let the RURAL AREA continue in its old way of procrastinating.

This entire mess is a good example of what happens when people are given money to spend and that money is not under the control of the legislators that have to answer to the voters.

Thanking you in advance
for a wise decision.
E.W. Hooper.

M. L. Tate

WRITTEN TESTIMONY RE HOUSE JOINT RESOLUTION 21 TO BE INCLUDED
WITH MINUTES OF COMMUNITY & REGIONAL AFFAIRS COMMITTEE 2/16/89

My name is Phyllis Tate. I have been living at Lake Minchumina off and on since 1951. Lake Minchumina is in Election District 24-- about 150 miles southwest of Fairbanks. My husband and I currently own a home and business at Lake Minchumina and have for several years.

There are more than 50 property owners at Lake Minchumina--many of whom are year-round residents. Lake Minchumina is within the Tanana Chiefs Conference area of interest. We are not located within the proposed new Fairbanks North Star Borough.

I can tell you without any doubt if the Tanana Chiefs were to propose a borough, the residents at Lake Minchumina would probably be leading the opposition against any such move. They have no desire to be encompassed by any borough.

I find it hard to believe that Minchumina is the only rural community with residents who feel this way. I don't think the fact that someone else might want to form a borough someday is reason to pass HJR 21.

PLEASE VOTE AGAINST THIS RESOLUTION.

Thank you.

#5

**STATEMENT OF
TANANA CHIEFS CONFERENCE, INC.**

**BEFORE THE
LOCAL BOUNDARY COMMISSION
- STATE OF ALASKA**

JANUARY 3, 1989

BY

**MICHAEL J. WALLERI
ATTORNEY**

The Tanana Chiefs Conference, Inc. (TCC) is the regional Native non-profit for the Interior of Alaska serving 43 villages from Holy Cross to Eagle. To date, TCC has not been involved in the consideration of the proposal by the Fairbanks North Star Borough (FNSB) to annex 216 square miles of land north of its present borders. We apologize for our late entry into this issue, however, the FNSB's proposal has only recently come to our attention. The full impact upon the region could not have been foreseen in light of the draft borough studies released by the Department of Community and Regional Affairs this month. Thus while our intervention in this matter is late, it could not be avoided. Again we apologize to the Commission.

PART I

NEW INFORMATION NOT AVAILABLE AT THE TIME OF THE NOVEMBER 18th HEARING REQUIRES RECONSIDERATION OF THE FNSB PROPOSAL.

In September of this year, the Fairbanks North Star Borough submitted a petition for annexation of 216 sq. miles of land within the Yukon Flats REAA. A hearing was held on November 18, 1988. Based on that hearing, the petition was approved on December 2. On December 28, the LBC voted to reconsider the issue, denied the request, rescinded the denial, and approved the petition setting a hearing on the matter for January 3, 1989 and invited TCC to offer comments.

During this summer, however, collateral developments occurred which raised new issues. Last year, the legislature considered S.B. 1, which proposed incorporation of the unorganized borough. While the bill did not pass, a series of studies were commissioned by the Department of Community and Regional Affairs as to the feasibility of borough incorporation. Study areas included the Yukon-Koyukuk REAA, Denali, Delta-Greely and the Copper River areas. Those studies have not yet been finalized, however, within the last month, the Department has released draft copies,

which we have only hurriedly reviewed. A prior study of a Yukon Flats borough was completed in 1979.

In response to these actions, some of our subregional Boards, which have been meeting, requested that we study the issue and report back to them this winter. We are currently in the process of doing this.

Essentially, the 1979 report on the Yukon Flats suggested that a borough would not be feasible. The Yukon Flats has a tax base which is roughly equal to that of the Yukon-Koyukuk REAA. However, the draft study released this month by the Department of Community and Regional Affairs suggest that the Y-K REAA could support a minimal borough government, similarly, the Department draft studies conclude that the Copper River and Delta-Greely areas similarly could support minimal boroughs, while the Denali area could not.

Our preliminary review of the studies leads us to a conclusion that the proposed areas of incorporation are too small. Large areas of the TCC region would be outside any borough and have no tax base to support future organization. These include the Upper Tanana, Upper Kuskokwim and Lower Yukon. For these areas, borough government would not be feasible within the foreseeable future. On the other hand, the Yukon-Koyukuk, and Yukon Flats areas would have small populations with a large tax base of which the pipeline amounts to about 98% of assessable property. As noted in the Departments report on the proposed annexation, the effect of the state tax cap on pipeline property would create surplus taxable value in the pipeline which these borough's could not legally tax. The effect of the tax cap would substantially limit the size of these boroughs and does not take into consideration the relatively high costs of service in the area.

Our preliminary investigations suggest that if boroughs are to be organized in the Interior, it would be better to organize the

entire TCC region (excluding Delta-Greely) as a single borough. According to the TCC Long Range Health Plan completed in 1988, there are 17,319 people within the TCC region (excluding Delta-Greely). We estimate that the pipeline within this area amounts to about \$1.4 billion in assessed valuation, which presently generates about \$28 million a year in tax revenues (20 mil). Based upon the recent DCRA reports, we also estimate that the pipeline constitutes 98%+ of taxable property in the region. A tax rate equivalent to the FNSB mill. rate of 12.243 would yield about \$17 million in tax revenue. Out of these proposed revenues, we estimate that the local contribution to education in the proposed borough would be about \$11 million. Which would be equivalent to about 7.85 mills.¹

These basic facts were not available prior to our analysis of the DCRA reports which were intended to promote a discussion of borough formation. While we cannot support the proposals to break up the TCC region into weak and powerless boroughs with limited tax bases, we believe that a single TCC region borough deserves serious consideration. This information was not available at the November 18th hearing, and the LBC should reconsider the FNSB proposal in light of this new information. The emergence of a proposal for a single TCC region borough raises questions regarding constitutional, legislative, and administrative standards not previously considered by the LBC.

¹This is based upon the assumption of educational services for five REAA's and three city operated school districts.

PART II

THE FNSB PROPOSAL IS CONTRARY TO THE LEGISLATIVE STANDARD CONTAINED IN LEGISLATIVE RESOLVE NO. 52

Legislative Resolve No. 52, passed during the last legislature provided that:

Be It Resolved by the Alaska State Legislature that the Local Boundary Commission is requested to take into full consideration the desire of residents of an area in the unorganized borough to be self-governing and give them reasonable time to study the concept of self-government; and

Be It Further Resolved that the Local Boundary Commission is requested to postpone borough annexation procedures until after December 1, 1989, in an area where the formation of an organized borough is being studied if a person residing in the area proposed to be annexed and involved in the organization effort requests the delay.

While the territory to be annexed is not within the areas which were the subject of the DCRA studies, the territory is surrounded and immediately adjacent to the Yukon-Koyukuk and Denali study areas. The study area boundaries were not fixed in concrete and are subject to adjustment after the "full consideration" contemplated in the Legislative Resolve. As the Legislative Resolve indicates, that full consideration was not contemplated to be finished until December 1989, and a moratorium on these types of annexations was intended.

The effect of the Resolve is to establish a legislative standard to guide the LBC in considering borough annexations of territory in the unorganized borough before the residents of the unorganized borough could give full consideration of their organizational options. The process contemplated by the Legislature is only half completed. The DCRA studies commissioned by the legislature have not been finalized, and only draft reports have

been released. It is only now that the residents of the unorganized borough have had a first opportunity to provide input into the self-government study. It can hardly be said that there has been reasonable time to study and adjust the proposals. For the FNSB to seek to annex a tax base which generates \$2 million a year, and withdraw the area from the new borough(s) is obviously contrary to the language and intent of the legislative resolve.

There has been some attempt to suggest that the Legislative Resolve was intended to apply to limited local controversies. This is simply not the case, and is contrary to plain meaning of the language used. The LBC was requested to postpone all annexation procedures in areas where borough organization is being studied when requested. It is fairly obvious that TCC represents the vast majority of residents of the region and that the FNSB is seeking to annex an important part of the region. Considering the Legislative Resolve, we believe that the LBC should postpone consideration of the annexation until December 1989 and that a failure to do so would violate legislative standards.

A one year postponement to allow the TCC region to fully consider borough formation will not significantly impact the FNSB with respect to their stated need. As noted in the LBC findings, the greatest inequity which the FNSB seeks to avoid relates to the reduction in the State education foundation program which will begin in 1992.² The goal of the FNSB is to offset this reduction by the revenues generated by annexation. However, if the annexation is approved now, the FNSB will begin collecting revenues from the annexed area in 1990, a full two years in advance of the reduction in state education foundation funding for which FNSB seeks compensation. By contrast, if the annexation proceeds, the proposed TCC region borough would be permanently denied this

²Decision at p. 2.

revenue source, and may result in the proposal proving to be financially unsound. Postponement, as contemplated by the Legislative Resolve No. 52 is clearly warranted.

PART III

THE DECISION IS INCONSISTENT WITH THE ADMINISTRATIVE STANDARDS ARTICULATED BY THE LBC WHEN A SINGLE BOROUGH IN THE TCC REGION IS CONSIDERED

As stated in the DCRA report to the LBC regarding this matter,

Essentially, the annexation proposal boils down to an attempt by the FNSB to expand its tax base in support of the above services which it provides to the estimated 73,540 individuals residing within its boundaries.

DCRA Report p. 6.

While the LBC decision finds that revenue enhancement of the FNSB is not sufficient to justify annexation, the LBC compared the condition of the FNSB with other municipalities and found equities favoring the FNSB proposal. Moreover, the LBC only considered a scenario of a Yukon Flats borough and found no harm. Given these comparisons and assumptions about the course of borough formation in the Interior, the decision would seem rationale given the stated goals.

However, the basic assumption about the course of borough formation in the Interior is inconsistent with governing constitutional doctrines³ and prudent response to the recently released DCRA reports. Specifically, the consideration of a single borough in the region would affect the LBC findings in the following ways:

³Please see discussion of constitutional doctrines in infra.

A. Annexation Would Not Equitably Enhance The Tax Base Of The FNSB

There is no question that annexation of the area would enhance the FNSB tax base, however, the relative loss to the TCC region borough's tax base would be substantially disproportionate. It is noted that the taxable property in the FNSB is ~~not~~ below the statewide average.⁴ Based upon our data respecting population and estimated assessed valuation (see above), we calculate that the per capita assessed valuation within the TCC region, including the subject area, to be 3.1% below the statewide average.⁵ However, if the subject area were to be excluded from the TCC region by annexation to the FNSB, the per capita assessed valuation within the TCC region would drop to 17% below the statewide average.⁶ ~~The annexation would raise the taxable~~ ~~property within the FNSB by 5.2% but lower the taxable~~ ~~property within the proposed TCC borough by 12%.~~ Thus, by trying to correct a perceived inequity with respect to the tax base of the FNSB, the LBC will create a greater inequity with respect to the ~~proposed regional borough~~.

This effect can be demonstrated more clearly in comparing relative changes in mill rates for educational services. Currently, the FNSB mill rate for local contribution to education is 8.1 mills.⁷ The proposed TCC regional borough would require a mill rate of 7.85 mills if the subject area were within the tax base. (supra) However, if the area were excluded from its tax base, the mill rate for education would rise to 9.166 mills, or an increase of 1.69 mills. The revenue enhancement anticipated by the FNSB would only be a reduction of the mill rate by .6 mills. Thus, for local contribution to educational services alone, the

⁴This is based upon the average statewide per capita assessed valuation figure of \$83,430.

⁵\$80,836.

⁶\$69,288.

⁷See p. 11 of DCRA Report.

relative benefit anticipated by the FNSB is less than half the detriment to be inflicted upon the proposed TCC region borough.

There is no question that the proposed TCC borough will suffer disproportionate harm relative to the benefit sought by FNSB if the annexation is approved.

B. The Annexation Is Contrary To Public Policy As Articulated By The Commission And Prior Judicial Decisions Respecting The Alaska Constitution.

The LBC Decision contains a finding that the annexation represents sound public policy. That finding does not consider the impacts upon formation of a TCC region borough. Consideration of the proposed TCC regional borough substantially alters an analysis of the articulated policy goals and raises a constitutional issue not considered by the LBC.

1) The LBC Did Not Consider Art. X, Sec. I of the Alaska Constitution.

The Local Government Article of the Alaska Constitution provides that,

The purpose of this article is to provide for maximum local self-government with a minimum of local government units, and to prevent duplication of tax-levying jurisdictions. A liberal construction shall be given to the powers of local government units.

This constitutional doctrine has been interpreted by the Courts as espousing a policy of encouraging the creation of borough governments. See Mobil Oil Corp. v Local Boundary Commission, 518 P.2d 92 (Ak. 1982). More specifically, the policy favors the creation of a minimum number of local government units.

The proposal for a TCC region borough would maximize the local self-government available to the region as noted above, if the Yukon-Koyukuk and Yukon Flats organized separately, the other areas of the Interior would lack a sufficient tax base to support borough government. A single borough would provide a sufficient

population base to allow full local taxation of the regions taxable property under existing state law. Additionally, a single borough would meet the second constitutional goal of creating a minimum number of local government units. Considering the available scenarios for borough organization in the region, the single borough option most closely reflects the standard articulated in Art. X, Sec. I of the Alaska Constitution.

The Alaska Constitution, provides for the LBC to decide boundary questions based upon state-wide considerations rather than local political decisions. Fairview Public Utilities v City of Anchorage, 368 P.2d 540 (Ak. 1962); Oesau v City of Dillingham, 439 P.2d 180 (Ak 1968); City of Douglas v City and Borough of Juneau, 484 P.2d 1040 (Ak. 1971). It is clear that the LBC policy respecting tax base equity reflects a statewide perspective. However, the mandate to encourage maximum local self-government with a minimum of local government units presents a constitutional issue which takes precedence over the Commissions efforts to deal with transitory inequities in tax bases. As noted above, the viability of borough organization for a large part of the state will be adversely impacted and possibly frustrated. Moreover, the effort to give equity to FNSB creates greater inequity respecting the TCC region borough. The balancing of such considerations sharply tip against annexation when the constitutional imperative to encourage organization of the unorganized borough is considered.

2) The Financial Gain To The TCC Borough Is Not Excessive or Unwarranted.

In its policy considerations, the LBC found that the gain to FNSB was not excessive or unwarranted. This was based upon a comparison of the per capita revenues from "non-local sources"⁸

⁸The characterization of local property taxes on pipelines as "non-local sources" is rather curious. Clearly, direct
(Footnote Continued)

received by other boroughs. Examples offered by the LBC ranged from \$27,198 to 1,062 per capita. The FNSB would receive \$116 per capita. The per capita receipts from pipeline revenues for the proposed TCC region borough, would also not be excessive amounting to about \$981 per capita⁹, which would be less than the examples of excess used by the LBC.

Moreover, while the net gain to FNSB through annexation would be \$27 per capita¹⁰, the net loss to the proposed TCC borough would be \$115 per capita, almost four times the gain to FNSB. Thus, in considering the per capita gain to FNSB relative to the per capita loss to the TCC region borough, it is clear that the FNSB gain is excessive and unwarranted.¹¹

(Footnote Continued)

intergovernmental transfers of revenue through municipal assistance and revenue sharing programs are "non-local funds" since they come from the State's general fund. Direct property taxes on local property within a municipal boundary under a coordinated intergovernmental taxing program is obviously locally generated revenues. Under the proposed definition of "non-local", any property tax could not be considered locally generated given the federal income tax system. For example, property taxes on homes and business may be credited against federal income taxes. Consequently, it can be argued that all such taxes result in an indirect transfer of federal revenues to local government and are therefore "non-local" revenue. Similarly, local municipal bond revenues are tax exempt and result in a similar indirect transfer of revenue from the federal government. Consequently, the only revenues which could be truly considered "local" are sale tax revenues and taxable enterprise revenues, since neither revenue source results in a tax credit under State or federal tax law. The FNSB has no such revenue since it does not levy a sales tax and has no taxable enterprise income. Consequently, under the definition of "non-local" used by the LBC, 100% of the revenues of the FNSB are "non-local." As applied by the LBC in its decision, the distinction can only be considered to be arbitrary.

⁹The Statement of Decision is in error on this point. It states that the net gain would be \$76.99, however the correct calculation is $\$1,980,712 \div 73,540 = \27.07 .

¹⁰This assumes a mil rate equal to FNSB.

¹¹The use of per capita figures is not adjusted for cost
(Footnote Continued)

3) The Effect of The Annexation on the TCC Region Borough Is Inconsistent With The Commission's Statement on Borough Government.

The Commission's Statement on Borough Government advocates for reassessment of State financial aid to municipalities to provide greater equity to all municipalities. The decisional statement asserts that:

Certainly this Commission would not view in the same regard an annexation proposal of this nature by a municipality whose tax base was greater than the average of other boroughs.

at p. 3.

The LBC further noted that even after annexation the FNSB will have a weak tax base which will remain 12% below the state-wide average. However, annexation will render the proposed TCC region borough - which would currently be only slightly below average (i.e., 3% below) - to be at a greater inequity than currently experienced by the FNSB (i.e., 17% below average). See supra. Consequently, the means selected by the LBC to provide equity to the FNSB is not rationally related to its goal of achieving statewide equity since it will result in imposing greater relative inequity upon the proposed TCC regional borough.

4) The Annexation Will Diminish The Viability of a Potential Borough in the Adjacent Region

The LBC concluded that the annexation would not adversely affect the formation of the Yukon Flats REAA borough since that area had surplus taxable property as a result of the State tax

(Footnote Continued)

differentials of doing business between rural and urban Alaska. While the relative per capita net loss to the TCC is greater in absolute dollars, the differentials with respect to the cost of doing business in the rural areas exacerbate the disparity. This should be remembered when comparing all per capita figures used in this statement.

cap on pipeline property.¹² However, as noted above, the formation of a single borough in the TCC region would be more consistent with the directive of the Alaska Constitution, and such a borough would not be affected by the State tax cap. Consequently, there is no surplus assessed valuation in a regional borough proposal, and any diminishment of the regions tax base would diminish the viability of the potential borough in the adjacent region.

5) The Haines Annexation Is Not A Precedence For This Annexation

The LBC found a precedence in the Haines Annexations of the 1970s. The precedence is highly questionable. First, as the findings point out, Haines provides educational services to the annexed area through correspondence. In this case, the Borough does not intend to provide any areawide services. The only service planned is non-areawide, i.e., fire service. There is no evidence that the FNSB plans to include the Pump Station in a fire service area. In fact, Alyeska Pipeline Service Company provides its own fire service, which is eminently better than any response which FNSB might offer. In fact, for FNSB to provide or include the Pump Station within a fire service area, Alyeska would have to consent and pay additional non-areawide taxes. There is no evidence that Alyeska intends to do so.

¹²The LBC noted that recent estimates property value in the region to be about 805 mil. A review of DCRA valuation estimates used in the 1988 Regional Government Study by DCRA show gross errors in valuation methods in this region. The vast majority of private land in the TCC region is subject to restrictions on taxation by operation of the Native Townsite Act, Native Allotment Act, ANCSA (as recently amended), State exemptions for elderly and housing authority projects, etc. The 1988 report did not fully account for these exemptions. Moreover, recent studies by DNR and BIA allotment appraisals suggest a substantial devaluation in the market value of rural property values which were not reflected in the 1988 study.

Secondly, the annexations did not occur at a time when the adjacent area was considering borough formation. There is no evidence that the adjacent area has ever considered borough formation.

Thirdly, the proposed annexations reflected expansion of the Haines borough to natural geographic boundaries taking into the borough the entire eastern slope of the Chilkat Range located on the Chilkat Peninsula.

Such parallels do not exist with regard to the present proposed annexation and any comparison is transparently suspicious.

6) Revenue Enhancement Is Not A Justification For Expansion Of Borough Boundaries.

It is agreed that revenue enhancement is not a justification for annexation.

PART V

THE STATUTORY AND ADMINISTRATIVE REQUIREMENTS HAVE NOT BEEN MET

As noted in pages 9-14 of the DCRA report, one of the first eight standards and all of the remaining listed standards must be met.

Of the first eight, only numbers 3, 7 (both relating to services) and 8 (policy) could be possibly met. The area is uninhabited, and as noted above, the FNSB does not intend to realistically provide any services. In fact, the proposed area immediately abuts the private property of the closest inhabitants, the Hooper family, which receives educational services from the Yukon Flats REAA. The proposal is gerry mandered to obviously avoid providing municipal services. As to number 8, (policy) the policies considerations outlined above strongly militate against approval.

As to standards 9-14, the service requirements expressed in those standards are very questionable, for the above stated reasons.

PART VI

THE COMMISSION FAILED TO APPLY THE STANDARDS AS PROVIDED IN 19 AAC 10.200

The regulations governing annexation procedures provide that:

19 AAC 10.200. APPLICATION OF STANDARDS. The commission will not approve an annexation unless the annexing organized borough demonstrates to the satisfaction of the commission that it is capable of extending and willing to extend services to the annexed area in accordance with this subsection. If possible, areawide and non-areawide borough services shall be extended to the annexed area immediately. If the immediate extension of services is not possible, the commission must be satisfied that the services not immediately extended will be extended as soon as possible and that reasonable plans have been formulated for the capital expansion necessary for the extension of services.

The decision of the LBC failed to apply the service standards as provided in this section. Under this regulation, the FNSB was required to demonstrate that both areawide and non-areawide services will be extended to the annexed area immediately. The petitioner admits, and the LBC found that education services (areawide) would not be extended. Additionally, the only non-areawide service discussed by the LBC was fire service, and it was found that fire service was not needed because of the private services provided by Alyeska. Thus, it was implicitly found that services would not be immediately extended to the area. The wide variety of services offered by the borough and their extension to the area were not even considered.

In such an event, the regulation requires that the FNSB develop a reasonable plan for capital expansion necessary for extension of such services and that the Commission be satisfied as to the adequacy of such plans. The FNSB offered no such plans and the Commission failed to make any finding on this issue.

The failure to comply with an administrative requirement renders the decision defective. See Port Valdez Co. v City of Valdez, 522 P.2d 1147 (Ak. 1974). The petition should therefore returned to the FNSB for resubmission.

CONCLUSION

In summary, we would request that the decision be delayed to allow the Interior to consider borough incorporation. We again apologize for our lateness in responding to the issue. Given the gravity of the proposal, and the ongoing borough study in the Interior, we believe the Commission should not proceed further at this time.



Fairbanks North Star Borough

25th Silver Anniversary

January 24, 1989

Dear Representative,

This package of material is for your information regarding the annexation petition of the Fairbanks North Star Borough.

In considering our annexation I hope you keep in mind some general points about our community. This brief synopsis of our borough's development has precipitated this proposal:

- *Formed 1964 mandatory borough act*
- *Originally followed election District 19 boundaries to Canada*
- *We support education with 60.9% of our total budget*
- *We provide mandated as well as other services*
- *Special tax assessments are added in Road and Fire Service Areas*
- *Our community is behind this annexation*
- *DCRA prepared a positive recommendation*
- *Local Boundary Commission voted 3 to 1 in favor of this annexation proposal*

Sincerely,

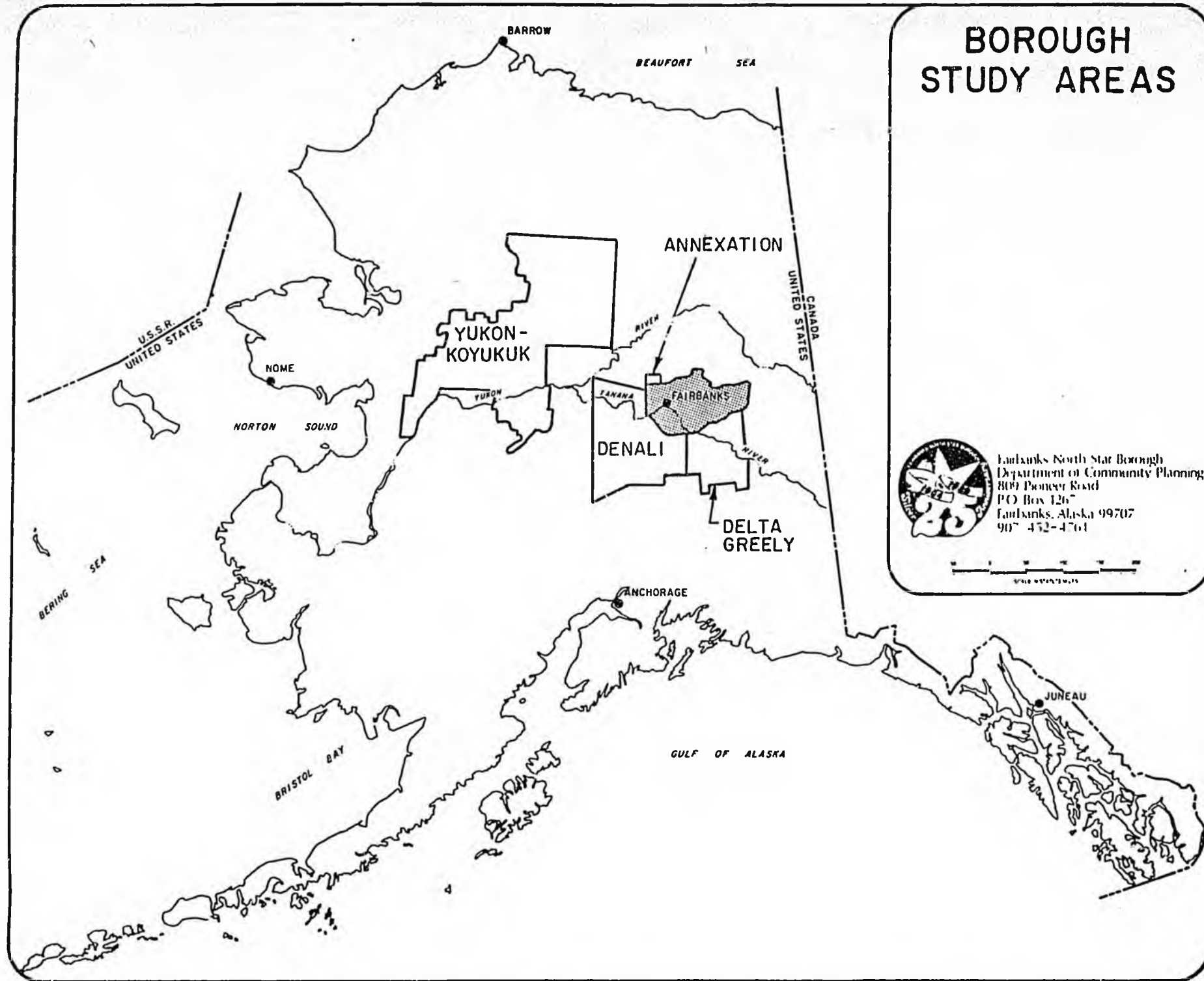
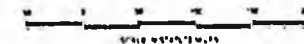
A handwritten signature in cursive script that reads 'Juanita Helms'.

Juanita Helms, Mayor
Fairbanks North Star Borough

BOROUGH STUDY AREAS



Fairbanks North Star Borough
Department of Community Planning
809 Pioneer Road
PO Box 126
Fairbanks, Alaska 99707
907-452-4761



Special Issue/Concerns
and
Response

1. *The Fairbanks North Star Borough (FNSB) will not have to provide services to this annex area.*

The FNSB provides the Title 29 mandated services to all of the existing Borough. These same services are automatically extended to this area upon approval.

The FNSB has many unpopulated areas where some of our services are not presently required but to manage growth and development these areas are included within our boundaries.

2. *The residents of the FNSB will not tax themselves enough.*

The FNSB has gradually increased the mil rate over the past eight years. It is expected, as property values drop, the mil rate will need to increase again in 1989. (See Annexation Petition mil rate fact sheet.)

Over 100 road service areas exist that self-impose over \$440,000 of property taxes to help support themselves. In addition, over \$1.5 million self-imposed property taxes are levied for fire protection.

3. *The FNSB does not provide enough school support.*

The FNSB continues to increase local contribution to education and school debt retirement, currently accounting for over 60% of the budget.

4. *This annexation will deprive the viability of possible future boroughs.*

As proven by the North West Arctic Borough, boundaries can be readjusted when a new borough is formed. Existing DCRA documents show it would not be necessary since the Doyon/Tanana Chiefs Conference borough has plenty of oil and gas related assets. The Yukon Flats borough by itself, also could exist without the annexation area assets.

5. *Why should the FNSB get the estimated \$1.3 million instead of the State of Alaska?*

Boroughs were formed under the Mandatory Borough Act to force communities like ours to provide state services at a local level. By allowing the FNSB to gain this added tax base we are able to increase and ensure services are provided without widening the inequity gap between those of us trying to provide needed public services.

6. *The final issue has boiled down to "how appropriate is it to provide the FNSB with this tax base to the detriment of the rest of the state?"*

If the FNSB were being proposed as a new borough today an evaluation of the tax base would be required. Our tax base would naturally include the assets in this 216 square mile area. It is good public policy to support something that would make good sense if this were being proposed as an original borough.