

ALASKA LEGISLATURE

971

HOUSE and SENATE FINANCE COMMITTEE FILES, 1993-1994

48

## **The ABCs of IFQs**

**Representative Fran Ulmer introduces a new loan program to help Alaska fishermen**

by  
Representative Fran Ulmer

A revolution is on the way for Alaska's coastal communities. After 10 years of debate in the fishing industry, the U.S. Secretary of Commerce recently approved Individual Fishery Quotas (IFQs) for the halibut and black cod fisheries in Alaska. If all goes as planned, by mid-1994 these fisheries will no longer be open to all those who want to wet a line. Instead, a new permit system will reserve catch quotas for individual fishermen who qualify for an IFQ. Gone will be the 24 hour openings, replaced by a season which may last from March through November. The new system is promoted as a solution to dangerous conditions created by derby style fishing, but critics charge that the new system will be the end of the small, independent Alaska fisherman.

Whether you think the new system will help or hurt Alaska fishermen, the reality is that a change is coming. We must do everything we can to help Alaskans retain their livelihoods in the fishing industry and to support our coastal communities. One of the best ways of doing that is by providing access to capital. That's why I recently introduced **HB 123** which provides financing for the purchase of IFQs. This legislation authorizes loans of up to \$300,000 for IFQs to Alaska residents who have actively participated in the fishery during three of the last five years. The state currently finances the purchase of limited entry permits through a revolving loan fund with loans of up to \$300,000. New legislation is required to expand the loan program to include IFQs. HB 123 does that and provides an essential tool to accomplish the goal of keeping permits in the hands of Alaskans.

### **How it works**

The new IFQ system is designed to benefit active fishermen by allocating a quota based on an individual's actual record of past landings. When the system starts, only vessel owners and leaseholders will receive an IFQ; crew members will be given preference in acquiring their own IFQ in the future. A quota will be based on the individual fisherman's actual percentage of the total catch in a particular area during five of the last 7 years. That percentage will then be applied, on an annual basis, to the total allowable catch for the individual's region in order to determine the exact number of pounds he can harvest. To ensure maximum participation in the fishery, no one will be allowed to harvest more than 1% of the black cod resource in an area, and no more than .5% of the halibut resource.

### **How do Alaskans fare?**

In 1994, approximately 5500 halibut fishermen and 1100 black cod fishermen will be given IFQs by the federal government free of charge. Those who receive an IFQ may sell or lease all or a portion of their quota to another, and the price of those transactions will be set by the market, based on the value of the resource and the fishery at the time of purchase. Experience has shown that the right to harvest these resources can be extremely valuable and the price for IFQs may be very high.

Although the new system is designed to preserve and increase Alaska's presence in these fisheries, many fear that IFQs will migrate into the pockets of well-financed, non-resident vessel owners and that Alaska fishermen will lose out. The cap on the percentage of the fishery resource any one person may own or lease, and the restriction prohibiting IFQs from being transferred between vessel classes, are efforts to ensure that halibut and black cod continue to be fished by a broad spectrum of Alaska fishermen. However, the only real certainty in the new equation is that a resource which was free to all will now be available only by permit, and for a price.

It is essential that Alaskans keep as many of these permits as possible so that the economy of our coastal communities will not be deprived of the wealth of this fishery resource. HB 123 and the financing it provides to Alaskans will help assure this continuing economic benefit to our residents.

# STATE OF ALASKA

## DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

### DIVISION OF INVESTMENTS

WALTER J. HICKEL, GOVERNOR

P.O. BOX 34159  
3032 VINTAGE BLVD.  
JUNEAU, ALASKA 99803-4159  
PHONE: (907) 790-2693  
FAX: (907) 790-2781

February 2, 1993

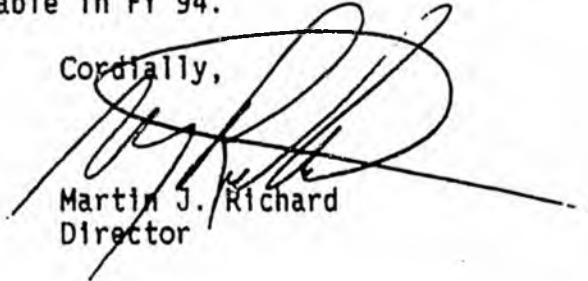
Honorable Fran Ulmer  
Attention Margaret Pugh  
House of Representatives  
State Capitol  
Juneau, AK 99801-1182

Dear Representative Ulmer:

We are projecting excess funds available for appropriation from the Commercial Fishing Revolving Loan Fund to the General Fund in the amount of \$5,002,800 in FY 94 (HB 55, Section 20, January 15, 1993). The Governor has requested a General Fund appropriation to the Fisheries Enhancement Revolving Loan Fund in the amount of \$2,068,200 (HB 55, Section 29, January 15, 1993).

The net effect for these two fisheries funds is approximately three million dollars, available in FY 94.

Cordially,



Martin J. Richard  
Director

cc: Paul Fuhs  
Commissioner

**DEPARTMENT OF FISH AND GAME  
POSITION PAPER**

**Bill No:** HB 123  
**Sponsor:** Representative Ulmer  
**Division:** Division of Commercial Fisheries  
**Bill Title:** "An act relating to loans for the purchase of individual fishery quota shares."  
**Department Position:** Support

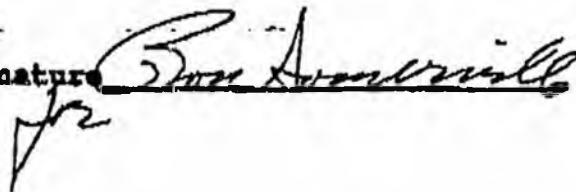
This legislation would extend the state's existing loan program for limited entry permits, vessels, and fishing gear to include loans for the purchase of individual fishery quota shares (IFQs). The harvesting sector of the seafood industry has the highest percentage of resident participation in the industry. Approximately 80% of the permits are owned by Alaskans. The state loan program has been a successful tool contributing to the high percentage of existing permits in the hands of Alaskans.

The new IFQ program will be administered by the federal government. Regulations governing the new program were recently adopted by the U.S. Secretary of Commerce. There is a great deal of concern on the part of Alaskans that these IFQs will be bought up by non-Alaskan interests, thus reducing the opportunities for Alaskans to harvest these resources occurring off the state's coastline.

While this program is authorized in Title 16, the fish and game statutes, the program is administered by the Department of Commerce and Economic Development.

There is no fiscal impact on the Department of Fish and Game from this legislation.

.....  
Commissioner's Signature



Date: 7/2/93

**KODIAK LONGLINE  
VESSEL OWNERS' ASSOCIATION**



326 CENTER AVENUE, P.O. BOX 135  
KODIAK, ALASKA 99615  
(907) 486-3781 FAX (907) 486-2470

HALIBUT • SABLEFISH • PACIFIC COD • CRAB

February 18, 1993

Representative Fran Ulmer  
ALASKA STATE LEGISLATURE  
State Capital  
Juneau, Alaska 99801

RE: HB 123

Dear Fran,

I would like to express our support for HB 123. I have felt for some time that with the implementation of individual fishing quotas on the horizon, a loan program for Alaskans is vital. Those vessel owners who live in Alaska must be able to purchase quota quickly when the program is in place.

It is my belief that the large majority of Alaskan vessel owners who will receive quota will either sell immediately or wish to buy. Since the people who qualify for quota far exceeds the number of individuals who currently participate in the fishery, the "pie" will be cut in ways that people did not anticipate. Many vessel owners will immediately need to purchase quota in order to participate effectively in the fishery.

We strongly support this bill and would assist in any way possible to see that it is passed. It can't help but be a significant help to those Alaskan vessel owners who won't initially receive the quota they need.

Sincerely,

A handwritten signature in cursive script that reads "Linda Kozak". The signature is written in dark ink and is positioned above the printed name and title.

Linda Kozak  
Director

March 2, 1993

CS HB 123, "An Act relating to loans for the purchase of quota shares for fisheries in or off Alaska."

The proposed committee substitute for HB 123 reflects the following changes from the original bill:

- Title. The title change clarifies that technically the loans authorized in this bill are for the purchase of quota shares, not Individual Fishing Quota (IFQs.) The clarification is made throughout the bill.

- Section 1. Purpose and Intent. A purpose and intent statement was added to emphasize that the loans authorized in this bill are intended to benefit Alaskans who participate IFQ system fisheries and to clarify that there is no intent to diminish the amount of funds currently available for loans under AS 15.10.310(a)(1)(A) or (B) for entry permits, vessels and gear.

- Page 2. subsection (C)(ii). The previous sections (ii) and (iii) were combined to simplify two eligibility criteria. That is, in two of the last five years an applicant must have possessed either a crewmember or commercial fishing license or permit and, must have participated in a fishery for which the license or permit was issued.

The original bill was more narrow. It said that the crewmember or commercial license or permit must have been possessed for the year preceding the date of application as well as for two of the past five years. The original bill then required that the applicant must have participated in the fishery during three of the last five years.

- Page 2. subsection (C)(iv). This is an addition to the bill which limits the loans to those individuals who are not eligible for alternate financing, as is currently the case for loans authorized under subsection (B) for vessels and gear.

This section will ensure that the loan program will benefit those Alaskans most in need of assistance in accessing capital.

- Letter of Intent. The letter of intent accompanies the bill to emphasize that the committee intends for the Commercial Fisheries and Agricultural Bank to make financing available for the purchase of quota shares.

As stated above, the loans that the Commercial Fishing Loan Fund is authorized to make under HB 123 are limited to those who can not obtain loans elsewhere.

March 02, 1993.

Alaska Legislature  
House of Representatives  
Special Committee on Fisheries  
Representative Carl Moses, Chairman  
Representatives Harley Olberg, Gail Phillippe, Cliff Davidson,  
and Irene Nicholia, Members

Via FAX Only: 465-3445

Dear Mr. Chairman and Members of the Committee:

Thank you for this opportunity to comment on HB123, "An Act relating to loans for the purchase of individual fishery quota shares."

Please consider all the following facts. Last session the Alaska House of Representatives unanimously rejected the IFQ plan by passing HJR61. A companion measure in the Senate had similar wide support but was kept from the floor by the actions of a single Senator who is no longer in office. Our Congressional delegation members each have serious concerns about this plan and are maneuvering against it in Washington. The Commerce Department has not yet published this plan as a "Final Rule" and it may still be rejected by the Office of the President and or the Congress where opposition is growing daily. Even if the plan passes these hurdles and survives legal challenges sure to be mounted, it will not be implemented until after one or more additional sessions of the Alaska Legislature.

Then, surely, the best one can say for HB123 is that it is very premature and sends the wrong message concerning the thoughts of the legislature on this plan (assuming last session's sentiments remain).

I know you will receive considerable testimony on the economic aspects of these proposed loans and I will not attempt to duplicate those here. Let me only pass on to you the comment one of the staunchest proponents of IFQs made to me when I brought up the subject of a loan program such as that envisioned by HB123 during the December 1991 meeting of the North Pacific Fisheries Management Council in Anchorage. Mr. Clem Tillon, whom I'm sure you all know, said "I wouldn't want to loan them money they won't be able to repay!" There it is - "right from the horses mouth."

At this time the best thing the Alaska State Legislature can do for Alaska in connection with IFQs is to reaffirm the position of last session's House and pass a resolution similar to HJR61 which includes the additional resolve of the Senate companion, SJR38, "FURTHER RESOLVED that the Alaska State Legislature opposes the use of state agency resources, state operated facilities, state funds, or other forms of cooperation to implement an Individual Fishery Quota management system" and send copies of the resolution to the appropriate federal officials in the executive and legislative branches as soon as possible.

There will be plenty of time to attempt to ameliorate the many adverse effects the IFQ plan will have on Alaskan citizens and communities if and when it is implemented. Passage of HB123 at this time can do no good and may do harm in the battle against this devastating plan. First things first, please.

Sincerely,

*Gene S. Murray*

JERE T. MURRAY, PH.D.  
P.O. Box 237, Seldovia, Alaska 99663-0237  
(907) 234-7646 (Voice or FAX)  
March 02, 1993.

Alaska Legislature  
House of Representatives  
Special Committee on Fisheries  
Representative Carl Moses, Chairman  
Representatives Harley Olberg, Gail Phillips, Cliff Davidson,  
and Irene Nicholla, Members

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Sincerely,



Alaska Longline Fishermen's Assoc.

P.O. Box 1229 Sitka, AK 99835 (907) 747-3400

March 5, 1993

Representative Williams, Chair  
House Resource Committee  
Juneau, AK 99801-1182

Dear Representative Williams,

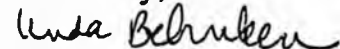
I am writing to express the support of the Alaska Longline Fishermen's Association (ALFA) for H.B. 123: a bill to provide funding to Alaska residents for the purchase of fishing quota shares.

Quotas share management offers an opportunity for Alaskans that the State can not afford to miss. By providing affordable loans, State financing will increase Alaskan participation in the fisheries of the Bering Sea and North Pacific. Increased participation by Alaskans will, in turn, ensure that the on-shore seafood processing industry, the seafood support industry, and the coastal communities as a whole continue to prosper, bringing revenue to the State both directly (through raw fish tax) and indirectly (through enhanced socioeconomic health). Financing the purchase of quotas shares can also be expected to provide a direct financial benefit to the State through interest payments.

Support for establishing a State quota share loan system is broad-based. Alaskans are committed to enhancing fishing opportunities for State residents. H.B. 123 is a vital step in that direction. Representative Ulmer has worked with the industry over the past month to ensure that the bill will accomplish the stated intent and directly benefit resident fishermen. ALFA members are satisfied with the Bill and are eager to see it moved quickly through the legislature. ALFA respectfully requests your support of H.B. 123 and asks that you expedite its passage through the House Resource Committee.

Thank you for your time and attention.

Sincerely,



Linda Behnken

(exec. director, ALFA)

# Petersburg Vessel Owners Association

P.O. Box 232

Petersburg, Alaska 99833

Phone (907) 772-9323 Voice and Fax

March 8, 1993

Representative Bill Williams  
Alaska State Legislature  
State Capitol  
Juneau, Alaska 99801-1182

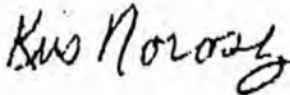
Dear Representative Williams,

It is our understanding that HB 123 was recently passed out of the Fisheries Committee and has been sent to House Resources. As chairman of the Resources Committee, we respectfully request that you schedule HB 123 for a hearing as soon as possible.

We believe HB 123 is an important piece of legislation which will greatly benefit Alaska's commercial fishers. The present State loan program which provides loan funds for the purchase of limited entry permits, has been of tremendous help to insure that Alaskans are allowed the financial opportunity to participate in the fisheries along our coast. We believe including assistance for the purchase of quota shares is a logical extension to make for the State's fisheries loan program.

Representative Williams, we would appreciate your assistance in allowing this important piece of fisheries legislation to get the attention it deserves. Please schedule a hearing for HB 123 as soon as possible.

Sincerely,



Kris Norosz  
Director

cc: Senator Robin Taylor  
Representative Fran Ulmer

# Petersburg Vessel Owners Association

P.O. Box 232  
Petersburg, Alaska 99833  
Phone (907) 772-9323 Voice and Fax

March 8, 1993

Representative Bill Williams  
Alaska State Legislature  
State Capitol  
Juneau, Alaska 99801-1182

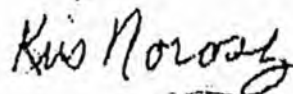
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Representative Williams, we would appreciate your assistance in allowing this important piece of fisheries legislation to get the attention it deserves. Please schedule a hearing for HB 123 as soon as possible.

Sincerely,



Kris Korosz  
Director

cc: Senator Robin Taylor  
Representative Fran Ulmer

# FISH FACTOR

Empire  
Feb. 14

By LAINE WELCH

FOR THE JUNEAU EMPIRE

**IFQ's and you:** Alaskan crewmembers who don't have a chance at acquiring quota shares for halibut and black cod could soon get an assist from the state. The individual fishing quota plan recently approved by federal managers limits initial allocations of shares only to eligible longline vessel owners. IFQ shares are determined according to specific catch histories in the fisheries, and may be bought or leased from owners not wanting to use them.

A bill introduced to the Legislature by Rep. Fran Ulmer, D-Juneau, would broaden the state's commercial fishing revolving loan program to include the purchase of IFQs. The loan program provides funds for the purchase of limited entry permits. House Bill 123 would authorize loans up to \$300,000 for the purchase of IFQs. The loans would not require an appropriation of additional money from the state, as there is an excess of \$3 million currently available in the limited entry revolving loan fund.

Ulmer said HB123 could provide a big boost to crewmembers who receive no allocations of halibut or black cod in the new IFQ program.

"Their only way in at this point is to be able to buy from someone who's been given IFQs by the Department of Commerce, and who does not wish to fish them. Only through a loan program like this might crewmembers have a chance of participating," Ulmer said.

HB123 is scheduled for a hearing Feb. 19 by the House Special Fisheries Committee chaired by Rep. Carl Moses, I-Unalaska. After passing through various other committees, it must make it through the full House and Senate before it becomes law. So far there has been no opposition to the bill, but Ulmer said that is no reason to become complacent.

"You can't every take this process for granted, so people who want to make this happen should definitely express their opinions of support," Ulmer said.

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# Quotas OK'd for halibut, black cod

Empire  
1-31-91

By ROSANNE PAGANO

THE ASSOCIATED PRESS

**ANCHORAGE, Alaska** — The U.S. Commerce Department on Friday approved a commercial fishing reform that allocates quotas of Alaska black cod and halibut.

Final regulations may be in place in time for the widely disputed individual fishing quota system to go into effect next year, the National Oceanic and Atmospheric Administration said.

Fishermen will be allotted their share based on how long they have been active in the halibut or black cod fishery, and how much fish they have caught in previous seasons.

Regulators say the system, known as IFQ, will end derby-style fishing that attracts hundreds of boats for 24-hour openings in spring and fall.

Opponents in some Alaska ports say quotas will edge out some smaller operators and crews, weakening the local economy.

Fishermen using fixed gear, including pot gear and hook-and-line gear, are targets of the new system, NOAA said.

Quotas restrict the halibut and black cod commercial catch in U.S. waters. Fisheries primarily are in Alaska including Bristol Bay, the Bering Sea and the Gulf of Alaska.

William Fox, director of the National Marine Fisheries Service, a branch of NOAA, said Friday quotas would improve fishing safety and could provide consumers with fresh fish more often.

Fox said quotas permit operators to fish when the price is right, rather than work the 24-hour openings even if full crews are unavail-

able, weather is bad or vessels are unprepared.

"A derby is a very unsafe fishery," Fox said.

Details remain to be worked out in final regulations. Alaska's congressional delegation last summer sought to block final approval of IFQs, saying the reform needed more study.

That put the delegation at odds with Lie Hiekel administration's fisheries expert, Clem Tillion, who helped win approval for quotas from the North Pacific Fishery Management Council.

The council developed the plan and approved it in 1991. Kodiak, among the nation's top fishing ports, was among Alaska communities seeking to block final approval.

A coordinator of the Kodiak Island Borough's effort said meetings may be arranged with environmental groups, also opposed to quotas, to see if continued appeals were worthwhile.

"This is going to be a very expensive program," Kodiak coordinator Jeff Stephan said. He said cost of additional paperwork would siphon monies that could have gone to fisheries research and management.

Stephan said opponents may argue the program's cost as a strike against it with members of Con-

gress.

In Sitka, the executive director of Alaska Longline Fishermen's Association said she was pleased with the federal approval.

But Linda Behnken said more work may yet be done to make quotas more fair.

"It's been long, hard work and a lot of people participated," Behnken said. "But it's also a little tough, knowing that a lot of people in the community still have a lot of concerns."

Alaska Sen. Frank Murkowski in a prepared statement Friday said he had urged delay of the IFQ approval until there were assurances the system would not harm small fishermen.

"We all know something needs to be done to protect fishermen from having to fish in bad weather, to spread out the arrival of fresh fish on the market to improve both quality and price," Murkowski said.

"I'm still not certain that the current IFQ system is the best," Murkowski said many coastal cities were "entirely dependent" on fishing.

Sen. Ted Stevens, R-Alaska, said he remained concerned that many crewmembers and other participants will be left out of the halibut and black cod fisheries.

"I am still hearing serious questions about the impact of IFQs on

coastal communities and the cost of implementing the proposal, Stevens said in a news release.

**HB**

**124**

**HFIN**

**FILE**

# HOUSE COMMITTEE REPORT

(11)

Date Referred: April 21, 1993

FURTHER REFERRALS:

Date of Committee Action: 4/25/93

The FINANCE Committee considered:

HB 124

HOUSE BILL NO. 124

CAPITAL PROJECT GRANTS

"An Act relating to grants to municipalities, named recipients, and unincorporated communities; establishing capital project matching grant programs for municipalities and unincorporated communities; establishing a local share requirement for capital project grants to municipalities, named recipients, and unincorporated communities; and providing for an effective date."

**RECOMMENDATIONS:**

be replaced with CS HB 124 (Fin)  the same title  
 a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) \_\_\_\_\_

APPROVES PREVIOUS: (Dept/Date) \_\_\_\_\_

2  fiscal impact HFC

fiscal note(s) \_\_\_\_\_

1  zero fiscal note HFC

zero fiscal note(s) \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Eileen P. Muehlen</i> Muehlen	✓				
<i>Ronald J. Larson</i> Larson	X				
<i>Richard J. Foster</i> Foster	X	<i>Mark Stanley</i> Stanley		X	
		<i>Larry Martin</i> Martin		X	
		<i>Paul Parnell</i> Parnell		X	
		<i>Ben Grossendorfer</i> Grossendorfer		X	
		<i>Mike Navarre</i> Navarre			✓
		<i>Lay Brown</i> Brown			✓
		<i>Les Theriault</i> Theriault		X	

*Ronald J. Larson*  
 CHAIRMAN'S SIGNATURE  
 Larson Muehlen

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_ Dept. Affected DCR&A  
 Title: An Act relating to BRU:  
grants to municipalities BRU: Admin. Services  
 Sponsor: Rules Committee by Request Component Admin. Services  
 Requestor: House Finance Committee 684

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
Personal Services	97.8	97.8	97.8	97.8	97.8	97.8
Travel	2.0	2.0	2.0	2.0	2.0	2.0
Contractual	3.0	3.0	3.0	3.0	3.0	3.0
Supplies	0.5	0.5	0.5	0.5	0.5	0.5
Equipment						
Land & Structures						
Grants, Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>103.3</b>	<b>103.3</b>	<b>103.3</b>	<b>103.3</b>	<b>103.3</b>	<b>103.3</b>

CAPITAL						
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REVENUE						
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FUNDING: (THOUSANDS OF DOLLARS)

General Fund	103.3	103.3	103.3	103.3	103.3	103.3
Federal Fund						
Other						
<b>TOTAL</b>	<b>103.3</b>	<b>103.3</b>	<b>103.3</b>	<b>103.3</b>	<b>103.3</b>	<b>103.3</b>

POSITIONS:

Full-Time	2	2	2	2	2	2
Part-Time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

ANALYSIS: (ATTACH A SEPARATE PAGE IF NECESSARY)

Fund Grants Administrator III and Accounting Clerk III

Rep. Ron Larson, <sup>R.2</sup> Co-Chair

465-3878

Prepared By: Rep. Eileen MacLean, Co-Chair <sup>EPM</sup>

Phone: 465-4833

Division: House Finance Committee

Date: 4/25/93

Approved By: \_\_\_\_\_

Agency: \_\_\_\_\_

Date: \_\_\_\_\_

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_ Dept. Affected DOA \_\_\_\_\_  
 Title: An Act relating to BRU:  
grants to municipalities  
 BRU: Admin. Services  
 Sponsor: Rules Committee by Request Component Admin. Services  
 Requestor: House Finance Committee 46

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
Personal Services	99.3	99.3	99.3	99.3	99.3	99.3
Travel	5.0	5.0	5.0	5.0	5.0	5.0
Contractual	3.0	3.0	3.0	3.0	3.0	3.0
Supplies	0.5	0.5	0.5	0.5	0.5	0.5
Equipment						
Land & Structures						
Grants, Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>107.8</b>	<b>107.8</b>	<b>107.8</b>	<b>107.8</b>	<b>107.8</b>	<b>107.8</b>

CAPITAL						
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REVENUE						
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FUNDING: (THOUSANDS OF DOLLARS)

General Fund	107.8	107.8	107.8	107.8	107.8	107.8
Federal Fund						
Other						
<b>TOTAL</b>	<b>107.8</b>	<b>107.8</b>	<b>107.8</b>	<b>107.8</b>	<b>107.8</b>	<b>107.8</b>

POSITIONS:

Full-Time	2	2	2	2	2	2
Part-Time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

ANALYSIS: (ATTACH A SEPARATE PAGE IF NECESSARY)

Fund Internal Auditor III and Accounting Clerk III

Rep. Ron Larson, Co-Chair

465-3878

Prepared By: Rep. Eileen MacLean, Co-Chair *EM*

Phone: 465-4833

Division: House Finance Committee

Date: 4/25/93

Approved By: \_\_\_\_\_

Agency: \_\_\_\_\_

Date: \_\_\_\_\_

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_ Dept. Affected All Municipalities  
 Title: An Act relating to BRU:  
grants to municipalities  
 Sponsor: Rules Committee by Request BRU: Admin. Services  
 Requestor: House Finance Committee Component Admin. Services

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
Personal Services		0.0	0.0	0.0	0.0	0.0
Travel		0.0	0.0	0.0	0.0	0.0
Contractual		0.0	0.0	0.0	0.0	0.0
Supplies		0.0	0.0	0.0	0.0	0.0
Equipment						
Land & Structures						
Grants, Claims						
Miscellaneous						
TOTAL OPERATING	***	0.0	0.0	0	0.0	0.0

CAPITAL						
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REVENUE						
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FUNDING: (THOUSANDS OF DOLLARS)

General Fund						
Federal Fund						
Other						
TOTAL	0.0	0.0	0.0	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)

\*\*\* A local funding match for certain state-funded capital projects is required. See attached analysis.

Prepared By: Rep. Ron Larson, Co-Chair 465-3878  
Rep. Eileen MacLean, Co-Chair EPM Phone: 465-4833  
 Division: House Finance Committee Date: 4/25/93

Approved By: \_\_\_\_\_ Date: \_\_\_\_\_  
 Agency: \_\_\_\_\_

**MUNICIPALITIES - FISCAL IMPACTS**

<u>Municipality</u>	<u>Local Share Percentage</u>
Akiok (KIB)	5%
Akiak	5%
Akutan (AEB)	5%
Alakanuk	5%
Aleknagik	5%
Aleutians East Borough (AEB):	5%
Allakaket	5%
Ambler (NAB)	5%
Anaktuvuk Pass (NSB)	5%
Anchorage, Municipality of	30%
Anderson (DB)	5%
Angoon	5%
Aniak	5%
Anvik	5%
Alka	5%
Atmautluak	5%
Atkasuk (NSB)	5%
Barrow (NSB)	15%
Bethel	15%
Bettles	5%
Brevig Mission	5%
Bristol Bay Borough:	15%
Buckland (NAB)	5%
Cielomak	5%
Chevak	5%
Chignik (LPB)	5%
Chuathbaluk	5%
Clark's point	5%
Coffman cove	5%
Cold bay (AEB)	5%
Cordova	15%
Craig	15%
Deering (NAB)	5%
Delta Junction	5%
Denali Borough (DB):	15%
Dillingham	15%
Diomedes	5%
Eagle	5%
Eek	5%
Ekwok	5%
Elim	5%
Emmonak	5%
Fairbanks (FNSB)	30%
Fairbanks North Star Borough (FNSB):	30%
False Pass (AEB)	5%
Fort Yukon	5%
Galena	5%
Gambell	5%
Golovin	5%
Goodnews Bay	5%
Grayling	5%
Haines (HB)	15%
Haines Borough (HB):	5%

**MUNICIPALITIES - FISCAL IMPACTS**

<u>Municipality</u>	<u>Local Share Percentage</u>
Holy Cross	5%
Homer (KPB)	15%
Hoonah	5%
Hooper Bay	5%
Houston (MSB)	5%
Hughes	5%
Huslia	5%
Hydaburg	5%
Juneau, City and Borough of (JCB)	30%
Kachemak (KPB)	5%
Kake	5%
Kaktovik (NSB)	5%
Kaktag	5%
Kasaan	5%
Kasigluk	5%
Kenai (KPB)	30%
Kenai Peninsula Borough (KPB):	30%
Ketchikan (KGB)	30%
Ketchikan Gateway Borough (KGB):	30%
Kiana (NAB)	5%
King Cove (AEB)	5%
Kivalina (NAB)	5%
Klawock	5%
Kobuk (NAB)	5%
Kodiak (KIB)	30%
Kodiak Island Borough (KIB):	30%
Kotlik	5%
Kotzebue (NAB)	15%
Koyuk	5%
Koyukuk	5%
Kupreanof	5%
Kwethluk	5%
Lake and Peninsula Borough (LPB):	5%
Larsen Bay (KIB)	5%
Lower Kalskag	5%
Manokotak	5%
Marshall (Fortuna Ledge)	5%
Matanuska-Susitna Borough:	30%
McGrath	5%
Mekoryuk	5%
Metlakatla	15%
Mountain Village	5%
Napaklak	5%
Napaskiak	5%
Nenana	5%
New Stuyahok	5%
Newhalen (LPB)	5%
Newtok	5%
Nightmute	5%
Nikolai	5%
Nome	15%
Nondalton (LPB)	5%
Noorvik (NAB)	5%

**MUNICIPALITIES - FISCAL IMPACTS**

<u>Municipality</u>	<u>Local Share Percentage</u>
North Pole (FNSB)	15%
North Slope Borough (NSB):	15%
Northwest Arctic Borough (NAB):	5%
Nuiqsut (NSB)	5%
Nulato	5%
Nunapitchuk (Akolmlut)	5%
Old Harbor (KIB)	5%
Ouzinkle (KIB)	5%
Palmer	15%
Pelican	5%
Petersburg	15%
Pilot Point (LPB)	5%
Pilot Station	5%
Platinum	5%
Point Hope (NSB)	5%
Port Alexander	5%
Port Heiden (LPB)	5%
Port Lions (KIB)	5%
Quinhagak	5%
Ruby	5%
Russian Mission	5%
Sand Point (AEB)	15%
Savoonga	5%
Saxman (KGB)	5%
Scammon Bay	5%
Selawik (NA)	5%
Seldovia (KPB)	5%
Seward (KPB)	15%
Shageluk	5%
Shaktolik	5%
Sheldon Point	5%
Shishmaref	5%
Shungnak (NAB)	5%
Sitka, City and Borough of (SCC)	30%
Skagway	5%
Soldotna (KPB)	15%
St. George	5%
St. Mary's	5%
St. Michael	5%
St. Paul	5%
Stebbins	5%
Tanana	5%
Teller	5%
Tenakee Springs	5%
Thorne Bay	5%
Togiak	5%
Toksook Bay	5%
Tuluksak	5%
Tununak	5%
Unalakleet	5%
Unalaska	15%
Upper Kalslag	5%
Valdez	15%

**MUNICIPALITIES - FISCAL IMPACTS**

<u>Municipality</u>	<u>Local Share Percentage</u>
Wainwright (NSB)	5%
Wales	5%
Wasilla	15%
White Mountain	5%
Whittier	5%
Wrangell	15%
<u>Yakutat</u>	<u>5%</u>
<b>TOTAL:</b>	<b>26%</b>

Source: OMB/JF

Back-up

Capital Project Matching Grant Program  
(HB 124-125, SB 88-89)

OVERVIEW

**PURPOSES:**

- To emphasize local selection and prioritization of community-based capital projects.
- To encourage the selection of high-quality capital projects by establishing a local stake in their success.
- To leverage the effectiveness of State funds by making limited capital budget dollars go farther.

**MAIN ELEMENTS:**

- Creates a statewide block grant program for local capital projects, with local matching funds requirements.
- Applies the same match requirements to other existing capital project grant programs for municipalities, named recipients and unincorporated communities.
- Establishes a rational process for the review and evaluation of community-based capital project proposals, involving communities, the Legislature and the Governor.

**KEY PROVISIONS:**

- The Governor must propose funding for projects in his capital budget proposal in the order of priority selected by the communities, subject to available funding, or explain in writing to the Legislature his reasons for departing from communities' stated preferences.
- The FY 1994 proposed funding level for the program is \$67 million.
- Grant funds are allocated annually to all municipalities in the state (based on population and size factors), and to all unincorporated communities eligible for revenue sharing.
- The maximum grant allocation for a community is determined by the program's annual funding level; the minimum is \$25,000.
- Matching funds requirements are based on community population. The maximum local share is 30 percent of total project cost, rising to 50 percent after two years; the minimum is 5 percent, rising to 8 percent.
- Communities may accumulate their annual grant amounts for up to five years, to facilitate the development and financing of larger projects.

Capital Project Matching Grant Program  
Office of the Governor

**HB 124 / SB 88 - SECTIONAL ANALYSIS**

***SECTION ONE***

This section of the bill sets out the purpose of the legislation. Generally, the purpose includes acknowledgement of the continuing need for funding certain kinds of capital projects through other mechanisms than the proposed capital project matching grant program - - e.g., large or regional projects, projects dealing with basic needs such as education or safe water, or projects whose costs exceed the amounts available under the proposed new program.

Specifically, the bill's purpose is to provide an equitable capital project funding system, enhance the role of communities in initiating and prioritizing their capital projects, encourage a sense of local ownership in capital projects through required cost sharing, and provide a more orderly and thoughtful process for the review and evaluation of capital projects.

***SECTION TWO***

This section of the bill amends AS 36.10.180(a) to make the hiring preferences set out in AS 36.10.150 - .175 apply to grant projects funded through the municipal and unincorporated community portions of the proposed capital project matching grant program (proposed AS 37.06.010 and AS 37.06.020, respectively, as set out in Section 8 of the bill).

These hiring preferences already apply to the existing municipal, named recipient and unincorporated community grant programs under AS 37.05.315, -.316 and -.317, respectively, which are otherwise amended in Sections 3-5 of the bill.

The provisions of AS 36.10.150 - .175 include hiring preferences for qualified residents of identified "zones of underemployment" (§150), for qualified residents of identified "economically distressed zones" (§160), for "economically disadvantaged minority residents" (§170), and for "economically disadvantaged female residents" (§175).

### **SECTION THREE**

This section of the bill amends subsection (a) of AS 37.05.315, the existing statute for grants to municipalities, to require a local financial match for capital project grants funded under that program. (The match provisions are set out in proposed AS 37.06.030 in Section 8 of the bill.)

As defined in AS 37.07.120, "capital projects" and "capital improvements" mean an allocation or appropriation item for an asset with an anticipated life exceeding one year and a cost exceeding \$25 thousand, and include land acquisition, construction, structural improvement, engineering and design for the project, and equipment and repair costs.

### **SECTION FOUR**

This section of the bill amends subsection (a) of AS 37.05.316, the existing statute for grants to named recipients, to require a local financial match for capital project grants funded under that program. (The match provisions are set out in proposed AS 37.06.030 in Section 8 of the bill.)

### **SECTION FIVE**

This section of the bill amends subsection (3) under AS 37.05.317(a) to stipulate that, if no qualified incorporated entity exists to receive a grant to an unincorporated

community under this section, the grant may not be awarded. At present, under the existing provisions of subsection (3), the Department of Community and Regional Affairs must administer such a grant project directly or through its contractors. The amendment is proposed, here, because it would not be appropriate under such conditions to require a financial match from the Department.

### **SECTION SIX**

This section of the bill adds a new subsection (c) to AS 37.05.317, the existing statute for grants to unincorporated communities, to require a local financial match for capital project grants funded under that program. (The match provisions are set out in proposed AS 37.06.030 in Section 8 of the bill.)

### **SECTION SEVEN**

This section of the bill repeals the existing prohibition (AS 37.05.318 - Further Regulations Prohibited) against the promulgation of regulations for grants to municipalities, named recipients and unincorporated communities under AS 37.05.315 - .317, and replaces it with a set of provisions allowing the promulgation of regulations for those grant programs.

The existing provisions of .318 prohibit state agencies from adopting regulations or imposing additional requirements or procedures to implement, interpret, make specific, or otherwise carry out the provisions of AS 37.05.315 - .317, unless required by the federal government for participation in federal programs.

The new set of regulatory provisions set out in this section of the bill stipulates that the Department of Administration (for grants to municipalities under AS 37.05.315), the departments administering grants to named recipients (under AS 37.05.316) and the Department of Community and Regional Affairs (for grants to unincorporated communities under AS 37.05.315) may promulgate regulations, require reports, conduct audits, etc., for purposes of conducting those programs and carrying out the provisions of AS 37.05.315 - .317.

The regulatory provisions set out in this section of the bill also stipulate that these same departments shall promulgate regulations providing for periodic audits of grants made under AS 37.05.315 - .317, and specifically including audit of the departments' methods used to value any contributed labor used to satisfy the local matching share, as well as their methods of confirming that such contributed labor actually was used.

## **SECTION EIGHT**

This section of the bill adds a new Chapter 6 to Title 37 of Alaska's Statutes, setting out the provisions of the proposed capital project matching grant programs. (Technically, there are two separate and distinct matching grant programs - - one for municipalities, and one for unincorporated communities.)

The proposed Chapter 6 includes five sections of statutes:

- Sec. 37.06.010 sets out the proposed Municipal Capital Project Matching Grant Program;
- Sec. 37.06.020 sets out the proposed Unincorporated Community Capital Project Matching Grant Program;
- Sec. 37.06.030 sets out the local matching share requirements for the two programs, above

(plus an equivalent set of local match requirements for grants made to municipal, unincorporated community and named grant recipients under the existing provisions of AS 37.05.315 - .317 as amended in Sections 3, 4 and 6 of this bill, respectively);

- Sec. 37.06.80 provides for the adoption of regulations for the two programs, above; and,
- Sec. 37.06.090 provides a definition of "capital project".

**Sec. 37.06.010 - Municipalities**

**Subsection (a)** establishes the Municipal Capital Project Matching Grant Program in the Department of Administration (DOA).

**Subsection (b)** creates a municipal capital project matching grant fund within DOA, consisting of appropriations to the fund, and provides that appropriations to the fund do not lapse except as provided in (f) of this section. Also provided is that DOA shall establish accounts within the fund for every municipality, that annual appropriations to the fund shall be allocated by formula to each municipality's account, and that interest earnings for each account shall be retained in and become part of each account's balance.

The formula set out in (b) for allocating annual lump-sum appropriations to the fund into the municipalities' accounts stipulates that each municipality shall receive a share of the annual lump-sum appropriation which is equivalent to its population's portion of the sum of all municipal populations in the state, after first adjusting upwards the population counts of smaller municipalities.

The factors by which municipal populations are adjusted are 1.5 for those with populations under 1,000; 1.4 for those of 1,000 - 4,999; 1.2 for those of 5,000 - 10,000; and, 1.0 for those of more than 10,000. These factors are proposed in order to account for the disadvantages which smaller municipalities generally experience relative to larger municipalities regarding their fiscal capacity (including debt capacity and access to capital), their unit costs of constructing capital projects, and their ability to achieve economies of scale in undertaking capital projects and improvements.

(The basis for the population data to be used under this subsection is explained in Subsection (g), below.)

"Municipality", as referred to in the bill, is intended to include all political subdivisions incorporated under the laws of Alaska that are home rule or general law cities, home rule or general law boroughs, or unified municipalities, per AS 29.71.800(13).

Under the approach taken in this section of the bill, incorporated boroughs are the instrumentalities for receiving and administering grants for projects affecting unincorporated communities that lie within borough boundaries; i.e., unincorporated communities which are not eligible for revenue sharing.

**Subsection (c)** sets a minimum grant amount of \$25,000 for each municipality, subject to available appropriations, with allocations to be reduced pro rata by population if necessary to provide at least the minimum amount to each municipality. If the annual lump-sum appropriation to the fund does not permit at least the minimum amount for each municipality, then it is divided equally among all municipalities.

**Subsection (d)** requires municipalities to submit their prioritized requests for capital project grants to the Governor each year by October 1, along with information about their local matching shares. The Governor is required to recommend projects from these lists in his or her annual proposed capital budget, and to inform the Legislature in writing if the projects proposed for a municipality differ in order of priority from the priority originally submitted by the municipality.

**Subsection (e)** stipulates that funds may not be withdrawn by municipalities from their accounts except in accordance with subsequent project-specific appropriations, and that such draws are subject to the local financial match requirements in proposed AS 37.06.030. (Also stipulated are the same covenants governing municipal responsibility for maintaining and operating capital project facilities, and the same hiring preference provisions, which are required at present for grants to municipalities funded under AS 37.05.315.)

**Subsection (f)** requires municipalities to repay money drawn from their accounts if substantial ongoing work on the respective projects involved does not begin within five years, with all such repayments being deposited in the general fund. Also, if money in a municipality's account is not drawn on for five years, the money lapses into the general fund.

**Subsection (g)** stipulates that the population data to be used in making allocations among municipalities in Subsection (b), above, are to be those employed in the State's municipal assistance and revenue sharing programs. To avoid double counting, it also is stipulated that for purposes of this subsection the population of a borough (which legally is a municipality) excludes the population of each city within that borough.

**Subsection (h)** makes the provisions of AS 37.05.321, prohibiting the use of grant money for legislative lobbying, applicable to grants made under this section.

**Subsection (i)** defines the use of the word "department" in this section as meaning the Department of Administration.

**Sec. 37.06.020 - Unincorporated Communities**

**Subsection (a)** establishes the Unincorporated Community Capital Project Matching Grant Program in the Department of Community and Regional Affairs (DCRA).

**Subsection (b)** creates an unincorporated community capital project matching grant fund within DCRA, consisting of appropriations to the fund, and provides that appropriations to the fund do not lapse except as provided in (h) of this section. Also provided is that DCRA shall establish accounts within the fund for every unincorporated community eligible for revenue sharing in the current fiscal year, that annual appropriations to the fund shall be allocated in equal proportions to each eligible community's account, and that interest earnings for each account shall be retained in and become part of each account's balance.

(An eligible unincorporated community is defined in the bill as any place in the unorganized borough that is not incorporated as a city and in which 25 or more persons reside as a social unit, per AS 29.60.140(b). This is the definition used in the Department of Community and Regional Affairs' state revenue sharing program.)

(Under the approach taken in this section of the bill, incorporated boroughs are the instrumentalities for receiving and administering grants for projects affecting unincorporated communities that lie within borough boundaries; i.e., unincorporated communities which are not eligible for revenue sharing.)

**Subsection (c)** sets a minimum grant amount of \$25,000 for each unincorporated community, subject to available appropriations. If the annual lump-sum appropriation to the fund does not permit at least the minimum amount for each eligible community, then it is divided equally among all the eligible unincorporated communities.

**Subsection (d)** provides that DCRA shall determine and designate the entity entitled to represent an unincorporated community for purposes of implementing grants made under this section. (This process is the same as the one currently used in the State revenue sharing program.)

If no qualified entity exists or none is willing, money may not be withdrawn from the community's account and the money allocated to the account lapses into the general fund.

**Subsection (e)** requires unincorporated communities (i.e., their designated representative entities) to submit their prioritized requests for capital project grants to the Governor each year by October 1, along with information about their local matching

shares. The Governor is required to recommend projects from these lists in his or her annual proposed capital budget, and to inform the Legislature in writing if the projects proposed for an unincorporated community differ in order of priority from the priority originally submitted by the community.

**Subsection (f)** stipulates that funds may not be withdrawn by unincorporated communities from their accounts except in accordance with subsequent project-specific appropriations, and that such draws are subject to the local financial match requirements in proposed AS 37.06.030. (Also stipulated are the same covenants governing unincorporated communities' responsibility for maintaining and operating capital project facilities, and the same hiring preference provisions, which are required at present for grants to unincorporated communities funded under AS 37.05.317.)

**Subsection (g)** stipulates that Native village councils acting as unincorporated community representatives under Subsection (d), above, must waive immunity from suit or claims arising from their activities related to grants or draws made under this section. (This is the same provision currently applied to grants made to unincorporated communities under the existing provisions of AS 37.05.317.)

**Subsection (h)** requires unincorporated communities to repay money drawn from their accounts if substantial ongoing work on the respective projects involved does not begin within five years, with all such repayments being deposited in the general fund. Also, if money in a community's account is not drawn on for five years, the money lapses into the general fund.

**Subsection (i)** stipulates that the limitations of AS 44.47.140 (powers and duties of DCRA), prohibiting DCRA from operating a rural program costing in excess of \$100 thousand per year, do not apply to grants made under this section.

**Subsection (j)** makes the provisions of AS 37.05.321, prohibiting the use of grant money for legislative lobbying, applicable to grants made under this section.

**Subsection (k)** defines the use of the word "department" in this section as meaning the Department of Community and Regional Affairs.

**Sec. 37.06.030 - Local Share Requirements**

Subsection (a) stipulates that a local matching share is required for all grants to municipalities made under the existing provisions of AS 37.05.315 or under the new program provisions of AS 37.06.010, and all grants to named recipients made under the existing provisions of AS 37.05.316 - - i.e., that each time a municipal or named recipient grantee wishes to draw funds against its allocation, for a project or projects for which it has received a project-specific appropriation, it must make a matching contribution per the provisions set out in this subsection.

The amount of the local share is defined in this subsection as the local share percentage (as specified in this subsection) divided by the state share percentage (defined in this subsection as 1 minus the local share percentage), multiplied by the amount of the grant or draw. Defining the local share in this way essentially means that the local percentage share is the percentage of the total project cost which is to be borne by the grantee.

For appropriations with effective dates no later than July 1, 1994, the local percentage shares for municipalities of various population sizes are:

<u>Share</u>	<u>Population</u>
30 percent	5,000 or more
15 percent	1,000 - 4,999
5 percent	less than 1,000

After two years, i.e., for appropriations with effective dates after July 1, 1994, the local percentage shares for municipalities of these population sizes are:

<u>Share</u>	<u>Population</u>
50 percent	5,000 or more
25 percent	1,000 - 4,999
8 percent	less than 1,000

For named grant recipients, the provisions in this subsection stipulate that the local share percentage shall be equal to that of the community in which the named grant recipient is located, with the additional stipulation that named grant recipients located in unincorporated communities will have a local share percentage of 5 percent for grant funds appropriated with effective dates no later than July 1, 1994, and 8 percent for grant funds appropriated with effective dates after July 1, 1994. (These latter rates are the same as those established for unincorporated communities in Subsection (b) of this

section.)

For municipalities, directly contributed labor, material, equipment, etc., money from non-state sources, funds received through the State municipal assistance and revenue sharing programs, shared state taxes (not otherwise prohibited), and state-reimbursed school construction debt money may constitute the local share. No other money from state sources, including the state-financed portion of assets obtained in part with state funds, may be used as an in-kind contribution towards fulfilling the local matching share.

The same provisions for in-kind matches are permitted under this subsection for named grant recipients, with the exceptions of municipal assistance and revenue sharing, shared taxes, and school construction debt.

In all instances, the Department of Administration shall determine the value of in-kind match contributions for municipalities, and the relevant department administering a named recipient grant shall determine the value of in-kind match contributions for those types of grants.

**Subsection (b)** stipulates that a local matching share is required for all grants to unincorporated communities made under the existing provisions of AS 37.05.317 or under the new program provisions of AS 37.06.020 - - i.e., that each time an unincorporated community or its designated recipient entity wishes to draw funds against its allocation, for a project or projects for which it has received a project-specific appropriation, it must make a matching contribution per the provisions set out in this subsection.

As with municipalities under Subsection (a), above, the amount of the local share is defined in this subsection as the local share percentage (as specified in this subsection) divided by the state share percentage (defined in this subsection as 1 minus the local share percentage), multiplied by the amount of the grant or draw. Defining the local share in this way essentially means that the local percentage share is a percentage of the total project cost which is to be borne by the grantee.

For appropriations with effective dates no later than July 1, 1994, the local percentage shares for unincorporated communities is 5 percent, rising to 8 percent for grant funds from appropriations with effective dates after July 1, 1994.

The in-kind match provisions for unincorporated communities are the same as those for named grant recipients, except that unincorporated communities may use their state revenue sharing funds for match purposes.

In all instances, Department of Community and Regional Affairs shall determine the value of in-kind match contributions for unincorporated communities or their designated entities.

**Subsection (c)** stipulates that, for purposes of determining the municipal population thresholds used for matching in Subsection (a) of this section, the population data to be used are those employed in the State's municipal assistance and revenue sharing programs. Similarly, to avoid double counting, it also is stipulated that for purposes of this subsection the population of a borough (which legally is a municipality) excludes the population of each city within that borough.

**Sec. 37.06.080 - Regulations**

This section provides the Department of Administration and the Department of Community and Regional Affairs with the authority to promulgate regulations for grants made to municipalities and named recipients, and for grants made to unincorporated communities, respectively, under the proposed AS 37.06.010 and .020.

Essentially, these provisions allow the departments to promulgate regulations, require reports, conduct audits, etc., for purposes of conducting the program and carrying out the provisions of this section of the bill. Specifically, this subsection requires that such audits must address the departments' methods used to value any contributed labor used to satisfy the local share, as well as their methods of confirming that such contributed labor actually was used.

**Sec. 37.06.090 - Definition**

This section provides the same definition of "capital project" for the new Chapter 6 as that used in the existing provisions of AS 37.05.315 - .317; i.e., an asset with a life span of more than one year and costing at least \$25 thousand (as defined in AS 37.07.120).

## **SECTION NINE**

This section of the bill establishes a first-year (FY 1993) transition schedule for implementing the capital project matching grant programs for municipalities and unincorporated communities (under AS 37.06.010 and AS 37.06.020, respectively, in Section 8 of the bill).

For this initial year of the programs only, this section requires that municipalities and unincorporated communities or their representative entities must submit their prioritized list of proposed capital projects to the Governor by March 1, 1993, or by the effective date of the bill, whichever is later. (The date for all ensuing years would be October 1, as set out in Section 8 of the bill.)

## **SECTION TEN**

This section of the bill stipulates that capital project grants made under the existing provisions of AS 37.05.315-.317 (to municipalities, named recipients and unincorporated communities) as amended by this bill, and grants made under AS 37.07.06 as proposed by this bill, may not be disbursed or drawn upon until after June 30, 1993. This reason for this provision is to allow the departments affected by this bill to have time for developing and promulgating interim regulations before disbursements and draws begin.

## **SECTION ELEVEN**

This section of the bill provides for an immediate effective date.

Office of the Governor  
State of Alaska

CAPITAL PROJECT MATCHING GRANT PROGRAM

(HB 124 - SB 88)

QUESTIONS AND ISSUES

General

- ***The current system for funding discretionary capital project grants works fine, and in many cases already includes local financial participation.***

While some capital projects proposed by communities do include local financial participation, State funding dollars would go much farther if all such projects included local matching funds. Additionally, the current process frequently is haphazard, with projects selected as often for political reasons as for their merit or real need, which makes it difficult for communities to conduct effective planning.

- ***What commitment is there from the Governor that this matching grant proposal will work, when other programs predicated on local participation may not be adequately funded or are being cut back (e.g., municipal assistance)?***

The proposed matching grant program is one of the highest priorities of this administration. While funding for all programs is subject to the availability of revenue for appropriation, funding for this program will be strongly supported by the Governor because of the program's likely effectiveness in optimizing local capital development decisions and in leveraging State development funding.

## Formula Programs

- ***The proposed program would create yet another formula program, at a time when formula-driven costs are increasing and needs for existing formula programs are not being met.***

The proposed matching grant program is different from other "formula" programs because its funding level would be completely discretionary, subject to the desires of the Legislature and the Governor. It therefore would not establish a cost center which would grow in uncontrolled fashion, like other, less tractable formula programs. To the contrary, the proposed block grant program would maximize both the efficiency of State funding as well as the efficiency of capital project planning, and in this sense actually help to reduce, rather than compound, the State's growing formula programs "problem".

- ***Other formulas will be affected by the projects built with matching grant funds.***

Projects built with matching grant funds will not affect other formula programs any more or less than projects undertaken through the current discretionary approach. If anything, the improved planning made possible through the proposed matching grant program will help to reduce the extent and magnitude of unintended and unforeseen impacts of capital projects on other formula programs.

## Fairness

- ***Basing grant amounts on population overlooks disparities among communities' needs, especially between urban and rural communities.***

Grant amounts in the proposed program are not based solely on population. Rather, community populations are adjusted through the use of a set of numerical factors in the grant allocation formula, specifically to account for: (1) the generally higher unit costs of capital projects in smaller and more rural communities; (2) the relatively smaller debt capacity of smaller communities, compared to larger communities; and, (3) the relatively limited ability of smaller communities to enjoy the economies of scale enjoyed by larger communities in undertaking capital projects and improvements.

Very small, unincorporated communities do receive a fixed grant allocation amount under the proposed program. It is important to note, however, that the proposed program is not designed or intended to address the larger set of unmet major community and regional capital development needs in the state, either in incorporated or unincorporated areas. The need for using

other mechanisms to address these larger needs is emphasized in the intent section of the enabling legislation for this program.

- ***The proposed program may be unfair to those communities which already have bonded to meet their capital needs.***

This is not likely to be an issue, as the proposed program focuses on relatively small capital projects for which communities would not likely undertake bonding anyway. The real issue is that, with revenues expected to decline, everybody's dollars will need to be stretched and used more effectively. The proposed matching grant program will help to do just that.

- ***The proposed local matching share requirement for unincorporated communities is too low, and thus is unfair to larger communities.***

As a group, unincorporated communities often have been "forgotten" in the past. They do not enjoy many of the resource advantages of larger communities, especially those deriving from the benefits of economies of scale and access to capital (both human as well as financial). Those in rural areas of the state also face notably higher unit costs for construction and development projects. The relatively low match requirement for unincorporated communities is therefore explicitly intended to address some of these disadvantages. In this regard, it should be noted that this low match requirement applies only to unincorporated communities located in the unorganized areas of the state; all others receive grants through their borough governments, which are subject to the higher tiers of match requirements applied to municipalities.

### Fiscal Capacity

- ***The proposed program is another case where the fiscal capacity of local communities is being ignored by the Administration; we are pushing more responsibilities down to local governments, but not doing anything to enhance their fiscal capacities.***

Community differences regarding fiscal capacity are explicitly addressed in the proposed program, both in the program's grant allocation formula as well as in its matching grant requirement provisions. These considerations, plus the various in-kind allowances permitted to satisfy the match requirement, have been formulated specifically to address the constraints posed by the limited nature of local communities' fiscal capacities.

- ***This program overestimates the ability of a community to provide matching funds, especially in smaller rural communities.***

In order to allow all communities to participate, the proposed program allows a broad use of in-kind items (e.g., labor, materials, equipment, land, shared taxes, reimbursements, etc.) as allowable sources or types of matching funds. Also allowed for meeting the match requirement are municipal assistance and revenue sharing funds, and funds from any non-state sources. All of these provisions in the proposed program will help communities, and especially smaller rural communities, to meet the matching funds requirement.

### Eligibility

- ***The level of funding proposed for the program determines whether a given project is eligible for the program.***

Under any block grant program, unless other specific eligibility provisions apply, a project is neither "eligible" or "ineligible" for funding; it is simply either affordable or not - - if not, supplementary funding must be found. The proposed program proposes no such eligibility criteria for projects; rather it allows funding to be used for any type of capital project, as currently defined in law.

### Matching Requirements

- ***Small rural communities, in particular, will have difficulties in meeting their match requirements, even with the use of in-kind contributions.***

The proposed program is intended for relatively small capital projects (not for larger area-wide or regional projects), so meeting the matching requirements should not be overly difficult, even for small rural communities. This is especially true if the program's in-kind match provisions are taken into consideration, and all the more true if land or other forms of shared state revenues (shared taxes, school debt reimbursement, etc.) are allowed as an in-kind match, as they are in the proposed legislation.

- ***It is not realistic to assume that small communities and villages will be able to count on contributed labor as a means of meeting their match requirements.***

The program does not assume that small communities and villages will be able to depend on a steady supply of manpower. It does assume, however, that, no matter how small, communities will be able to provide a mix of cash, contributed materials, equipment and supplies, and contributed manpower, sufficient to meet their matching funds requirements. Considering that (1) smaller projects are the focus of the proposed program, (2) matching funds,

like the State grant funds themselves, can be accumulated over time, (3) a variety of forms of in-kind contributions can be used, and (4) the match requirements for the smallest communities is initially only 5 percent, the proposed program's match requirements should not be viewed as especially burdensome.

- ***The State (DOA, DCRA) will encounter major difficulties in attempting to place a value on manpower, materials, etc., which may be contributed by communities to meet their match requirements.***

The departments of Administration and Community and Regional Affairs anticipate no major difficulties in assigning such values, as valuations of in-kind contributions for grant projects are routinely conducted by state government. There should be no difficulty in adopting or adapting statewide or regional prevailing wage standards through (e.g.) the Department of Labor, or materials cost standards through (e.g.) the Department of Transportation and Public Facilities for such purposes, or other such benchmarks.

#### **Borough/Municipal Powers**

- ***The differing powers and limitations of boroughs and municipalities will make it difficult to decide whether one or the other, or both, should be the proper grant recipient.***

One of the most important aspects of the proposed program is to emphasize local selection of capital projects - - primarily, on the basis that communities know best their own needs and development requirements, and are in the best position to choose the timing of their projects as well as the best manner of utilizing their financial and human resources to develop those projects. Part of this increased freedom of choice is, of course, the responsibility of having to make those choices.

Given this freedom of choice, communities will need to work out for themselves the best approaches to cooperative development of their projects. Certainly, nothing in the proposed program limits communities or boroughs in their freedom to make these choices, or in their flexibility regarding methods of working together for such purposes. (The Alaska Constitution is actually quite permissive in this regard - - see Article X, Section Thirteen: Agreements, Transfer Of Powers.) Additionally, the State will be available to assist communities and boroughs in formulating such cooperative agreements and approaches, if requested.

- ***The proposed program may put too much power into the hands of the State's municipalities.***

This is unlikely, as the proposed program deals primarily with relatively smaller capital projects. Given that major capital projects will continue to be funded through other mechanisms, and that boroughs and municipalities would be encouraged under the program to work together in the selection, planning and implementation of projects, it seems more likely that the proposed program would tend to engender or reinforce an equitable sharing of local roles and responsibilities.

### Funding

- ***The possibility exists that, in any given year, inadequate funding levels for the program may result in no projects at all getting built; i.e., communities may have to "bank" their grant awards until sufficiently large amounts of funding can be accumulated.***

The possibility of inadequate funding levels for capital projects, such as it is, is neither increased nor diminished by the proposed program.

### Costs

- ***Funding grant projects in all municipalities and unincorporated communities will create a large deferred maintenance problem, statewide, because communities will not have enough money to provide maintenance.***

It is not expected that the proposed program will either diminish or exacerbate existing problems of deferred facilities maintenance. Since communities will be contributing their own money to projects under this program, however, and since the program will enhance communities' abilities to adequately plan for projects, it is expected that the maintenance costs of new facilities will tend to receive their proper attention before construction is undertaken.

# FISCAL NOTE

Revision Date: \_\_\_\_\_ Dept. Affected: Community & Regional Affairs  
 Title: Capital Project Matching Grants BRU: Local Government Assistance  
 Component: Training & Development  
 Sponsor: \_\_\_\_\_  
 Requestor: \_\_\_\_\_ COMPONENT SERIAL NO. 672

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	108.4	113.8	119.5	125.5	131.8	138.4
TRAVEL	27.5	27.5	27.5	27.5	27.5	27.5
CONTRACTUAL	16.8	16.8	16.8	16.8	16.8	16.8
SUPPLIES	3.4	2.2	2.2	2.2	2.2	2.2
EQUIPMENT	5.0	1.0	1.0	1.0	1.0	1.0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>161.1</b>	<b>161.3</b>	<b>167.0</b>	<b>173.0</b>	<b>179.3</b>	<b>185.9</b>
CAPITAL						
REVENUE FUND SOURCE:	1004	1004	1004	1004	1004	1004

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	161.1	161.3	167.0	173.0	179.3	185.9
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	<b>161.1</b>	<b>161.3</b>	<b>167.0</b>	<b>173.0</b>	<b>179.3</b>	<b>185.9</b>

POSITIONS:

FULL-TIME	2	2	2	2	2	2
PART-TIME						
TEMPORARY						

Estimate of current (FY93) impact \$ None

ANALYSIS: (Attach a separate page if necessary)  
  
See attached.

Prepared by: Remond Henderson Phone: 465-4708  
 Division: Administrative Services Date: 2/2/93  
 Approved by Commissioner: [Signature] DEPUTY COMMISSIONER Date: 2/2/93  
 Agency: Community and Regional Affairs

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Position Title Planner II		No. of Positions 1	Range Step 17/A	Barg. Unit GGU
Time Status FT	Staff Months 12	Location Anchorage		Election District
TYPE OF EXPENDITURE		Amount	Justification	
Salary			<p>One new community planning/land management position is needed to accomplish the program purposes of "improving the process for making grants for capital projects by providing a more orderly and thoughtful planning process that involves the local community..." and enhancing "the roll of communities in initializing and prioritizing the construction of capital projects."</p> <p>The position will target the unincorporated communities and smaller municipalities. It will be able to assist 8 to 12 communities prepare community development strategies and capital project plans. This represents about 10 to 15 percent of the communities who do not have local staff to prepare community development and capital project plans sufficient to accomplish the purposes of this program.</p> <p>The Planner II will also provide the assistance required to acquire and verify the land ownership and value used as local match. This service can be provided for most DCRA and DOA administered grants provided the additional travel funds for existing land management positions are included.</p> <p>The position was not included in the previous fiscal note for similar legislation last year because, prior to FY93 cuts, staff were available to accomplish the above purposes at the levels proposed.</p> <p style="text-align: right;">.continued on next page</p>	
Benefits				
Premium Pay				
Other				
Total Personal Services.		54,182		
Travel		12,500		
Contractual		8,400		
Commodities		1,750		
Equipment		2,500		
Other				
Total Cost		79,332		
FUNDING SOURCE FOR TOTAL COST				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004	79,332		
I-A Receipts	1007			
CIP Receipts	1061			
Other				

**REQUEST  
FOR  
NEW  
POSITION**

AGENCY Community & Regional Affairs  
 BFU Local Government Asst.  
 COMPONENT Training & Development

PAGE 2 OF 4

FY 94

No. 2  
 1-8/14

(continued Planner II)

Additional travel is also included to support existing land management positions travel to assist communities. These funds were not requested last year, but the 20 percent cut in travel funds drastically reduced staff ability to travel to communities to provide assistance.

The new position will be located in anchorage.

REQUEST  
FOR  
NEW  
POSITION

AGENCY Community & Regional Affairs  
BRU Local Government Assistance  
COMPONENT Training & Development

Page 3 of 4

FY94

F-3184  
No. 2

Position Title <b>Local Government Specialist III</b>		No. of Positions <b>1</b>	Range / Step <b>17/A</b>	Org. Unit <b>GGU</b>
Time Status <b>FT</b>	Staff Months <b>12</b>	Location <b>Anchorage</b>		Election District
TYPE OF EXPENDITURE		Amount		
Salary				
Benefits				
Premium Pay				
Other				
<b>Total Personal Services</b>		<b>54,182</b>	<b>54182</b>	
Travel		<b>15000</b>		
Contractual		<b>8400</b>		
Commodities		<b>1700</b>		
Equipment		<b>2500</b>		
Other				
<b>Total Cost</b>		<b>81782</b>	<b>81782</b>	
FUNDING SOURCE FOR TOTAL COST				
Federal Reverts	1062			
G. E. Match	1003			
General Fund	1004	<b>81782</b>		
FA Reverts	1007			
CD Reverts	1061			
Other				
<p><b>Justification</b></p> <p>A new Local Government Specialist (LGS) position to assist the unincorporated communities do the financial planning and management necessary to secure the financial match and to achieve and demonstrate the financial ability to operate and maintain the facility.</p> <p>This LGS will be able to assist 8 to 12 communities with capital project planning. This represents about 11 to 20 percent of unincorporated communities who require assistance to do effective financial planning and management.</p> <p>This position was not included in the previous Fiscal Note for similar legislation last year because, prior to FY 93 cuts, staff were available to adequately accomplish the above purposes.</p> <p>Additional travel is also included to support existing LGS positions travel to assist communities. These funds were not requested last year, but the 20 percent cut in travel funds drastically reduced staff ability to travel to communities to provide assistance.</p> <p>The new position will be located in Anchorage.</p>				

**Request For  
New Position**

AGENCY Dept. Community and Regional Affairs  
 Municipal Government Assistance  
 COMPONENT Training and Development

**FY 94**

Page **4** of **4**  
 Revised Date:

7  
6  
2  
4

# FISCAL NOTE

No. 5  
 Bill Version: HB 124  
 (H) Publish Date: 2/3/93

STATE OF ALASKA  
 1993 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_  
 Title: Capital Matching Grants  
 Sponsor: Governor  
 Requestor: Governor

Department Affected: Environmental Conservation  
 BRU: Facilities, Construction & Operation  
 Component: Facilities Construction

COMPONENT SERIAL NO. 673

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND&STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL						
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REVENUE FUND SOURCE:						
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FUNDING:

1002 FEDERAL RECEIPTS	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF MATCH	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/PROGRAM RECPT	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTLA	0.0	0.0	0.0	0.0	0.0	0.0
OTHER	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

POSITIONS: NONE

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY93) impact: \$ NONE

ANALYSIS: (Attach a separate page if necessary.)

See attached

Prepared by: Janice Adair  
 Division: Commissioner's Office

Phone: 465-5010  
 Date: 1/28/93

Approved by Commissioner: *James Adair*  
 Agency: Department of Environmental Conservation

Date: 1/28/93

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

The capital matching grants bill does not impact the three (3) capital construction grant programs currently within the Department of Environment Conservation's authority.

AS 46.03.030 establishes a 50% matching program for municipalities for the construction of public water supplies, treatment and distributions systems and public sewage collection, and treatment and discharge facilities.

AS 46.03.032 establishes the Alaska Clean Water fund to meet federal matching requirements for sewer facility construction as well as a State Clean Water Fund (which has not been capitalized) to fund both solid waste management and public drinking water facilities.

AS 46.07 establishes the Village Safewater program. AS 46.07.040 specifically states that "A contribution toward the cost of the construction of a facility may not be required from its users."

None of these statutes are amended or repealed by the proposed legislation.

Before DEC will forward any request for a capital construction project on to OMB for funding consideration, we actively work with the local governments in both the municipalities and the villages to ensure the project is supported, and can be operated and maintained by the community. We have long considered the ability and willingness of the community to financially support both the operations and maintenance of the facility as the kind of support that is indicative of a successful village project.

FISCAL NOTE

STATE OF ALASKA  
1993 LEGISLATIVE SESSION

No. 4  
Bill Version: HB 124  
(H) Publish Date: 2/3/93

Revision Date: \_\_\_\_\_  
Title: Establishing the Capital Matching Grants Program  
Sponsor: Rules  
Requestor: Governor

Department Affected: Commerce and Economic Development  
BRU: All  
Component: \_\_\_\_\_  
COMPONENT SERIAL NO. \_\_\_\_\_

EXPENDITURES/REVENUES:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
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
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 FUND SOURCE:	0	0	0	0	0	0
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FUNDING:

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	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

Estimate of current year (FY 93) impact: \_\_\_\_\_

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: Guy Bell, Director  
Division: Administrative Services

Phone: 465-2505  
Date: January 27, 1993

Approved by Commissioner: Paul Fuhs  
Agency: Commerce and Economic Development

Date: 1-28-93

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FISCAL NOTE

STATE OF ALASKA  
1993 LEGISLATIVE SESSION

No. 3  
Bill Version: HB 124  
(H) Publish Date: 2/2/93

Revision Date: \_\_\_\_\_  
Title: 'An Act relating to grants to municipalities ...'  
Sponsor: Rules  
Requestor: \_\_\_\_\_

Department Affected: Administration  
BRU: Administrative Services  
Component: Administrative Services  
COMPONENT SERIAL NO. 46

EXPENDITURES/REVENUES:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	225.4	225.4	225.4	225.4	225.4	225.4
TRAVEL	15.0	15.0	15.0	15.0	15.0	15.0
CONTRACTUAL	3.5	3.5	3.5	3.5	3.5	3.5
SUPPLIES	.8	.8	.8	.8	.8	.8
EQUIPMENT	15.0	3.0	3.0	2.0	2.0	2.0
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	259.7	247.7	247.7	246.7	246.7	246.7

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING:

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	259.7	247.7	247.7	246.7	246.7	246.7
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	259.7	247.7	247.7	246.7	246.7	246.7

POSITIONS:

FULL-TIME	4.0	4.0	4.0	4.0	4.0	4.0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY93) impact: None

ANALYSIS: (Attach a separate page if necessary.)  
See attached.

Prepared by: Sharon Barton, Director  
Division: Administrative Services

Phone: 465-2277  
Date: \_\_\_\_\_

Approved by Commissioner: Nancy Bear Usura  
Agency: Administration

Date: 1/26/93

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ANALYSIS

Four permanent full-time positions will be added to the one existing Grant Administrator position to create a grants section within the Department of Administration, Division of Administrative Services.

The four new positions are:

Administrative Officer III (21 A)

This position will oversee the section and write regulations for the existing Municipal Grant Program and the new Capital Project Matching Grant Program.

Internal Auditor III (19 A)

This position will be responsible for auditing grantees use of grant funds and would determine the validity of each grantees' proposed match.

Grant Administrator II (17 A)

This position will manage the new Capital Project Matching Grant Program.

Accounting Clerk III (10 A/B)

This position will assist in the processing of grant agreements and payments.

New computer equipment will be purchased for each of the four new positions.

Travel funding is requested for on-sight auditing.

FISCAL NOTE

Revision Date: \_\_\_\_\_ Dept. Affected: Community and Regional Affairs  
Title: Capital Project Matching Grants BRU: Administration and Support  
Component: Administrative Services  
Sponsor: \_\_\_\_\_  
Requestor: \_\_\_\_\_ COMPONENT SERIAL NO. 684

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	97.7	102.6	107.7	113.1	118.8	124.7
TRAVEL	5.0	5.0	5.0	5.0	5.0	5.0
CONTRACTUAL	6.0	6.0	6.0	6.0	6.0	6.0
SUPPLIES	1.0	1.0	1.0	1.0	1.0	1.0
EQUIPMENT	13.0	1.0	1.0	1.0	1.0	1.0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>122.7</b>	<b>115.6</b>	<b>120.7</b>	<b>126.1</b>	<b>131.8</b>	<b>137.7</b>

CAPITAL						
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REVENUE FUND SOURCE:	1004	1004	1004	1004	1004	1004
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	122.7	115.6	120.7	126.1	131.8	137.7
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	<b>122.7</b>	<b>115.6</b>	<b>120.7</b>	<b>126.1</b>	<b>131.8</b>	<b>137.7</b>

POSITIONS:

FULL-TIME	2	2	2	2	2	2
PART-TIME						
TEMPORARY						

Estimate of current (FY93) impact \$ None

ANALYSIS: (Attach a separate page if necessary)

SEE ATTACHED

Prepared by: Remond Henderson Phone: 465-4708  
Division: Administrative Services Date: 2/2/93  
Approved by Commissioner: [Signature] DEPT. COMMISSIONER Date: 2/2/93  
Agency: Community and Regional Affairs

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Position Title <b>Grant Administrator III</b>		No. of Positions <b>1</b>	Range / Step <b>19A</b>	Org. Unit <b>CGU</b>
Time Status <b>Full-time</b>	Staff Months <b>12</b>	Location <b>Juneau</b>		Election District <b>4</b>
<b>TYPE OF EXPENDITURE</b>		<b>Amount</b>	<b>Justification</b>	
Salary		44,976	<p>1. Write and implement state regulations pertaining to all legislative grants designated to the department</p> <p>2. Supervise grants section totalling 2 staff positions</p> <p>3. Recommend, develop and implement changes in program operations, internal procedures, operational guides, etc.</p> <p>4. Trains and provides technical assistance to departmental Local Government Specialists doing on-site monitoring on behalf of grants section through workshops and individual contacts.</p> <p>5. Negotiate, write, and administer grant agreements which includes identifying specific project requirements (permits, site control, match, etc.)</p> <p>6. Prepare grant closures and ensure that the terms and conditions of the grant agreements and match have been met and that all funds are expended in accordance with state law and departmental policy.</p> <p>(continued on next page)</p>	
Benefits		16,704		
Premium Pay				
Other				
<b>Total Personal Services</b>		61,680		
Travel		5,000		
Contractual		5,000		
Commodities		500		
Equipment		8,000		
Other				
<b>Total Cost</b>		18,500		
<b>FUNDING SOURCE FOR TOTAL COST</b>				
Federal Receipts	1002			
G.F. Match	1003			
General Fund	1004	80,180		
LA Receipts	1007			
CFP Receipts	1061			
Other				

**Request For  
New Position**

AGENCY Community and Regional Affairs  
 DIVISION Administration and Support  
 COMPONENT Administrative Services

**FY 94**

Page 2 of 4  
 Revised Date:

Nov 1  
 1994

Page 2 - Grant Administrator III

7. Conduct in-depth review of progress and financial reports submitted by grantees and resolve any problems.

ADDITIONAL  
EXPLANATION  
FORM

AGENCY Comm. & Reg. Affairs

BRU Admin & Support

COMPONENT Administrative Svcs.

FY 94

Page 3 of 4

Revised Date

1-8-91  
No 1

Position Title <b>Accounting Clerk III</b>		No. of Positions <b>1</b>	Range / Step <b>10A</b>	Barg. Unit <b>GGU</b>
Time Status <b>PFT</b>	Staff Months <b>12</b>	Location <b>AWA</b>		Election District
<b>TYPE OF EXPENDITURE</b>		<b>Amount</b>		
Salary		<b>24,756</b>		
Benefits		<b>11,280</b>		
Premium Pay				
Other				
<b>Total Personal Services</b>		<b>36,036</b>		
Travel		<b>-0-</b>		
Contractual		<b>1,000</b>		
Commodities		<b>500</b>		
Equipment		<b>5,000</b>		
Other		<b>-0-</b>		
<b>Total Cost</b>		<b>6,500</b>		
<b>FUNDING SOURCE FOR TOTAL COST</b>		<b>42,536</b>		
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004	<b>42,536</b>		
IA Receipts	1007			
CHP Receipts	1061			
Other				

**Justification**  
It is expected that 20 - 40 Capital Matching Grants and 80 - 100 local share requirements will be handled by this position. An in-depth review of matching requirements will be done of all grantees before processing payments. Prepare financial status report for managers and grant administrator. Make AKSAS adjustments and report any problems to supervisors.  
  
It is necessary to purchase personal computer and related equipment to support the activities of this position.

**Request For  
New Position**

AGENCY Community & Regional Affairs  
BRU Administration and Support  
COMPONENT Administrative Services

**FY 94**

Page 4 of 4  
Revised Date: \_\_\_\_\_

NE-1  
11/24/93

# FISCAL NOTE

No. 6  
 Bill Version: HB 124  
 (H) Publish Date: 2/3/93

STATE OF ALASKA  
 1993 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_ Department Affected: Labor  
 Title: "An Act relating to ... capital project  
matching grant programs ..." BRU: All  
 Sponsor: Rules Committee Component: All  
 Requestor: Governor COMPONENT SERIAL NO. \_\_\_\_\_

**EXPENDITURES/REVENUES:**

(Thousands of Dollars)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

REVENUE FUND SOURCE:						
----------------------	--	--	--	--	--	--

**FUNDING:**

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipt						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY93) impact: \$ None

**ANALYSIS:** (Attach a separate page if necessary)

Prepared by: David Teal, Director Phone: 465-5981  
 Division: Administrative Services Date: 1/28/93  
 Approved by Commissioner: Charles W. Mahlen  
 Agency: Department of Labor Date: 1/28/93

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# Municipality of Anchorage



OFFICE OF THE MAYOR

P.O. BOX 198880  
ANCHORAGE, ALASKA 99519-8880  
(907) 343-4431

TOM FINK,  
MAYOR

February 22, 1993

Senator Randy Phillips  
State Capitol  
Juneau, Alaska 99801

Re: SB 88, Grants to Municipalities  
SB 89, Capital Project Matching Grant Programs

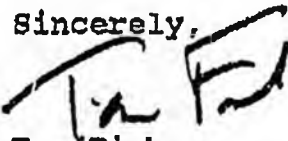
Dear Senator Phillips:

The Municipality of Anchorage supports the concept of a capital matching grant program. We would prefer a 75/25 matching program.

SB 88 proposes a 70/30 ratio which would change to 50/50 after July 1, 1994. We oppose this provision in the bill and urge you to strike this language from the bill.

We also support the intent of SB 89, which would appropriate \$65 million dollars for the capital matching program. However, Anchorage's share of this amount is far short of the amount we have budgeted for our capital program. Our April 1993 bond package alone asks for a current state matching grant of \$50 million for general government projects. In addition to the MOA's general government needs, there are very significant dollar needs for utilities and schools. Obviously, all of Alaska's capital needs cannot be met by this appropriation. It is a step in the right direction, assuming that a larger pool of money will be available for other capital expenditures.

Sincerely,

  
Tom Fink  
Mayor



217 Second Street, Suite 200 ■ Juneau, Alaska 99801 ■ Tel (907) 586-1325, Fax (907) 463-5480

Date: March 1, 1993 -  
To: Representative Harley Olberg, Chair  
and Members, House Community and Regional  
Affairs Committee  
From: Kent E. Swisher, Executive Director  
Subject: HB 124, Capital Matching Grant Programs

Although the Alaska Municipal League supports the concept of matching capital grants, we have a number of concerns with the proposal before the committee, which are expressed in the attached position statement.

Our major concerns are that:

The minimum amount for small jurisdictions (\$25,000 per year) simply isn't enough to be meaningful in terms of a capital project. AML believes that the minimum should be at least \$50,000 per jurisdiction per year.

The distribution formula is population based and does not adequately recognize community need.

The match requirements do not recognize community ability to pay, and the costs of local project administration are not included as eligible matching costs, and the use of funds from other sources for match is limited.

Section 315 grants, the Legislature's discretionary grants to local government would be subject to new matching and administrative regulation requirements.

We hope that the Committee might be disposed to remedy these concerns and send forward an amended version of HB 124.



## AML POSITION ON MATCHING CAPITAL GRANTS

The Alaska Municipal League supports the concept of matching grant programs for capital purposes provided that such programs meet the criteria set forth below: \*

1. Provide project determination at the local level,
2. Provide a minimum entitlement that is meaningful, i.e., not less than \$50,000 per municipality per year,
3. Provide equitable distribution of funds according to population, services provided, and/or need,
4. Provide for differentials in construction costs, urban vs. rural, -
5. Provide for accountability, and
6. Require a local contribution (local match) which is a weighted local contribution based on local wealth (ability to pay). Local governments should be able to use as match the value of municipal land or other assets, and/or any funds available to them from any source not limited by other law or contract.

\*From AML Resolution 93-8, adopted November 14, 1992 (attached).

As a matter of general policy, the League supports a statutorily enacted block grant program which deals with local concerns regarding adequacy and certainty of funding, coupled with a recognition of local need and ability to pay.

In reviewing HB 124, we see that it meets, in whole or in part, some, but not all of these criteria. The amount to be provided as a minimum is less than adequate, and the matching requirements contained in the bill do not fully recognize limitations on community ability to pay. The value of local administrative expense does not seem to be recognized as a match element, and local government would also wish to be able to use any funds from local, state or federal sources as match.

Additionally, some of the flexibility now available in Section 315 grants, the legislature's discretionary grants to municipalities, will be lost if new statutory match requirements are imposed on that program as well as on grants under the proposed new program. The League is also concerned that the present bar against administrative regulations on Section 315 grants would be repealed under HB 124.

AML continues to support the concept of matching capital grants as an additional form of financial assistance for local government and hopes that legislation more closely conforming to the criteria set forth in AML Resolution 93-8 will ultimately be enacted.

**HB**

**124**

**SFIN**

**FILE**

# SENATE FINANCE COMMITTEE REPORT

DATE: 4/28/93

FURTHER:

DATE TURNED INTO OFFICE: 5-6-93

The Finance Committee considered **CS FOR HOUSE BILL NO. 124(FIN)**

"An Act establishing capital project matching grant programs for municipalities and unincorporated communities; and providing for an effective date."

and recommends:

replace with S CS CS HB 124 (FINANCE)  
 or  adopt previous \_\_\_\_\_ CS \_\_\_\_\_  
 attaches amendment(s)

same title  
 new title  
 technical title change (HB only)

adopts \_\_\_\_\_ Letter of Intent

further referral to the \_\_\_\_\_

do pass

do not pass

no recommendation

individual recommendations

**NEW FISCAL NOTES**

Department	Date	Zero	Fiscal

**PREVIOUS FISCAL NOTES**

Department	Date	Zero	Fiscal
All Munic./Admin	4/25/93		shows 57
DCR & A	4/25/93		3103.3
Admin	4/25/93		7107.8

Appropriation No Fiscal Note

**DO PASS:**

\_\_\_\_\_  
~~Tom Kelly~~  
 \_\_\_\_\_  
 \_\_\_\_\_

**OTHER RECOMMENDATIONS:**

Tom Kelly - No Rec  
Steve Parris - No Rec  
Ken Kuntz - DO NOT PASS  
Bob Ketchum - NO REC  
Bob Ketchum - No Rec  
Tom Kelly - 10/22

1. Dr. [Signature] - Ad PASS  
 Co-Chair: Signature/Recommendation

2. [Signature] - 10/22  
 Co-Chair: Signature/Recommendation

F I S C A L N O T E

REQUEST:

Revision Date: \_\_\_\_\_ Dept. Affected DOA \_\_\_\_\_  
 Title: An Act relating to BRU:  
grants to municipalities BRU: Admin. Services  
 Sponsor: Rules Committee by Request Component Admin. Services  
 Requestor: House Finance Committee 46

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
Personal Services	99.3	99.3	99.3	99.3	99.3	99.3
Travel	5.0	5.0	5.0	5.0	5.0	5.0
Contractual	3.0	3.0	3.0	3.0	3.0	3.0
Supplies	0.5	0.5	0.5	0.5	0.5	0.5
Equipment						
Land & Structures						
Grants, Claims						
Miscellaneous						
TOTAL OPERATING	107.8	107.8	107.8	107.8	107.8	107.8

CAPITAL						
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REVENUE						
---------	--	--	--	--	--	--

FUNDING: (THOUSANDS OF DOLLARS)

General Fund	107.8	107.8	107.8	107.8	107.8	107.8
Federal Fund						
Other						
TOTAL	107.8	107.8	107.8	107.8	107.8	107.8

POSITIONS:

Full-Time	2	2	2	2	2	2
Part-Time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

ANALYSIS: (ATTACH A SEPARATE PAGE IF NECESSARY)

Fund Internal Auditor III and Accounting Clerk III

Rep. Ron Larson, Co-Chair

465-3878

Prepared By: Rep. Eileen MacLean, Co-Chair *EPM*

Phone: 465-4833

Division: House Finance Committee

Date: 4/25/93

Approved By: \_\_\_\_\_

Agency: \_\_\_\_\_

Date: \_\_\_\_\_

F I S C A L N O T E

REQUEST:

Revision Date: \_\_\_\_\_ Dept. Affected DCR&A  
 Title: An Act relating to BRU:  
grants to municipalities  
 BRU: Admin. Services  
 Sponsor: Rules Committee by Request Component Admin. Services  
 Requestor: House Finance Committee 684

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
Personal Services	97.8	97.8	97.8	97.8	97.8	97.8
Travel	2.0	2.0	2.0	2.0	2.0	2.0
Contractual	3.0	3.0	3.0	3.0	3.0	3.0
Supplies	0.5	0.5	0.5	0.5	0.5	0.5
Equipment						
Land & Structures						
Grants, Claims						
Miscellaneous						
TOTAL OPERATING	103.3	103.3	103.3	103.3	103.3	103.3

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

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

FUNDING: (THOUSANDS OF DOLLARS)

General Fund	103.3	103.3	103.3	103.3	103.3	103.3
Federal Fund						
Other						
TOTAL	103.3	103.3	103.3	103.3	103.3	103.3

POSITIONS:

Full-Time	2	2	2	2	2	2
Part-Time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

ANALYSIS: (ATTACH A SEPARATE PAGE IF NECESSARY)

Fund Grants Administrator III and Accounting Clerk III

Rep. Ron Larson, Co-Chair.

465-3878

Prepared By:

Rep. Eileen MacLean, Co-Chair *EDM*

Phone: 465-4833

Division:

House Finance Committee

Date: 4/25/93

Approved By:

Agency:

Date:

F I S C A L N O T E

REQUEST:

Revision Date: \_\_\_\_\_ Dept. Affected All Municipalities  
 Title: An Act relating to BRU:  
grants to municipalities BRU: Admin. Services  
 Sponsor: Rules Committee by Request Component Admin. Services  
 Requestor: House Finance Committee

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
Personal Services		0.0	0.0	0.0	0.0	0.0
Travel		0.0	0.0	0.0	0.0	0.0
Contractual		0.0	0.0	0.0	0.0	0.0
Supplies		0.0	0.0	0.0	0.0	0.0
Equipment						
Land & Structures						
Grants, Claims						
Miscellaneous						
TOTAL OPERATING	***	0.0	0.0	0	0.0	0.0

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

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

FUNDING: (THOUSANDS OF DOLLARS)

General Fund						
Federal Fund						
Other						
TOTAL	0.0	0.0	0.0	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)

\*\*\* A local funding match for certain state-funded capital projects is required. See attached analysis.

Prepared By: Rep. Ron Larson, Co-Chair 465-3878  
Rep. Eileen MacLean, Co-Chair EPM Phone: 465-4833  
 Division: House Finance Committee Date: 4/25/93

Approved By: \_\_\_\_\_ Date: \_\_\_\_\_  
 Agency: \_\_\_\_\_

MUNICIPALITIES - FISCAL IMPACTS

<u>Municipality</u>	<u>Local Share Percentage</u>
Akiok (KIB)	5%
Akiak	5%
Akutan (AEB)	5%
Alakanuk	5%
Aleknagik	5%
Aleutians East Borough (AEB):	5%
Allakaket	5%
Ambler (NAB)	5%
Anaktuvuk Pass (NSB)	5%
Anchorage, Municipality of	30%
Anderson (DB)	5%
Angoon	5%
Aniak	5%
Arvik	5%
Atka	5%
Almatluak	5%
Atkasuk (NSB)	5%
Barrow (NSB)	15%
Bethel	15%
Bettles	5%
Brevig Mission	5%
Bristol Bay Borough:	15%
Buckland (NAB)	5%
Cheikmak	5%
Chevak	5%
Chignik (LPB)	5%
Chuathbaluk	5%
Clark's point	5%
Coltman cove	5%
Cold bay (AEB)	5%
Cordova	15%
Craig	15%
Deering (NAB)	5%
Delta Junction	5%
Denali Borough (DB):	15%
Dillingham	15%
Diomedes	5%
Eagle	5%
Eek	5%
Ekwok	5%
Elim	5%
Emmonak	5%
Fairbanks (FNSB)	30%
Fairbanks North Star Borough (FNSB):	30%
Fales Pass (AEB)	5%
Fort Yukon	5%
Galena	5%
Gambell	5%
Georgetown	5%
Goodnews Bay	5%
Graying	5%
Haines (HB)	15%
Haines Borough (HB):	5%

MUNICIPALITIES - FISCAL IMPACTS

<u>Municipality</u>	<u>Local Share Percentage</u>
Holy Cross	5%
Homor (KPB)	15%
Hoonah	5%
Hooper Bay	5%
Houston (MSB)	5%
Hughes	5%
Huslia	5%
Hycaburg	5%
Juneau, City and Borough of (JCB)	30%
Kachemak (KPB)	5%
Kake	5%
Kaktovik (NSR)	5%
Kaitag	5%
Kasaan	5%
Kasigluk	5%
Kenai (KPB)	30%
Kenai Peninsula Borough (KPB):	30%
Ketchikan (KGB)	30%
Ketchikan Gateway Borough (KGB):	30%
Kiana (NAB)	5%
King Cove (AEB)	5%
Kivalina (NAB)	5%
Klawock	5%
Kobuk (NAB)	5%
Kodiak (KIB)	30%
Kodiak Island Borough (KIB):	30%
Kotlik	5%
Kotzebue (NAB)	15%
Koyuk	5%
Koyukuk	5%
Kupreanof	5%
Kwethluk	5%
Lake and Peninsula Borough (LPB):	5%
Larsen Bay (KIB)	5%
Lower Kalskag	5%
Manokotak	5%
Marshall (Fortuna Ledge)	5%
Matanuska-Susitna Borough:	30%
McGrath	5%
Mekoryuk	5%
Metlakatla	15%
Mountain Village	5%
Napaklak	5%
Napaskiak	5%
Nenana	5%
New Stuyahok	5%
Newhalen (LPB)	5%
Newtok	5%
Nightmute	5%
Nikolai	5%
Nome	15%
Nondalton (LPB)	5%
Noorvik (NAB)	5%

**MUNICIPALITIES - FISCAL IMPACTS**

<u>Municipality</u>	<u>Local Share Percentage</u>
North Pole (FNSB)	15%
North Slope Borough (NSB)	15%
Northwest Arctic Borough (NAB)	5%
Nuqsut (NSB)	5%
Nulato	5%
Nunapitchuk (Akolmiut)	5%
Old Harbor (KIB)	5%
Ouzinkie (KIB)	5%
Palmer	15%
Pelican	5%
Petersburg	15%
Pilot Point (LPB)	5%
Pilot Station	5%
Platinum	5%
Point Hope (NSB)	5%
Port Alexander	5%
Port Heiden (LPB)	5%
Port Lions (KIB)	5%
Quinhagak	5%
Ruby	5%
Russian Mission	5%
Sand Point (AEB)	15%
Savoonga	5%
Saxman (KGB)	5%
Scammon Bay	5%
Selawik (NAB)	5%
Seldovia (KPB)	5%
Seward (KPB)	15%
Shageluk	5%
Shaktolik	5%
Sheldon Point	5%
Shishmaref	5%
Shungnak (NAB)	5%
Sitka, City and Borough of (SCB)	30%
Skagway	5%
Soldotna (KPB)	15%
St. George	5%
St. Mary's	5%
St. Michael	5%
St. Paul	5%
Stebbins	5%
Tanana	5%
Teller	5%
Tenakee Springs	5%
Thome Bay	5%
Togiak	5%
Toksook Bay	5%
Tuluksak	5%
Tununak	5%
Unalakleet	5%
Unalaska	15%
Upper Kalskag	5%
Valdez	15%

**MUNICIPALITIES - FISCAL IMPACTS**

<u>Municipality</u>	<u>Local Share Percentage</u>
Walnwright (NSB)	5%
Wales	5%
Wasilla	15%
White Mountain	5%
Whittier	5%
Wrangell	15%
Yakutat	5%
<b>TOTAL:</b>	<b>26%</b>

Source: OMB/JF

8-GH1018X  
Cook  
5/5/93

*adopted*  
5-6-93

SENATE CS FOR CS FOR HOUSE BILL NO. 124(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:  
Referred:

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act establishing capital project matching grant programs for municipalities  
2 and unincorporated communities; and providing for an effective date."

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

4 \* Section 1. PURPOSE. (a) The legislature recognizes the continued need for state-  
5 funded capital projects (1) that are of regional or statewide significance, (2) that meet basic  
6 needs, such as educational facility projects constructed under AS 14.11 and village safe water  
7 projects, or (3) for which costs will exceed the amount available to a municipality or a  
8 community under the capital project matching grant program. The legislature also recognizes  
9 the continued need for legislatively directed funding of other capital projects.

10 (b) It is the purpose of this Act to

11 (1) provide a capital project funding system that is equitable to municipalities  
12 and unincorporated communities throughout the state;

13 (2) enhance the role of communities in initiating and prioritizing the  
14 construction of capital projects;

1 (3) encourage a sense of local ownership in capital projects by requiring local  
2 participation in the funding of those projects; and

3 (4) improve the process for making grants for capital projects by providing a  
4 more orderly and thoughtful planning process that involves the local community, the executive  
5 branch, and the legislature.

6 \* Sec. 2. AS 36.10.180(a) is amended to read:

7 (a) The preferences established in AS 36.10.150 - 36.10.175 apply to work  
8 performed

9 (1) under a contract for construction, repair, preliminary surveys,  
10 engineering studies, consulting, maintenance work, or any other retention of services  
11 necessary to complete a given project that is let by the state or an agency of the state,  
12 a department, office, state board, commission, public corporation, or other  
13 organizational unit of or created under the executive, legislative, or judicial branch of  
14 state government, including the University of Alaska and the Alaska Railroad  
15 Corporation, or by a political subdivision of the state including a regional school board  
16 with respect to an educational facility under AS 14.11.020;

17 (2) on a public works project under a grant to a municipality under  
18 AS 37.05.315 or AS 37.06.010;

19 (3) on a public works project under a grant to a named recipient under  
20 AS 37.05.316;

21 (4) on a public works project under a grant to an unincorporated  
22 community under AS 37.05.317 or AS 37.06.020; and

23 (5) on any other public works project or construction project that is  
24 funded in whole or in part by state money.

25 \* Sec. 3. AS 37 is amended by adding a new chapter to read:

26 CHAPTER 06. CAPITAL PROJECT MATCHING GRANT PROGRAMS.

27 Sec. 37.06.010. MUNICIPAL CAPITAL PROJECT MATCHING GRANT  
28 PROGRAM. (a) The municipal capital project matching grant program is established  
29 in the department. Grants to municipalities under this program shall be administered  
30 as provided in this section.

31 (b) The municipal capital project matching grant fund is established in the

1 department and consists of appropriations to the fund. Appropriations to the fund do  
2 not lapse except as provided in (f) of this section. The money in the fund is held by  
3 the department in custody under this subsection for each municipality. The department  
4 shall establish, for each municipality, an individual grant account within the fund. As  
5 provided in this subsection, each fiscal year the department shall allocate, to the  
6 individual grant accounts, appropriations to the fund. The department shall credit  
7 interest earned on money in an individual grant account to that account. Except as  
8 provided in (c) of this section, the amount allocated under this subsection to an  
9 individual grant account in a fiscal year is determined by multiplying the total amount  
10 appropriated to the fund during that fiscal year by a fraction,

11 (1) the numerator of which equals for a municipality with a population

12 (A) under 1,000, the amount equal to that population multiplied  
13 by 1.5;

14 (B) of at least 1,000 but less than 5,000, the amount equal to  
15 that population multiplied by 1.4;

16 (C) of at least 5,000 but not greater than 10,000, the amount  
17 equal to that population multiplied by 1.2;

18 (D) of over 10,000, the amount equal to that population; and

19 (2) the denominator of which equals the sum of the numerators  
20 calculated for all municipalities under (1)(A) - (D) of this subsection.

21 (c) A minimum of \$25,000 shall be allocated to each municipality's individual  
22 grant account each fiscal year under (b) of this section. The department shall reduce  
23 allocations under (b) of this section on a pro rata basis, based upon the population of  
24 the municipalities, if necessary to fund the minimum amount for each municipality.  
25 If appropriations are not sufficient to fully fund the minimum amount for each  
26 municipality, the amount appropriated shall be allocated equally among the  
27 municipality individual grant accounts.

28 (d) By October 1 of each fiscal year, each municipality shall submit to the  
29 governor a prioritized list of capital projects and estimated costs to be financed with  
30 money from the municipality's individual grant account established under (b) of this  
31 section. The list must include the amount and source of the local share required by

1 AS 37.06.030. The governor shall include in the capital improvements program  
2 presented to the legislature under AS 37.07.060 the projects submitted by each  
3 municipality that the governor recommends for funding. If, in the capital  
4 improvements program, the governor includes projects in other than the priority order  
5 submitted by a municipality, the governor shall provide the legislature with a written  
6 statement of the reasons for that action.

7 (e) The legislature may make appropriations from a municipality's individual  
8 grant account established under (b) of this section to the municipality for capital  
9 projects under this section. Subject to appropriations under this subsection and to the  
10 local share requirements of AS 37.06.030, each municipality may draw amounts from  
11 its individual grant account for a capital project, in accordance with an appropriation  
12 for that project. In accepting a draw, the municipality covenants with the state that  
13 it will provide for the operation and maintenance of the capital project for which the  
14 draw is used for the practical life of the project, and acknowledges that the state is not  
15 responsible for operating or maintaining the capital project or for paying for its  
16 operation or maintenance. This requirement does not apply to use of money from a  
17 draw for repair or improvement of an existing facility that is operated or maintained  
18 by the state at the time that the draw is made if the repair or improvement for which  
19 the draw is used will not substantially increase the operating or maintenance costs to  
20 the state. No more than 10 percent of the total amount of money from a draw for land  
21 acquisition, or planning, design, construction, or repair of a facility may be used for  
22 administrative expenses. No more than five percent of the total amount of money  
23 from a draw for equipment or equipment repairs may be used for administrative  
24 expenses. If a municipality provides grant money from a draw to another recipient,  
25 the municipality may not use any of the money from the draw for administrative  
26 expenses. The municipality and its agents, contractors, and subcontractors shall  
27 comply with the hiring preferences under AS 36.10 in hiring employees to be paid  
28 wholly or in part with money from a draw.

29 (f) A municipality shall repay to the department money drawn from its  
30 individual grant account if substantial, ongoing work on the capital project is not  
31 started within five years after the effective date of the appropriation from which the

1 draw is funded. Money repaid shall be deposited into the general fund. Money from  
2 an allocation to a municipality's individual grant account that has not been drawn out  
3 by the municipality within five years after the effective date of the appropriation from  
4 which the allocation is funded lapses into the general fund.

5 (g) For purposes of this section, in calculating the population of a borough the  
6 population of each city in the borough is excluded. The determination of population  
7 shall be based upon data used by the Department of Community and Regional Affairs  
8 under AS 29.60.020.

9 (h) The provisions of AS 37.05.321 apply to a grant and draws made under  
10 this section, and to earnings from the grant and draws.

11 (i) In this section, unless specified otherwise, "department" means the  
12 Department of Administration.

13 Sec. 37.06.020. UNINCORPORATED COMMUNITY CAPITAL PROJECT  
14 MATCHING GRANT PROGRAM. (a) The unincorporated community capital project  
15 matching grant program is established in the department. Grants to unincorporated  
16 communities under the program shall be administered as provided in this section.

17 (b) The unincorporated community capital project matching grant fund is  
18 established in the department and consists of appropriations to the fund.  
19 Appropriations to the fund do not lapse except as provided in (h) of this section. The  
20 money in the fund is held by the department in custody under this subsection for each  
21 unincorporated community eligible for an allocation under this subsection. The  
22 department shall establish an individual grant account within the fund for each  
23 unincorporated community that was entitled to receive state aid under AS 29.60.140  
24 during the preceding fiscal year. As provided in this subsection, each fiscal year the  
25 department shall allocate, to the individual grant accounts, appropriations to the fund.  
26 An unincorporated community is eligible for an allocation in a fiscal year if the  
27 community was eligible to receive state aid under AS 29.60.140 during the preceding  
28 fiscal year. The department shall credit interest earned on money in an individual  
29 grant account to that account. Except as provided in (c) of this section, the amount  
30 allocated under this subsection to an individual grant account in a fiscal year is  
31 determined by dividing the total amount appropriated to the fund during that fiscal year

1 by the number of unincorporated communities eligible for an allocation during that  
2 fiscal year.

3 (c) A minimum of \$25,000 shall be allocated to each eligible unincorporated  
4 community's grant account each fiscal year under (b) of this section. If appropriations  
5 are not sufficient to fully fund the minimum amount for each eligible unincorporated  
6 community, the amount appropriated shall be allocated equally among the eligible  
7 unincorporated communities.

8 (d) The department shall designate, in each eligible unincorporated community,  
9 an incorporated nonprofit entity or a Native village council that agrees to receive and  
10 spend grant money allocated to the unincorporated community's individual grant  
11 account under (b) of this section. If there is more than one qualified entity in a  
12 community, the department shall designate the entity that the department finds most  
13 qualified to make draws from that unincorporated community's individual grant  
14 account and spend the money. If there is no qualified incorporated nonprofit entity or  
15 Native village council in an unincorporated community that will agree to receive and  
16 spend money allocated to the community under (b) of this section, draws may not be  
17 made from the unincorporated community's individual grant account and the amount  
18 allocated to the account lapses into the general fund.

19 (e) By October 1 of each fiscal year, the incorporated nonprofit entity or  
20 Native village council designated by the department under (d) of this section shall  
21 submit to the governor a prioritized list of capital projects and estimated costs to be  
22 financed with money from the community's individual grant account established under  
23 (b) of this section. The list must include the amount and source of the local share  
24 required by AS 37.06.030. The governor shall include in the capital improvements  
25 program presented to the legislature under AS 37.07.060 the projects submitted by  
26 designated entities under this subsection that the governor recommends for funding.  
27 If, in the capital improvements program, the governor includes projects in other than  
28 the priority order submitted by a designated entity, the governor shall provide the  
29 legislature with a written statement of the reasons for that action.

30 (f) The legislature may make appropriations, from an unincorporated  
31 community's individual grant account established under (b) of this section, for the

1 unincorporated community for capital projects under this section. Subject to  
2 appropriations under this subsection and to the local share requirements of  
3 AS 37.06.030, an entity designated by the department under (d) of this section may  
4 draw, on behalf of the unincorporated community, amounts from that community's  
5 individual grant account for a capital project in accordance with an appropriation for  
6 that project. In accepting a draw, an entity designated by the department under (d) of  
7 this section acknowledges that the state is not responsible for operating or maintaining  
8 a capital project for which the draw is used, or for paying for its operation or  
9 maintenance. The acknowledgment does not apply to use of money from a draw for  
10 repair or improvement of an existing facility that is operated or maintained by the state  
11 at the time that the draw is made if the repair or improvement for which the draw is  
12 used will not substantially increase the operating or maintenance costs to the state. No  
13 more than 10 percent of the total amount of money from a draw for land acquisition,  
14 or planning, design, construction, or repair of a facility may be used for administrative  
15 expenses. No more than five percent of the total amount of money from a draw for  
16 equipment or equipment repairs may be used for administrative expenses. The  
17 designated entity and its agents, contractors, and subcontractors shall comply with the  
18 hiring preferences under AS 36.10 in hiring employees to be paid wholly or in part  
19 with money from a draw.

20 (g) An entity designated by the department under (d) of this section that is a  
21 Native village council may not draw money from an unincorporated community's  
22 individual grant account unless the council waives immunity from suit for claims  
23 arising out of activities of the council related to the draw. A waiver of immunity from  
24 suit under this subsection must be on a form provided by the Department of Law.  
25 Neither this subsection nor any action taken under it enlarges or diminishes the  
26 governmental authority or jurisdiction of a Native village council.

27 (h) An entity designated by the department under (d) of this section shall repay  
28 to the department money it has drawn from an unincorporated community's individual  
29 grant account if substantial, ongoing work on the project is not started within five  
30 years after the effective date of the appropriation from which the draw is funded.  
31 Money repaid shall be deposited into the general fund. Money from an allocation to

1 an unincorporated community's individual grant account that has not been drawn out  
2 by a designated entity within five years after the effective date of the appropriation  
3 from which the allocation is funded lapses into the general fund.

4 (i) The limitations of AS 44.47.140 do not apply to a grant made under this  
5 section.

6 (j) The provisions of AS 37.05.321 apply to a grant and draws made under this  
7 section, and to earnings from the grant and draws.

8 (k) In this section, unless specified otherwise, "department" means the  
9 Department of Community and Regional Affairs.

10 Sec. 37.06.030. LOCAL SHARE REQUIREMENTS. (a) For each draw made  
11 by a municipality under AS 37.06.010, the municipality shall contribute a local share  
12 to the cost of the capital project for which the draw is made. The amount of the local  
13 share equals the local share percentage as calculated under (1) of this subsection,  
14 divided by the state share percentage as calculated under (2) of this subsection,  
15 multiplied by the amount of the draw. For purposes of this subsection,

16 (1) the local share percentage is

17 (A) 30 percent for a municipality with a population of 5,000 or  
18 more;

19 (B) for a municipality with a population of 1,000 - 4,999, the  
20 greater of

21 (i) 15 percent; or

22 (ii) the percentage obtained by dividing the amount that  
23 would be received by the municipality from a property tax levy of  
24 1/1000th of a mill per \$1,000 of grant funds received during the prior  
25 fiscal year under AS 37.05.315 and AS 37.06.010 by the sum of that  
26 first amount plus the amount of the grant or draw, but not more than 30  
27 percent;

28 (C) for a municipality with a population of under 1,000, the  
29 greater of

30 (i) five percent; or

31 (ii) the percentage obtained by dividing the amount that

1 would be received by the municipality from a property tax levy of  
2 1/1000th of a mill per \$1,000 of grant funds received during the prior  
3 fiscal year under AS 37.05.315 and AS 37.06.010 by the sum of that  
4 first amount plus the amount of the grant or draw, but not more than 30  
5 percent;

6 (2) the state share percentage equals one minus the local share  
7 percentage;

8 (3) the local share to be contributed by a municipality may be satisfied  
9 with (A) federal, municipal, or local money; (B) labor, materials, or equipment used  
10 directly in the construction of the project, or land, including land transferred by the  
11 state to the municipality; the department shall determine the value of a contribution  
12 under this subparagraph; (C) money from another nonstate source; (D) money received  
13 by the municipality under AS 29.60.010 - 29.60.375; (E) state taxes refunded or  
14 reimbursed to the municipality whose use for the purposes of this subsection is not  
15 prohibited; (F) allocations of state aid for the costs of school construction debt under  
16 AS 14.11.100; and (G) money obtained from the sale or lease of land or other assets  
17 transferred by the state to the municipality; except as provided in this paragraph, the  
18 local share may not be satisfied with money from, or with the portion of an asset that  
19 was obtained with money from, an appropriation, allocation, entitlement, grant, or  
20 other payment from the state.

21 (b) For each draw made by an entity or council under AS 37.06.020, the  
22 incorporated entity or Native village council that makes the draw shall contribute a  
23 local share of the cost of the capital project for which the draw is made. The amount  
24 of the local share equals the local share percentage as calculated under (1) of this  
25 subsection, divided by the state share percentage as calculated under (2) of this  
26 subsection, multiplied by the amount of the draw. For purposes of this subsection,

27 (1) the local share percentage is five percent;

28 (2) the state share percentage equals one minus the local share  
29 percentage;

30 (3) the local share may be satisfied from (A) federal or local money;  
31 (B) labor, materials, or equipment used directly in the construction of the project, or

1 land, including land transferred by the state; the department shall determine the value  
2 of a contribution under this subparagraph; (C) money from another nonstate source;  
3 (D) money received by the unincorporated community under AS 29.60.010 -  
4 29.60.375; or (E) money obtained from the sale or lease of land or other assets  
5 transferred by the state; except as provided in this paragraph, the local share may not  
6 be satisfied with money from, or with the portion of an asset that was obtained with  
7 money from, an appropriation, allocation, entitlement, grant, or other payment from the  
8 state.

9 (c) For purposes of (a) of this section, in calculating the population of a  
10 borough the population of each city in the borough is excluded. The determination of  
11 population shall be based upon data used by the Department of Community and  
12 Regional Affairs under AS 29.20.060.

13 Sec. 37.06.080. ADOPTION OF REGULATIONS. The Department of  
14 Administration for grants under AS 37.06.010 and the Department of Community and  
15 Regional Affairs for grants under AS 37.06.020

16 (1) may adopt regulations that impose additional requirements or  
17 procedures to implement, interpret, make specific, or otherwise carry out the applicable  
18 provisions of this chapter for grants administered by the department;

19 (2) shall adopt regulations providing for periodic audits of the use of  
20 money for grants administered by the department under this chapter, including audit  
21 of the department's determination of the value of, and adequacy of the verification of  
22 the actual use of, locally funded or contributed labor on projects funded by a grant  
23 under this chapter.

24 Sec. 37.06.090. DEFINITION OF "CAPITAL PROJECT." In this chapter,  
25 "capital project" means a project with a cost exceeding \$10,000 to acquire or improve  
26 an asset with an anticipated life exceeding one year and includes land acquisition,  
27 construction, repair or structural improvement of a facility, engineering and design for  
28 a facility, and acquisition or repair of equipment.

29 \* Sec. 4. IMPLEMENTATION; APPLICABILITY. (a) Notwithstanding sec. 5 of this  
30 Act, a grant for a capital project may not be disbursed or drawn upon under AS 37.06, as  
31 enacted by this Act, until after June 30, 1993.

1 (b) Notwithstanding provisions relating to lists of projects and appropriations for  
2 projects in AS 37.06.010(d) and (e) and AS 37.06.020(e) and (f), as added by sec. 3 of this  
3 Act, the office of management and budget shall select projects to be funded during fiscal year  
4 1994 with money allocated to individual grant accounts. Selections shall be made from a list  
5 of proposed projects submitted to the office of management and budget by each potential  
6 grantee in writing and signed by each legislator representing the area in which the projects  
7 will be constructed or acquired. The Department of Administration shall make grants during  
8 fiscal year 1994 for the projects selected by the office of management and budget from the  
9 individual grant accounts of municipalities, and the Department of Community and Regional  
10 Affairs shall make grants during fiscal year 1994 for the projects selected by the office of  
11 management and budget from individual grant accounts of unincorporated communities.

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

**CSHB 124 (FIN) AND CSSB 88 (FIN)**

**DIFFERENCES**

	<u>CSHB 124 (FIN)</u>	<u>CSSB 88 (FIN)</u>
<b>TITLE</b>	Refers only to new matching grant program.	Refers to new matching grant program, plus to grants and match requirements for existing grant programs for municipalities, named recipients and unincorporated communities (AS 37.05.315-.317).
<b>EXISTING GRANTS UNDER TITLE 37</b>	Does not amend Title 37.	Applies local match requirements to existing Title 37 grant programs for municipalities, named recipients and unincorporated communities. Also defines allowable administrative costs for those grants, and provides for the promulgation of regulations for those grant programs.  <i>(Provisions do not apply to grants made under those programs prior to passage of CSSB 88-FIN.)</i>

LOCAL MATCH  
PERCENTAGES

CSHB 124 (FIN)

CSSB 88 (FIN)

		<u>After 2 Years:</u>	<u>Higher of:</u>
<u>Municipalities</u>	30%	40%	30% or 1/1000th mill, up to 30% maximum
5,000+			
1,000 - 4,999	15%	20%	15% or 1/1000th mill, up to 30% maximum
Less than 1,000	5%	7%	5% or 1/1000th mill, up to 30% maximum
 <u>Unincorporated Communities</u>	 5%	 7%	 <u>After 2</u>  <del>8%</del> <i>no</i>
			<u>Years:</u> 5%

IN-KIND ALLOWANCES

Allows: (1) land transferred by the state to municipalities; plus, (2) money obtained from the sale or lease of land or other assets transferred by the State. *(No such allowances for unincorporated communities.)*

*We did allow*

No allowance for (1) or (2).

DEFINITION OF "CAPITAL PROJECT"

Defined as an asset with value of more than \$10,000. Also expressly includes (allows) land acquisition, construction, repair or structural improvement of a facility, engineering and design for a facility, and acquisition and repair of equipment.

Defined simply as an asset of value more than \$25,000 with a life span of more than one year. *(Current statutory definition.)*

TRANSITION

No requirement for signing by members of delegations.

Requires that FY 94 project lists from communities must be signed by members of legislative delegations.