

**ALASKA LEGISLATURE**

**1137**

**HOUSE and SENATE FINANCE COMMITTEE FILES, 1993-1994**

FISCAL NOTE

No. 2

II Version: SB 88

(S) Publish Date: 2-3-93

Revision Date: \_\_\_\_\_ Dept. Affected: \_\_\_\_\_  
 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						
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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	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.

*replaced  
w/ # 97*

Prepared by: Remond Henderson Phone: 465-4708  
 Division: Administrative Services Date: 2/2/93  
 Approved by Commissioner: Ben R. Smith 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			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."	
Benefits				
Premium Pay				
Other				
<b>Total Personal Services</b>		<b>54,182</b>		
Travel		12,500	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.	
Contractual		8,400		
Commodities		1,750		
Equipment		2,500		
Other				
<b>Total Cost</b>		<b>79,332</b>	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.  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.  continued on next page	
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  
 BRU Local Government Asst.  
 COMPONENT Training & Development

PAGE 1 OF 2

FY 94

Position Title <b>Local Government Specialist III</b>		No. of Positions <b>1</b>	Range / Step <b>17/A</b>	Barg. Unit <b>GGU</b>
Employee Status <b>FT</b>	Staff Months <b>12</b>	Location <b>Anchorage</b>		Election District
TYPE OF EXPENDITURE		Amount	Justification  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.  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.  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.  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.  The new position will be located in Anchorage.	
Salary				
Benefits				
Pension Pay				
Other				
<b>Total Personal Services</b>	<b>54,182</b>	<b>54182</b>		
Travel		15000		
Contractual		8400		
Commodities		1700		
Equipment		2500		
Other				
<b>Total Cost</b>		<b>81782</b>		
FUNDING SOURCE FOR TOTAL COST				
Federal Receipts	1002			
G.F. Match	1003			
General Fund	1004	81782		
LA Receipts	1007			
CH Receipts	1061			
Other				

**Request For  
New Position**

AGENCY Dept Community and Regional Affairs

BRU Local Government Assistance

COMPONENT Training and Development

**FY** 94

Page 1 of 1

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

(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

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FY94

FISCAL NOTE

No. 3

Bill Version: SB 88

(S) Publish Date: 2-3-93

STATE OF ALASKA  
1993 LEGISLATIVE SESSION

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.

Changes in CS5888 (CRP)  
reflect NO FISCAL CHANGE from the original  
fiscal note. This fiscal note is appropriate.  
3/19/93 J. Ambrey  
date Comte Aide (initial)

Prepared by: Sharon Barton, Director  
Division: Administrative Services

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

Approved by Commissioner: Nancy Bear Usera  
Agency: Administration

Date: 1/26/93

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*Replaced by #6*

## 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.

3/2/93 CRA then FIN

Revision Date: \_\_\_\_\_ Dept. Affected: Community and Regional Affairs  
 Title: Capital Project Matching Grants BRU: Administration and Support  
 Component: Administrative Services  
 Sponsor: Governor  
 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>

SB 88

POSITIONS:

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

Estimate of current (FY93) Impact \$ \_\_\_\_\_

ANALYSIS: (Attach a separate page if necessary)  
  
SEE ATTACHED

Prepared by: Remond Henderson Phone: 465-4708  
 Division: Administrative Services Date: 2/26/93  
 Approved by <sup>Deputy</sup> Commissioner: [Signature] Date: 2/26/93  
 Agency: Community and Regional Affairs

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Position Title Grant Administrator III		No. of Positions 1	Range / Step 19A	Barg. Unit CCU
Time Status Full-time	Staff Months 12	Location Juneau		Election District 4
TYPE OF EXPENDITURE		Amount	<b>Justification</b> 1. Write and implement state regulations pertaining to all legislative grants designated to the department 2. Supervise grants section totalling 2 staff positions 3. Recommend, develop and implement changes in program operations, internal procedures, operational guides, etc. 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. 5. Negotiate, write, and administer grant agreements which includes identifying specific project requirements (permits, site control, match, etc.) 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. (continued on next page)	
Salary		44,976		
Benefits		16,704		
Premium Pay				
Other				
Total Personal Services		61,680		
Travel		5,000		
Contractual		5,000		
Commodities		500		
Equipment		8,000		
Other				
Total Cost		18,500		
FUNDING SOURCE FOR TOTAL COST				
Federal Receipts	1002			
G.F. Match	1003			
General Fund	1004	80,180		
EA Receipts	1007			
CIP Receipts	1061			
Other				

**Request For  
New Position**

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

**FY 94**

Page 1 of 2  
Revised Date: \_\_\_\_\_

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

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Revised Date

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>		Location District
TYPE OF EXPENDITURE		Amount	<b>Justification</b> 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.	
Salary		24,756		
Benefits		11,280		
Premium Pay				
Other				
Total Personal Services		36,036		
Travel		-0-		
Contractual		1,000		
Commodities		500		
Equipment		5,000		
Other		-0-		
Total Cost		6,500		
FUNDING SOURCE FOR TOTAL COST		42,536		
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004	42,536		
LA Receipts	1007			
CIP Receipts	1061			
Other				

**Request For  
New Position**

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

**FY 94**

Page 1 of 1

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

4-12-93

New Municipal note  
from DCRA to  
be revised by dept.  
to show 70 rather  
than grant amounts.

Sample

Municipal Fiscal Impact Note  
(AS 24.08.035(e))

STATE OF ALASKA  
1993 LEGISLATIVE SESSION

BILL NO. CSSB 88

Revision Date: 3/10/93 Municipalities Affected: All municipalities  
 Title: Capital Project Match Program  
 Requested By: Senate Finance Committee  
 Sponsor: Governor

Municipal Costs: (Thousands of Dollars)

Operating	FY93	FY94	FY95	FY96	FY97	FY98
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants, Claims						
Miscellaneous						
<b>Total Operating</b>	<b>22,694.5</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

Capital						
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Funding (Thousands of Dollars)

Property Taxes						
Sales Taxes						
User Fees						
Federal Receipts						
State Receipts	65,300.0	-0-	-0-	-0-	-0-	-0-
Other						
<b>Total</b>						

Positions

Full-Time						
Part-Time						

Analysis:

This bill establishes a Capital Project Matching Grant Program and a Local Share Requirement, both of which require a local funding match for certain state-funded capital projects. While these local match costs potentially represent a new fiscal effort for municipalities, these costs would only be incurred in the event, and to the degree, that municipalities choose to pursue capital projects subject to the requirements of this bill.

The attached table, provided by the Office of Management and Budget, lists the required local match and state grant amount for each municipality under the proposed funding for FY 94 Capital Project Match Program. The sum of the potential required matches for all municipalities is \$22,694,473. The total amount of state grant funding proposed for this program in FY 94 is \$65,300,000.

The total potential local required match due to the Local Share Requirement created by this bill is a function of the sum of the designated capital project grants provided to municipalities each year. These amounts are unknown at this time and vary significantly from year to year. Consequently these fiscal impacts are not reflected in the table above.

Prepared by: Michael Cushing  
 Division: Municipal & Regional Assistance Division  
 Approved by: [Signature] Deputy Commissioner  
 Commissioner: [Signature]  
 Agency: Department of Community and Regional Affairs

Phone: 465-4751  
 Date: 3/11/93

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## MUNICIPALITIES - FISCAL IMPACTS

Municipal CPMG Fund Appropriation:	\$65,300,000	<i>Population:</i>				
Minimum State Share:	\$25,000	Under	1,000-	5,000-	Over	
		1,000	4,999	10,000	10,000	
		Allocation Factor:	1.5	1.4	1.2	1.0
		Local Share %:	5%	15%	30%	30%

(A)	Required	CSSB 88 (CRA)
<u>Municipality</u>	<u>Local</u>	<u>Estimated</u>
	<u>Match</u>	<u>Grant</u>
		<u>Amount</u>
Akhiok (KIB)	1,316	25,000
Aklak	2,379	45,205
Akutun (AEB)	4,037	76,707
Alakanuk	4,634	88,048
Aleknagik	1,658	31,502
Aleutians East Borough (AEB):	1,316	25,000
Allakaket	1,426	27,092
Amulur (NAB)	2,495	47,410
Anaktuvuk Pass (NSB)	2,039	38,747
Anchorage, Municipality of	10,797,153	25,193,358
Anderson (DB)	5,380	102,223
Angoon	5,844	111,044
Aniak	4,385	83,322
Anvik	1,316	25,000
Atka	1,316	25,000
Atmautluak	2,213	42,055
Atkasuk (NSB)	1,799	34,179
Barrow (NSB)	96,021	544,117
Bethel	126,264	715,494
Bettles	1,316	25,000
Brevig Mission	1,940	36,857
Bristol Bay Borough:	36,702	207,975
Buckland (NAB)	2,636	50,088
Chelomak	2,736	51,978
Chevak	5,131	97,498
Chignik (LPB)	1,467	27,879
Chuathbaluk	1,316	25,000
Clark's point	1,316	25,000
Collman cove	1,641	31,187
Cold bay (AEB)	1,316	25,000
Cordova	64,947	368,036
Craig	42,460	240,605
Deering (NAB)	1,316	25,000
Delta Junction	6,101	115,927
Denali Borough (DB):	30,684	173,876
Dillingham	54,723	310,126
Diomedes	1,492	28,352
Eagle	1,335	25,359
Eek	2,254	44,733
Ekwok	1,316	25,000
Elim	2,213	42,055
Emmonak	5,737	108,986
Fairbanks (FNSB)	1,445,085	3,371,865
Fairbanks North Star Borough (FNSB):	2,062,873	4,813,370
False Pass (AEB)	1,316	25,000
Fort Yukon	5,952	113,091
Galena	6,872	130,575

**MUNICIPALITIES - FISCAL IMPACTS**

Municipal CPMG Fund Appropriation:	\$65,300,000		<i>Population:</i>			
Minimum State Share:	\$25,000		Under	1,000-	5,000-	Over
			1,000	4,999	10,000	10,000
		<i>Allocation Factor:</i>	1.5	1.4	1.2	1.0
		<i>Local Share %:</i>	5%	15%	30%	30%

(A)	Required Local Match	CSSB 88 (CRA) Estimated Grant Amount
Municipality		
Mountain Village	6,027	114,509
Napakiaik	2,678	50,875
Napaskiak	3,001	57,018
Nenana	4,178	79,385
New Stuyahok	3,283	62,374
Newhalen (LPB)	1,335	25,359
Noorvik	1,766	33,549
Nightmute	1,476	28,037
Nikolai	1,316	25,000
Nome	118,249	670,078
Nondaton (LPB)	1,757	33,392
Noorvik (NAB)	4,311	81,905
North Pole (FNSB)	43,342	245,602
North Slope Borough (NSB):	66,971	379,500
Northwest Arctic Borough (NAB):	2,072	39,377
Nulqsut (NSB)	3,241	61,586
Nulato	3,018	57,333
Nunapitchuk (Akolmiut)	3,938	74,817
Old Harbor (KIB)	2,470	46,938
Ouzinkie (KIB)	1,711	34,022
Palmer	78,824	446,669
Pelican	2,197	41,740
Petersturg	96,450	540,883
Pilot Point (LPB)	1,316	25,000
Pilot Station	3,896	74,029
Platinum	1,316	25,000
Point Hope (NSB)	5,637	107,106
Port Alexander	1,316	25,000
Port Heiden (LPB)	1,316	25,000
Port Lions (KIB)	1,973	37,487
Quinhagak	4,153	78,912
Ruby	1,716	32,604
Russian Mission	2,205	41,897
Sand Point (AEB)	27,831	157,709
Savoonga	4,518	85,842
Saxman (KGB)	3,142	59,696
Scammon Bay	2,984	56,703
Selawik (NAB)	4,949	94,033
Seldovia (KPB)	2,504	47,568
Seward (KPB)	72,781	412,423
Shageluk	1,316	25,000
Shaktolik	1,757	33,392
Sheldon Point	1,316	25,000
Shishmaref	3,863	73,399
Shungnak (NAB)	1,857	35,282
Sitka, City and Borough of (SCB)	475,705	1,109,979
Skagway	6,093	115,769

# FISCAL NOTE

3/2/93

STATE OF ALASKA  
1993 LEGISLATIVE SESSION

BILL NO. SB88

*CRA then FEN*

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

Dept. Affected: Community & Regional Affairs  
BRU: Local Government Assistance  
Component: Training & Development  
COMPONENT SERIAL NO. 672

**Expenditures/Revenues:** (Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES						
TRAVEL	5.0	5.0	5.0	5.0	5.0	5.0
CONTRACTUAL	5.0	5.0	5.0	5.0	5.0	5.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</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	10.0	10.0	10.0	10.0	10.0	10.0
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>

**POSITIONS:**

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

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

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

This amended request for \$5,000 in contractual and \$5,000 in travel will be divided equally among MRAD's five regional offices. This will provide a little over \$80 per month for additional telephone, postage, and copier expense and funds for approximately two trips per field office.

Prepared by: Remond Henderson  
Division: Administrative Services  
Approved by: Deputy [Signature]  
                  [Signature]  
                  of Community & Regional Affairs

Phone: 465-4708  
Date: 2/26/93  
Date: 2/26/93

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**MEMORANDUM**

February 23, 1993

**SUBJECT:** Capital Project Matching Grant Program (SB 88)

**TO:** Senator Randy Phillips  
Chair, Community and Regional Affairs Committee

**FROM:** Tamara Brandt Cook  
Director *TBC*

In reviewing SB 88 introduced by the Governor, I have discovered a possible legal problem. In AS 37.060.010(b) a capital project matching grant fund is established. Appropriations to the fund are allocated to individual grant accounts and interest earned on money in an individual grant account is to be credited to that account. The same system appears in AS 37.06.020(b) for the unincorporated community capital project matching grant fund. The problem presented by this approach is the question of whether interest earned on money appropriated to a fund may be retained in that fund without an appropriation.

In an opinion concerning the dedicated funds prohibition of the state constitution, November 30, 1982, the Attorney General noted that the retention of interest earned on the principal of a fund could be subject to attack. The opinion notes at page 16,

A difficulty that arises from the view that the dedicated funds prohibition is not applicable to interest or investment income on separate funds is that it permits steadily increasing amounts of money to be received and used by state departments and agencies without legislative control through the annual budget process. . . (W)e doubt that a blanket exception for derivative income would be approved by the courts.

Of course, this issue could be avoided if the legislature appropriates interest income on an annual basis to the two capital project matching grant funds. The language of the two sections in this bill could be amended to direct the administering departments to identify the amount of interest income involved, so that the legislature may consider appropriating that income back to the funds.

TBC:pl  
93-124.plm

**Municipality  
of  
Anchorage**



OFFICE OF THE MAYOR

P.O. BOX 198850  
ANCHORAGE, ALASKA 99519-8850  
(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~~ 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

FISCAL NOTES FOR SB 88

ORIGINAL BILL

CS (CRA)

- ~~1. DC&RA, ADMIN SERV. 122.7  
2-2-93~~
- 2. ~~DC&RA, TRAINING 161.1  
2-2-93  
REPLACED BY No. 7~~
- ~~3. DOA, ADMIN SERV. 259.7  
REPLACED BY NEW  
UNNUMBERED NOTE~~
- ✓4. DEC 1-28-93 0
- ✓5. DOLABOR 1-28-93 0
- ✓6. DC&ED 0

STICKERED

✓7. DC&RA, TRAIN \$10.0  
REPLACES No. 2

~~NEW, UNNUMBERED NOTE  
DOA, \$259.7 3-10-93  
UPDATES FN No. 3~~

STICKERED

STICKERED

STICKERED

✓ NEW, UNNUMBERED NOTE  
DC&RA - MUNICIPAL 3-11-93  
NOTE PER NEWLY  
PASSED LEGISLATION.  
DC&RA TO REWRITE  
TO SHOW PERCENTAGES  
RATHER THAN GRANT  
AMOUNTS.

*New -*  
SFC/DC&RA  
Admin Serv. 103.3 ✓  
SFC/DOA  
Admin 107.8 ✓  
DC&RA  
Municipal ✓

*A/50 - DC&RA train 10.0 ✓*  
DEC ✓  
DOLABOR ✓  
DC&ED ✓  
*for Billy*

Capital Project Matching Grant Program  
Office of the Governor

**CSSB 88 (CRA) - 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 9 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 9 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 9 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 9 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 limits the amount of money which may be spent on administrative expenses, for any capital project funded in whole or in part with money granted under AS 37.05.315-.317, to no more than ten percent of the total amount of money spent on the project.

### **SECTION NINE**

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.)

This subsection also limits the amount of money which may be spent on administrative expenses, for any capital project funded in whole or in part with money granted under this subsection, to no more than ten percent of the total amount of money spent on the project.

**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.)

This subsection also limits the amount of money which may be spent on administrative expenses, for any capital project funded in whole or in part with money granted under this subsection, to no more than ten percent of the total amount of money spent on the project.

**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 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 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 TEN**

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 9 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 9 of the bill.)

**SECTION ELEVEN**

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 TWELVE**

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

**Background  
And  
Briefing Materials**

**CAPITAL PROJECT MATCHING GRANT PROGRAM**

**And Related Grant Programs  
For Municipalities, Named Recipients,  
And Unincorporated Communities**

**Senate Bills No. 88 and 89**

**SENATE FINANCE COMMITTEE HEARING**

**March 12, 1993**

**Office of Management and Budget  
Office of the Governor  
State of Alaska**

Office of Management and Budget  
Office of the Governor  
State of Alaska

**Capital Project Matching Grant Program**

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**Capital Project Matching Grant Program**  
**(Senate Bills No. 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.

Office of the Governor  
State of Alaska

CAPITAL PROJECT MATCHING GRANT PROGRAM

(Senate Bill No. 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 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.



### 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 SB 88, 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 SB 88.

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.

**Resolution of the Alaska Municipal League**

**Resolution No. 93-8**

**A RESOLUTION SUPPORTING LEGISLATION TO  
ESTABLISH A CAPITAL PROJECT MATCHING  
GRANT PROGRAM FOR MUNICIPALITIES, PROVIDED  
THAT CERTAIN CONDITIONS ARE MET**

WHEREAS, the Alaska Municipal League is an organization composed of member local governments working together to seek improvements to Alaskan local government operations, and

WHEREAS, 112 Alaskan local governments are members of the Alaska Municipal League, and

WHEREAS, the Alaska Municipal League, through a general membership vote on its policy statement, supports "block grants" to local governments (*Alaska Municipal League Policy Statement, 1993, Part I, B.6*), and

WHEREAS, Governor Hickel has proposed legislation to establish a capital project matching grant program for municipalities and that legislation was considered by the 17th Legislature in the form of SB 141, and

WHEREAS, the final version of SB 141 considered by the 17th Legislature, CS SB 141 (Finance), provided for a formula-driven capital project matching grant program that 1) provided for an allocation of state funds to local governments based on a weighted population factor and 2) required a local match based on a weighted population factor and a local wealth factor, and

WHEREAS, the Alaska Municipal League with this resolution establishes criteria for evaluating the proposed capital grant matching program, which criteria are as follows:

1. Provide project determination at the local level,
2. Provide a minimum entitlement that is meaningful,
3. Provide equitable distribution of funds according to population, services provided, and/or need,
4. Provide for the differentials in construction costs, urban versus rural,
5. Provide for accountability, and
6. Require a local contribution (local match) which is a weighted local contribution rate based on local wealth (ability to pay),

and

WHEREAS, an additional concern of the League is that there exists some confusion in AS 29 about which funds received by a borough can be spent for the benefit of which population sectors (i.e., areawide, non-areawide, or service area functions), and thus the legislation considered as CS SB 141 (Finance) would require some modification to make it perfectly clear that monies received by a borough may be spent on any capital project or capital improvement related to functions that the borough is legally empowered to exercise, and

WHEREAS, the League believes that a local government should be entitled to use any asset, including its land and labor, to satisfy the local share requirement for a matching grant program, and

WHEREAS, a local government does not segregate revenue sources other than those specifically designated for specific purposes by a granting agency and once revenues from all sources have lapsed into a local government's fund balance, they become part of the co-mingled fund balance, which is "local revenue" if appropriated at a later date, and

WHEREAS, therefore the provision of the legislation considered as CS SB 141 (Finance) that stated ". . . local share may not be satisfied with money from appropriations, allocations, entitlements, grants, or other payments from the state" would impose standards on local governments that contradict the standards established for a number of local government revenue sources, e.g., reimbursement for cash payments for school construction, reimbursement for school construction debt, shared taxes such as the fisheries and aviation fuel taxes, and national forest receipts, and

WHEREAS, the Alaska Municipal League desires to support the capital grant program as proposed by the Governor, but feels that certain modifications to legislation considered as CS SB 141 (Finance) in 1992 are necessary to address the concerns outlined above;


NOW, THEREFORE, BE IT RESOLVED that the Alaska Municipal League supports the intent of the legislation formerly considered as CS SB 141 (Finance) with the following amendments:

1. Increase the minimum entitlement to local governments to \$50,000 and provide that each local government will share equally in any percentage reduction if the appropriation level for the program is less than \$63 million, with an absolute floor of \$25,000 per municipality,
2. Add a provision stating that monies received by a borough may be spent on any capital project or capital improvement related to functions that the borough is legally empowered to exercise,


3. Provide that land and other assets of the municipality may be used to satisfy the local share requirement,
4. Provide that municipalities may use as a match any funds available to them that were not received from the state or federal government for specific named projects or programs or from legislative appropriations made directly or indirectly for the purpose of providing matching funds for grants made under the capital matching grants program.

BE IT FURTHER RESOLVED that the Alaska Municipal League is ready to work with the Governor and the Alaska Legislature to gain adoption of legislation that will provide for a matching capital grant program that meets the criteria outlined above.

Adopted this 13th day of November 1992 in Juneau, Alaska.

  
\_\_\_\_\_  
Willie Goodwin, Jr., President

ATTEST:

  
\_\_\_\_\_  
Kent E. Swisher, Executive Director

**TABLE 1 - MUNICIPALITIES**

TOTAL FUNDING: \$67,000,000      MINIMUM GRANT: \$25,000

Municipal CPMG Fund Appropriation:	\$65,300,000	<i>Population:</i>				
Minimum State Share:	\$25,000	Under 1,000	1,000- 4,999	5,000- 10,000	Over 10,000	
		Allocation Factor:	1.5	1.4	1.2	1.0
		Local Share %:	5%	15%	30%	30%

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
Municipality	Population	Grant Allocation Factor	LOCAL SHARE %	\$	STATE SHARE %	\$	Leverage Ratio
Akhok (KIB)	81	1.5	5%	1,316	95.0%	25,000	1.05
Akiak	287	1.5	5%	2,379	95.0%	45,205	1.05
Akutan (AEB)	487	1.5	5%	4,037	95.0%	76,707	1.05
Alakanuk	559	1.5	5%	4,634	95.0%	88,048	1.05
Aleknagik	200	1.5	5%	1,658	95.0%	31,502	1.05
Aleutians East Borough (AEB):	93	1.5	5%	1,316	95.0%	25,000	1.05
Allakaket	172	1.5	5%	1,426	95.0%	27,092	1.05
Ambler (NAB)	301	1.5	5%	2,495	95.0%	47,410	1.05
Anaktuvuk Pass (NSB)	246	1.5	5%	2,039	95.0%	38,747	1.05
Anchorage, Municipality of	240,258	1.0	30%	10,797,153	70.0%	25,193,358	1.43
Anderson (DB)	649	1.5	5%	5,380	95.0%	102,223	1.05
Angoon	705	1.5	5%	5,844	95.0%	111,044	1.05
Aniak	529	1.5	5%	4,385	95.0%	83,322	1.05
Arnvik	104	1.5	5%	1,316	95.0%	25,000	1.05
Atka	87	1.5	5%	1,316	95.0%	25,000	1.05
Armautluak	267	1.5	5%	2,213	95.0%	42,055	1.05
Atkasuk (NSB)	217	1.5	5%	1,799	95.0%	34,179	1.05
Barrow (NSB)	3,702	1.4	15%	96,021	85.0%	544,117	1.19
Bethel	4,868	1.4	15%	126,264	85.0%	715,494	1.19
Bettles	33	1.5	5%	1,316	95.0%	25,000	1.05
Brevig Mission	234	1.5	5%	1,940	95.0%	36,857	1.05
Bristol Bay Borough:	1,415	1.4	15%	36,702	85.0%	207,975	1.19
Buckland (NAB)	318	1.5	5%	2,636	95.0%	50,088	1.05
Chelomak	330	1.5	5%	2,736	95.0%	51,978	1.05
Chevak	619	1.5	5%	5,131	95.0%	97,498	1.05
Chignik (LPB)	177	1.5	5%	1,467	95.0%	27,879	1.05
Chuathbaluk	129	1.5	5%	1,316	95.0%	25,000	1.05
Clark's point	58	1.5	5%	1,316	95.0%	25,000	1.05
Coffman cove	198	1.5	5%	1,641	95.0%	31,187	1.05
Cold bay (AEB)	137	1.5	5%	1,316	95.0%	25,000	1.05
Cordeva	2,504	1.4	15%	64,947	85.0%	368,036	1.19
Craig	1,637	1.4	15%	42,460	85.0%	240,605	1.19
Deering (NAB)	158	1.5	5%	1,316	95.0%	25,000	1.05
Delta Junction	736	1.5	5%	6,101	95.0%	115,927	1.05
Denali Borough (DB):	1,183	1.4	15%	30,684	85.0%	173,876	1.19
Dillingham	2,110	1.4	15%	54,728	85.0%	310,126	1.19
Diomece	180	1.5	5%	1,492	95.0%	28,352	1.05
Eagle	161	1.5	5%	1,335	95.0%	25,359	1.05
Eek	284	1.5	5%	2,354	95.0%	44,733	1.05
Ekwok	78	1.5	5%	1,316	95.0%	25,000	1.05
Elim	267	1.5	5%	2,213	95.0%	42,055	1.05
Emmonak	692	1.5	5%	5,737	95.0%	108,906	1.05
Fairbanks (FNSB)	32,156	1.0	30%	1,445,085	70.0%	3,371,865	1.43
Fairbanks North Star Borough (FNSB):	45,903	1.0	30%	2,062,873	70.0%	4,813,370	1.43
False Pass (AEB)	64	1.5	5%	1,316	95.0%	25,000	1.05
Fort Yukon	718	1.5	5%	5,952	95.0%	113,091	1.05
Galena	829	1.5	5%	6,872	95.0%	130,575	1.05

**TABLE 1 - MUNICIPALITIES**

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		Allocation Factor:	1.5	1.4	1.2	1.0
		Local Share %:	5%	15%	30%	30%

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
Municipality	Population	Grant Allocation Factor	LOCAL SHARE %	\$	STATE SHARE %	\$	Leverage Ratio
Mountain Village	727	1.5	5%	6,027	95.0%	114,509	1.05
Napakuk	323	1.5	5%	2,678	95.0%	50,875	1.05
Napaskiak	362	1.5	5%	3,001	95.0%	57,018	1.05
Nenana	504	1.5	5%	4,178	95.0%	79,385	1.05
New Sluyahok	396	1.5	5%	3,283	95.0%	62,374	1.05
Newhalen (LPB)	161	1.5	5%	1,335	95.0%	25,359	1.05
Newtok	213	1.5	5%	1,766	95.0%	33,549	1.05
Nightmute	13	1.5	5%	1,478	95.0%	28,037	1.05
Nikolai	107	1.5	5%	1,318	95.0%	25,000	1.05
Nome	4,559	1.4	15%	118,249	85.0%	670,078	1.18
Nondalton (LPB)	212	1.5	5%	1,757	95.0%	33,362	1.05
Noorvik (NAB)	520	1.5	5%	4,311	95.0%	81,805	1.05
North Pole (FNSB)	1,671	1.4	15%	43,342	85.0%	245,802	1.18
North Slope Borough (NSB):	2,582	1.4	15%	68,971	85.0%	379,500	1.18
Northwest Arctic Borough (NAB):	250	1.5	5%	2,072	95.0%	39,377	1.05
Nuligat (NSB)	391	1.5	5%	3,241	95.0%	61,586	1.05
Nulato	364	1.5	5%	3,018	95.0%	57,333	1.05
Nunapitchuk (Akolmiut)	475	1.5	5%	3,938	95.0%	74,817	1.05
Old Harbor (KIB)	298	1.5	5%	2,470	95.0%	48,838	1.05
Ouzinkie (KIB)	218	1.5	5%	1,791	95.0%	34,022	1.05
Palmer	3,039	1.4	15%	78,824	85.0%	446,869	1.18
Pelican	265	1.5	5%	2,197	95.0%	41,740	1.05
Petersburg	3,680	1.4	15%	95,450	85.0%	540,863	1.18
Pilot Point (LPB)	97	1.5	5%	1,318	95.0%	25,000	1.05
Pilot Station	470	1.5	5%	3,898	95.0%	74,029	1.05
Platinum	54	1.5	5%	1,318	95.0%	25,000	1.05
Point Hope (NSB)	680	1.5	5%	5,837	95.0%	107,108	1.05
Port Alexander	119	1.5	5%	1,318	95.0%	25,000	1.05
Port Heiden (LPB)	126	1.5	5%	1,318	95.0%	25,000	1.05
Port Lions (KIB)	238	1.5	5%	1,973	95.0%	37,487	1.05
Quinhagak	501	1.5	5%	4,153	95.0%	78,912	1.05
Ruby	207	1.5	5%	1,718	95.0%	32,804	1.05
Russian Mission	288	1.5	5%	2,205	95.0%	41,897	1.05
Sand Point (AEB)	1,073	1.4	15%	27,831	85.0%	157,709	1.18
Savoonga	545	1.5	5%	4,518	95.0%	86,842	1.05
Saxman (KGB)	379	1.5	5%	3,142	95.0%	59,686	1.05
Scammon Bay	380	1.5	5%	2,984	95.0%	56,703	1.05
Selawik (NAB)	597	1.5	5%	4,949	95.0%	94,033	1.05
Seldovia (KPB)	302	1.5	5%	2,504	95.0%	47,588	1.05
Seward (KPB)	2,806	1.4	15%	72,781	85.0%	412,423	1.18
Shageluk	144	1.5	5%	1,318	95.0%	25,000	1.05
Shaktolik	212	1.5	5%	1,757	95.0%	33,362	1.05
Sheldon Point	103	1.5	5%	1,318	95.0%	25,000	1.05
Shishmaref	466	1.5	5%	3,883	95.0%	73,399	1.05
Shungnak (NAB)	224	1.5	5%	1,857	95.0%	35,282	1.05
Sitka, City and Borough of (SCB)	8,815	1.2	30%	475,706	70.0%	1,109,979	1.43
Skagway	735	1.5	5%	6,080	95.0%	115,789	1.05

HB 124 / SB 88  
Capital Project Matching Grant Program

**TABLE 2 - UNINCORPORATED COMMUNITIES**

TOTAL FUNDING: \$67,000,000      MINIMUM GRANT: \$25,000

Unincorporated Community CPMG Fund Appropriation: \$1,700,000  
Minimum State Share: \$25,000  
Local Share Percentage: 5%

(A)	(B)	(C)	(D)
	State Share	Local Share	Local Match %
Akiachak.....	\$25,000	\$1,318	5.0%
Arctic Village.....	25,000	1,318	5.0%
Beaver.....	25,000	1,318	5.0%
Birch Creek.....	25,000	1,318	5.0%
Chalkyitsik.....	25,000	1,318	5.0%
Chenega Bay.....	25,000	1,318	5.0%
Chilkat.....	25,000	1,318	5.0%
Chistochina.....	25,000	1,318	5.0%
Chitina.....	25,000	1,318	5.0%
Circle Civic Community.....	25,000	1,318	5.0%
Circle District.....	25,000	1,318	5.0%
Copper Center.....	25,000	1,318	5.0%
Copper Valley Community.....	25,000	1,318	5.0%
Council.....	25,000	1,318	5.0%
Crooked Creek.....	25,000	1,318	5.0%
Deltana.....	25,000	1,318	5.0%
Dot Lake Services.....	25,000	1,318	5.0%
Dot Lake Village.....	25,000	1,318	5.0%
Eagle Village.....	25,000	1,318	5.0%
Edna Bay.....	25,000	1,318	5.0%
Ellin Cove.....	25,000	1,318	5.0%
Evansville.....	25,000	1,318	5.0%
Four Mile Road Community.....	25,000	1,318	5.0%
Gakona.....	25,000	1,318	5.0%
Gulkana.....	25,000	1,318	5.0%
Gustavus.....	25,000	1,318	5.0%
Healy Lake.....	25,000	1,318	5.0%
Holla.....	25,000	1,318	5.0%
Hyder.....	25,000	1,318	5.0%
Kenny Lake.....	25,000	1,318	5.0%
Kipruk.....	25,000	1,318	5.0%
Kud-Kash.....	25,000	1,318	5.0%
Kolganek.....	25,000	1,318	5.0%
Kongiganek.....	25,000	1,318	5.0%
Kwigillingok.....	25,000	1,318	5.0%
Lima Village.....	25,000	1,318	5.0%
Manley Hot Springs.....	25,000	1,318	5.0%
Mentasta.....	25,000	1,318	5.0%
Merakzia Indian Village.....	25,000	1,318	5.0%
Minto.....	25,000	1,318	5.0%
Nelchina/Mendelina.....	25,000	1,318	5.0%
Nikolski.....	25,000	1,318	5.0%
Northway.....	25,000	1,318	5.0%
Oscarville.....	25,000	1,318	5.0%
Paxson.....	25,000	1,318	5.0%
Pitka's Point.....	25,000	1,318	5.0%
Point Baker.....	25,000	1,318	5.0%
Port Protection.....	25,000	1,318	5.0%
Rampart.....	25,000	1,318	5.0%

WALTER J. HICKEL  
GOVERNOR



P. O. Box 110001  
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STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

February 3, 1993

88

The Honorable Rick Halford  
President of the Senate  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182

Dear President Halford:

In accordance with art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill establishing capital project matching grant programs for municipalities and unincorporated communities, and establishing local share requirements for other capital project grants to municipalities, named recipients, and unincorporated communities.

The capital project matching grant programs and the local share requirements for other capital project grants have two main objectives. One objective is to encourage a sense of local ownership in capital projects by requiring municipalities, unincorporated communities, and named grant recipients to participate financially in them. This local participation will help grantees to determine their highest priorities and help ensure that only the most important and cost-effective projects are undertaken. The second objective is to leverage the use of state money in the financing of capital projects, which will be a particularly important policy to adopt given the expected decline of state revenue in the future. In addition, the new capital project matching grant programs for municipalities and unincorporated communities provide an orderly and thoughtful planning and review process that involves local communities, the executive branch, and the legislature.

There is a distinction between the new capital project matching grant programs and the new local share requirements for other capital project grants. It is intended that the new matching grant programs be used for relatively small capital projects proposed by municipalities and unincorporated communities, and that the new local match requirements for municipalities, named recipients, and unincorporated communities apply to other types of larger capital projects funded through grants made under AS 37.05.315 - 37.05.317.

The focus of this bill is the proposed new capital project matching grant programs in AS 37.06. Much like a block grant program, these programs would establish

The Honorable Rick Halford  
Page 2

two funds (one with individual accounts for all municipalities and one with individual accounts for all unincorporated communities participating in the state's revenue-sharing program) from which small-scale capital projects can be funded by project-specific appropriations. (I am also transmitting a companion bill making appropriations to the two funds, as the first step in this funding process.) The projects would be selected and prioritized at the local level, well before each year's legislative session, and a prioritized project list would be submitted to the governor for inclusion in the capital improvements program. The governor would provide the legislature with reasons for any differences between the local list and the capital improvements program submitted to the legislature. In each case, the projects funded by the appropriations would be subject to local financial match requirements, including allowances for in-kind matching contributions. In addition, under the bill the same local match requirements and in-kind allowances would be extended to all grants currently made to municipalities, named recipients, and unincorporated communities under AS 37.05.315 - 37.05.317.

My Office of Management and Budget has prepared a section-by-section description of the bill which is available for your review.

The net effect of the bill is that all capital project grants to municipalities, named recipients, and unincorporated communities would be subject to local financial match requirements, regardless of whether they are funded through the capital project matching grant programs established by this bill or under the existing provisions of AS 37.05.315 - 37.05.317 as amended by this bill.

This bill is important because it expands the role of local communities in determining the capital improvements and capital projects that will best suit their local needs. It is also important because of the precedent it sets in requiring a local stake in capital projects and because it allows limited state financial resources to support a greater number of needed capital projects than otherwise would be possible. For all of these reasons, I seek and encourage your support for this bill.

Sincerely,



Walter J. Hickel  
Governor

**SENATE COMMITTEE REPORT**  
**FIRST COMMITTEE OF REFERRAL**

*JK*

DATE: 2/3/93

FURTHER: FINANCE

Date of 5-Day Notice: 2/11/93  
 (in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: ~~2/11/93~~ 3-9-93

CRA Committee considered **SENATE BILL NO. 88**

*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."

and recommends:

and recommends it be replaced with

replace with \_\_\_\_\_ CS SB 88 (CRA)

- same title
- new title
- technical title change (HB only)

attaches amendment(s)

~~and report it back~~

and report it *with the bill*

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

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

do pass

do not pass

no recommendation

individual recommendations

*3 Cont  
3 Phil's*

FISCAL NOTE INFORMATION				FISCAL NOTE INFORMATION			
Department	Date	Zero	Fiscal	Department	Date	Zero	Fiscal
Dept Comm	1/27/93	0	applies CS				
Dept Labor	1/29/93	0	applies CS				
Dept's Emmentl Aff	1/28/93	0	applies CS				
Dept Cont Reg Aff	2/12/93	122.7	applies CS				
Dept Cont Reg Aff	2/20/93	10.0	applies CS <i>new</i>				
Dept of Admin	1/26/93	259.7	applies CS				

*new*

Appropriation No Fiscal Note

Governor's Bill with Previous Fiscal Notes (enter information above)

DO PASS:

OTHER RECOMMENDATIONS:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

*2 Philip L. Taylor - award*

*3 Rick Halpin do not pass unless amended*

*4 Phil G. Harritt No Rec*

*2 HA*

David E. Kelly Do Pass  
 Chair: Signature and Recommendation

# A FAX

Alaska State Legislature

Date: 4-12-93 Leg. Affairs Wasilla

To: Mat Su Borough

Fax #: 376-6180 Phone #: \_\_\_\_\_

From: Senate Finance Committee

Phone #: 465-2618

Re: Amendments to CSSB 88 (CRA)

Work on bill is ongoing. Scheduled for  
additional hearing 4-18-93, 9:00 am.

Following this page, please find 5 pages(s). If this does not reach you in full, please inform us ASAP.



THANK YOU

1 (1) ~~if the effective date of the appropriation from which the grant or~~  
2 ~~draw is funded is no later than July 1, 1994, the local share percentage is~~

3 Amend #2  
Taylor  
4 Adopted  
4-12-93 (A) 30 percent for a municipality with, or a named grant  
5 recipient located in a municipality with, a population of 5,000 or more;

6 (B) ~~15 percent~~ for a municipality with, or a named grant  
7 recipient located in a municipality with, a population of 1,000 - 4,999; Add  
8 para. #1

9 (C) ~~five percent~~ for a municipality with, or a named grant  
10 recipient located in a municipality with, a population of under 1,000; Add  
11 para. #2

12 (D) five percent for a named grant recipient located in an  
13 unincorporated community;

14 Amend  
#1  
15 Adopted  
16 4-12-93  
17 SR moved  
18 ~~(2) if the effective date of the appropriation from which the grant or~~  
19 ~~draw is funded is after July 1, 1994, the local share percentage is~~

20 (A) 50 percent for a municipality with, or a named grant  
21 recipient located in a municipality with, a population of 5,000 or more;

22 (B) 25 percent for a municipality with, or a named grant  
23 recipient located in a municipality with, a population of 1,000 - 4,999;

24 (C) eight percent for a municipality with, or a named grant  
25 recipient located in a municipality with, a population of under 1,000;

26 (D) eight percent for a named grant recipient located in an  
27 unincorporated community;

28 ~~2 (3)~~ the state share percentage equals one minus the local share  
29 percentage;

30 3 (4) the local share to be contributed by a municipality may be satisfied  
31 with (A) federal, municipal, or local money; (B) labor used directly in the construction  
of the project, land, materials, or equipment; the department shall determine the value  
of a contribution under this subparagraph; (C) money from another nonstate source;  
(D) money received by the municipality under AS 29.60.010 - 29.60.375; (E) state  
taxes refunded or reimbursed to the municipality whose use for the purposes of this  
subsection is not prohibited; and (F) allocations of state aid for the costs of school  
construction debt under AS 14.11.100; except as provided in this paragraph, the local  
share may not be satisfied with money from, or with the portion of an asset that was

4-12-93  
SFC-93  
SR-3  
TK En-  
Adopted

SENATE AMENDMENT

BY: \_\_\_\_\_

TO: CSSB 88 (CRA)

Page 11, lines 11 through 20.

Delete all material and renumber accordingly.

SENATE FINANCE  
COMMITTEE  
Amendment Number: ①  
Bill Number: CSSB 88 (CRA)  
Sponsor: \_\_\_\_\_ Date: 4/12/93  
Logged In By: EM

SR-Amend. to Amend #1 - Adopted

4 ① → ① - ②

re = for endrpt (1)

reinsert "the local state purchase is"

Renumber 320 to 20.

4-12-93 Sen. Taylor  
JFC-93 # 2  
JK-3- Adopted  
4/10/93

**CSSB 88 (CRA)**

**EXPLANATION -- PROPOSED AMENDMENT**

The purpose of the proposed amendment is to relate the local matching share requirements of the bill to the different fiscal capacities of the municipalities which will receive grant funds under the proposed program.

The effect of the amendment will be that relatively wealthier municipalities (as measured by the assessed valuation of their real and personal property bases) will be subject to a proportionately greater local share requirement, up to the proposed maximum limit or ceiling. Correspondingly, relatively less wealthy municipalities will be subject to a proportionately lesser local share requirement, subject to the proposed minimum limit or floor.

The bench mark rate of one one-thousandth of a mill employed in the amendment, in this regard, serves principally as a threshold rate whose dollar-amount yield best fits (for this bill) the extremely broad range of fiscal capacities found in Alaska's municipalities. The yield is tied to each \$1,000 of grant funds received in order to accommodate fluctuating levels of program funding from year to year.

4/10/93

**AMENDMENT**

OFFERED IN THE SENATE

TO: CSSB 88 (CRA)

Page 11, Line 5:

Delete "15 percent"

Page 11, Line 6, after "1,000 - 4,999":

# 1

Insert: "the greater of (i) 15 percent of the amount of the grant or draw, or (ii) the amount that would be received by the municipality from a property tax levy of one one-thousandth of a mill per \$1,000 of grant funds received under AS 37.05.315, AS 37.06.010 or AS 37.05.316; but may not exceed 30 percent"

Page 11, Line 7:

Delete "five percent"

Page 11, Line 8, after "1,000":

# 2

Insert: "the greater of (i) five percent of the amount of the grant or draw, or (ii) the amount that would be received by the municipality from a property tax levy of one one-thousandth of a mill per \$1,000 of grant funds received under AS 37.05.315, AS 37.06.010 or AS 37.05.316; but may not exceed 30 percent"

Page 11, Line 15:

Delete "25 percent"

Page 11, Line 16, after "1,000 - 4,999":

Insert: "the greater of (i) twenty-five percent of the amount of the grant or draw, or (ii) the amount that would be received by the municipality from a property tax levy of one one-thousandth of a mill per \$1,000 of grant funds received under AS 37.05.315, AS 37.06.010 or AS 37.05.316; but may not exceed 50 percent"

Page 11, Line 17:

Delete "eight percent"

Page 11, Line 18, after "1,000":

Insert: "the greater of (i) eight percent of the amount of the grant or draw, or (ii) the amount that would be received by the municipality from a property tax levy of one one-thousandth of a mill per \$1,000 of grant funds received under AS 37.05.315, AS 37.06.010 or AS 37.05.316; but may not exceed 50 percent"

**S B**

**8 9**

**IN**

**FE**

# SENATE FINANCE COMMITTEE REPORT

DATE: 3/10/93

FURTHER:

DATE TURNED INTO OFFICE: 4-28-93

The Finance Committee considered **SENATE BILL NO. 89**

"An Act making appropriations for capital project matching grant programs; and providing for an effective date."

and recommends:

- replace with \_\_\_\_\_ CS SB 89 (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 \_\_\_\_\_

*CS to follow*

- do pass
- do not pass
- no recommendation
- individual recommendations

**NEW FISCAL NOTES**

Department	Date	Zero	Fiscal

**PREVIOUS FISCAL NOTES**

Department	Date	Zero	Fiscal

Appropriation No Fiscal Note

**DO PASS:**

*Tyler Kelly*  
*Ben A. Thompson*

**OTHER RECOMMENDATIONS:**

*1. V. White Do not pass*  
*2. [Signature]*

1. *[Signature]*  
Co-Chair: Signature/Recommendation

2. *[Signature]*  
Co-Chair: Signature/Recommendation

4-28-93  
Adopted  
TK

AMENDMENT

TO: SB 89

BY: \_\_\_\_\_

Page 1, line 4

Delete "\$65,300,000" and replace with "\$18,300,000"

called legal  
4.28.93 4:05pm  
for CS final *mm*

SENATE FINANCE  
COMMITTEE  
Amendment Number: ①  
Bill Number: SB 89  
Sponsor: \_\_\_\_\_ Date: 4/28/93  
Logged In By: (signature)

Capital Project Matching Grant Program  
Office of the Governor

**SENATE BILL NO. 89 - SECTIONAL ANALYSIS**

Section One

This section of the bill appropriates \$65.3 million in general funds to the Municipal Capital Project Matching Grant Fund, a fund which would be created within the Department of Administration upon the passage of accompanying legislation (B 88). Under the provisions of the latter bill, the \$65.3 million appropriated in this section would be allocated by formula to individual accounts within the fund for all municipalities in Alaska.

Section Two

This section of the bill appropriates \$1.7 million in general funds to the Unincorporated Community Capital Project Matching Grant Fund, a fund which would be created within the Department of Community and Regional Affairs upon the passage of accompanying legislation (SB 88). Under the provisions of the latter bill, the \$1.7 million appropriated in this section would be allocated in equal amounts to individual accounts within the fund for all unincorporated communities in Alaska which are eligible for the State's FY 1993 revenue sharing program.

Section Three

This section stipulates that the bill will take effect on July 1, 1994, only if the companion enabling legislation (SB 88) also is enacted.

*Sectional Analysis*

**TABLE 1 - MUNICIPALITIES**

TOTAL FUNDING \$97,000,000 MINIMUM GRANT

Municipal CPMG Fund Appropriation: \$65,300,000 Under 1,000  
 Minimum State Share: \$25,000  
 Allocation Factor: 1.5  
 Local Share %: 5%

(A)	(B)	(C)	(D)	(E)
Municipality	Population	Grant Allocation Factor	LOCAL SHARE %	
Akiok (KIB)	81	1.5	5%	1,316
Akiak	287	1.5	5%	2,379
Akutan (AEB)	487	1.5	5%	4,037
Alakanuk	559	1.5	5%	4,634
Aleknagik	200	1.5	5%	1,668
Aleutians East Borough (AEB):				
Atkasat	93	1.5	5%	1,316
Atkasat	172	1.5	5%	1,426
Ambler (NAB)	301	1.5	5%	2,496
Anaktuvuk Pass (NSB)	246	1.5	5%	2,038
Anchorage, Municipality of	240,258	1.0	30%	10,797,153
Anderson (DB)	649	1.5	5%	5,380
Angoon	706	1.5	5%	5,844
Aniak	529	1.5	5%	4,385
Anvik	104	1.5	5%	1,316
Atka	87	1.5	5%	1,316
Atmautluak	267	1.5	5%	2,213
Atkasuk (NSB)	217	1.5	5%	1,790
Barrow (NSB)	3,702	1.4	15%	98,021
Bethel	4,868	1.4	15%	128,284
Bethel	33	1.5	5%	1,316
Brewig Mission	234	1.5	5%	1,940
Bristol Bay Borough:	1,415	1.4	15%	38,702
Buckland (NAB)	318	1.5	5%	2,638
Chitinauk	330	1.5	5%	2,738
Chevak	819	1.5	5%	5,131
Chignik (LPB)	177	1.5	5%	1,457
Chuathbaluk	129	1.5	5%	1,316
Clark's point	58	1.5	5%	1,316
Coffman cove	198	1.5	5%	1,641
Cold bay (AEB)	137	1.5	5%	1,316
Cordova	2,504	1.4	15%	64,947
Craig	1,637	1.4	15%	42,480
Deering (NAB)	158	1.5	5%	1,316
Delta Junction	736	1.5	5%	6,101
Denali Borough (DB):	1,183	1.4	15%	30,684
Dillingham	2,110	1.4	15%	54,728
Diomede	180	1.5	5%	1,492
Eagle	161	1.5	5%	1,335
Eek	284	1.5	5%	2,364
Elkvik	78	1.5	5%	1,316
Elm	267	1.5	5%	2,213
Emmonak	692	1.5	5%	5,737
Fairbanks (FNSB)	32,158	1.0	30%	1,445,088
Fairbanks North Star Borough (FNSB):	45,903	1.0	30%	2,062,873
False Pass (AEB)	84	1.5	5%	1,316
Fort Yukon	718	1.5	5%	5,962
Galena	829	1.5	5%	6,872

**TABLE 1 - MUNICIPALITIES**

TOTAL FUNDING \$67,000,000      MINIMUM GRANT: \$25,000

Municipal CPMG Fund Appropriation:	\$65,300,000	<u>Population:</u>				
Minimum State Share:	\$25,000	Under 1,000	1,000-4,999	5,000-10,000	Over 10,000	
		Allocation Factor:	1.5	1.4	1.2	1.0
		Local Share %:	5%	15%	30%	30%

(A) Municipality	(B) Population	(C) Grant Allocation Factor	(D) LOCAL SHARE %	(E) \$	(F) STATE SHARE %	(G) \$	(H) Leverage Ratio
Gambell	546	1.5	5%	4,526	95.0%	86,300	1.25
Golovin	146	1.5	5%	1,316	95.0%	25,000	1.25
Goodnews Bay	236	1.5	5%	1,956	95.0%	37,172	1.25
Grayling	203	1.5	5%	1,683	95.0%	31,974	1.25
Haines (HB)	1,265	1.4	15%	32,811	85.0%	185,929	1.19
Haines Borough (HB):	947	1.5	5%	7,851	95.0%	149,161	1.25
Holy Cross	273	1.5	5%	2,263	95.0%	43,000	1.25
Homer (KPB)	3,937	1.4	15%	102,116	85.0%	578,657	1.19
Hoonah	793	1.5	5%	6,574	95.0%	124,905	1.25
Hooper Bay	890	1.5	5%	7,378	95.0%	140,183	1.25
Houston (MSB)	815	1.5	5%	6,756	95.0%	128,370	1.25
Hughes	66	1.5	5%	1,316	95.0%	25,000	1.25
Hualia	224	1.5	5%	1,857	95.0%	35,282	1.25
Hydaburg	405	1.5	5%	3,357	95.0%	63,791	1.25
Juneau, City and Borough of (JCB)	29,251	1.0	30%	1,314,535	70.0%	3,067,248	1.41
Kachemak (KPB)	372	1.5	5%	3,084	95.0%	58,593	1.25
Kake	725	1.5	5%	6,010	95.0%	114,194	1.25
Kaktovik (NSB)	224	1.5	5%	1,857	95.0%	35,282	1.25
Kaitag	257	1.5	5%	2,131	95.0%	40,480	1.25
Kasaan	52	1.5	5%	1,316	95.0%	25,000	1.25
Kasigluk	459	1.5	5%	3,805	95.0%	72,297	1.25
Kenai (KPB)	6,535	1.2	30%	352,864	70.0%	822,883	1.41
Kenai Peninsula Borough (KPB):	24,638	1.0	30%	1,107,228	70.0%	2,583,531	1.41
Ketchikan (KGB)	8,478	1.2	30%	457,519	70.0%	1,067,544	1.41
Ketchikan Gateway Borough (KGB):	5,253	1.2	30%	283,480	70.0%	661,454	1.41
Kiana (NAB)	401	1.5	5%	3,324	95.0%	63,161	1.25
King Cove (AEB)	871	1.5	5%	7,221	95.0%	137,190	1.25
Kivalina (NAB)	327	1.5	5%	2,711	95.0%	51,505	1.25
Klawock	758	1.5	5%	6,284	95.0%	119,392	1.25
Kobuk (NAB)	110	1.5	5%	1,316	95.0%	25,000	1.25
Kodiak (KIB)	7,229	1.2	30%	390,116	70.0%	910,271	1.41
Kodiak Island Borough (KIB):	7,324	1.2	30%	398,243	70.0%	922,233	1.41
Kotlik	503	1.5	5%	4,170	95.0%	79,227	1.25
Kotzebue (NAB)	3,075	1.4	15%	79,758	85.0%	451,961	1.19
Koyuk	277	1.5	5%	2,298	95.0%	43,630	1.25
Koyukuk	127	1.5	5%	1,316	95.0%	25,000	1.25
Kupreanof	24	1.5	5%	1,316	95.0%	25,000	1.25
Kwethluk	559	1.5	5%	4,634	95.0%	88,048	1.25
Lake and Peninsula Borough (LPB):	949	1.5	5%	7,887	95.0%	149,476	1.25
Larsen Bay (KIB)	149	1.5	5%	1,316	95.0%	25,000	1.25
Lower Kalskag	299	1.5	5%	2,479	95.0%	47,095	1.25
Manokotak	404	1.5	5%	3,349	95.0%	63,634	1.25
Marshall (Fortuna Ledge)	318	1.5	5%	2,636	95.0%	50,888	1.25
Matanuska-Susitna Borough:	33,819	1.0	30%	1,519,820	70.0%	3,546,247	1.41
McGrath	531	1.5	5%	4,402	95.0%	83,637	1.25
Mekoryuk	206	1.5	5%	1,708	95.0%	32,447	1.25
Mellakata	1,564	1.4	15%	40,586	85.0%	229,875	1.19

**TABLE 1 - MUNICIPALITIES**

TOTAL FUNDING \$67,000,000      **MINIMUM GRANT**

Municipal CPMG Fund Appropriation: \$65,300,000      Under  
 Minimum State Share: \$25,000      1,000  
 Allocation Factor: 1.5  
 Local Share %: 5%

(A)	(B)	(C)	(D)	(E)
Municipality	Population	Grant Allocation Factor	LOCAL SHARE %	\$
Mountain Village	727	1.5	5%	6,027
Napakiaik	323	1.5	5%	2,678
Nepaskiak	362	1.5	5%	3,011
Nenana	504	1.5	5%	4,178
New Stuyahok	398	1.5	5%	3,283
Newhalen (LPB)	161	1.5	5%	1,336
Newtok	213	1.5	5%	1,768
Nightmute	178	1.5	5%	1,476
Nikolai	107	1.5	5%	1,318
Nome	4,558	1.4	15%	118,248
Nondaton (LPB)	212	1.5	5%	1,757
Noorvik (NAB)	530	1.5	5%	4,311
North Pole (FNSB)	1,671	1.4	18%	43,342
North Slope Borough (NSB):	2,582	1.4	18%	68,871
Northwest Arctic Borough (NAB):	290	1.5	5%	2,072
Nuiqsut (NSB)	381	1.5	5%	3,241
Nulato	384	1.5	5%	3,018
Nunapitchuk (Akomiut)	475	1.5	5%	3,888
Old Harbor (KIB)	288	1.5	5%	2,478
Ouzinkie (KIB)	218	1.5	5%	1,781
Palmer	3,038	1.4	15%	78,834
Pelican	285	1.5	5%	2,187
Petersburg	3,883	1.4	18%	88,488
Pilot Point (LPB)	87	1.5	5%	1,318
Pilot Station	470	1.5	5%	3,888
Platinum	54	1.5	5%	1,318
Point Hope (NSB)	680	1.5	5%	5,687
Port Alexander	118	1.5	5%	1,318
Port Heiden (LPB)	128	1.5	5%	1,318
Port Lions (KIB)	238	1.5	5%	1,873
Quinhagak	901	1.5	5%	4,188
Ruby	207	1.5	5%	1,718
Russell Mission	288	1.5	5%	2,288
Sand Point (AESB)	1,073	1.4	18%	27,881
Savoonga	548	1.5	5%	4,618
Saxman (KGB)	378	1.5	5%	3,142
Scammon Bay	388	1.5	5%	2,984
Selawik (NAB)	587	1.5	5%	4,948
Seldovia (KPB)	302	1.5	5%	2,584
Seward (KPB)	2,808	1.4	18%	72,781
Shageluk	144	1.5	5%	1,318
Shaldoolik	212	1.5	5%	1,757
Sheldon Point	108	1.5	5%	1,318
Shishmaref	488	1.5	5%	3,888
Shungnak (NAB)	224	1.5	5%	1,887
Sitka, City and Borough of (SCB)	8,818	1.2	30%	475,788
Sligo	738	1.5	5%	6,088

Capital Project Matching Grant Program

1993

**TABLE 1 - MUNICIPALITIES**

TOTAL FUNDING: \$87,000,000      MINIMUM GRANT: \$25,000

Municipal CPMG Fund Appropriation:	\$65,300,000	<i>Population:</i>				
Minimum State Share:	\$25,000	Under 1,000	1,000- 4,999	5,000- 10,000	Over 10,000	
		Allocation Factor:	1.5	1.4	1.2	1.0
		Local Share %:	5%	15%	30%	30%

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
Municipality	Population	Grant Allocation Factor	LOCAL SHARE %	\$	STATE SHARE %	\$	Leverage Ratio
Soldotna (KPB)	3,652	1.4	15%	94,724	85.0%	536,768	1.8
St. George	287	1.5	5%	2,379	95.0%	45,205	1.05
St. Mary's	477	1.5	5%	3,954	95.0%	75,132	1.05
St. Michael	324	1.5	5%	2,686	95.0%	51,033	1.05
St. Paul	771	1.5	5%	6,392	95.0%	121,439	1.05
Stebbins	442	1.5	5%	3,664	95.0%	69,619	1.05
Tanana	407	1.5	5%	3,374	95.0%	64,106	1.05
Teller	254	1.5	5%	2,106	95.0%	40,007	1.05
Tenakee Spngs	106	1.5	5%	1,316	95.0%	25,000	1.05
Thome Bay	637	1.5	5%	5,291	95.0%	100,333	1.05
Togiak	738	1.5	5%	6,118	95.0%	116,242	1.05
Toksook Bay	449	1.5	5%	3,722	95.0%	70,722	1.05
Tuluksak	371	1.5	5%	3,075	95.0%	58,436	1.05
Tununak	333	1.5	5%	2,761	95.0%	52,450	1.05
Unalakleet	732	1.5	5%	6,068	95.0%	115,297	1.05
Unalaska	3,825	1.4	15%	99,211	85.0%	562,195	1.8
Upper Katskag	173	1.5	5%	1,434	95.0%	27,249	1.05
Valdez	4,360	1.4	15%	113,087	85.0%	640,829	1.8
Wainwright (NSB)	536	1.5	5%	4,443	95.0%	84,425	1.05
Wales	147	1.5	5%	1,316	95.0%	25,000	1.05
Wasilla	4,124	1.4	15%	108,988	85.0%	606,112	1.8
White Mountain	182	1.5	5%	1,509	95.0%	28,667	1.05
Whittier	279	1.5	5%	2,313	95.0%	43,945	1.05
Wrangell	2,539	1.4	15%	65,855	85.0%	373,180	1.8
Yakutat	720	1.5	5%	6,043	95.0%	114,824	1.05
<b>TOTAL:</b>	<b>166</b>		<b>26%</b>	<b>22,094,478</b>	<b>74%</b>	<b>65,300,000</b>	<b>1.33</b>

NOTES:

Col. A - Municipalities as of 7/1/92, as certified by DCRA on 12/15/92 for the FY 94 State revenue sharing and municipal assistance programs. Changes may occur prior to program implementation.

Col. B - Population figures as of 7/1/92, as certified by DCRA on 12/15/92 for the FY 94 State revenue sharing and municipal assistance programs. Changes may occur prior to program implementation.

Col. D - Equals percentage of total project cost; i.e., Col. E divided by (Col. E + Col. G).

Col. E - Equals local share percentage (Col. D) divided by state share percentage (Col. F), multiplied by State Share amount (Col. G).

Col. H - Equals sum of Local Share amount (Col. E) and State Share amount (Col. G), divided by State Share amount (Col. G).



HB 124 / SB 68  
Capital Project Matching Grant Program

**TABLE 2 - UNINCORPORATED COMMUNITIES**

TOTAL FUNDING: \$47,000,000      MINIMUM GRANT: \$25,000

Unincorporated Community CPMG Fund Appropriation: \$1,700,000  
Minimum State Share: \$25,000  
Local Share Percentage: 5%

(A)	(B)	(C)	(D)
	State Share	Local Share	Local Match %
Red Devil.....	25,000	1,318	5.0%
Silver Springs.....	25,000	1,318	5.0%
Siana Community Corporation.....	25,000	1,318	5.0%
Siana League.....	25,000	1,318	5.0%
Steelmute.....	25,000	1,318	5.0%
Stevens Village.....	25,000	1,318	5.0%
Stony River.....	25,000	1,318	5.0%
Takotna.....	25,000	1,318	5.0%
Tanacross.....	25,000	1,318	5.0%
Tatitlek.....	25,000	1,318	5.0%
Tazlina.....	25,000	1,318	5.0%
Tetlin.....	25,000	1,318	5.0%
Tok.....	25,000	1,318	5.0%
Tolsona.....	25,000	1,318	5.0%
Tuntutulik.....	25,000	1,318	5.0%
Twin Hills.....	25,000	1,318	5.0%
Venette.....	25,000	1,318	5.0%
Whale Pass.....	25,000	1,318	5.0%
Wiseman.....	25,000	1,318	5.0%
<b>Total:</b>	<b>68</b>	<b>\$1,700,000</b>	<b>\$88,474</b> <b>5.0%</b>

NOTES:

- Col. A - Unincorporated communities eligible for FY 94 State revenue sharing as of 7/1/82, as certified by DCRA on 12/15/82. Changes may occur prior to program implementation.
- Col. C - Equals local share percentage (Col. D) divided by State share percentage (1 minus local share percentage), multiplied by State share amount (Col. B).
- Col. D - Equals percentage of total project cost; i.e., Col. C divided by (Col. B + Col. C).

WALTER J. HICKEL  
GOVERNOR



P. O. Box 110001  
Juneau, Alaska 99811-0001  
(907) 465-3500

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

89

February 3, 1993

The Honorable Rick Halford  
President of the Senate  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182

Dear President Halford:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill making appropriations totaling \$67,000,000 for capital project matching grant programs in the Department of Administration and the Department of Community and Regional Affairs.

Today I am also transmitting a companion bill that establishes those programs in statute, to provide funding for essential capital projects in municipalities and unincorporated communities and to establish local share requirements for these projects.

As provided in the companion bill establishing the two capital project matching grant programs, the appropriations to the two funds will be allocated under two formulas to individual grant accounts for municipalities and unincorporated communities. My office of management and budget will provide information that shows the allocation amounts that would result from these appropriations under those formulas. Subsequent project-specific appropriations will be necessary for municipalities and unincorporated communities to draw project grant money from their individual grant accounts. The appropriations requested in the attached bill assume that municipalities and unincorporated communities will contribute a local share toward each capital project, which will maximize limited state money for those projects.

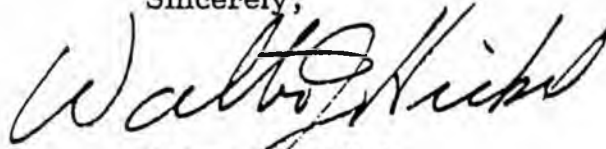
These appropriations will help improve Alaska's health centers, senior centers, women's shelters, youth centers, and other structures essential to providing quality social and health programs in local areas of our state. Also, these appropriations may improve our energy systems, provide weatherization to save energy in funded projects, and make other improvements for more efficient program administration in funded projects. Finally, these appropriations will be available to provide essential infrastructure to encourage economic development,

The Honorable Rick Halford  
Page 2

especially in the rural areas of our state. Alaska must have up-to-date capital structure and technology in order to successfully compete in today's rapidly changing markets.

I seek and encourage your support for this bill.

Sincerely,

A handwritten signature in cursive script, reading "Walter D. Hickel". The signature is written in black ink and is positioned above the printed name and title.

Walter D. Hickel  
Governor

SENATE COMMITTEE REPORT

(FIRST COMMITTEE OF REFERRAL)

*JK*

DATE: 2/3/93

FURTHER: FINANCE

Date of 5-Day Notice: 2/11/93  
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 3-9-93

CRA Committee considered SENATE BILL NO. 89

~~"An Act making appropriations for capital project matching grant programs; and providing for an effective date."~~

and recommends:

and report it back as follows

[ ] replace with \_\_\_\_\_ CS \_\_\_\_\_ ( )

- [ ] same title
- [ ] new title
- [ ] technical title change (HB only)

[ ] attaches amendment(s)

[ ] adopts \_\_\_\_\_ Letter of Intent

[ ] further referral to the \_\_\_\_\_

[ ] do pass

[ ] do not pass

[ ] no recommendation

individual recommendations

*APPROP  
NO FY*

FISCAL NOTE INFORMATION

Department	Date	Zero	Fiscal

Department	Date	Zero	Fiscal

Appropriation No Fiscal Note

[ ] Governor's Bill with Previous Fiscal Notes (enter information above)

DO PASS:

OTHER RECOMMENDATIONS:

\_\_\_\_\_ *Bill Hallock - NO Rec*

\_\_\_\_\_ *Paul Hanoff - NO Rec*

\_\_\_\_\_ *Christi Taylor - NO Rec*

*Roll & Call Do Pass*

Chair: Signature and Recommendation

**SB**

**91**

**HFIN**

**FILE**

CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 91(HES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTEENTH LEGISLATURE - FIRST SESSION



BY THE SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

Offered: 3/22/93  
Referred: L&C, FIN

Sponsor(s): SENATORS LEMAN, Ellis, Pearce, Luncan, Zharoff, Lincoln, Little, Donley, Salo  
*Representative Brize*

*AMTD  
FIN*

A BILL

FOR AN ACT ENTITLED

1 "An Act prohibiting unfair discrimination against direct-entry midwives who  
2 perform services within the scope of their certification; providing for coverage of  
3 midwife services under Medicaid; reordering the priority of optional services  
4 provided by the state under Medicaid; and providing for an effective date."

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

6 \* Section 1. AS 21.36.090(d) is amended to read:

7 (d) Except to the extent necessary to comply with AS 21.42.365, a person may  
8 not practice or permit unfair discrimination against a person who provides a service  
9 covered under a group disability policy that extends coverage on an expense incurred  
10 basis, or under a group service or indemnity type contract issued by a nonprofit  
11 corporation, if the service is within the scope of the provider's occupational license.  
12 In this subsection, "provider" means a state licensed physician, dentist, osteopath,  
13 optometrist, chiropractor, nurse midwife, advanced nurse practitioner, naturopath,  
14 physical therapist, occupational therapist, psychologist, psychological associate, [OR]



1 licensed clinical social worker, or certified direct-entry midwife.

2 \* Sec. 2. AS 47.07.030(b) is amended to read:

3 (b) In addition to the mandatory services specified in (a) of this section, the  
4 department may offer only the following optional services: case management and  
5 nutrition services for pregnant women; personal care services in a recipient's home;  
6 emergency hospital services; long-term care noninstitutional services; medical supplies  
7 and equipment; advanced nurse practitioner services; clinic services; rehabilitative  
8 services for substance abusers and emotionally disturbed or chronically mentally ill  
9 adults; targeted case management services for substance abusers, chronically mentally  
10 ill adults, and severely emotionally disturbed persons under the age of 21; inpatient  
11 psychiatric facility services for individuals age 65 or older and individuals under age  
12 21; psychologists' services; clinical social workers' services; midwife services;  
13 prescribed drugs; physical therapy; occupational therapy; chiropractic services,  
14 low-dose mammography screening, as defined in AS 21.42.375(e); treatment of speech,  
15 hearing, and language disorders; adult dental services; prosthetic devices and  
16 eyeglasses; optometrists' services; intermediate care facility services, including  
17 intermediate care facility services for the mentally retarded; skilled nursing facility  
18 services for individuals under age 21; and reasonable transportation to and from the  
19 point of medical care.

20 \* Sec. 3. AS 47.07.035 is amended to read:

21 Sec. 47.07.035. PRIORITY OF MEDICAL ASSISTANCE. If the department  
22 finds that the cost of medical assistance for all persons eligible under this chapter will  
23 exceed the amount allocated in the state budget for that assistance for the fiscal year,  
24 the department shall eliminate coverage for optional medical services and optionally  
25 eligible groups of individuals in the following order:

- 26 (1) midwife services;  
27 (2) clinical social workers' services;  
28 (3) [(2)] psychologists' services;  
29 (4) [(3)] chiropractic services;  
30 (5) [(4)] advanced nurse practitioner services;  
31 (6) [(5)] adult dental services;

- 1                    (7) [(6)] emergency hospital services;
- 2                    (8) [(7)] treatment of speech, hearing, and language disorders;
- 3                    (9) [(8)] optometrists' services and eyeglasses;
- 4                    (10) [(9)] occupational therapy;
- 5                    (11) [(10)] mammography screening;
- 6                    (12) [(11)] prosthetic devices;
- 7                    (13) [(12)] medical supplies and equipment;
- 8                    (14) [(13)] targeted case management services;
- 9                    (15) [(14)] rehabilitative services for substance abusers and emotionally  
10                    disturbed or chronically mentally ill adults;
- 11                    (16) [(15)] clinic services;
- 12                    (17) [(16)] physical therapy;
- 13                    (18) [(17)] personal care services in a recipient's home;
- 14                    (19) [(18)] prescribed drugs;
- 15                    (20) [(19)] long-term care noninstitutional services;
- 16                    (21) [(20)] inpatient psychiatric facility services;
- 17                    (22) [(21)] intermediate care facility services for the mentally retarded;
- 18                    (23) [(22)] intermediate care facility services;
- 19                    (24) [(23)] individuals under age 21 who are not eligible for benefits  
20                    under the federal aid to families with dependent children program because they are not  
21                    deprived of one or more of their natural or adoptive parents;
- 22                    (25) [(24)] skilled nursing facility services for persons under age 21;
- 23                    (26) [(25)] aged, blind, and disabled individuals who, because they do  
24                    not meet the income requirements, do not receive supplemental security income under  
25                    Title XVI of the Social Security Act, but who are eligible, or would be eligible if they  
26                    were not in a skilled nursing facility or intermediate care facility, to receive an  
27                    optional state supplementary payment;
- 28                    (27) [(26)] individuals in a hospital, skilled nursing facility, or  
29                    intermediate care facility whose income while in the facility does not exceed 300  
30                    percent of the supplemental security income benefit rate under Title XVI of the Social  
31                    Security Act, but who, because of income, are not eligible for the optional state

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supplementary payment;

(28) [(27)] individuals under age 21 under supervision of the department [,] for whom maintenance is being paid in whole or in part from public money and who are in foster homes or private child-care institutions.

\* Sec. 4. AS 47.07.900 is amended by adding a new paragraph to read:

(18) "midwife services" means services within the practice of midwifery, as defined in AS 08.65.190, that are performed by a certified direct-entry midwife and miscellaneous fees, other than facility fees, for birth kits, oxygen, and other ancillary expenses necessary for a birth attended by a certified direct-entry midwife.

\* Sec. 5. This Act takes effect July 1, 1993.

FISCAL NOTE

STATE OF ALASKA  
1993 LEGISLATIVE SESSION

Bill Version: SSSB 91  
(S) Publish Date: 3-22-93

Revision Date: \_\_\_\_\_ Dept. Affected: Health and Social Services  
Title: An Act providing for coverage of midwife services under Medicaid BRU: Medical Assistance  
Sponsor: Leman Component: Medicaid Non-facility  
Requestor: \_\_\_\_\_ COMPONENT SERIAL NO. 00229

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
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	65.0	75.8	88.3	102.9	119.9	139.8
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>65.0</b>	<b>75.8</b>	<b>88.3</b>	<b>102.9</b>	<b>119.9</b>	<b>139.8</b>

CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
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REVENUE FUND SOURCE						
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FUNDING:

(Thousands of Dollars)

1002 Federal Receipts	32.5	37.9	44.2	51.4	59.9	69.9
1003 GF Match	32.5	37.9	44.1	51.5	60.0	69.9
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	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>65.0</b>	<b>75.8</b>	<b>88.3</b>	<b>102.9</b>	<b>119.9</b>	<b>139.8</b>

POSITIONS:

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

Changes in SSSB 91 (HSS) reflect NO FISCAL CHANGE from the original fiscal note. This fiscal note is appropriate.  
3/22/93 kh  
date Comte Aide (initial)

Estimate of current year (FY93) impact: 0.0

ANALYSIS: (Attach a separate page if necessary)

This fiscal note is to be read in conjunction with notes for other components of the medical assistance programs. For this bill the components included are Medicaid Facility (00230), Medicaid Non-facility (00229) and Claims Processing (00243). Cost figures for hospitals, physicians, midwives, and claims processing are identified in the attachment.

Prepared by: Dave W. Williams, HPIII DW Williams  
Division: Medical Assistance  
Approved by Commissioner: Theodore A. Mala, MD, MPH  
Agency: Department of Health & Social Services

Phone: 465-5826  
Date: Mar. 18, 1993  
Date: 3-19-93

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Passage of SB 91 would provide another choice to expectant mothers who are dependent upon medical assistance for pregnancy care and childbirth assistance. At present, physician and hospital services are payable under medical assistance along with some pregnancy related nursing services. Payment of direct entry midwife services may have some downward effect on medical assistance program costs to the extent that expectant mothers choose to use midwife services instead of the more costly physician and hospital services.

There are now 10 licensed direct entry midwives in Alaska; a number which might grow to 25 over the next year. The estimated number of births that will be delivered by these professionals during FY94 is 250 of which an estimated 125 would be eligible for reimbursement under the medical assistance program. Of the 125 eligible for Medicaid an estimated 50%, or about 60 births, would be shifted from hospital and physician care to direct entry midwife care.

**FY94 Costs:**

**Medicaid Facility**

A survey completed last year of the uncomplicated Medicaid births shows that a course of prenatal care by current licensed providers, with a hospital birth, averages about \$5,000. Based on that survey and updated information the average cost for the hospital portion of services for a birth is calculated as \$3,000. The cost of Medicaid facility services would be reduced by \$180,000 for the 60 births shifted away from hospitals under this bill.

**Medicaid Non-facility**

Non-facility costs would increase under the bill by the cost of the 125 birthing services provided by direct entry midwives, the cost of any birthing facilities involved, and be reduced by the alternative cost of physician fees for prenatal, delivery, and post-partum care. Direct entry midwife services are costed at an average of \$1,480 per birth (80 percent of the \$1,850 average general public rate). Physician costs are estimated at \$2,000 per birth for pre-natal, delivery, and post-partum.

Midwife services	$\$1,480 \times 125 = \$185,000$
Physician fees	$\$2,000 \times 60 = (120,000)$
Net Medicaid Non-facility	\$ 65,000

**Claims Processing**

Based on current experience, the addition of a new provider category and services to the Medicaid Management Information System (MMIS, claims payment system) will require \$30,000. Another \$1,500 cost is required for development of a provider manual. These first year costs for changes to the system receive a 75% federal match and require 25% state general funds.

Additional contractual costs will be incurred for processing the claims submitted by nurse midwives. The cost is shown as \$6.23 per claim. This fiscal note assumes that the midwives will submit 2 to 3 claims per month more than would be done by physicians and the submissions would cover 5 months. For the 125 births the cost for claims processing would be approximately \$9,700.

NOTES:

The Alaska Midwife's Association reports a range of fees for service of \$1,400 to \$2,300 with a statewide, non-weighted average fee of \$1,850.

Current statistics from the Bureau of Vital Statistics indicate that approximately 42% of births are to persons meeting eligibility guidelines for Medicaid services. Reports from the Alaska Midwife's Association indicate a much higher percentage of Medicaid eligibility of 70% to 80%.

This fiscal note assumes 50% eligibility for those using the services.

FY 95 and subsequent year's claims are adjusted for growth at 11% and medical inflation at 5%.

Net fiscal impact of all Division of Medical Assistance fiscal notes for SSSB91 is as follows:

Totals	FY94	FY95	FY96	FY97	FY98	FY99
Medicaid Facility	(180.0)	(209.8)	(244.5)	(285.0)	(332.1)	(387.1)
Med. Non-facility	65.0	75.8	88.3	102.9	119.9	139.8
Claims	41.2	11.3	13.2	15.4	17.9	20.9
NET	( 73.8)	(122.7)	(143.0)	(166.7)	(194.3)	(226.5)

H:\POLICY\HSSPLAN3\LEG93\SSSB91.NTS

# FISCAL NOTE

STATE OF ALASKA  
1993 LEGISLATIVE SESSION

Bill Version: SSSB 91  
(S) Publish Date: 3-22-93

Revision Date: \_\_\_\_\_ Dept. Affected: Health and Social Services  
 Title: An Act providing for coverage of midwife services under Medicaid BRU: Medical Assistance Administration  
 Sponsor: Leman Component: Claims Processing  
 Requestor: \_\_\_\_\_ COMPONENT SERIAL NO. 00243

### Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
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	41.2	11.3	13.2	15.4	17.9	20.9
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>41.2</b>	<b>11.3</b>	<b>13.2</b>	<b>15.4</b>	<b>17.9</b>	<b>20.9</b>

CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
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REVENUE FUND SOURCE						
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### FUNDING: (Thousands of Dollars)

1002 Federal Receipts	28.5	5.6	6.6	7.7	9.0	10.5
1003 GF Match	12.7	5.7	6.6	7.7	8.9	10.4
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	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>41.2</b>	<b>11.3</b>	<b>13.2</b>	<b>15.4</b>	<b>17.9</b>	<b>20.9</b>

### POSITIONS:

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

Changes in SSSB 91 (HSS)  
 reflect NO FISCAL CHANGE from the original  
 fiscal note. This fiscal note is appropriate.  
3/22/93 hh  
 date Compt Aide (initial)

Estimate of current year (FY93) impact: 0.0

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

This fiscal note is to be read in conjunction with notes for other components of the medical assistance programs. For this bill the components included are Medicaid Facility (00230), Medicaid Non-facility (00229) and Claims Processing (00243). The FY94 cost includes one-time costs for \$30,000 changes to the Medicaid Information System and \$1,500 for development of a provider manual. Costs continuing over fiscal years are for an FY94 claims processing cost estimated to include 2 to 3 claims per month for 5 months for each birth. The cost of each claim is estimated at the current \$6.23. Growth in utilization is estimated at 11% and inflation at 5% per year. Federal participation is shown at 75% for claims processing. Additional information and cost figures for hospitals, physicians, midwives, and claims processing are identified in the attached notes.

Prepared by: Dave W. Williams, HPIII *DW Williams*  
 Division: Medical Assistance

Phone: 465-5826  
 Date: Mar. 18, 1993

Approved by Commissioner: Theodore A. Mala, MD, MPH *Theodore A. Mala*  
 Agency: Department of Health & Social Services

Date: 3-19-93

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Passage of SB 91 would provide another choice to expectant mothers who are dependent upon medical assistance for pregnancy care and childbirth assistance. At present, physician and hospital services are payable under medical assistance along with some pregnancy related nursing services. Payment of direct entry midwife services may have some downward effect on medical assistance program costs to the extent that expectant mothers choose to use midwife services instead of the more costly physician and hospital services.

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**FY94 Costs:**

**Medicaid Facility**

A survey completed last year of the uncomplicated Medicaid births shows that a course of prenatal care by current licensed providers, with a hospital birth, averages about \$5,000. Based on that survey and updated information the average cost for the hospital portion of services for a birth is calculated as \$3,000. The cost of Medicaid facility services would be reduced by \$180,000 for the 60 births shifted away from hospitals under this bill.

**Medicaid Non-facility**

Non-facility costs would increase under the bill by the cost of the 125 birthing services provided by direct entry midwives, the cost of any birthing facilities involved, and be reduced by the alternative cost of physician fees for prenatal, delivery, and post-partum care. Direct entry midwife services are costed at an average of \$1,480 per birth (80 percent of the \$1,850 average general public rate). Physician costs are estimated at \$2,000 per birth for pre-natal, delivery, and post-partum.

Midwife services	$\$1,480 \times 125 = \$185,000$
Physician fees	$\underline{\$2,000 \times 60 = (120,000)}$
Net Medicaid Non-facility	\$ 65,000

**Claims Processing**

Based on current experience, the addition of a new provider category and services to the Medicaid Management Information System (MMIS, claims payment system) will require \$30,000. Another \$1,500 cost is required for development of a provider manual. These first year costs for changes to the system receive a 75% federal match and require 25% state general funds.