

ALASKA LEGISLATURE

1453

HOUSE and SENATE FINANCE COMMITTEE FILES, 1995-1996

The U. S. Army, Corps of Engineers contractor acknowledged receipt of the notice to proceed. The total amount of the contract is \$10,937,000. The required match is on a State/Federal, 25%/75% match. The contract completion dates is set for on January 8, 1998.

July 4, 1995

The U. S. Army, Corps of Engineers sent out Alan Jefferies, Hydraulic Engineer, to do preliminary estimate of the extent of erosion and slope stability failure.

The U. S. Army, Corps of Engineers awarded a construction contract in May 1995 for the Erosion Control Project. The scope of this project includes erosion protection from the Bethel City Port Facility to the Bethel Bulk Fuel Terminal about 6,500 feet downstream.

Red-Samm Construction Company began making arrangements to use the only material available in Bethel. There was approximately 1,800 tons rock which is substantially smaller than the design stone for the project.

July 5, 1995

The U. S. Army, Corps of Engineers were in the process of signing the contract modifications directing their contractor Red-Samm Construction Company to proceed with work on the Bethel Banks Stabilization Contract.

Red-Samm Construction Company begins looking for a barge to haul rock from Saint Paul Island.

July 6, 1995

The Department of Transportation and Public Facilities, and Alaska Division of Emergency Services made their first field trip out to Bethel to assess the situation.

During this trip W. F. (Skip) Barber, Regional Hydrologist, Department of Transportation and Public Facilities met with the U. S. Army, Corps of Engineers to discuss the various options which the two agencies had. It was agreed that the Bethel Port Facility was at an un-expectable risk of a catastrophic failure. Therefore, the decision was made that all the existing rock in Bethel should be used at the Bethel Port Facility.

The U. S. Army, Corps of Engineers began the placement of approximately 5,000 tons of gravel and rock that was in Bethel.

W. F. (Skip) Barber, Regional Hydrologist, Central Region, Department of Transportation and Public Facilities, stressed the importance of making sure that all of the governmental agencies work together to insure a coordination of resources.

Red-Samm Construction Company begins looking for rock and a barge.

Department of Transportation and Public Facilities, and the U. S. Army, Corps of Engineers begin discussions on the possible alternatives.

1. Discussion centered around the an expectable degree of risk for the Bethel Port Facility. Issues such as how can project management insure that the limited resources available during the 1995 construction season are used in the publics best benefit.
2. What effect wil' the 1995 erosion have on the total project. The U. S. Army, Corps of Engineers indicated that they were in negotiations with Red-Samm Construction Company on the costs which would be incurred because of the early mobilization, and changes required to get actual construction done in Bethel as soon as possible.

3. The additional costs to the Bethel Bank Stabilization Contract will be about \$3,200,000. This will mean that there will be a requirement of an additional match from the State of Alaska, or the City of Bethel of about \$800,000.

July 7, 1995 Department of Transportation and Public Facilities delivered 130 super sacks to Bethel. The sacks were used in the Mission Road area. Total cost \$4,440.00.

The Department of Transportation and Public Facilities, and U. S. Army, Corps of Engineers met to discuss possible solutions for both the Bethel Port Facility and Mission Road area.

- 1.. The U. S. Army, Corps of Engineers estimated that they would have their first barge actually off loading rock in Bethel on July 15 or 16, 1995. This barge will have a total of 4,000 tons of rock for placement. The decision was made at that time that the rock should be placed at the Bethel Port Facility because it is subjected to the highest degree of risk of failure.
2. The U. S. Army, Corps of Engineers indicated that they would have their contractor continue to work in the Mission Road area on a regular 10 hour day between now and when the first barge arrives.

July 8, 1995 The U. S. Army, Corps of Engineers continues to place material at the Bethel Port Facility. Cross sections were taken to determine if the material was remaining in place. Department of Transportation and Public Facilities delivered 625 super sacks to Bethel. The sacks were used in the Mission Road area. Cost \$24,000.00 or \$28,440.00 for a total of super-sacks 755.

The U. S. Army, Corps of Engineers, Alaska District representatives, and the Department of Transportation and Public Facilities held an informational meeting with part of the Bethel City Council.

July 9, 1995 The U. S. Army, Corps of Engineers begins using super sacks to protect the Mission Road area.

July 10, 1995 The Department of Transportation and Public Facilities, and the U. S. Army, Corps of Engineers met in Anchorage to discuss various alternatives and possible solutions.

July 10, 1995 The City of Bethel transmits Resolution 95-39, a resolution of the Bethel City Council declaring a state of disaster emergency in Bethel due to the damage to the City Dock facilities, sew wall and riverbank. In this resolution the City of Bethel pledged the sum of \$50,000 towards the repairs of the facilities described in the resolution (see appendices).

July 10-16, 1995 The U. S. Army, Corps of Engineers authorized Red-Samm Construction Company to work seven days a week. The placement of the super-sacks appears to have reduced the rate of erosion at Mission Road.

July 14, 1995 Department of Transportation and Public Facilities delivered 625 super-sacks to Bethel. The sacks were used in the Mission Road area. Cost \$24,000.00 or a total cost of \$52,440 for a total of 1,380 super-sacks.

July 16, 1995 The U. S. Army, Corps of Engineers first barge arrives in Bethel and begins off loading 43,600 tons of rock. This rock is a little smaller than Class "B" (3" to 12" diameter).

Gene Kulawik, Director of Maintenance and Operations, Department of Transportation and Public Facilities, and W. F. (Skip) Barber, Regional Hydrologist, Department of Transportation and Public Facilities traveled to Bethel to review the progress being made by the U. S. Army, Corps of Engineers.

The first barge was in the process of being off loaded at the Bethel Port Facility. Discussions with the U. S. Army, Corps of Engineers representative in Bethel indicated that they planned a second barge load of rock on July 21, 1995.

July 20, 1995 The U. S. Army, Corps of Engineers informed W. F. (Skip) Barber, Regional Hydrologist, Department of Transportation and Public Facilities via phone that they have decided to place a portion of the rock from the second barge at the Mission Road area.

They estimated that it would require approximately 50,000 additional tons of rock to construct a permanent Mission Road dike. The U. S. Army, Corps of Engineers were in negotiations with Red-Samm Construction Company on costs to complete the Mission Road area prior to this winter. Indications are that the additional costs to the Bethel Bank Stabilization Contract, to be about \$3,200,000. This would require an additional local match of about \$800,000.

July 20, 1995 *The U. S. Army, Corps of Engineers receives a letter from the law firm of Jermain Dumagan and Owens, regarding possible damage to the Bethel Native Corporation land directly downstream from the Bethel Sea Wall.*

July 21, 1995 The Department of Transportation and Public Facilities informs the City of Bethel that the Department of Transportation and Public Facilities has concerns regarding the placement of utilities in the Bethel Port Facilities.

July 23, 1995 Soundings taken by the U. S. Army, Corps of Engineers indicate that the Bethel Port Facility is now at an expectable risk where resources can be channeled to the Mission Road area.

July 24, 1995 The U. S. Army, Corps of Engineers and Red-Samm Construction Company hold the Pre-Construction Conference in Bethel for the Bethel Bank Stabilization Contract.

The meetings Pre-Construction Conference Minutes are from the U. S. Army, Corps of Engineers, Alaska District Office, and are attached in the appendices.

Red Samm placed the first full barge load of material in the Mission Road area. They placed an estimated 4,400 tons in the Mission Road area.

Representatives from the U. S. Army, Corps of Engineers, and the Department of Transportation and Public Facilities met with Marc D. Stemp, President and Chief Executive Officer, for Bethel Native Corporation to brief him on the changes in the Bethel Bank Stabilization Contract, because of the accelerated erosion of the Mission Road area. Mr. Stemp indicated that the Bethel Native Corporation was concerned with the loss of the river bank, and express the Corporation's appreciation for the quick response of the U. S. Army, Corps of Engineers, and their contractor.

July 24, 1995 The City of Bethel request assistance in obtaining funding for the required match to complete the repairs to the Bethel Port Facility, Bethel Sea Wall, and Bethel Native Corporation land. They also provided a summary of funds expended as part of the Bethel Bank Stabilization Contract.

July 25, 1995 Status report from the U. S. Army, Corps of Engineers, Project Office:

Quantity	Unit	Description	Estimated increase to the total project cost.
		Bethel Port Facility	
8,100	tons	Rock placed to date.	
50	each	Super-sacks placed to date.	
0	tons	Additional rock to be placed during the 1995 construction season.	
		Mission Road Area	
6,970	tons	Rock placed to date.	
1,650	each	Super-sacks placed to date.	
49,000	tons	Rock that will be placed during the 1995 construction season.	
1,000	each	Super-sacks that will be placed during the 1995 construction season.	
90,000	tons	Sand required to back fill the eroded area at Mission Road. Work to be done during the 1996 construction season.	
		Total increase to the Bethel Banks Stabilization Contract is estimated to be.	\$3,200,000.00

Note: The above estimate is based on preliminary data. Therefore, it should be used for the purposes of planning purposes only.

This would mean that the "local" match required by the City of Bethel would be between \$500,000 to \$750,000.

July 24, 1995 *The Bethel Native Corporation indicated their complete support to the efforts made by the U. S. Army, Corps of Engineers, and the Department of Transportation and Public Facilities in their efforts contain the erosion and scour problems in Bethel. And further indicated that they have recinded the letter from Jermain Dunnagan and Owens.*

August 2, 1995 The City of Bethel, U. S. Army, Corps of Engineers, and the Department of Transportation and Public Facilities held an informational meeting for the public in an effort to keep the community informed on to progress of the emergency repairs to the Bethel Port Facility and the Mission Road area.

At this meeting the U. S. Army, Corps of Engineers indicated that they were having problems obtaining a crane mounted barge. But they estimate that they should have one in Bethel by the end of August.

The U. S. Army, Corps of Engineers also indicated that they were having problems getting rock to Bethel, because of bad weather conditions in Saint Paul.

August 9, 1995 The U. S. Army, Corps of Engineers only has about 100 feet of unprotected bank in the area near Mission Road.

August 18, 1995 The U. S. Army, Corps of Engineers reported that they had completed the placement of the super sacks in the Mission Road area and that the erosion and bank degradation appears to have been stabilized.

As of this date the U. S. Army, Corps of Engineers has placed approximately 14,400 tons of rock from Saint Paul in the Mission Road area.

Finish up on the sand bags and the bank seems quite stable.

The U. S. Army, Corps of Engineers estimates that the barge mounted crane will be in Bethel next week.

Redd-Sam is currently trying to get a third barge to haul rock on because the weather appears to be closing in at Saint Paul and they would like to get about 22,000 tons of rock in Bethel before the winter closes in.

August 22, 1995 Mr. William Hatley has requested that the Bethel Bank Stabilization project be extended downstream from the Bethel Fuel Dock to the Kink Construction barge landing area (about 2,000 feet).

This request would require additional authorization, and funding from Congress. The current authorized Bethel Bank Stabilization Project at one time included about 300 feet of additional bank protection that was deleted from the project when Bethel was unable to acquire the required land from Mr. Hatley.

River bank erosion on the outside bends of the Kuskokwim River is a natural process in which the river migrates through a meander zone during a long period of time. Erosion rates at Bethel during the past 130 years have ranged from 2 to 25 feet per year along various parts of the Bethel waterfront. The area between the Bethel Fuel Dock and Mission Road has eroded about 16 feet per year on the average. Based on measurements taken off historical drawings, the erosion rate downstream from the Bethel Fuel Dock has been about 5.6 feet per year over the past 130 years. Assuming that natural rate of erosion will continue during the next 50 years, about 280 feet of riverbank will be naturally lost to erosion.

The most obvious benefit of erosion protection would be preventing natural loss of about 280 feet of riverbank during the next 50 years. About 560,000 square feet of land would be lost. As erosion progresses, it is possible that the barge landing at Knik Construction may be impaired which could affect the cost of construction materials delivered to Bethel. This might also reduce the usefulness of the Knik Construction site as an optional cargo or fuel handling area if the City Dock or the Fuel Dock were damaged by fire, flood, or any other problem. Several businesses lease land from Mr. Hatley and some of these may be affected by erosion thus reducing their income and Mr. Hatley's. The monetary benefits for erosion control on Mr. Hatley's property have not been determined and a detailed evaluation would be necessary before any project extension could be recommended.

The current contract price for erosion protection between the Bethel Fuel Dock and Mission Road is averaging about \$1,620.00 per foot of river front. Assuming a similar price would apply to extending the project downstream, the estimated cost to add 300 feet of erosion protection is \$486,000.00. The additional 1,700 feet requested by Mr. Hatley would cost about \$2,754,000.00. The total cost for extending the project 2,000 feet would be about \$3,240,000.00. The local share would be 25 percent which is about \$810,000.00 in addition to the costs which have been incurred during the 1995 emergency repairs.

We believe erosion will continue approximately at the historical rate of 5.6 feet per year during the 50 year project life on Mr. Hatley's property. Wherever the Bethel Bank

Stabilization Project ends, there will be some perceived risk of increased erosion as the river transitions back to its natural flow characteristics. We do not however, expect any accelerated erosion to occur on Mr. Hatley's property because the river bend is relatively gentle in this area and the Bethel. Plus the Bethel Fuel Dock erosion protection installed in 1966 and 1987. On site data indicates that there has been no measurable increased erosion Mr. Hatley's property.

August **, 1995 Governor Tony Knowles transmitted a letter to the City of Bethel showing his administrations support for the additional funding (see appendices).

SUMMARY OF FUNDING SINCE 1980

Date	Source	Description	State of Alaska	Federal	City of Bethel
1974	DOT/PF	Bethel Port Facility			
1983	DOT/PF	Bethel Sea Wall Phase I	\$5,000,000		
1983	DOA	Petroleum Dock Facility	\$1,438,000		
1984	DOA	Bethel Sea Wall Phase II	\$5,000,000		
1985	COE	Section 14 Emergency	\$61,625	\$246,500	
1985	DOA	Bethel Sea Wall Phase III	\$605,000		
1985	DOA	Bethel Sea Wall repairs	\$2,200,000		
1986	COE	Section 14 Emergency Senator Stevens)	\$134,250	\$537,000	
1986	DOT/PF	Emergency repairs toe protection	\$200,000		
1986	ADES	Emergency repairs to Bethel Sea Wall	\$475,507		
1987	DOA	Bethel Sea Wall repairs toe protection	\$4,000,000		
1987	DOA	Bethel Sea Wall repairs toe protection	\$400,000		
1989	ADES	Emergency repairs to Bethel Sea Wall	\$115,109		
1990	ADES	Emergency repairs to Bethel Sea Wall	\$594,202		
1990	ADES	Emergency repairs to Bethel Fuel Facility	\$121,850		
1991	ADES	Emergency repairs to Bethel Sea Wall	\$49,420		
1995	COE/DOT/PF	Bethel Bank Stabilization	\$1,296,000	\$8,216,000	\$2,388,000
1995	DOT/PF	Emergency repairs to Mission Road area	\$60,000		
1995	ADES	Emergency repairs to Bethel Port Facility	\$127,100		
1995	City of Bethel	Emergency repairs to Bethel Port Facility		\$50,000	
		Total by funding source to date	\$21,878,063	\$9,049,500	\$2,388,000
		Grand total (all sources) to date	\$33,315,563		
1995	Not known at this time	Emergency Repairs to Bethel Port Facility and Sea Wall	\$800,000	\$2,400,000	

Date	Source	Description	State of Alaska	Federal	City of Bethel
		Total by funding source	S22,678,063	S11,449,500	S2,388,000
		Grand total (all sources)	S36,515,563		



CITY OF BETHEL

P.O. Box 388 Bethel, Alaska 99559

907-543-2297

FAX # 543-4171

Senator Lyman Hoffman
Alaska Legislature
Room 7, State Capital
Juneau, AK 99801-1182

Dear Lyman:

You are well informed about the City of Bethel's ongoing attempts to obtain the physical stabilization of the Kuskokwim River, and I appreciate your many efforts to help us with this vital project.

As you are aware, our contract with the U.S. Army Corps of Engineers requires that the City provide 25% of the project costs with matching funds. The total cost of the project is estimated at \$21.6 million. Therefore, the City is required to provide \$5.4 million in matching funds. The City has implemented a fuel through-put tax on the fuel crossing the seawall, and has dedicated all possible revenues from the Port to the project. So far, we have accumulated approximately \$1 million towards the required match. In addition, the City contributed \$1.5 million to the project in FY95, and has received credit for lands in the amount of \$1.28 million. However, the source of funds for the remainder of the match has not been identified.

The City will need nearly \$1.7 million to satisfy its local match obligations, and is thereby requesting a special appropriation from the Alaska State Legislature for Fiscal Year 1997. We have adopted Resolution #95-53 to this effect, and enclose a copy with this letter.

The City would greatly appreciate any assistance you can provide in obtaining this critical appropriation from the Alaska state legislature.

Sincerely,

Ken L. Weaver, City Manager

Enclosures: Resolution #95-53

cc: Governor Tony Knowles



CITY OF BETHEL

P.O. Box 308 Bethel, Alaska 99559
907-543-2297
FAX # 543-4171

Presented by: Council Member Millor
Date: December 12, 1995
Action: Passed
Vote: 7-yes, 0-no

RESOLUTION #95-53

A RESOLUTION OF THE CITY COUNCIL OF BETHEL, ALASKA, REQUESTING LOCAL MATCH MONIES FOR THE BETHEL BANK STABILIZATION PROJECT FOR FISCAL YEAR 97

WHEREAS, the Bethel Bank Stabilization Project was authorized by Congress in section 601 of the Water Resources Development Act of 1986 (Public Law 99-662); and

WHEREAS, Bethel is the largest community in western Alaska and is the regional center of government, service and commerce for communities throughout the Yukon-Kuskokwim delta; and

WHEREAS, the U.S. Army Corps of Engineers' number one priority for civil works projects in Alaska is the Bethel Bank Stabilization Project; and

WHEREAS, the total cost of the Bethel Bank Stabilization Project including lands, easements and rights-of-way for construction of the project has increased to an estimated \$21,600,000; and

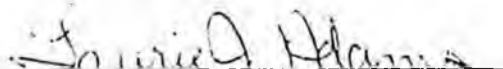
WHEREAS, the City of Bethel has already provided \$2,300,000 of the 25% or \$5,400,000 local share match required and the City of Bethel has funds available in the amount of \$1,400,000; and

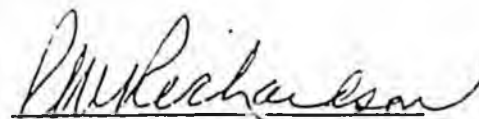
WHEREAS, the Governor of the State of Alaska is not expected to include any funds in the Administration budget in the 1997 fiscal year to match the U.S. Army Corps of Engineer projects.

NOW, THEREFORE, BE IT RESOLVED that the Bethel City Council requests a special appropriation of \$1.7 million for Fiscal Year 97 local match for the Bethel Bank Stabilization Project from the — Alaska State Legislature, to ensure completion of this project.

PASSED AND APPROVED THIS 12TH DAY OF DECEMBER, 1995.

ATTEST:


Laurie Adams, Acting City Clerk


Ruth M. Richardson, Mayor

City of Bethel
Resolution #95-53
Page 1 of 1 Page



CITY OF BETHEL

P.O. Box 200 • Bethel, Alaska 99563

643-2287 — Area Code 907

MEMORANDUM

DATE: November 9, 1995
TO: Kenneth L. Weaver, City Manager
FROM: Bonnie Duke, Finance Director *Bonnie Duke*
RE: Match-Bethel Bank Stabilization

As we discussed yesterday, following is a brief summary of the funding for the Bethel Bank Stabilization project:

Estimated Total Project Costs \$21,600,000

25% Local Match—City of Bethel		\$5,400,000
FY95 Contribution from DOT (credit for City's match)	\$1,296,000	
FY95 Cash Contribution—City of Bethel (from Designated Retained Earnings of Port Fund)	204,000	
Total FY95 Credit		1,500,000
REMAINING REQUIRED MATCH		3,900,000
Land Acquisition and Administrative Costs for non-City-Owned Real Estate (from Designated Retained Earnings of Port Fund and General Fund Contribution for Administrative Costs)		781,000
REMAINING REQUIRED MATCH		3,119,000
Estimated Credit for City-Owned Real Estate dedicated to the project (Non-cash credit from General Fund Fixed Assets Account Group)		400,000
REMAINING REQUIRED MATCH		2,719,000
Estimated Cash Contribution from Designated Retained Earnings in Port Fund (Note: All liquid assets of the Port Fund have been designated for the Bethel Bank Stabilization project. Therefore, the Port Fund is "broken" and will need to begin to accumulate future earnings to become "sanguine")		1,000,000
REMAINING REQUIRED MATCH		1,719,000

The City will require at least \$1,710,000 in additional funding in order to complete the project. Additional funding in excess of \$1,719,000 is desirable since the designation in the Port Fund has impaired the liquidity of the Port fund, which may hamper the City's ability to properly fund future maintenance of the project.

"Deep Sea Port and Transportation Center of the Kuskokwim"

HB

1010

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: June 5, 1996

FURTHER REFERRALS:

Date of Committee Action: 6/6/96

The FINANCE Committee considered:

CSSB 1010(L&C) am

CS FOR SENATE BILL NO. 1010(L&C) am

MISC. MOTOR VEHICLE AMENDMENTS

"An Act relating to vehicle records and hearings of the Department of Public Safety; increasing the period under which a person may drive a motor vehicle under a temporary permit; relating to ownership of certain abandoned vehicles; relating to suspension or revocation of a vehicle registration, certificate of registration, registration plate, or special permit; relating to renewal of a driver's license by mail; relating to procedures applicable to administrative revocation of a driver's license; relating to commercial driver training schools; increasing the property damage amounts for financial responsibility laws related to vehicles and proof of motor vehicle eligibility in order to lawfully operate a motor vehicle in the state; amending the definitions of commercial motor vehicle' and commercial purposes'; relating to prohibitions against operation of a commercial motor vehicle and being on duty to operate a commercial motor vehicle and to disqualification from driving a commercial motor vehicle; relating to certain notifications in accidents involving property damage; relating to vehicle registration procedures; and providing for an effective date."

recommends it be replaced [] the same title
 with the following committee substitute [] a new title

[] additional referral to _____ Committee
 [] attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____ APPROVES PREVIOUS: (Dept/Date)

[] fiscal note(s) _____ [] fiscal note(s) _____

[] zero fiscal note(s) _____ [X] zero fiscal note(s) DOT, 6/2/96
DPS 6/3/96

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>[Signature]</i>	Foster	X			
<i>[Signature]</i>	Mulder	X			
<i>[Signature]</i>	Martin	X			
<i>[Signature]</i>	Parnell	X			
<i>[Signature]</i>	Grossendorf			X	
<i>[Signature]</i>	Brown			X	
<i>[Signature]</i>	Kelly			X	
<i>[Signature]</i>	Therrien	X			
<i>[Signature]</i>					
<i>[Signature]</i>		X			

CHAIR'S SIGNATURE *[Signature]* *[Signature]* *[Signature]*

FISCAL NOTE

B. Version: SB 1010

(S) Publish Date: 6/3/96

STATE OF ALASKA 1996 LEGISLATIVE SESSION

Revision Date: 6/3/98 Dept. Affected: DOT&PF
 Title: Motor Vehicles: Regulation and Insurance BRU: Office of the Commissioner
 Component: Commissioner's Office
 Sponsor: Rules by Request of Governor All Divisions
 Requester: _____ COMPONENT SERIAL NO. 530

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY98) cost: 0.0

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary)
 This bill will help to protect between 8 and 16 million dollars of federal highway funds.

Prepared by: Sam Kito III Phone: 465-3900
 Special Assistant
 Division: Office of the Commissioner Date: 7/3/96
 Approved by: *Joseph P. Durkin* Date: 7/3/96
 Commissioner
 Agency: Department of Transportation and Public Facilities

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FISCAL NOTE

No. 1

Bill Version: SB 1010

(S) Publish Date: 6/3/96

**STATE OF ALASKA
1996 LEGISLATIVE SESSION**

Revision Date: _____ Dept. Affected: Public Safety
 Title: An Act relating to motor vehicles, commercial BRU: DPS Statewide Support
motor vehicles.... Component: Commissioner's Office
 Sponsor: Rules
 Requestor: Governor COMPONENT SERIAL NO. 0523

EXPENDITURES/REVENUES: (Thousands of Dollars) (inflation not included)

OPERATING	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL EXPENDITURES	-0-	-0-	-0-	-0-	-0-	-0-
CHANGE IN REVENUES ()	-0-	-0-	-0-	-0-	-0-	-0-
Revenue Code						

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GE Match						
1004 GE						
1005 GE/Program Receipts						
1006 GE/MHTIA						
Other						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

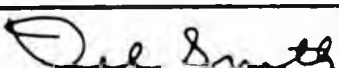
Estimate of current year (FY 98) impact: \$ _____

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary.)

This bill includes some housekeeping measures that simplifies several procedures affecting the operation of the Divisions of Motor Vehicles. It also provides for compliance with the Code of Federal Regulations, Title 49 of the Federal Motor Carrier Safety Assistance Program (MCSAP) and a compliance issue relating to the Commercial Motor Vehicle Safety Act (CMVSA), 49 CFR. Failure to maintain compliance with both the MSCAP grant and CMVSA may result in loss of the MSCAP grant funding and loss of 5 percent of federal highway aid funding.

Prepared By: Juanita M. Hensley Phone: 485-2650
 Division: Motor Vehicles Date: 5/31/96
 Approved by Commissioner:  Date: 5-31-96
 Agency: Ronald L. Otto, Dept. of Public Safety

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HCR

1

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred: January 16, 1995

FURTHER REFERRALS:

Date of Committee Action: 1/31/95

The FINANCE Committee considered:

HCR 1

HOUSE CONCURRENT RESOLUTION NO. 1

LONG RANGE FINANCIAL PLANNING COMMISSION

Creating the Long Range Financial Planning Commission.

recommends it be replaced with the following committee substitute CS HCR 1 (Fin) the same title a new title

additional referral to _____ Committee

attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): _____ (Dept)

APPROVES PREVIOUS: _____ (Dept/Date)

fiscal note(s) LAA

fiscal note(s) _____

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Richard J. Daley</i>	X			
<i>Mark R. ...</i>	X			
<i>Terry ...</i>			✓	
<i>Sean A. ...</i>	X			
<i>Vic ...</i>	X			
<i>Ben ...</i>			X	
<i>Mike ...</i>	X			
<i>Sam ...</i>	✓			
<i>Pete ...</i>	✓			

CHAIR'S SIGNATURE *Mark ...* *Richard J. Daley*

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

NO. _____
BILL VERSION: CSHCR1 (FIN)
PUBLISH DATE: _____

Revision Date: _____
Title: Creating the Long Range Financial
Planning Commission.
Sponsor: Representative Phillips
Requestor: House Finance Committee

Department Affected: Legislative Affairs Agency
BRU: Council & Subcommittees
Component: Council & Subcommittees

COMPONENT SERIAL NO:

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	0.0	0	0	0	0	0
TRAVEL	27.8	0	0	0	0	0
CONTRACTUAL	23.5	0	0	0	0	0
SUPPLIES		0	0	0	0	0
EQUIPMENT	0.0	0	0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	51.3	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	51.3	0	0	0	0	0
FEDERAL FUNDS						
OTHER FUND SOURCE						
TOTAL	51.3	0	0	0	0	0

POSITIONS:

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

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary)

It is anticipated that the Long Range Financial Planning Commission will begin work March 15, 1995. FY95 Commission travel costs for the public and legislative members will be absorbed within existing legislative operating and session budgets. Travel costs for Executive Branch members will be absorbed within their Department budgets. FY 95 Contractor costs will be absorbed within the legislative operating budget.

Prepared By: Karla Schofield, Deputy Director *Karla Schofield* Phone: 465-3852
Division: Administrative Services Date: 1/31/95

Approved By: Pamela A. Vami, Executive Director *Pamela Vami*
Agency: Legislative Affairs Agency Date: 1/31/95

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

Travel

Travel costs for Executive Branch members will be absorbed within their Department budgets.

Estimated travel for Public Members

For purposes of estimating travel costs, 3 members are assumed to be from Anchorage, 3 from Fairbanks, and 3 from Southeast.

8 Hearings, one in each of the following communities - Anchorage, Fairbanks, Juneau, Bethel, Nome, Wasilla, Kenai, Ketchikan.

6 additional Hearings will be held by teleconference. The cost of teleconference meetings will be absorbed within the Legislative Affairs Agency budget.

FY95 Travel Costs	27.8
FY96 Travel Costs	27.8

Contractual

	FY95	FY96
Prof. Svcs. Contract	15.0	15.0
Phones	2.0	2.0
Postage	1.5	1.5
Advertising	5.0	5.0
	<u>23.5</u>	<u>23.5</u>

Supplies, printing, equipment and office space will be provided within existing budgets.

0.0

Municipal Involvement in Statewide Fiscal Planning

The municipalities of the Alaska Municipal League urge the administration and legislature to involve local governments in statewide fiscal planning. Municipalities are political subdivisions of the state and input at the local level is critical to a comprehensive long-range fiscal plan for the state.

Why Involve Municipalities?

The Alaska constitution creates the state and its municipalities as a team that meets the needs of Alaskans. There is no difference between the state and municipalities when considering tax impact or service impact. It makes no practical difference to a taxpayer whether he or she pays tax to a city or the state, nor whether a service is provided by the state or a city. It is merely a question of efficiency and governance philosophy.

Municipalities are critical partners with the state in all economic development. Municipalities have the power under the Alaska Constitution to effectively regulate economic development activities to limit or encourage specific development.

What is the Process?

Involvement of the municipalities has several advantages:

- ♦ cost efficiencies - municipalities can provide local leadership, community organization, professional fiscal and planning services from municipal employees, facilities, technical services, and publicity.
- ♦ real buy-in to the plan - more cooperation will be achieved in establishing and implementing a long-range fiscal plan when there are more people involved in the process.

What is Involved in Establishing a Plan?

1. Determine what services are needed now and in the future and who can best provide them.

A necessary step in streamlining state government is determining what services should be provided by the state and which should be provided by another means.

The 1992 Governmental Roles Task Force Report, which was a joint effort of the Legislature, Office of Management and Budget, and the Alaska Municipal League, is an example of a cooperative effort between state and local government to lay out a reasonable beginning to answer this question. The proposed Alaska Municipal Basic Services Program provides a vehicle to implement a new partnership between the state and its municipalities in the streamlining of state government.

Municipalities can also add strength to the decision process concerning what services or entitlement programs need to be modified or transitioned away.

2. Determine what resources can be generated now and in the future, including increasing Alaska's economic base.

Municipalities are critical in this equation. It is counter-productive if the state level of Alaska government has a good long-range fiscal plan and municipalities have wild swings in taxation, fail to provide necessary basic services, or do not support reasonable economic development initiatives.

Recommendations:

1. Establish a statewide fiscal planning process in partnership with municipalities. Municipalities can be given the responsibility for framing the process to generate representative community participation.
2. Create a state/local group similar to the 1992 Governmental Roles Task Force to continue the creation of policy options concerning services and revenues to be considered in the fiscal planning process.
3. Create an administration policy team that will work in partnership with local elected and appointed officials in each community to implement the public planning process.
4. Develop a draft statewide fiscal plan with community or regional and state economic development and policy components.

Overview

Alaska Municipal League 1995 Administrative and Legislative Platform

Municipal Stabilization/ Long-Range Planning and Development Package

Municipal Stabilization Plan

Alaska Municipal Basic Services Program and Restoration
of FY 94 Funding for Municipal Aid

Senior Citizens/Disabled Veterans Property Tax Exemption -
Allow Municipalities to Make it a Local Option

Adequate Funding for School Bond Debt Reimbursement,
Construction, Operation, and Maintenance

Long-Range Planning and Development

Municipal Involvement in Statewide Long-Range Fiscal Planning

Municipal Involvement in Statewide Transportation
Long-Range Planning

Municipal Involvement in Development and Management
of Alaska's Natural Resources



ALASKA STATE CHAMBER OF COMMERCE

Resolution 95-1

Fiscal Planning

WHEREAS, the Alaska State Chamber of Commerce rates sound fiscal management for the State of Alaska as its number one priority; and

WHEREAS, the Alaska State Chamber of Commerce believes uncertainty in the state budget process and state spending has created instability in the business and investment community; and

WHEREAS, the Alaska State Chamber of Commerce believes that less taxation is encouragement for investment and business development; and

WHEREAS, the Alaska State Chamber of Commerce believes additional taxation is not the solution to surviving our budget deficit situation;

THEREFORE BE IT RESOLVED that the Alaska State Chamber of Commerce asks the Alaska State Legislature and Administration to diligently work together so that state expenditures be reduced by five percent (5%) annually, until a sustainable level is reached; and

BE IT FURTHER RESOLVED that the Alaska State Chamber of Commerce recommends innovative solutions be implemented in order to solve the state budgetary problems, including such solutions as developing a long-range financial plan and forward funding for the state's budget.

ADOPTED

December 9, 1994

BY Pamela Neal
Pamela Neal
President

BY Paul Richards
Paul Richards
Chair, Board of Directors

Headquarters:
217 2nd Street, Suite 201
Juneau, Alaska 99801
(907) 586-2323 FAX 463-5515

Regional Office:
415 E Street, Suite 201
Anchorage, Alaska 99501
(907) 278-2722 FAX 278-6643



TESTIMONY ON HCR 1

Creating the Long Range Financial Planning Commission

Thank you for the opportunity to provide testimony on HCR 1, regarding the creation of a Long Range Financial Planning Commission.

My name is Pamela Neal, President of the Alaska State Chamber of Commerce. The State Chamber serves nearly seven hundred member businesses statewide who provide jobs to over 80,000 employees. In addition, we represent the interests of the local Chambers of Commerce throughout Alaska on business and economic issues coming before the State Legislature.

The issue being addressed today is of great importance to the Alaska State Chamber of Commerce. The very purpose for which our organization exists, as presented in our Mission Statement, is "to create a climate conducive to a strong private sector economy by providing statewide leadership on issue affecting the economy...". Our number one priority for the 1995 Legislative Session, as established in ASCC Resolution 95-1, is fiscal planning, which we hope will identify and employ innovative solutions to the state's budgetary problems.

We are encouraged by and applaud the fact that both the House and Senate Majorities are thinking along the same line as the state's business community and will be addressing this matter with legislation such as HCR 1.

We support HCR 1, but upon reviewing the proposed legislation, we have some suggestions to offer the committee today:

1. Membership

The resolution calls for 13 members, six public (which can include legislators) and seven people from the executive and legislative branches who have technical expertise. It is our thought that more public members, legislators, and high-level executive branch officials be on the commission and that the technical experts (i.e. Legislative Finance, Legislative Audit, Department of Administration's Finance Division, etc.) serve in a support capacity.

2. Commission's Responsibilities

Task number six (6), as described in the resolution, says the commission shall "review state programs, especially formula driven programs, and recommend reductions in state expenditures to reach a sustainable level". We believe it is important that this review also include an evaluation of all the services the state is currently providing to identify those which are a traditional responsibility of a state to its citizens (such as protecting its citizens and communities from crime, providing a basic education, and providing safe transportation links). The result of such a process will also be identification of services that are *not* a

traditional-responsibility of a state, and which therefore could be eliminated or restructured (such as if people want this non-traditional service, they pay for it; if unwilling to pay for it, it goes away). It should not be assumed that what the state is currently providing is what it should continue to provide.

Coupled with identifying the services the state should be providing is the need to ensure that those services are being provided efficiently and effectively. The commission's responsibilities should be expanded to include examination of how performance measures can fit into the overall Financial Plan. Such measures shift the focus from how much funding a program receives, to the program's results. Performance measures will be important in providing information to Alaskans about how well state services are being provided. When Alaskans are assured that the state is funding only traditional government services, and that these services are being provided efficiently and effectively, only then should the state look at other fiscal tools, such as increased taxation.

Again, we thank you for allowing us to present our ideas to you today. If there is anything we can do to assist you in this effort, we will be happy to do so.

CS FOR HOUSE CONCURRENT RESOLUTION NO. 1()
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES Phillips, B.Davis, Green

A RESOLUTION

1 **Creating the Long Range Financial Planning Commission.**

2 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

3 **WHEREAS** state spending has exceeded recurring revenue to the state; and

4 **WHEREAS** the state must eliminate the fiscal gap; and

5 **WHEREAS** the state is currently forced to deal with an unpredictable and declining
6 revenue stream; and

7 **WHEREAS** the state must find a means of stabilizing revenue and expenditures at a
8 sustainable level; and

9 **WHEREAS** the state's system of budgeting and spending must be analyzed and
10 reevaluated by the legislature; and

11 **WHEREAS** the citizens of the state should have an opportunity to consider these
12 topics, offer comments, and participate in developing a long-range financial plan for the state;
13 and

14 **WHEREAS** it would be beneficial to the state and its citizens to implement a long-
15 range financial plan;

16 **BE IT RESOLVED** that the Alaska State Legislature establishes the Long Range

1 Financial Planning Commission in order to develop and recommend to the governor and the
2 legislature a long-range financial plan for the state that includes specific actions needed within
3 the first three and five years to implement the plan; and be it

4 **FURTHER RESOLVED** that the commission shall consist of six members of the
5 public, which may include legislators, with three each appointed by the Speaker of the House
6 of Representatives and the President of the Senate, and seven members who are high-level
7 technical experts from the legislative and executive branches, jointly appointed by the Speaker
8 of the House and the President of the Senate, with one each from the Department of Revenue,
9 the Permanent Fund Corporation, the office of management and budget in the Office of the
10 Governor, the division of finance in the Department of Administration, the Department of
11 Natural Resources, the legislative finance division, and the legislative audit division; and be
12 it

13 **FURTHER RESOLVED** that the commission shall select a chair and vice-chair from
14 among the members of the commission, shall meet as frequently as the commission determines
15 necessary to perform its work, may meet during the interim, and may meet and vote by
16 teleconference; and be it

17 **FURTHER RESOLVED** that the members of the commission shall serve without
18 compensation but are entitled to travel expenses and per diem as authorized under
19 AS 39.20.180 for boards and commissions; and be it

20 **FURTHER RESOLVED** that the commission may hire staff to carry out its duties;
21 and be it

22 **FURTHER RESOLVED** that the commission shall

23 (1) review and identify anticipated state expenditures, recurring revenue,
24 reserves, and potential revenue sources;

25 (2) review and identify fiscal assumptions concerning state finances that have
26 been made by planners and financial managers in government and the private sector;

27 (3) recommend strategies for generating sustainable sources of future state
28 revenue and legislation to implement the recommendations;

29 (4) if new taxes are recommended, investigate specific tax structures, review
30 the consequences of the structures, and prepare draft legislation to implement the

1 recommendations;

2 (5) disseminate information and solicit public input through hearings and other
3 means from the various regions of the state in the development and review of the proposed
4 financial plan;

5 (6) review state programs, especially formula driven programs, and recommend
6 reductions in state expenditures to reach a sustainable level;

7 (7) recommend structural changes to the way the state budget is prepared to
8 ensure that the governor and the legislature have information on which to base decisions;

9 (8) investigate implementing forward funding of the budget; and

10 (9) submit a written report containing the commission's recommended 10-year
11 financial plan to the legislature by February 15, 1996; and be it

12 **FURTHER RESOLVED** that the commission is authorized to begin work immediately
13 upon the appointment of its full membership and is terminated upon the convening of the First
14 Regular Session of the Twentieth Alaska State Legislature.



Anchorage - Star of the North
Chamber of Commerce

Anchorage Chamber of Commerce
State Fiscal Plan
Resolution #94/95-6

WHEREAS the state budget for a number of years has been out of balance by \$200 million to \$600 million a year, and the gap between revenues and expenditures has been made up by drawing against cash reserves accumulated in prior years and against non-recurring receipts such as tax and royalty settlements;

WHEREAS the gap between state spending and unrestricted state revenues, of which over 80% are from North Slope oil production that is in decline, is likely to widen in coming years unless a long-term fiscal plan is adopted and followed by the State of Alaska;

WHEREAS Alaska is like a canoeist paddling down the Niagara River and coming to the Niagara Falls - either the canoeist can portage to the bottom of the Falls (which, for the State, means having and following a plan to bring the budget into balance with long-range sustainable revenues) or the canoeist can go over the Falls at great risk of death or grievous injury (which, for the State means spending on an ad hoc basis without a plan until the cash reserves and other one-time-only receipts are all spent, and then facing the economic consequences all at once);

NOW, THEREFORE BE IT RESOLVED by the Board of Directors of the Anchorage Chamber of Commerce that:

1. It is imperative and absolutely essential for Alaska's long-term fiscal and economic well-being that the state adopt and implement as quickly as practicable a fiscal plan to bring spending into balance with sustainable revenues.

2. In developing a state fiscal plan, the highest priority must be given equally to the twin goals of reducing state spending and stimulating economic development to increase sustainable state revenues.

3. The Legislature and Administration should strive to foster a better business development climate, maintain a stable tax base, investigate business incentives and assure stability in the state's regulatory function.

4. The Legislature and Administration must define and develop additional revenue sources that capitalize on the things Alaska does best—oil

Page 2 Anchorage Chamber Resolution #94/95-6

exploration, fisheries, timber, tourism, air cargo, mining, transshipment, education, inter alia.

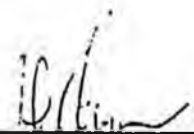
5. Only to the extent that spending cuts and new economic development fail to solve the fiscal gap fully should the State consider revenue-raising measures or use Permanent Fund income.

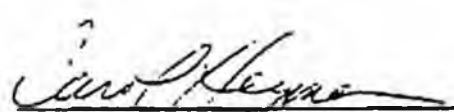
6. Inasmuch as a number of fiscal plans have been proposed but none of them has yet been adopted and implemented, the state must begin immediately a major effort to educate the public through a major all out media campaign about the fiscal gap and the options available to solve that gap, in order to achieve the widespread understanding and consensus needed for any plan to be adopted and carried out. |

7. Further the Chamber believes such a plan will have the best chance of working if it is put to the vote of the people no later than the 1996 general election. All efforts to develop a plan and educate the public must be planned and scheduled to meet that ultimate deadline.

8. Governor Knowles with the Legislature should take the initiative in starting the process of educating the public and developing a consensus plan; the Chamber calls an all state and local officials to support the Governor's process without political partisanship; and the Chamber calls on its members and on all Alaskans to be involved personally in understanding the nature of the state fiscal gap and the implications of the various options for solving it, and in working to develop a broadly supported consensus plan. This may involve some compromise of local or regional interests for the greater statewide good, but we recall the words of Benjamin Franklin at the signing of the Declaration of Independence: "We must all hang together, or assuredly we shall all hang separately." So it is with the state budget - we must all work together to our collective benefit, or assuredly we shall all suffer separately when the ship of state goes over the Falls.

Approved December 16, 1994


John Ayers 1994-95 Chairman


Carol Heyman President



Anchorage Star of the North
Chamber of Commerce

**A PROPOSED PROCESS
FOR ALASKA TO ADOPT
A POLITICALLY FEASIBLE PLAN
TO BALANCE THE STATE BUDGET
ON A SUSTAINABLE BASIS
RECOMMENDED BY THE ANCHORAGE CHAMBER OF COMMERCE**

Approved January 6, 1995

ISSUE

Alaska's present level of spending is seriously out of balance, a condition that promises to worsen year by year as oil and gas production — which still accounts for \$5 out of every \$6 available for the State to spend — declines. Various organizations have examined the budget crisis, and all have concluded that any long-term solution will require some combination of spending cuts, new revenues (i.e., new or increased taxes), resource development, and redeployment of at least some of the earnings of the Permanent Fund.

Despite widespread political recognition that something has to be done to get state spending into line with sustainable state revenues, this looming crisis has been handled so far — not by adopting and following a plan for transition to a balanced state budget — but by spending cash reserves that were built up in the past.

What Alaska desperately needs is a plan for transition — one that the public understands and which a majority agrees with, and one that elected officials will feel politically "covered" in following.

This paper discusses how such a plan could be developed within the framework of the State's political institutions, how it would be ratified or approved, and how it would work in practice. The actual content of the plan is not a subject for this paper, but is something to be worked out in the course of the process of developing and adopting the plan.

DESIRED OUTCOME OF THE PROCESS

The objective is for the State to develop, adopt and implement a spending plan for FY1997 - FY2002 that moves to a balanced budget with a minimum of economic disruption during its implementation. At the same time, the plan must satisfy a "reality check" for FY2007 to ensure that getting through the next five years is not at the cost of creating an insoluble problem for the five years after that.

Because a constitutionally mandated spending plan is a remote possibility in terms of political feasibility, one must develop and adopt a spending plan in the context of a process designed to provide the maximum amount of political "cover" for those carrying it out, in addition to being "the right thing to do." Without such "cover," any non-mandatory plan is unlikely to be implemented before the big budget crunch comes.

OUTLINE OF THE PROCESS TO ADOPT A STATE SPENDING PLAN

In designing a process for getting a state spending plan adopted, the key focus must be in providing political "cover" for elected officials both in the course of

developing the particular spending plan, and in the course of implementing it. To ensure there is as much "cover" as possible, the following steps should be taken:

1. *As much as possible, keep the state-budget issue politically non-partisan.*

Any spending plan that is not mandatory under the constitution will be guaranteed to fail if it is adopted on a partisan basis. Whichever party loses in the adoption fight will use it as a campaign issue to try to win power in the next election, and this in turn will deter the winning side from taking any politically difficult actions to implement their plan.

2. *By the end of March 1995, have the Legislature and the Governor start a process that may include legislation as well as the appointment of a "representative commission" of knowledgeable Alaskan leaders to develop a state spending plan through FY2002 (with a look ahead to FY2007), and to present the plan to the Legislature and the Governor by the beginning of the 1996 Legislative Session.*

It is not possible to develop a plan with the necessary statewide public input for the 1995 Legislative Session to act on it. So there is no need to rush the panel to finish their work before the 1996 Session.

3. *Draw the membership of the "representative commission" from all parts of the state, in rough proportion to population.*

Views from all parts of the state must be represented, or else those who feel excluded may well become a source of dissent in the future that makes it politically risky to implement the plan. But one also does not want a commission that is so overloaded with minority viewpoints that it has difficulty reaching consensus similar to that of the public overall.

4. *Require the "representative commission" to hold public hearings around the state, and give them an adequate budget to do so. The panel should coordinate with existing local organizations to have the greatest local participation.*

Again, this is to get as much input into the process as possible, so there will be as much buy-in into the results later.

5. *Make the members of the commission do the actual work, instead of giving them staff to do it.*

If the panel members don't have to do the work, most of them probably won't do it. Instead, it will end up being done by their staff, or it won't get done at all. Letting staff do the work defeats the purpose of having leaders from around the state on the panel. The panelists are there because of their individual stature (i.e., ability to influence opinion in their area) and ability, and because they collectively will bring perspectives to bear on the issue that any set of staffers wouldn't be able to match.

6. *The panel's plan must consist of a set of specific budgetary proposals, such as cutting state spending by X% by FY 2002, or re-imposing the personal income tax, or using Permanent Fund income. However, the plan must be presented so as to be contingent upon a favorable vote of the people for it, to be held in the 1996 General Election.*

The importance of having a plebiscite to ratify the panel's plan is of utmost importance in providing the necessary political "cover" to get politicians to support this process, to support whatever plan the panel comes up with, and to actually implement the plan. In terms of their buy-in into the process, they can commit to it without laying themselves open for criticism that the use of a "blue ribbon" panel is elitist. They can respond to such criticism by saying the panel won't be making any final decisions, the voters will.

The special vote is also essential for getting the Governor and key legislative leaders at the beginning of the 1996 Session to publicly commit to pass legislation presenting the panel's plan to the electorate in the 1996 election for ratification. Any potential criticism of a legislator for supporting any element in that plan can be rebutted by saying that he/she does not necessarily support that proposal, but does support letting the voters vote on it.

And, of course, if the voters do ratify the plan in 1996, then legislators can point to that vote to justify their own actions to implement that plan. In response to criticism they might receive for implementing any particular portion of the plan, the legislators can say they are carrying out the will of the people.

There are many details that could be added to embellish the basic idea, including the one in the preceding footnote about enacting implementing legislation that is contingent on the outcome of the vote on the plan in 1996. However, those are details that can be added in the course of carrying out the process itself. For now, the important things are to adopt the basic idea and get all Alaskans to understand and commit themselves to it.

To minimize criticism for implementing the plan, certain implementing legislation could be passed in 1996 with effective dates contingent on a favorable outcome in the election. Such legislation could include measures for more taxes, for redeploying Permanent Fund Income, and even for the Governor to submit budgets within pre-set targets to cut spending. Enacting such legislation with contingent effective dates could almost completely insulate legislators and the Governor from criticism for enacting those measures. Before the plebiscite, they can say they supported the legislation in order to let the people vote on the spending plan. And after the election, if the plan is approved, the legislation would automatically go into effect, leaving nothing that any of them would have to do that could draw criticism.

LEGISLATIVE REFERENCE LIBRARY

**LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA**

*(907) 465-3808
FAX (907) 465-2029
Mail Stop 3101*

*130 Seward Street, Suite 400
Juneau, Alaska 99801-2105*

Copies of minutes listed below were originally included in this file. The minutes are available on the legislative computer database. In order to save space copies of minutes have not been left in the files.

Mary Pagenkopf

House Finance Committee
January 26, 1995
9:00 a.m.

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

NO. _____
BILL VERSION: HCR 1
PUBLISH DATE: _____

Revision Date: _____
Title: Creating the Long Range Financial
Planning Commission.
Sponsor: Representative Phillips
Requestor: House Finance Committee

Department Affected: Legislative Affairs Agency
BRU: Council & Subcommittees
Component: Council & Subcommittees

COMPONENT SERIAL NO:

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	118.0	59.0	0	0	0	0
TRAVEL	16.0	8.0	0	0	0	0
CONTRACTUAL	10.0	5.0	0	0	0	0
SUPPLIES		0.0	0	0	0	0
EQUIPMENT	6.0	0.0	0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	150.0	72.0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	150.0	72.0	0	0	0	0
FEDERAL FUNDS						
OTHER FUND SOURCE						
TOTAL	150.0	72.0	0	0	0	0

POSITIONS:

FULL-TIME	2	0	0	0	0	0
PART-TIME	0	2	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary)

It is anticipated that the Long Range Fiscal Planning Commission will begin work immediately. FY 95 staff costs and public member travel costs will be absorbed within existing legislative operating and session budgets. Travel costs for technical experts will be absorbed within their respective Department budgets.

Prepared By: Karla Schofield, Deputy Director *Karla Schofield* Phone: 465-3852
Division: Administrative Services / Date: 1/24/95

Approved By: Pamela A. Vami, Executive Director *Pamela A. Vami*
Agency: Legislative Affairs Agency Date: 1/24/95

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

Personal Services (Salary & Benefits)

Full Time Range 21A	70.0	
Full Time Range 15A	48.0	
	118.0	118.0

Travel

3 Hearings and 1 Commission Meeting

Travel costs for high level technical experts from the Legislative and Executive Branches will be absorbed within their respective Department budgets.

Travel for Public Members

For purposes of estimating travel costs, 2 members are assumed to be from Anchorage, 2 from Fairbanks, and 2 from Southeast.

Meeting

Anchorage	Travel	2 trips x 2 Southeast members x 444	1.8	
		2 trips x 2 Fairbanks members x 250	1.0	
	Expenses	4 members x 211 x 4 days	3.4	
	Staff	Travel & Expenses	1.8	
Fairbanks	Travel	1 trip x 2 Anc members x 250	0.5	
		1 trip x 2 Southeast members x 566	1.2	
	Expenses	4 members x 165 x 2 days	1.3	
	Staff	Travel & Expenses	0.9	
Juneau	Travel	1 trip x 2 Anc members x 444	0.9	
		1 trip x 2 Fairbanks members x 566	1.2	
	Expenses	4 members x 166 x 2 days	1.3	
	Staff	Travel & Expenses	0.7	
			16.0	16.0

Contractual

Phones	3.0	
Postage	3.0	
Advertising	4.0	
	10.0	10.0

Supplies, printing, and office space will be provided within existing budgets. 0.0

Equipment

Computer & Printer	6.0	6.0
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FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

NO. _____
BILL VERSION: SCR 3
PUBLISH DATE: _____

Revision Date: _____
Title: Creating the Long Range Financial
Planning Commission.
Sponsor: Senator Pearce
Requestor: Senator Pearce

Department Affected: Legislative Affairs Agency
BRU: Council & Subcommittees
Component: Council & Subcommittees

COMPONENT SERIAL NO:

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	0.0	0.0	0	0	0	0
TRAVEL	57.0	28.0	0	0	0	0
CONTRACTUAL	12.0	6.0	0	0	0	0
SUPPLIES		0.0	0	0	0	0
EQUIPMENT	6.0	0.0	0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	75.0	34.0	0	0	0	0

CAPITAL	0	0	0	0	0	0
----------------	----------	----------	----------	----------	----------	----------

REVENUE FUND SOURCE	0	0	0	0	0	0
----------------------------	----------	----------	----------	----------	----------	----------

FUNDING: (Thousands of Dollars)

GENERAL FUND	75.0	34.0	0	0	0	0
FEDERAL FUNDS						
OTHER FUND SOURCE						
TOTAL	75.0	34.0	0	0	0	0

POSITIONS:

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

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary)

It is anticipated that the Long Range Fiscal Planning Commission will begin work immediately. Staff costs and FY95 public member travel costs will be absorbed within existing legislative operating and session budgets. Travel costs for technical experts will be absorbed within their respective Department budgets.

Prepared By: Karla Schofield, Deputy Director *Karla Schofield* Phone: 465-3852
Division: Administrative Services Date: 1/25/95

Approved By: Pamela A. Varni, Executive Director *Pamela A. Varni*
Agency: Legislative Affairs Agency Date: 1/25/95

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

Continuation of SCR 3 Fiscal Note Page 2 of 2

Travel

Travel costs for high level technical experts from the Legislative and Executive Branches will be absorbed within their respective Department budgets.

Estimated travel for Public Members

For purposes of estimating travel costs, 2 members are assumed to be from Anchorage, 2 from Fairbanks, and 2 from Southeast.

10 Hearings, one in each of the following communities - Anchorage, Fairbanks, Juneau, Bethel, Nome, Barrow, Wasilla, Kenai, Ketchikan, Sitka.

1 Commission Meeting

57.0

6 additional Hearings will be held by teleconference. The cost of teleconference meetings will be absorbed within the Legislative Affairs Agency budget.

Contractual

Phones	3.0
Postage	3.0
Advertising	6.0

12.0

12.0

Supplies, printing, and office space will be provided within existing budgets.

0.0

Equipment

Computer & Printer	6.0
--------------------	-----

6.0

75.0

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

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Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary)

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Continuation of SCR 3 Fiscal Note Page 2 of 2

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10 Hearings, one in each of the following communities - Anchorage, Fairbanks, Juneau, Bethel, Nome, Barrow, Wasilla, Kenai, Ketchikan, Sitka.

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57.0

6 additional Hearings will be held by teleconference. The cost of teleconference meetings will be absorbed within the Legislative Affairs Agency budget.

Contractual

Phones	3.0
Postage	3.0
Advertising	6.0

12.0

12.0

Supplies, printing, and office space will be provided within existing budgets.

0.0

Equipment

Computer & Printer	6.0
--------------------	-----

6.0

75.0

9-LS0021NG
Bannister
1/30/95

CS FOR HOUSE CONCURRENT RESOLUTION NO. 1()
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES Phillips, B.Davis, Green

A RESOLUTION

1 **Creating the Long Range Financial Planning Commission.**

2 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

3 **WHEREAS** state spending has exceeded recurring revenue to the state; and

4 **WHEREAS** the state must eliminate the fiscal gap; and

5 **WHEREAS** the state is currently forced to deal with an unpredictable and declining
6 revenue stream; and

7 **WHEREAS** the state must find a means of stabilizing revenue and expenditures at a
8 sustainable level; and

9 **WHEREAS** the state's system of budgeting and spending must be analyzed and
10 reevaluated by the legislature; and

11 **WHEREAS** the citizens of the state should have an opportunity to consider these
12 topics, offer comments, and participate in developing a long-range financial plan for the state;
13 and

14 **WHEREAS** it would be beneficial to the state and its citizens to implement a long-
15 range financial plan to promote economic stability by diversifying the state's economy and
16 lessening dependence on oil revenue;

1 **BE IT RESOLVED** that the Alaska State Legislature establishes the Long Range
2 Financial Planning Commission in order to develop and recommend to the governor and the
3 legislature a long-range financial plan for the state; and be it

4 **FURTHER RESOLVED** that the commission shall consist of the following voting
5 members:

6 (1) nine members of the public, not to include members of the legislative,
7 executive, or judicial branches, appointed by a committee composed of the Speaker of the
8 House of Representatives, the President of the Senate, and the Governor;

9 (2) two members of the House of Representatives appointed by the Speaker
10 of the House;

11 (3) two members of the Senate appointed by the President of the Senate; and

12 (4) two members of the executive branch appointed by the Governor; and be

13 it

14 **FURTHER RESOLVED** that the commission shall select a chair and vice-chair from
15 among the public members of the commission, shall meet as frequently as the commission
16 determines necessary to perform its work, may meet during the interim, and may meet and
17 vote by teleconference; and be it

18 **FURTHER RESOLVED** that the members of the commission shall serve without
19 compensation but are entitled to travel expenses and per diem as authorized under
20 AS 39.20.180 for boards and commissions; and be it

21 **FURTHER RESOLVED** that the commission may hire staff to carry out its duties;
22 and be it

23 **FURTHER RESOLVED** that the commission shall

24 (1) review and evaluate state fiscal policy and strategy recommendations and
25 assumptions from reports and publications from similar efforts in the past made by the
26 executive branch, the legislative branch, the University of Alaska, nonprofit organizations, and
27 private individuals and organizations;

28 (2) identify all current state income sources and evaluate assets, including
29 recurring revenue, reserves, physical resources, and investments;

30 (3) identify and prioritize systemic changes to stabilize the state's revenue

1 stream;

2 (4) identify and prioritize major reductions in state expenditures, to include
3 formula and nonformula programs, and to include proposed consolidation, transfer, or
4 elimination of governmental services or programs;

5 (5) evaluate forward funding of the budget;

6 (6) identify and prioritize new sources of revenue;

7 (7) project a sustainable long-range financial plan for the next three years, five
8 years, and 10 years, based on a stable revenue stream;

9 (8) evaluate constitutional, statutory, and regulatory language relating to the
10 budget process and recommend changes;

11 (9) consider the division of responsibility for providing services between the
12 state and local governments and evaluate the effect of the long-range financial plan on local
13 governments;

14 (10) submit a preliminary report to the Governor and the Legislature by
15 July 15, 1995;

16 (11) disseminate information and solicit public comment;

17 (12) submit a final report to the Governor and the Legislature by October 1,
18 1995, recommending a long-range financial plan for the state, including specific actions and
19 legislation needed to implement and monitor the plan; and be it

20 **FURTHER RESOLVED** that the commission is authorized to begin work immediately
21 upon the appointment of its full membership or March 15, 1995, whichever date is earlier, and
22 is terminated upon the convening of the Second Regular Session of the Nineteenth Alaska
23 State Legislature.

9-LS0021NF ✓

Bannister

1/28/95

CS FOR HOUSE CONCURRENT RESOLUTION NO. 1()

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES Phillips, B.Davis, Green

A RESOLUTION

1 Creating the Long Range Financial Planning Commission.

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

3 WHEREAS state spending has exceeded recurring revenue to the state; and

4 WHEREAS the state must eliminate the fiscal gap; and

5 WHEREAS the state is currently forced to deal with an unpredictable and declining
6 revenue stream; and

7 WHEREAS the state must find a means of stabilizing revenue and expenditures at a
8 sustainable level; and

9 WHEREAS the state's system of budgeting and spending must be analyzed and
10 reevaluated by the legislature; and

11 WHEREAS the citizens of the state should have an opportunity to consider these
12 topics, offer comments, and participate in developing a long-range financial plan for the state;
13 and

14 WHEREAS it would be beneficial to the state and its citizens to implement a long-
15 range financial plan;

16 BE IT RESOLVED that the Alaska State Legislature establishes the Long Range

1 Financial Planning Commission in order to develop and recommend to the governor and the
2 legislature a long-range financial plan for the state that includes specific actions needed within
3 the first three and five years to implement the plan; and be it

4 **FURTHER RESOLVED** that the commission shall consist of six members of the
5 public, which may include legislators, with three each appointed by the Speaker of the House
6 of Representatives and the President of the Senate, and seven members who are high-level
7 technical experts from the legislative and executive branches, jointly appointed by the Speaker
8 of the House and the President of the Senate, with one each from the Department of Revenue,
9 the Permanent Fund Corporation, the office of management and budget in the Office of the
10 Governor, the division of finance in the Department of Administration, the Department of
11 Natural Resources, the legislative finance division, and the legislative audit division; and be
12 it

13 **FURTHER RESOLVED** that the commission shall select a chair and vice-chair from
14 among the members of the commission, shall meet as frequently as the commission determines
15 necessary to perform its work, may meet during the interim, and may meet and vote by
16 teleconference; and be it

17 **FURTHER RESOLVED** that the members of the commission shall serve without
18 compensation but are entitled to travel expenses and per diem as authorized under
19 AS 39.20.180 for boards and commissions; and be it

20 **FURTHER RESOLVED** that the commission may hire staff to carry out its duties;
21 and be it

22 **FURTHER RESOLVED** that the commission shall

23 (1) review and identify anticipated state expenditures, recurring revenue,
24 reserves, and potential revenue sources;

25 (2) review and identify fiscal assumptions concerning state finances that have
26 been made by planners and financial managers in government and the private sector;

27 (3) recommend strategies for generating sustainable sources of future state
28 revenue and legislation to implement the recommendations;

29 (4) if new taxes are recommended, investigate specific tax structures, review
30 the consequences of the structures, and prepare draft legislation to implement the

1 recommendations;

2 (5) disseminate information and solicit public input through hearings and other
3 means from the various regions of the state in the development and review of the proposed
4 financial plan;

5 (6) review state programs, especially formula driven programs, and recommend
6 reductions in state expenditures to reach a sustainable level;

7 (7) recommend structural changes to the way the state budget is prepared to
8 ensure that the governor and the legislature have information on which to base decisions;

9 (8) investigate implementing forward funding of the budget; and

10 (9) submit a written report containing the commission's recommended 10-year
11 financial plan to the legislature by February 15, 1996; and be it

12 **FURTHER RESOLVED** that the commission is authorized to begin work immediately
13 upon the appointment of its full membership and is terminated upon the convening of the First
14 Regular Session of the Twentieth Alaska State Legislature.

HOUSE CONCURRENT RESOLUTION NO. 1
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVES PHILLIPS, B.Davis

Introduced: 1/16/95

Referred: Finance

A RESOLUTION

1 Creating the Long Range Financial Planning Commission.

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

3 WHEREAS state spending has exceeded recurring revenue to the state; and

4 WHEREAS the state must eliminate the fiscal gap; and

5 WHEREAS the state is currently forced to deal with an unpredictable and declining
6 revenue stream; and

Pannell - **7 WHEREAS** the state must find a means of stabilizing revenue ^{and expenditure at a} ~~at~~ a sustainable level, ^(and reducing expenditure to)
8 [in order to remove doubt and uncertainty regarding expenditures; and ^{which is impending economic growth.] REMAINS}

9 WHEREAS ^{(income, expenditures, budget reductions, the future of the permanent fund,}
10 land status, economic development, taxes, transition funds, loan programs, welfare programs,
11 housing programs, other state services, and similar items ^{the state symptom of budgeting: spending} **are issues that must be analyzed and**
12 reevaluated by the legislature; and

13 WHEREAS the citizens of the state should have an opportunity to consider these
14 topics ^{and participate in [DRAFTING] IN} **[and] offer comment on a long-range financial plan for the state; and**

15 WHEREAS it would be beneficial to the state and its citizens to ^{developing} **[establish] a long-range** ^{implement}
16 plan ^{stabilizes} **that [organizes] the state's approach to handling its finances;** FINANCIAL
FISCAL
FINANCIAL

17 BE IT RESOLVED that the Alaska State Legislature establishes the Long Range

Reduced

- 1 Financial Planning Commission in order to develop and recommend to the legislature a
2 10-year financial plan for the state that includes *mechanisms for implementing the plan* (goals) to be met by the end of the first three
3 and five years of the plan; and be it *to achieve those goals*

4 **FURTHER RESOLVED** that the commission shall consist of six members of the
5 public, which may include legislators, with three each appointed by the Speaker of the House
6 of Representatives and the President of the Senate, and seven members who are high-level
7 technical experts from the legislative and executive branches, jointly appointed by the Speaker
8 of the House and the President of the Senate, with one each from the Department of Revenue,
9 the Permanent Fund Corporation, the office of management and budget in the Office of the
10 Governor, the division of finance in the Department of Administration, the Department of
11 Natural Resources, the legislative finance division, and the legislative audit division; and be
12 it

13 **FURTHER RESOLVED** that the commission shall select a chair and vice-chair from
14 among the members of the commission, shall meet as frequently as the commission determines
15 necessary to perform its work, may meet during the interim, and may meet and vote by
16 teleconference; and be it

17 **FURTHER RESOLVED** that the members of the commission shall serve without
18 compensation but are entitled to travel expenses and per diem as authorized under
19 AS 39.20.180 for boards and commissions; and be it

20 **FURTHER RESOLVED** that the commission may hire staff to carry out its duties;
21 and be it

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23 (1) review and identify anticipated state expenditures, recurring revenue,
24 reserves, and potential revenue sources;

25 (2) review and identify fiscal assumptions concerning state finances that have
26 been made by planners and financial managers in government and the private sector;

27 (3) recommend strategies for generating sustainable sources of future state
28 revenue and legislation to implement the recommendations;

29 (4) if new taxes are recommended, investigate specific tax structures, review
30 the consequences of the structures, and prepare draft legislation to implement the
31 recommendations;

32 (5) disseminate information and solicit public input through hearings and other

1 means from the various regions of the state in the development and review of the proposed
2 financial plan;

3 (6) review state programs, especially formula driven programs, and recommend
4 reductions in state expenditures to reach a sustainable level;

5 (7) recommend structural changes to the way the state budget is prepared to
6 ensure that the governor and the legislature have information on which to base decisions;

7 (8) investigate implementing forward funding of the budget; and

8 (9) submit a written report containing the commission's recommended 10-year
9 financial plan to the legislature by February 15, 1996; and be it

10 **FURTHER RESOLVED** that the commission is authorized to begin work immediately
11 upon the appointment of its full membership and is terminated upon the convening of the First
12 Regular Session of the Twentieth Alaska State Legislature.

Pg 1 Unit 17
Pg 2 Unit 1

BE IT Resolved that
the Alaska State Legislature
establishes the Long Range
Financial Planning Commission
in order to develop and recommend
to the Governor and Legislature
a long-range financial plan
for the state that includes
specific actions needed ~~to~~
~~achieve~~ within the first three
and five years to implement
the plan;

Task Force on Governmental Roles

Final Report

by

Brad Pierce, Task Force Staff

July 10, 1992

This document was produced jointly by the Governor's Office of Management and Budget and the Alaska Municipal League.



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Task Force Members

Chair

Scott Burgess, Executive Director
Alaska Municipal League (AML)

Legislative Members

Senator Arliss Sturgulewski
Senator Steve Frank
Representative Ivan Ivan
Representative Ron Larson

Executive Branch Members

Shelby Stastny, Director, Governor's Office of Management and Budget (OMB)
Edgar Blatchford, Commissioner, Department of Community and Regional Affairs (DCRA)

Municipal Members

Jerome Selby, Mayor, Kodiak Island Borough
Kevin Ritchie, City Manager, City and Borough of Juneau
Caleb Pungowiyi, City Manager, City of Kotzebue
Mark Begich, Assembly Member, Municipality of Anchorage
Lamar Cotten, Former Municipal Manager, Aleutians East Borough

Public Members

Lee Sharp, Palmer
Leo Rasmussen, Nome

Unincorporated Community Representative

Roseanne Timber, Alaska Federation of Natives

Staff assistance was provided by Sandra Wicks, Deputy Director, and Michael Cushing, Research Analyst IV, Division of Municipal and Regional Assistance, DCRA, and Chrystal Smith, Director of Member Services, AML.

I. EXECUTIVE SUMMARY

Principles Identified by the Task Force:

- The level of government that mandates a program or public service to be provided has the responsibility to fund it.
- The state has a responsibility to assist local governments in complying with federal mandates.
- The state also has a responsibility to act together with, or as an advocate for, local governments in blocking or modifying federal mandates that place unreasonable burdens on the state and its localities.
- In reducing the state operating budget, budget cuts that transfer costly basic service responsibilities to local governments should undergo a critical review.
- Wherever possible, state restrictions on local governments should be relaxed to provide maximum local choice.
- State policymakers should recognize that policies relating to public employees at the state level are not necessarily appropriate for public employees at the municipal level.
- Poverty-related services should be financed at the highest level of government possible because the poor are least able to pay for such services and the level of government with the broadest revenue base is in the best position to act as provider.
- General public health care is also most appropriately financed at the highest level of government possible where overall issues of availability, access and cost containment can best be addressed.
- The costs of environmental remediation are best funded at the highest level of government possible due to their potential magnitude and the possibility of externalities, i.e., more than one jurisdiction may be affected.

- The state is obligated to provide for basic health, education and public protection services for all citizens.
- All citizens should bear a fair portion of the cost for basic health, education and public protection services.
- There is a minimum level of basic public services that should be provided by the state—either delivered directly or funded with state revenues.
- Public services offered by any municipality above and beyond the minimum level of basic services guaranteed by the state should primarily depend on what local residents are willing and able to pay for.
- For reasons of efficiency and accountability, delivery of most public services should be maintained at the local level unless there is an important reason to do otherwise, regardless of which level of government provides funding.
- The administrative and fiscal capacity of individual municipalities to provide particular public services must be taken into account when sorting out state-local responsibilities.
- The state should investigate alternative mechanisms for efficient basic service delivery in the unorganized borough(s).
- The state needs to develop a policy for determining the appropriate technology and scale of public works projects in smaller rural communities and a program to provide for long-term maintenance requirements.
- The state has an ongoing responsibility to encourage organization of boroughs in the unorganized areas of the state.
- Unification of borough and city administrations should be encouraged wherever possible to provide for more efficient and cost-effective service delivery.
- The state with its superior tax base and taxing powers has a responsibility to ensure that local governments have sufficient fiscal capacity to carry out their duties.

- Existing programs that provide aid to local governments should be examined to determine why they were created and whether those reasons are still valid.
- Formulas for distributing state aid should take into account each locality's population, wealth and local revenue generating efforts, while remaining flexible enough to allow for unique circumstances.
- The state should examine its tax and fee structure to determine whether additional taxes and fees should be required to fund state programs.
- The state should encourage localities (through technical assistance and removal of restraints) to tap new tax and fee sources and to diversify their revenue bases.
- State programs that provide payments to individuals, benefits to special classes of citizens or subsidies to specific industries or that intervene in private markets need to be reevaluated in light of a projected state revenue decline.
- A needs test should be applied to state programs that benefit special interest groups of citizens.

Task Force Recommendations on Specific Issues

Mandates

Policymakers should adopt a policy of deliberate restraint with respect to enacting mandates on local governments. The legislature should closely monitor Department of Community and Regional Affairs fiscal notes on legislation that affects municipalities and make a firm commitment to use the estimates in its deliberations.

Public Protection Services

Provision of local police, prosecution and jail services calls for a comprehensive solution. The state is not likely to be successful in mandating the level of public protection services that local governments must provide. An incentive approach, where the state provides funding based on the number of police or criminal caseload is likely to be a more effective means of getting municipalities to assume greater public protection responsibilities. The Department of Public Safety should adopt a much tougher policy line on municipalities

that refuse to pay for local police services or prosecute criminals. Title 29 should be changed to allow the assemblies of unified municipalities and home rule boroughs to establish service areas for police protection, notwithstanding charter restrictions. Contract jails are a state responsibility. A working group of state and local officials should be established to determine reasonable costs for contract jail facilities.

Transportation

State transportation policy must address both revenue and responsibility issues. Some form of shared fuel taxes would be the preferred funding alternative for local takeover of maintenance responsibilities on state roads. The working group process, advocated in the State Transportation Plan, offers a reasonable alternative for sorting through the myriad of localized issues on an individual road and maintenance district basis. Each municipality should enter into a contract with DOT/PF to ensure that state roads are brought up to standard before assuming maintenance responsibilities.

Senior Citizen / Disabled Veteran Property Tax Exemption

The Senior Citizen / Disabled Veteran Property Tax Exemption is a classic example of a seriously underfunded state mandate on municipalities that should either be changed into a direct state rebate program or made a local option.

Municipal Assistance and Revenue Sharing

The legislature should consider combining the Revenue Sharing and Municipal Assistance Programs into a single distribution formula that rewards municipalities for local revenue generation and compensates them for population increases.

State Tax Policies

The Task Force examined two statewide tax alternatives, a personal income tax and general sales tax, without making recommendations on either. It also studied the relative tax burden of households in Alaska compared to the national average. Members felt that the information collected was important enough to publish in the Final Report (see Section VI and Appendices 1 and 2) for review by future work groups and task forces involved in fiscal policy development or weighing various revenue alternatives.

II. INTRODUCTION

A. HCR 17

The Task Force on Governmental Roles was established by a concurrent resolution of the 1991 Legislature (the complete citation is SCS CS HCR 17) at the request of the Alaska Municipal League (AML) to sort out federal, state and local roles in providing public services. The Task Force was charged with making recommendations to the governor and legislature on:

- 1) the appropriate public services to be provided by each level of government,
- 2) the minimal level of services, and
- 3) the most efficient means of funding public services.

The Task Force was also charged with publishing, by June 30, 1992, a report containing recommendations "that ensure budget reductions are shared equitably between the state and municipal governments." At that time, the Task Force terminated.

The resolution specified that the Task Force be composed of four legislators, two executive branch policymakers, four municipal officials, two public members and one representative of the unorganized areas of the state. The Task Force was originally funded by the legislature for a year with a \$160,000 appropriation but Governor Hickel vetoed the fiscal note. The Governor's Office provided travel funds for the public members and the unincorporated community representative. Travel by legislators, agency representatives and municipal members was funded by their respective organizations. OMB and AML shared the cost of publishing the Final Report.

The impetus behind the formation of the Task Force is the specter of declining state petroleum revenues in the 1990s. About 85 percent of Alaska's state revenues come from petroleum production. Oil revenues fueled massive public spending on infrastructure and government operations during the past 15 years. Today state spending accounts for nearly one-third of all jobs in the economy and 30 percent of all personal income. Nearly half of local government jobs and 41 percent of local revenues come from state funded programs.

As state petroleum revenues have declined since the mid-1980s, problems in state-local service delivery responsibilities have emerged. It has become increasingly obvious to policymakers that the complicated web of overlapping state and local service responsibilities funded with oil revenues is not sustainable and begs for rationalization. Most knowledgeable observers of Alaska's fiscal situation believe that in the near future it will be necessary to devolve responsibility to municipal governments for many public services that are now either provided directly by the state or funded with state revenues. At the same time that the state and local governments must come to terms with lower oil revenues, the federal government is adding substantial public service costs through unfunded or partially funded mandates. The state and its municipalities need a cooperative approach to deal with the impacts of federal mandates.

The state has several task forces working concurrently on major issues such as education funding, health care and sanitation needs. An Efficiency Review Task Force has spent the past year examining the operations of the various state departments and will issue a report outlining ways that the state can save money. The Governor also intends to appoint an organizational review team in the near future charged with streamlining the structure of state government and another task force to examine alternative means of generating state revenues. Thus the proceedings of this Task Force can be viewed as one small step in a much larger process of coming to terms with the state's fiscal situation while transforming intergovernmental relations to meet changing public service requirements for the 1990s and beyond.

B. Methodology

The Task Force met a total of eight times. The first priority was for staff to conduct a search of the national literature on intergovernmental relations. A statewide survey of municipal officials and community leaders was conducted to inventory how public services are presently delivered and funded. Respondents were also asked to identify specific issues of friction between local officials and the state and federal governments. A major data collection and comment effort centered around the AML Local Government Conference in Fairbanks in November 1991. Staff disseminated information on the activities of the Task Force and surveyed municipal leaders in attendance.

The Local Government Conference featured three hearings before a panel of Task Force members. Speakers testifying from national organizations included Don Borut, Executive Director of the National League of Cities (NLC), Bruce McDowell from the U.S.

Advisory Commission on Intergovernmental Relations (ACIR), and Scott Mackey of the National Conference of State Legislatures (NCSL). All made presentations on intergovernmental relations from a national perspective and discussed what other states are doing to cope with federal mandates and other intergovernmental responsibility issues. According to Mr. Borut, the Governmental Roles Task Force effort puts Alaska on the cutting edge of state-local relations reform.

Addressing the hearings from an Alaskan perspective was Superior Court Judge (retired) Thomas Stewart, who was Secretary to the Alaska Constitutional Convention at the time of statehood. Judge Stewart made one of the more provocative statements to the panel when he said that constitutional delegates clearly intended that the legislature form an unorganized borough(s), act as the assembly for unorganized areas, and levy local taxes to pay for services (e.g., education).¹

Representatives from the Departments of Education, Environmental Conservation, Health and Social Services, Transportation and Public Facilities and Public Safety presented case studies to the panel on existing state-local relationships in providing education, environmental, health, transportation and public protection services.

Following the AML Conference, the Task Force spent considerable time going through a list of existing categories of public services developed in the course of surveying local officials and discussing how they are presently delivered and funded as opposed to what members considered an ideal breakdown of responsibilities. Task Force members also discussed at length the state governments' constitutional responsibility for providing a minimal level of services to all citizens and each individual's obligation to pay for public services. These discussions were distilled down to a list of underlying principles to be applied in determining appropriate roles for each of the respective levels of government.

The Task Force then applied these principles to some specific issue areas, which are discussed in the recommendations section of this report. A number of intergovernmental issues were not addressed (e.g., education, health issues) either because of time and resource constraints placed on the Task Force by the Legislature and Governor or because some other deliberative body had already been specifically appointed to deal with the problem. The principles and issue areas discussed by the Task Force form the core of this report.

C. Appendices

During the course of Task Force proceedings, staff generated a good deal of written information for study by the members. Selected graphs, tables and written materials are presented in a series of Appendices to this report.

Appendix 1 contains an analysis of the state and local tax burden on households in Alaska compared to other states. Appendix 2 is a list of nontraditional programs that are either unique to Alaska or funded to an extraordinary degree with state general funds. Appendix 3 contains a description of the various classes of municipalities in the state, their powers and duties. Appendix 4 is a timeline depicting the history of local government organization. Appendix 5 is an assessment of the recent financial history of local governments statewide. Appendix 6 contains a copy of HCR 17, the enabling legislation establishing the Governmental Roles Task Force.

III. FINDINGS

Underlying Principles for Determining Appropriate Roles

Task Force members reached consensus on a list of clarifying principles to be applied when addressing specific public service responsibility issues. These principles are grouped into four major categories and presented in the bullet statements below along with a brief explanation of the reasoning Task Members used in identifying them.

A. State and Federal Mandates to Municipalities

A major source of intergovernmental friction in recent years has been unfunded or partially funded municipal mandates. Research has shown state mandates to local governments in Alaska to be less of a burden than in other states, partly due to the relative newness of the state-local system and also because requirements of municipalities in statute are most often stated as conditions of aid rather than mandates. From the answers to a survey of municipal officials conducted by Task Force staff, the major issues of conflict between the state and municipalities over public service responsibilities (e.g., areawide police or third class roads) appear to be matters of state policy or regulation rather than law.

Nevertheless, there is no doubt that the cost of complying with state and federal mandates is consuming an ever-increasing portion of municipal funds. These costs are sure to increase as state revenues decline in the future. Task Force members believe that state decisionmakers should adopt a policy of "deliberate restraint" in enacting mandates on local governments. Policymakers at both the federal and state levels should be guided by a simple principle:

•The level of government that mandates a program or public service to be provided has the responsibility to fund it.

Federal mandates for generally accepted goals such as clean air and water or handicapped access for persons with disabilities are meant to apply universally to all citizens. Because of the enormous diversity in the economic development of communities within the state and the disparity in their population, tax bases and administrative sophistication, the Task Force believes that state government has dual obligations with respect to federal mandates on municipalities:

•The state has a responsibility to assist local governments in complying with federal mandates.

•The state also has a responsibility to act together with, or as an advocate for, local governments in blocking or modifying federal mandates that place unreasonable burdens on the state and its localities.

State assistance may take the form of funding, administration or technical assistance as appropriate. Alaska's current efforts to gain general wetlands permitting authority is a good example of constructive state intervention between the federal government and municipalities.

State and local governments nationwide have become painfully familiar with "fend for yourself federalism," in which cooperation is defined as the Congress passing laws and states and municipalities implementing and paying for them. The Task Force position is that as state petroleum revenues decline, state government in Alaska cannot afford to emulate the fiscal irresponsibility of the federal government by simply passing off public service responsibilities to the local level. The Task Force proposes that the administration and legislature consult regularly with municipal officials in their fiscal planning. Specifically:

•In reducing the state operating budget, budget cuts that transfer costly basic service responsibilities to local governments should undergo a critical review.

In its deliberations, the Task Force realized that state lawmakers and municipal officials represent the same constituencies. State and local governments are locked together in a system that requires them to interact constantly. In Alaska, municipalities are agents of the "owner state." Municipalities are not just another special interest group since they do not seek personal gain, but rather the funding of public services.

Whether a service is provided by the state or a municipality, it must be funded from the available pool of public revenue resources. Most municipal officials would agree that as state revenues decline it will be necessary for local governments to become more self-reliant in providing for public services. Lawmakers can help by removing mandatory tax exemptions and other impediments to local revenue generation in state statutes:

•Wherever possible, state restrictions on local governments should be relaxed to provide maximum local choice.

The legislature can also refrain from imposing costs on municipalities via increases in public employee benefits. Local councils and assemblies need to be able to maintain control over their personnel costs, which comprise the major portion of local government expenditures.

•State policymakers should recognize that policies relating to public employees at the state level are not necessarily appropriate for public employees at the municipal level.

B. Federal/ State/Local Responsibilities in Service Delivery

In sorting out which level of government should be responsible for providing various public services, the Task Force attempted to separate funding questions from actual service delivery issues. This is because in many cases it is more efficient for a higher level of government to collect revenues and redistribute them to a lower level where the actual service is provided and resource allocation decisions are best made. The Task Force also attempted to focus on what the appropriate roles of the various levels of government should be in the future regardless of the current division of responsibilities, which is the result of a decade and a half of oil wealth.

Three general principles are recognized in the national literature on appropriate governmental roles:

•Poverty-related services should be financed at the highest level of government possible because the poor are least able to pay for such services and the level of government with the broadest revenue base is in the best position to act as provider.

•General public health care is also most appropriately financed at the highest level of government possible where overall issues of availability, access and cost containment can best be addressed.

•The costs of environmental remediation are best funded at the highest level of government possible due to their potential magnitude and the possibility of externalities, i.e., more than one jurisdiction may be affected.

The Task Force grappled with the issue of "What is the minimum level of public service

that is constitutionally guaranteed by the state?" This naturally led to a discussion of the individual citizen's responsibility to pay for services. While the members were unable to arrive at a precise definition of the minimum level of service or each individual's obligation to pay, there was general agreement on two fundamental principles:

•The state is obligated to provide for basic health, education and public protection services for all citizens.

•All citizens should bear a fair portion of the cost for basic health, education and public protection services.

The idea that citizens should only have as many local government services as they want permeates discussions of appropriate state-local roles. The Task Force recognized that there is a definite point in the spectrum of public service provision where the state's responsibility ends and local choice takes precedence. Three interrelated principles can be applied:

•There is a minimum level of basic public services that should be provided by the state -- either delivered directly or funded with state revenues.

•Public services offered by any municipality above and beyond the minimum level of basic services guaranteed by the state should primarily depend on what local residents are willing and able to pay for.

•For reasons of efficiency and accountability, delivery of most public services should be maintained at the local level unless there is an important reason to do otherwise, regardless of which level of government provides funding.

Given the diversity of communities in the state, it is difficult to impose sweeping general principles without taking into account local conditions. The Task Force recognized that:

•The administrative and fiscal capacity of individual municipalities to provide particular public services must be taken into account when sorting out state-local responsibilities.

Alaska is unique in that a majority (62 percent) of the state's geographical area containing 15 percent of the population remains outside of any areawide government jurisdiction; an

area known as the unorganized borough.² DCRA recognizes about 125 unincorporated settlements. Most are governed by traditional Native tribal councils, federally chartered Indian Reorganization Act (IRA) councils or non-Native community associations. Some have no discernable government. A Native sovereignty movement is developing in much of rural Alaska as residents seek to exercise greater control over the rate of social change and acculturation in their communities.

The Task Force position is that existing classes of municipal governments are adequate to provide local governance and choice, while protecting citizens rights to due process. However, the Task Force recognized that issues of state vs. local responsibility in unorganized areas of the state are fundamentally different from those in organized areas and will require innovative solutions.

•The state should investigate alternative mechanisms for efficient basic service delivery in the unorganized borough.

Task Force members discussed at length the issue of how much the state is obligated to spend in small remote communities to provide basic infrastructure. There was agreement that state investments in water, sewer and other basic infrastructure projects should be subjected to some form of objective scrutiny. To the extent possible, public works projects in rural communities should be maintained locally.

•The state needs to develop a policy for determining the appropriate technology and scale of public works projects in smaller rural communities and a program to provide for long-term maintenance requirements.

State investments in rural communities should be protected by a comprehensive maintenance program. It is particularly important to train local residents to perform routine maintenance. Other innovative solutions might involve circuit rider-type technical assistance and a revolving loan fund to help pay for major maintenance expenses.

C. Organizational Issues

Key to any rationalization of state and local roles in providing public services is an efficient local delivery system. Compared to other states with their traditional scheme of counties and cities, development of local government institutions in Alaska after just 33

years of statehood is still in its infancy. Task Force members spent a good deal of time discussing the evolution of the local government organizational scheme envisioned in the state constitution. The tension between the constitutional intent that the state become completely organized into boroughs and the strongly held notion that citizens should only have as much local government as they desire was a dominant theme in Task Force deliberations.

There was general agreement that the state constitution provides for 1) maximum self-government with a minimum number of taxing units and 2) presumption of municipal power (i.e., municipalities may assume any powers not explicitly denied to them in state law) and that only limited classes of cities and boroughs (see Appendix 3) are recognized as local governments under state law.

Task Force members stopped short of endorsing mandatory borough formation legislation but agreed that continued formation of additional borough governments should be a primary state policy goal.

•The state has an ongoing role to encourage organization of boroughs in the unorganized areas of the state.

The Task Force recognized that there are large portions of the state that lack the regional resource base to support a borough government. However, there are also a number of areas that have the resource base but are not inclined to organize. Beginning with the establishment of Rural Education Attendance Areas (REAs), which removed a powerful incentive for borough formation in rural areas—local control of schools, the state has systematically reduced the attractiveness of areawide government to citizens of the unorganized borough. In fact, recent actions by the legislature to share National Forest receipts and Fisheries Business Tax receipts with communities in the unorganized borough have removed nearly all of the few remaining incentives to organize boroughs.

Experience has shown establishment of boroughs to be primarily a function of the economic self-interest of residents. While local control is an incentive, it is generally outweighed by residents' aversion to paying local taxes for services (e.g., education in Rural Education Attendance Areas) that are currently provided by the state at no cost. The Task Force position is that the inequity in tax burden between residents of municipalities and residents of the unorganized borough is better addressed via state fiscal policies (taxes, shared revenue programs, education foundation funding and municipal grants) than by imposing areawide government on people who do not want it.

Another main organizational thrust embodied in the state constitution is to develop a streamlined system of local government. There are four available means of unification. The first is conventional unification. Juneau, Sitka and Anchorage chose to unify and Fairbanks and Ketchikan have both considered and rejected this approach. The second is a merger in which one or more municipalities merge into an existing municipality with the latter becoming the surviving municipality. The third is consolidation, where one or more municipalities consolidate into a new unit of government with all of the former units disappearing. This is the method that was looked at by the City of Kodiak and Kodiak Island Borough and is currently being explored by the Ketchikan Gateway Borough and the City of Ketchikan. The fourth method involves cities within a borough dissolving under the procedures set out in Title 29 whereby the borough succeeds to the responsibilities of the dissolved cities. This is currently being examined by the Northwest Arctic Borough. The Task Force endorses all of these methods.

•Unification of borough and city administrations should be encouraged wherever possible to provide for more efficient and cost-effective service delivery.

D. State Revenues and Expenditures

Discussion of state-local responsibilities generally comes back to funding issues. When compared to other states, Alaska provides an extraordinary amount of financial assistance to local governments, both in terms of direct funding and by delivering services that have traditionally been considered local responsibilities in other parts of the country. The Alaska constitution envisions a strong state role in the funding of local government services, which the Task Force generally endorses.

•The state with its superior tax base and taxing powers has a responsibility to ensure that local governments have sufficient fiscal capacity to carry out their duties.

The formulas employed by the major state aid programs to municipalities, unorganized communities and school districts (Municipal Assistance, Revenue Sharing and Educational Foundation Funding) are the products of hard-fought political compromises. State policymakers are naturally loathe to change these formulas or upset the political status quo because the result will be winners and losers among municipalities. Municipal officials are suspicious of changes to aid programs that do not contain some funding level guarantee, i.e., that can simply be underfunded by the legislature. However, fiscal reality

dictates that the state can only guarantee a minimal level of municipal funding. Looking into the future it would be prudent for state government to modify its formula and pass-through programs to provide incentives for communities to become more self-reliant.

•Existing programs that provide aid to local governments should be examined to determine why they were created and whether those reasons are still valid.

•Formulas for distributing state aid should take into account each locality's population, wealth and local revenue generating efforts, while remaining flexible enough to allow for unique circumstances.

Appendix 1 contains an analysis of Alaska's state and local tax burden compared to the national average. By any measure, citizens of all communities in the state enjoy a privileged tax position, since most households receive more in direct payments from the state (Permanent Fund dividends, Longevity Bonus payments, etc.) than they pay in state and local taxes. Additionally, residents receive nearly \$16,000 per household in state services plus whatever public services are provided at the local level. In the future, the state won't have the ability to be so generous and residents will inevitably have to tax themselves if they wish to have a level of service comparable to what they now receive essentially for free.

•The state should examine its tax and fee structure and determine whether additional taxes and fees should be required to fund state programs.

Task Force members endorse the "user pays" approach to excise taxes. As a first step, the state might look at increasing taxes that are shared with municipalities (i.e., Amusement and Gaming Tax, Aviation Fuel Tax, Electric and Telephone Cooperative Tax, Liquor License Tax and Fisheries Business Tax) up to at least national average rates. The Task Force endorses the increases in motor fuels tax and motor vehicle registration fees proposed in the State Transportation Plan. The proceeds from these increases should be used to fully fund the road maintenance portion of the state's Revenue Sharing program.

The Task Force recognizes that in order to provide stability through inevitable economic cycles, it is very important for local communities to diversify their revenue bases. Additionally, the Task Force recommends that locally imposed property tax caps be removed. Self-imposed tax limitations should be considered irrelevant by state policymakers when making decisions on aid to local governments.³

•The state should encourage municipalities (through technical assistance and removal of restraints) to tap new tax and fee sources and to diversify their revenue bases.

Alaska funds numerous programs that other states do not. Appendix 2 contains a list of nontraditional programs and the amount the state currently spends on each. Municipal officials on the Task Force question the wisdom of funding many of these nontraditional programs, particularly those that benefit individuals regardless of need, while cutting back on aid to local governments which provide more traditional services to the general public. They point out that state's generosity to special interest groups has the effect of indirectly raising local taxes. The Task Force position is that it is time to reorder the state's funding priorities toward traditional public service provision.

•State programs that provide payments to individuals, benefits to special classes of citizens or subsidies to specific industries or that intervene in private markets need to be reevaluated in light of a projected state revenue decline.

Currently, state programs to aid special classes of people have very loose or nonexistent eligibility criteria. The Task Force position is that eligibility requirements for these programs need to be tightened to increase their efficiency in reaching targeted individuals.

•A needs test should be applied to state programs that benefit special interest groups of citizens.

IV. RECOMMENDATIONS

Task Force Principles Applied to Specific Intergovernmental Issues

The primary job of the Task Force was to decide what is reasonable for one level of government to expect of another. The "what is reasonable test" must take into account the great diversity of municipalities in the state and the enormous disparity in their wealth. It is necessary to examine the situation that currently exists and decide what it should be, based on an understanding of traditional state-local roles and making allowances for the state's unique organizational features. The Task Force applied the principles cited previously to the following issue areas: mandates, police protection, local prosecution, jails, transportation, Senior Citizen/Disabled Veteran Property Tax Exemption, Revenue Sharing and Municipal Assistance. These issue areas were chosen because Task Force members felt them to be high priority concerns and that were not being studied by some other working group. Task Force members also studied two statewide tax alternatives, the personal income tax and general sales tax, which are discussed in this report without recommendations.

In many of the issue areas discussed below, the Hickel administration is either in the process of developing a policy position or legislation has been offered to address specific intergovernmental problems. In a few instances, articulation of Hickel administration policy has come about as a direct result of HCR 17 and subsequent Task Force activities. Each issue is described briefly and Task Force observations and recommendations are presented in boldface type at the end of each section.

A. Mandates

The U.S. Advisory Commission on Intergovernmental Relations (ACIR) defines mandates as "legal requirements, constitutional provisions, statutory provisions or administrative regulations that a local government undertake a specific activity or provide a service meeting minimum standards."⁴ Federal and state mandates constrain local decision making by requiring municipalities to substitute national or state priorities for local concerns. Mandates (federal or state) usually address a legitimate need or problem. However, unless accompanied by adequate funding they can be extremely burdensome for local governments. For example, the Municipality of Anchorage estimates that federal and state mandates cost the city \$13.2 million in FY 91.

The Alaska Municipal League recently examined 2,162 bills introduced during the past four years in the 16th and 17th Legislatures to see how many placed mandates on local governments. Of the 463 bills (non duplicated) introduced that affected municipalities in some way, 86 passed including 23 that placed mandates on municipalities. Of these, 11 were related to federal mandates.⁵ As in the rest of the country, mandates are of increasing concern to local officials in Alaska.

At the federal level, President Bush promised in his 1992 State of the Union address that he would not allow any additional federal mandates without funding while he remained in office. However, a recent compilation of pending legislation counted 121 bills in Congress that placed some form of mandate on state or local governments.⁶ Whether or not the President is able to keep his promise remains to be seen. In the meantime, the National Conference of State Legislatures and National League of Cities provide federal mandate watch services and a focal point for expressing states' and local governments' interests to the federal government.

While acknowledging the serious problem of federal mandates on local governments and establishing the principle that the state should intervene on their behalf whenever possible, the Task Force has chosen to focus primarily on state mandates over which the state has control. Experience has shown that it is only when federal mandates (e.g., wetlands permitting) become intolerable to a large segment of the population does the combined volume of state and local outrage cause a change in federal policy.

The main result of the recent national focus on the cost to municipalities of complying with state and federal mandates has been legislation placing limits on state mandating authority. Currently 28 states require fiscal notes on bills placing mandates on local governments and 14 have reimbursement requirements. Three states—Florida, New Hampshire and Louisiana have constitutional amendments requiring reimbursement for state mandates on localities.⁷ Various analyses of these measures have shown them to be more or less effective. In practice, reimbursement bills and fiscal notes have proven to be relatively easy to circumvent. The Alaska Legislature passed a version of municipal fiscal note legislation, SB 301, during the recently completed 1992 legislative session. Under the provisions of this bill, DCRA is charged with producing fiscal notes for legislation affecting municipalities.

TASK FORCE RECOMMENDATION

Since the state and local governments are necessarily partners in providing public services, it follows that the state has an obligation to take into account any financial impact that new laws may have on municipalities. The Task Force recommends that the legislature closely monitor fiscal notes produced by the Department of Community and Regional Affairs under the provisions of (SB 301) to ensure that staff produce credible estimates. Further, the legislature should make a firm commitment to use the estimates in its deliberations.

In recognition of the fact that in the future it will be necessary for local governments to take on additional funding responsibilities for services that are now either provided directly or funded by the state, the Task Force stopped short of a blanket endorsement of reimbursement legislation. Instead the Task Force approved the philosophical principle cited previously that the level of government mandating a particular program or service has the responsibility to fund it.

B. Police, Prosecution and Jails

Provision of local police services, prosecution of misdemeanor crimes and maintaining local jails are all facets of basic public protection. Traditionally these functions have been viewed as community responsibilities—simply part of living in a civilized settled society. The Task Force recognizes that the state is obligated to provide a minimal level of public protection services to all citizens, but beyond that public protection is primarily a local responsibility. The state makes allowances for communities that do not have the resources to provide local public safety services. The Village Public Safety Officer (VPSO) program was specifically designed for this purpose. The state provides prosecution and legal defense services and maintains jails or provides for custody of prisoners charged under state laws.

Conflicts between the state and local governments have occurred when the Departments of Public Safety or Law have determined that communities are capable of supporting public protection with local resources and the state has sought to pass on those costs to the local governments. There is no requirement in state law that municipalities have ordinances to provide public protection services in place when they incorporate, nor that they continue such services. Several communities in Alaska have refused to accept public protection responsibilities because of budget cutbacks or the lack of political will to vote for local taxes. In a few instances, municipalities are looking for ways to pass

responsibility for public protection services back to the state instead of providing inadequate service and leaving the local government open to lawsuits and other liabilities.

State law does not presently address these issues. There is no set criteria that says a community of a certain size or wealth should provide a given array of services. Alaska law endorses the home rule doctrine, which says that residents should be able to choose the powers and duties of their municipal government. However, this does not mean that residents of a community are free to do so at the expense of others. Even though residents of the state pay little or nothing in state taxes, everyone bears an opportunity cost when the state pays for or provides a service that is more properly a local responsibility.

Ultimately the state cannot legislate individual responsibility to pay for government services if voters refuse to tax themselves for something as basic as public protection.

1. Police

At present there is no requirement in state law that communities of a certain class or size provide areawide local police service. Residents of the Hillside service area of Anchorage and the City of Wasilla have repeatedly declined to pay for local police services, leaving protection to the state troopers at the expense of the state. The City and Borough of Juneau does not provide areawide police service, but unlike the Municipality of Anchorage, its municipal charter does not require voter approval to extend police protection to new service areas. (Such an extension is, in fact likely to occur within the next few years). In 1991 the Fairbanks city council considered dropping its local police service due to budget constraints.

The administration of Governor Hickel proposed legislation (HB 350) in the 17th Legislature that would require home rule or general law cities, or a unified municipalities of 2,000 population or greater to provide areawide police protection. It would not apply to a city within a borough that provides areawide police service. Thus the cities in the North Slope Borough would not have to provide their own police service.

The Task Force has recognized that municipalities have a responsibility for the provision of police services. However, the state has no rational standard against which to measure the adequacy of local police service. Local police are responsible for enforcing both local ordinances and state laws within their jurisdiction. The state troopers' role is to provide a basic level of public protection in unorganized

areas of the state, patrol most state roads, enforce state laws, provide backup to local police on major crimes and provide training for local police and crime lab support. Village Public Safety Officers (VPSOs) are an extension of the state troopers in small rural communities without the tax base to support local police.

2. Prosecution

Recently, the Fairbanks City Council voted to repeal the city's criminal code, thereby increasing the state Department of Law misdemeanor case load in Fairbanks by about 40%. There is no requirement in state law that municipalities provide for local prosecution of misdemeanors. If the Fairbanks police department were to fill its vacant positions (currently 1/3 of authorized positions are vacant) and be at full strength to arrest violators, the staff of the Department of Law (DOL) would be severely overloaded with complaints and would have to forego prosecution of whole classes of misdemeanors. Anchorage has threatened to repeal its criminal code as well if the state closes the Anchorage Pretrial Facility due to budget reductions. Many other municipalities either have no local criminal code or routinely charge offenders under state law to avoid prosecution costs.

The Hickel administration proposed legislation (HB 551) in the 17th Legislature that would have required home rule or general law cities and unified municipalities of over 10,000 population to provide areawide prosecution services, including incarceration and related offender transportation costs for certain classes of crimes. Municipalities that did not provide these services would have their Municipal Assistance withheld in an amount that the DOL determined the state had to pay to provide local prosecution services. Applicable offenses included:

- Title 4 "alcoholic beverages" (includes misdemeanor crimes prohibiting minors from consuming alcohol, serving intoxicated persons, and selling liquor without a license).
- Title 11 "criminal law" (prohibits assaults, disorderly conduct, harassment, theft, property damage, criminal trespass, gambling, prostitution, weapons offenses and many other criminal offenses).
- AS 14.13.010 and .020 "compulsory school attendance" (truancy).

- Title 28 "motor vehicle" (prohibits drunk driving, reckless driving, driving without a license and driving with a suspended license, among other licensing and driving violations).

These violations are generally considered traditional local concerns. Nearly every other title in the state statutes contains misdemeanor offenses that are more properly state concerns or that local prosecutors may not have the staffing to handle. For example, Title 15 regulates elections and Title 16 (and regulations in 5 AAC) govern fish and game offenses. Other titles that relate to broader state interests include: Title 17 "food and drugs," Title 18 "health and safety," Title 23 "labor and workers' compensation," Title 42 "public utilities and carriers," Title 45 "trade and commerce" and Title 46 "environmental conservation."

Cities located within boroughs that provide borough wide prosecution services would have been exempted under the terms of the bill.

The Task Force position on this issue is that local governments should be responsible for prosecuting local ordinance violations and certain classes of misdemeanors and the state should be responsible for prosecuting felonies and other violations of state law.

3. Jails

Title 33 requires that correctional facilities be maintained for persons charged with crimes under state laws, but there is no legal requirement for communities to maintain jails. Under current state law (AS 33.30.071-.081), the Department of Public Safety (DPS) may enter into agreements with a public or private agency to provide suitable confinement facilities if state facilities are unavailable. The state presently finances 18 contract jails to hold pretrial detainees and short-term prisoners charged under state law in rural areas that are remote from state correctional facilities. The DPS also has 78 temporary holding cell agreements with communities where the state hires a guard on an hourly basis and pays for prisoners' food. The rationale behind these programs is that it is less expensive and more efficient to pay local governments to hold prisoners than for the state to provide jails or transportation to and from state facilities.

Disputes have arisen between the department and municipalities over the amount that the state should pay for use of these facilities and related costs for insurance.

medical treatment and prisoner transportation. The department believes it is currently paying for costs which are not directly related to operating and maintaining jails. An October 1991 Office of Management and Budget audit confirmed that the contract jail program lacks accountability.⁸ In recent years, Kodiak, Cordova, Dillingham, Unalaska and Kotzebue have threatened to close their facilities if they did not receive more funding. Finally, there are varying opinions about how much the state should pay for providing local incarceration ranging from Sitka, which provides 18 percent local funding of its contract jail, to Kodiak, which believes it should receive a 10 percent administrative fee for having a contract jail.

Legislation proposed by the Hickel administration during the 17th Legislature, (SB 221) would have required all boroughs with no state pretrial facilities and cities with populations of more than 1,000 that are located 50 miles or more from a state pretrial facility to provide for the care and custody of prisoners charged under state law. The bill would have applied to home rule and general law municipalities. Under provisions of the bill, the Commissioner of Public Safety would have been authorized to reimburse the contracting municipality for reasonable costs, but there would have been no guarantee of funding for such reimbursement. Municipal officials fear that this approach could potentially result in another unfunded or underfunded mandate on municipalities.

The basic Task Force position on this issue is that contract jails are a state responsibility.

TASK FORCE RECOMMENDATIONS

Because they are all aspects of basic public protection, a comprehensive solution is required for the challenges of providing police, prosecution and jail services. The Task Force position is that the initiatives embodied in HB 350 (mandating areawide police), HB 551 (local prosecution) and SB 221 (custody and care of prisoners) appear piecemeal and aimed at specific problems in the Hillside, Wasilla, Fairbanks and communities with contract jails. The population thresholds in these bills do not relate to any recognized model of what services various classes and sizes of municipalities are capable of providing. These measures failed to pass during the 17th Legislature because of municipal opposition and any future legislation mandating the level of public protection services that municipalities must provide is very likely to suffer a similar fate.

An ultimate state policy goal should be to maintain local choice without imposing unnecessary costs on the state. To this end the Task Force advocates that the administration adopt a much tougher policy line with municipalities that refuse to pay for basic public protection services. For example, the Department of Public Safety could guarantee a minimum level of trooper response, similar to that in unincorporated areas, but require a contractual arrangement with local authorities covering complete costs for state troopers to provide any higher level of response to a particular service area.

To encourage and facilitate the implementation of police protection and to generate economies of scale, the Task Force advocates a change in Title 29 to permit the assemblies of unified municipalities and home rule boroughs to establish service areas for police protection, notwithstanding charter provisions that place restrictions on the service area formation process. Authority to form service areas for police protection should also be given to general law boroughs. This would resolve the Hillside problem and prevent similar situations in other municipalities.

The state must prosecute offenses charged under state laws. The Task Force position is that areawide police and prosecution services should apply to all classes of municipalities to encourage unified delivery. If the City and Borough of Juneau with a population of 28,965 provides prosecution services, then why not Kenai Peninsula Borough (40,802), Kodiak Island Borough (15,535), or Matanuska-Susitna Borough (41,797)? Withholding Municipal Assistance, with the Department of Law determining how much it costs to prosecute certain classes of misdemeanor offenses, is a dubious idea at best and seems like a prescription for endless legal disputes.

In place of punitive legislation, the Task Force endorses an approach that would provide incentives to provide local police and prosecution services. One solution would be to make (or, actually, to reimpose) public protection as a funding category within the Revenue Sharing program and to provide funding based on the number of police officers employed, criminal caseload or other criteria. Once a municipality accepted funding from the state for police or prosecution services, that service would become a continuing local responsibility. Municipal representatives on the Task Force, however, have concerns about the state's ongoing commitment to funding such services. They point to the funding history of the Revenue Sharing program, which the legislature has chronically underfunded and would like some guaranteed level of state aid if municipalities assume additional service responsibilities.

To address the question of the costs of contract jails, the Task Force recommends that the administration convene a working group of local officials and staff from the Departments of Public Safety and Corrections.

C. State Transportation Funding Policy: Airports, Harbors and Roads

There is broad agreement between state and municipal officials that it is time to plan for the future maintenance needs of the state's transportation infrastructure. There is also general agreement that the confused tangle of state and local responsibilities for maintaining the transportation system needs to be overhauled. In particular, the division of responsibility for maintaining roads between the state and municipalities is ad hoc and ripe for reexamination to see if more equitable and efficient solutions can be found.

Alaska is the only state without a dedicated transportation fund to provide a stable source of funding for construction, maintenance and operation of public transportation facilities. The Department of Transportation and Public Facilities has recently released an Alaska State Transportation Policy Plan, which proposes to establish a constitutionally dedicated fund. Within the fund, aviation fuel taxes and airport leases would support airports; marine fuel taxes and related user fees would support Alaska's harbors; and motor fuel taxes, license fees and vehicle registration fees would support highways. Two resolutions (HJR 19 and SJR 23) were introduced in the 17th Legislature proposing amendments to the state constitution to establish a dedicated fund.

The Task Force decided to use the State Transportation Plan as a starting place for considering appropriate responsibilities since it is already on the table for public consideration. The plan has both revenue and responsibility components, with the guiding principle being that to the extent possible, transportation services should be provided by the government closest to those citizens receiving the service, with funding following responsibility. On the revenue side, the main thrust is to raise the state tax on motor fuels by the following amounts:

Aviation Fuels

Jet Fuel	\$0.02/gallon
Gasoline	\$0.035/gallon

Marine Fuels

Gasoline and Diesel	\$0.02/gallon
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Highway (on road) Fuels

Gasoline and Diesel \$0.10/gallon

Note that the 1992 legislature failed to pass HJR 19 and SJR 23, which would have placed the proposed constitutional amendment for a dedicated transportation fund on the ballot during the next general election. This means that the earliest that such a provision could be enacted into law would be 1995. Separate legislation to increase fuel taxes by the amounts cited above did not pass either.

1. Airports

Under the proposal in the State Transportation Plan, an estimated \$13.7 million in FY 94 revenues from aviation fuels and other fees would go into an account dedicated for statewide maintenance and improvements to airports. The DO/DOT/PF would continue to manage the vast majority of Alaska's 309 smaller airports and two international airports in Anchorage and Fairbanks. The plan encourages municipalities to operate and maintain their own airports (as Kodiak, Ketchikan and Juneau do currently) by providing for sharing aviation fuel revenues based on the class of airport.

2. Harbors

The increase in marine fuel tax and other fees proposed in the plan is expected to generate about \$12.4 million (in FY 94 revenues) to be placed in an account earmarked for harbor replacements, expansions and renovations. According to the plan, maintenance and operation of most of the state's 140 harbors would be a local responsibility, with the department managing only a few facilities in smaller communities and isolated ports.

A 1991 Port and Harbor Task Force concluded that there is an immense backlog of rehabilitation work to be done. Currently revenues from the state tax on marine fuels do not cover the debt service on bonds issued for harbor improvements since statehood. However, because debt payments will decrease dramatically during the next few years, the Task Force concluded that the time is ripe to develop a new statewide port and harbor program. The Transportation Plan proposes that a priority-based system be established for port and harbor capital projects, to be funded as money becomes available. The system would be similar to the existing

system for school construction funding.

3. Highways

The Transportation Plan proposes to increase highway fuels taxes from the present \$0.08/gallon to the national average of \$0.18 per gallon. Highway fuel taxes and other fees are expected to generate about \$72.3 million in total (FY 94) revenues. Again, this revenue is to be deposited into a dedicated highways account. The highway component of the plan assumes that the state will transfer maintenance responsibility for about 1,800 road miles to local governments. The administration proposes that revenues be shared by fully funding the road maintenance component of the Revenue Sharing program at \$3,000 per centerline mile. (Note that the road maintenance category is currently prorated at about \$1,200 per mile.) Local governments now maintain about 4,000 road miles, and with the additional transfer explained above, the total amount of shared highway motor fuels revenues would be about \$17.4 million. The department would retain responsibility for about 3,800 road miles.

The department advocates that a working group of municipal and state officials be formed to develop an equitable plan to allocate responsibility, costs and revenues for all modes of the state transportation system. The working group would determine what revenue share each class of airport should receive, what harbor facilities and duties the state should retain and which roads should be turned over to municipal governments on an individual road and maintenance station basis.

TASK FORCE RECOMMENDATIONS

The Task Force stopped short of fully endorsing the State Transportation Plan, primarily because legislative members felt that dedicated funding impinges on the legislature's powers of appropriation. The Task Force recommends that a state-local transportation policy address both responsibility and funding questions. Task Force members are in general agreement with the airport and harbor portions but have concerns about road maintenance issues.

The basic Task Force position on roads is that maintenance and snow removal on 3rd class and lower roads, as well as ice roads, is a local responsibility. Road construction is a shared federal-state-local responsibility. The working group process of determining responsibility for roads on a maintenance district basis seems to offer the only reasonable

alternative for sorting through the myriad of localized problems and responsibility issues. Municipal members of the Task Force favor some type of phased-in approach for local governments to assume road maintenance responsibility within their jurisdictions as money is made available to bring roads up to standard.

Municipal members would also like some guarantee that the road maintenance category of the Revenue Sharing program would be fully funded with fuel tax revenues. Barring this, a more acceptable alternative would be to establish a shared taxes program for the motor fuels tax that would distribute some portion of the revenues on a per mile of maintained road basis. This would provide a guaranteed level of funding that would not be subject to proration by the legislature. The language contained in the proposed constitutional amendment establishing a dedicated transportation fund would accommodate either alternative, stating that appropriations from the fund may be made to "state or local entities related to the mode for which revenues were collected."

The Task Force position is that each municipality should enter into a contractual arrangement with DOT/PF to ensure that state roads are brought up to standard (i.e., deferred maintenance problems are addressed) before being transferred to local control. Also, by contract, shared responsibility could be arranged and, if funding were not forthcoming, the municipality could turn responsibility for particular roads back to the state.

D. Senior Citizen/Disabled Veteran Property Tax Exemption

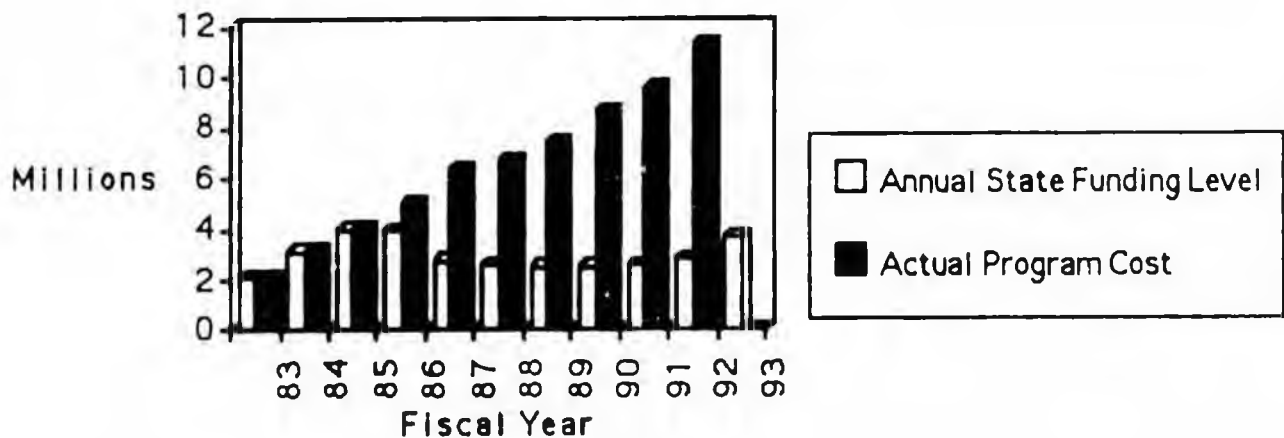
AS 29.45 exempts real property owned and occupied as a permanent home by a resident 65 years of age or over or by a disabled veteran from local property taxation. The exemption applies to the first \$150,000 of assessed valuation and to all senior citizens and disabled veterans regardless of income. Under the program, municipalities apply to the state for reimbursement of exempted tax revenues.

The senior tax exemption program was created in 1973 to encourage seniors to remain in their homes in Alaska—the theory being that the cost of property taxes could drive them out of their homes. The original law had an income eligibility limitation of \$10,000. An equivalent program for renters was created in 1976. Under the provisions of the program for renters, senior citizens and disabled veteran renters were to receive a rebate from the municipality in an amount equal to what their landlords (the property owners) were paying in property tax and passing on through rent. In 1985 the programs were extended to disabled veterans. In 1987, the income criterion was dropped and the exemption statute was changed to its present form.

As can be seen from the figure below, since 1985, state reimbursement has steadily fallen behind the amount of exempted tax revenues. In other words, the state is mandating the tax exemption but not fully compensating municipalities for it. In FY 92, state reimbursement was less than 23 percent of revenue lost to municipalities because of the mandatory tax exemption. The FY 93 Senior Citizen / Disabled Veteran Property Tax reimbursement appropriation of \$3.7 million is likely to amount to a similar fraction of foregone local revenues.

Figure 1

**Senior Citizen / Disabled Veteran Property Tax
Program History: FY 83 - FY 93**



At least 41 states offer some form of property tax relief to senior citizens or other special groups and Alaska is one of 23 states with a homestead type of exemption, (i.e., where an amount is subtracted from the assessed value and is granted prior to computing property tax liability).^{9,10} The senior tax exemption program has been debated at length. The main policy issues appear to be: