

ALASKA LEGISLATURE

1454

HOUSE and SENATE FINANCE COMMITTEE FILES, 1995-1996

- Should an exemption from local taxation be mandated by the state or made a local option,
- Should the state provide rebates to individuals or reimbursement to local governments, and
- Should state funds for rebates or reimbursement be distributed on a needs basis?

The administration of Governor Steve Cowper introduced legislation to convert the program to a "needs based" approach. However, this legislation failed because it was strongly opposed by senior interest groups on the grounds that the information requirements of a needs-based program infringed on the privacy and pride of seniors, which is ironic because the program was originally needs based.

TASK FORCE RECOMMENDATIONS

In line with principles previously outlined, the Task Force concluded that the Senior Property Tax Exemption is a classic example of a seriously underfunded state mandate on local governments. The Task Force position is that this program should either be changed into a direct state rebate to seniors and disabled veterans or repealed and made a local option. The overriding policy goals should be to promote local choice and provide municipalities with increased capacity to generate local revenues.

E. Revenue Sharing and Municipal Assistance

These are the state's two major block grant type programs that provide assistance to local governments. Other shared revenue programs, such as educational funding, are either constitutionally mandated or tied to a specific tax source (i.e., Amusement and Gaming Tax, Aviation Fuel Tax, Electric and Telephone Cooperative Tax, Liquor License Tax and Fisheries Business Tax) and shared according to the geographic origin of revenues.¹¹ The Revenue Sharing and Municipal Assistance programs differ in their objectives and formulas for allocating funds. Revenue Sharing was designed to allocate funds in an equitable manner so that local services could be provided by municipalities despite inequalities in the distribution of taxable wealth in the state. Municipal Assistance was designed specifically as a property tax relief measure based on population.

Since implementation, these programs have generally been effective in their stated objectives. This is confirmed by the fact that since they were started: 1) there has been an expansion of local government services as indicated by the increase in municipal

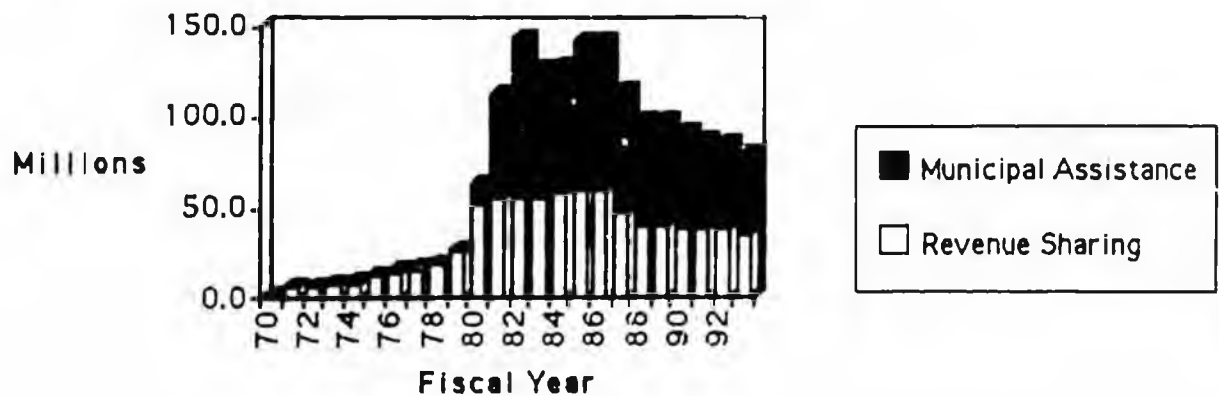
employment and borough service areas and 2) growth in municipal tax bases and increases in state aid generally resulted in a reduction of municipal property tax rates.¹² Development of the formulas for distributing revenue sharing and municipal assistance should be considered in the context of the politics of the late 1970s and early 1980s, when oil revenues were high and legislators came under intense pressure to bring money home to their districts in the form of capital projects and public services. At the time, communities in Alaska lagged far behind those in other states in the variety and quality of public services offered to residents (many communities still do). A rapidly expanding population placed extreme demands on local services, while infrastructure development generated increased entitlement levels (e.g., new roads and health facilities). There was also a national property tax revolt underway, typified by Proposition 13 in California, which influenced decisionmakers in Alaska to provide property tax relief.

Over the past decade there have been periodic discussions about combining the Revenue Sharing and Municipal Assistance programs. In 1984 a Governor's Task Force on State Shared Revenues was established "to assess the present and future distribution of state-shared revenues for local governments."¹³ However, to date these efforts have failed because any modification of the entitlement formulas will result in a redistribution of funds among municipalities, i.e., there will be winners and losers.

As can be seen from the figure below, Revenue Sharing and Municipal Assistance funding has declined by about 45 percent in nominal dollars since 1986 (54 percent in inflation adjusted terms) with no increases for population, inflation or new municipalities added to the program.

Figure 2

**Funding History of the Revenue Sharing and
Municipal Assistance Programs: FY 70 - FY 93**



1. Revenue Sharing

The Revenue Sharing program was established in 1969. Originally it was designed to accomplish the following:

- Help ease fiscal problems facing local governments,
- Stabilize or reduce local property tax rates,
- Encourage local governments to provide adequate levels of public services,
- Inject a measure of budget planning and stability into local governments, and
- Improve the allocation of state funds by sharing them with communities on the assumption that local governments are more in tune with the needs of the public and better able to provide public goods and services in accordance with voter preferences.

Under the original legislation, the legislature made annual appropriations to fund the program. Local governments applied for entitlements under each of five categories of municipalities: police, fire protection, air or water pollution, land use planning and road maintenance. Additional categorical programs (parks and recreation, senior citizen facilities, ice roads, hospitals, health facilities and hospital construction) were added until there were 12 categories of aid in 1980. The Department of Community and Regional Affairs was responsible for administering the program and determined whether a municipality met the minimum standards to qualify under any of the service categories. About 75 percent of the aid was distributed on a per capita basis, while the remainder was based on other factors (e.g., miles of road maintained, hospital beds, etc.). There were numerous restrictions on the amount of the entitlement that could be spent outside of a particular service category or service area.

As the Revenue Sharing program grew, several problems emerged. Local tax effort was ignored in the allocation formula, which meant that it could not effectively contribute to proportionally lowered rates of local taxation. The formula also ignored the ability of a municipality to pay for public services. Neither the per capita cost of providing services nor the level of service provided, which vary considerably in different areas of the state and different communities, were taken into account in the formula. In addition, municipal services with a politically active constituency (e.g., police and fire protection) were able to obtain entitlement increases from the legislature. These increases came at the expense of other service categories, for instance planning and zoning, which did not have as much popular support. Municipal officials objected to the program being so categorical, with the state mandating the services local governments had to provide to receive state aid. Finally, the service category approach was criticized for having a bias towards the wealthy and more populous cities and boroughs, i.e., those that could afford to provide services received the most funding.

After considering several different plans for revising the Revenue Sharing program, the legislature and administration came up with the goal of replacing the categorical program with a single formula that would equalize the tax resources of municipalities. In other words, they wanted a formula that would benefit those local governments that help themselves by levying local taxes, while providing relatively less to those with low tax effort. For their part of the bargain, municipalities held out for a formula that guaranteed them at least as much state

funding as the old categorical approach. The hardest part of the political compromise was to determine exactly what kinds of locally generated revenue would be defined as local effort.

The formula that exists today has two components:

- The Tax Resources Equalization Account—allows a municipality's allocation to increase with population and/or local tax effort.
- The Miscellaneous Services Entitlement provides categorical funding for road maintenance, ice roads, hospital and health facilities and fire protection, as well as a \$25,000 minimum entitlement for all unincorporated communities of over 25 residents.

Over time, inflation eroded the purchasing power of categorical entitlements, particularly for road maintenance. During the past several years, small communities with very limited tax bases that only qualify for a minimum Revenue Sharing entitlement have also had difficulty maintaining even rudimentary local governments. In recognition of these facts, the 16th Legislature amended AS 29.60.110 by adding a provision specifying that if the total Revenue Sharing appropriation for a fiscal year exceeds \$41.472 million, the road maintenance entitlement increases from \$2,500 to \$3,000 per mile and the minimum entitlement for unincorporated and 2nd class cities increases from \$25,000 to \$40,000. As with every political compromise on shared revenue issues, municipal officials jealously guarded their share of the total Revenue Sharing appropriation and demanded that their entitlements not be reduced by any change to the existing formula. Thus the appropriation trigger mechanism was designed so that first class cities and general law boroughs would be held harmless from an increase in the minimum entitlement. The FY 93 Revenue Sharing appropriation is \$36.046 million.

2. Municipal Assistance

The Municipal Assistance program was established in 1979 to replace the Gross Business Receipts program, which shared 20 percent of Gross Business Tax (GBT) receipts collected within the jurisdiction of each municipality. The Municipal Assistance program uses the FY 78 GBT allocation by community as a base figure, with additional appropriations distributed on a per capita basis. When the program went into effect in FY 80, the authorizing statute used 10 percent of Corporate

Income Tax receipts as a guideline for what the appropriation level of the program should be. In 1981, the legislature repealed the separate accounting method of computing taxable income on oil companies in Alaska and replaced it with modified apportionment. This action significantly lowered corporate income tax revenues and consequently the amount available for distribution by the Municipal Assistance program.

In recognition of this situation, the legislature changed the Municipal Assistance statute to read: "The legislature may appropriate to the Municipal Assistance fund during each fiscal year an amount equal to or greater than 30 percent of the income tax revenue received by the state under AS 43.20.011(e) Corporate Income Tax." However, the old 1978 GBT base distribution figures are still retained in the formula. Municipalities that have been formed since that time have their base amount determined by matching them according to population with one of the original participating municipalities. The result is an arbitrary and confusing basis for distributing state aid. The FY 93 Municipal Assistance appropriation is \$42.9 million.

TASK FORCE RECOMMENDATIONS

The Task Force recommends that the state continue to maintain some form of block grant program to redistribute state-collected revenues from public resources back to municipalities. The Task Force further recommends that the legislature again consider combining the Revenue Sharing and Municipal Assistance programs, and that any combined formula maintain the Revenue Sharing program's feature of rewarding municipalities for local revenue generating effort and population increases.

A review of the program history of Revenue Sharing and Municipal Assistance reveals that changes to these programs could be used as leverage to reform state-local relations. Changes should include incentives to make municipalities more financially self-reliant. For example, a reasonable political solution to the public protection problem discussed previously might include adding categories for police and local prosecution to the Revenue Sharing program. This would allow the state to reward communities that are willing to provide local police and prosecution services. However, municipal Task Force members remain skeptical of the state's commitment to fully fund any new categories of aid, noting the funding history of these programs.

Another recommendation which would alleviate some objections of municipal officials is to distribute Revenue Sharing funds on a categorical basis but allow municipalities complete freedom in how they are spent, i.e., remove or reduce restrictions that require the funds to be spent for specific services or within the service areas that generated the entitlement. Political reality dictates that any effort to combine the programs and eliminate the archaic base calculations in the formulas will require that municipalities get at least as much aid as they currently receive. Changes might also be better accommodated by a phased-in approach. Given the tenuous financial position of many small rural communities, the Task Force recommends that the minimum Revenue Sharing entitlement be maintained in a combined formula and raised to \$40,000 to allow small communities to maintain at least rudimentary local governments.

F. Statewide Taxation Measures

The Task Force did not come up with firm recommendations for state and local taxation policies, although members did spend time discussing the differences among various forms of taxation. Members considered the information collected on personal income, sales taxes and Alaska's state-local tax burden compared to other states (see Appendix 1) to be important enough to be included in the final report. Future task forces and work groups appointed to provide fiscal policy guidance are likely to find this information useful.

Ultimately there is a finite number of possible public revenue sources and, ideally, the level of government that collects a particular revenue stream should be a matter of efficiency (as well as local choice). For several types of taxes (e.g., personal income or general sales tax), it is administratively efficient for the state to collect the revenues and redistribute them back to the local level, where resource allocation decisions among services can be best made.

Given the vast disparity in wealth among communities in Alaska, state government has a responsibility to distribute the burden of funding basic public services as equitably as possible among all citizens. State government can also provide leadership in diversifying local tax bases away from overreliance on the local property tax, which is perceived by voters to be unfair.

According to a 1989 national poll conducted by the Washington-based Advisory Council on Intergovernmental Relations, voters have consistently ranked the property tax as the

"worst tax," i.e., that which is the least fair. Categories of taxes are ranked below in order of voters' perception of their unfairness:

Property tax	32%
Federal Income Tax	27%
State Sales Tax	18%
State Income Tax	10%
Don't Know	13%

There is no such thing as a "perfect tax." Each taxing instrument has its own inherent virtues and defects and the more intensely a tax is used, the more apparent its flaws. Alaska will always have a unique state-local tax structure because a large share of revenues comes from the state's ownership of resources. For the foreseeable future petroleum royalties and severance tax revenues will comprise the major portion of the public revenue stream.

However, as petroleum revenues decline, Alaskans will be forced to tax themselves to maintain the level of public services they now enjoy. The state-local tax structure will inevitably begin to more closely resemble that of other states. One goal of state-local taxation policy should be to obtain a balance among property, income and consumption taxes and user fees for specific services. Experience among states has shown that a diversified revenue base creates a more favorable business climate, reduces taxpayer frustration and discontent and provides revenue stability throughout the economic cycle.

It is also important for voters to feel that the tax burden is shared equitably among all citizens. This is an important consideration in Alaska, where city and borough residents pay taxes for schools, while residents of rural Alaska generally do not. Another important objective is to link excise taxes for specific commodities to specific public services or projects according to the "user pays" idea.

1. Personal Income Tax

Among the various states, the personal income tax is employed second only to the general sales tax as a revenue source. In 1988, personal income taxes generated 30 percent of total state tax collections. The income tax is gaining in popularity because the 1986 Tax Reform Act made sales taxes nondeductible on federal tax returns but retained the deductibility of state income taxes.

The amount generated by a state income tax depends on the rate at which it is applied and the number of exemptions allowed. Until it was repealed in 1978, Alaska's personal income tax was based on the adjusted gross income (AGI) computed on each individual's federal income tax form. A person's AGI was taxed on a sliding scale ranging from 3 to 14.5 percent. At that time, local sales taxes, Longevity Bonus payments and halibut sales were the only state exemptions allowed. A 1986 Department of Revenue (DOR) study estimated that reimposition of the 1978 income tax would generate \$399 million (in FY 88).¹⁴

More recent income tax proposals offered by the administration of Governor Steve Cowper in 1987 (HB 154) and another sponsored by Representative Koponen (HB 525) during the 17th Legislature were largely based on the old state income tax rates. The Cowper legislation exempted the Longevity Bonus from gross income and allowed deductions for Permanent Fund dividends. The Koponen bill gave tax credits for motor vehicle registration fees, municipal sales, use and property taxes and a renters' property tax equivalent credit. Both of these measures were specifically aimed at capturing income from nonresidents, while assuring reasonably low rates for residents.

In December 1987, the DOR estimated that the Cowper income tax legislation would generate \$265 million in revenue. A more recent University of Alaska, Institute of Social and Economic Research (ISER) study estimated that a state income tax based on a rate structure similar to the Cowper proposal would generate \$210 million in revenues.¹⁵ The DOR was unable to develop a credible fiscal note for HB 525 because budget cuts during the past few years have severely diminished the research capabilities of the department.

Based on the range of estimates cited above, a conservative working figure for potential revenues from a statewide personal income tax would be about \$250 million. Depending upon how the tax rate is structured and exemptions, deductions and credits allowed, the personal income tax has three main advantages 1) it is the only major state tax that is definitely progressive, i.e., is applied according to ability to pay, 2) its revenue tends to rise faster than the growth of the economy and 3) it would capture a portion of the earnings of nonresidents who work in Alaska. The main disadvantages of the income tax are that its revenue stream is relatively volatile. Also it tends to be less popular among voters than the sales tax.¹⁶

2. Statewide Sales Tax

State sales tax provides nearly one third of general revenues raised by state governments. The median rate among the 45 states with sales taxes is 5 percent.¹⁷ According to the most recent DOR estimate available, a general 1 percent sales tax in Alaska would raise about \$49 million in revenues. Each additional percentage increase in the rate would generate something less than \$49 million due to the elasticity of demand caused by adding a tax onto the price of goods and services. For example, the ISER study cited above concluded that a 6 percent sales tax would generate \$216 million in revenues.

The major issues involved in imposing a sales tax are equity, ease of administration and the ability to capture revenues from nonresidents.¹⁸ A comprehensive sales tax is more regressive than an income tax because it applies equally to consumption by people at all income levels. Poor people spend a larger share of their income on purchases of goods and services than the wealthy and, therefore, pay a greater proportion of their income in tax. Sales taxes have traditionally been supported by the higher-income portion of the population when the alternative is increased income or property taxes. Compared to an income tax, a sales tax has the virtue of encouraging investment by taxing consumption rather than gross income.

To reduce the regressive nature of sales taxes, 28 states exempt food purchases (except restaurant meals and alcohol purchases); 43 states exempt prescription drugs; 32 states exempt at least some natural gas, heating fuel and/or electric utility payments; five states exempt clothing purchases; and four states allow sales taxes to be credited against state income taxes. Only three states have comprehensive sales taxes on all personal and professional services. One note of caution should be applied to sales tax exemptions—if the tax is applied too narrowly, the sales tax is relatively volatile, with revenues falling sharply in recessions.

The sales tax is not particularly costly or difficult for the state to administer, hence its popularity among states. Since it is collected from sellers at the retail level, there are fewer returns to deal with than in the case of an income tax. Many states with both state and local general sales taxes gain administrative efficiency by piggy-backing local tax collection onto the state tax system. The main advantages of a sales tax are that it can be designed so that revenue grows in proportion with the economy, it is relatively popular with voters (probably because it is paid in small

amounts), and it captures revenues from nonresidents. The main disadvantages are its regressivity and the fact that it is not deductible from federal income tax.

Task Force members brought up additional considerations. To be efficiently collected by the state, a sales tax would have to be uniform with respect to exemptions. This would eliminate the local option to apply the sales tax narrowly (e.g., only on fish sales, hotel/motel use, tobacco sales, etc.) or broadly. A statewide sales tax would infringe on municipalities' ability to express social policy with respect to taxation of food, residential rent, home heating oil, etc. Municipal officials might also be leery of piggybacking onto a state sales tax for fear that the state would gradually take over the entire sales tax and leave little or nothing for municipalities.

TASK FORCE RECOMMENDATIONS

There was a good deal of discussion among Task Force members about what they could individually recommend as a tax policy. Executive branch members did not want their personal recommendations to be taken as the official position of the Hickel administration. Likewise municipal members were reluctant to speak for other municipal officials. A majority of Task Force members who felt free to express a position recommended that the state adopt a personal income tax. There was some concern among Task Force members that the sales tax should remain the prerogative of local governments.

Task Force members discussed the benefits of imposing a state income tax, to be shared with municipal governments. The advantages of a state income tax include capturing a portion of income earned in Alaska by nonresidents, for instance fishermen and oil-field workers, and the fact that income taxes are deductible from federal taxes, while state sales taxes are not. In addition, residents of the unincorporated borough would have to contribute to the cost of state-provided services, for instance education, which would help reduce the urban-rural inequity in tax burden in the state.

Sharing income tax revenue with local governments would serve as an incentive for borough formation and incorporation of local governments. In addition, as discussed above, if the state is going to ask municipalities to assume greater public service responsibilities, it must ensure that they have the fiscal capacity to carry out their duties. An income tax appears to be the fairest way to do that.

V. APPENDICES

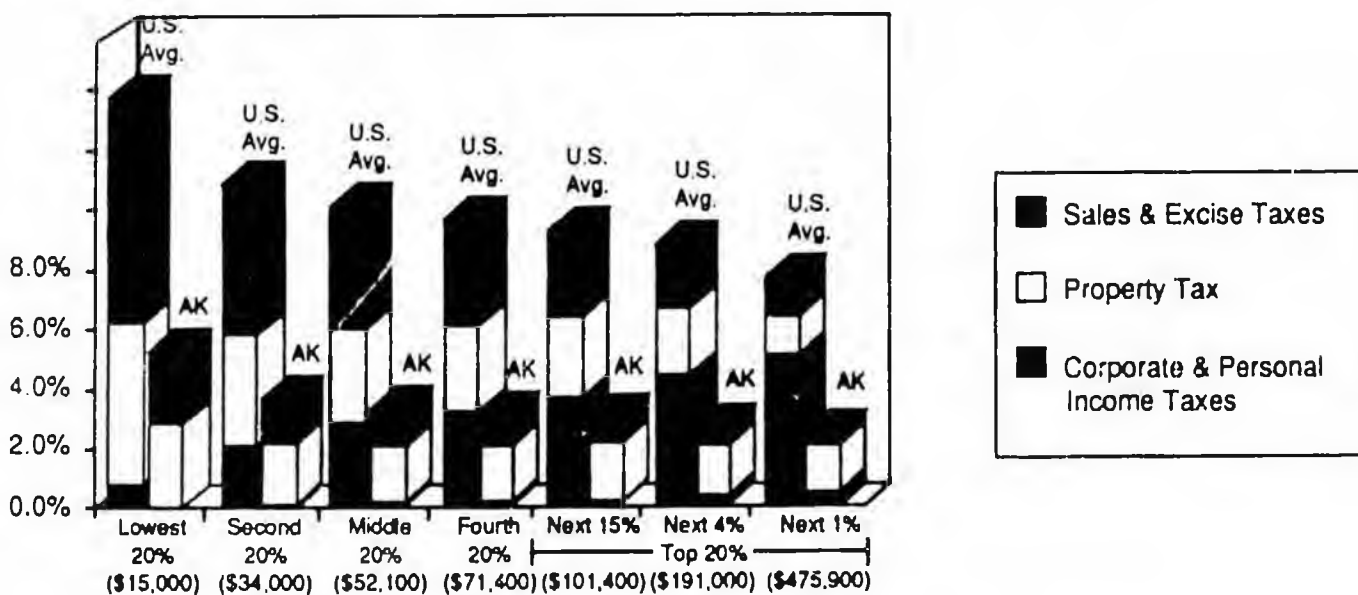
Appendix 1

State and Local Tax Structure in Alaska Compared to Other States

By any measure Alaskans enjoy an enviable tax situation. Alaska is one of five states without a statewide sales tax and one of eight with no personal income tax.¹⁹ Only Alaska and New Hampshire have neither. A recent study by the Citizens for Tax Justice comparing 1991 tax rates among states as shares of income for average families of four demonstrated that Alaska has by far the lowest state and local tax burden in the nation.²⁰ As a share of family income, Alaska's combined state and local effective tax rate ranges from 5.3 percent for the lowest fifth of earners to 2.3 percent for the top one percent of family incomes.²¹ Only Nevada taxes the very top earning families slightly lower at 1.7 percent. The graph below compares Alaska's state and local tax burden to the national average.

Figure 3

1991 State and Local Taxes: U.S. Average vs. Alaska as Shares of Income of Families of Four



When state payments to individuals and the value of services provided to citizens are taken into account, Alaska's unique tax situation is brought into startling focus. According to the University of Alaska Institute of Social and Economic Research, in 1989 the typical Alaskan household with an income of \$45,000 paid \$1,109 in state and local taxes while receiving \$2,525 in Permanent Fund Dividends and \$15,667 in state services.²² As the ISER report states: "...today Alaskans, regardless of income, pay little or nothing for state and local government—because there are no major state taxes and Permanent Fund dividends frequently exceed local taxes."

Thus while one may argue that the level of state and local spending is too high, it is undeniable that most citizens enjoy a free ride when it comes to paying for public services. In fact, the value of public services received by the average Alaska household from state government has risen by 60 percent (adjusted for inflation) since 1979, while the tax burden of the same average household has decreased by 40 percent.

Appendix 2

Non-traditional State Programs

The fabulous oil wealth of the past decade has allowed Alaska to fund numerous state programs that provide payments to individuals, benefits to special classes of citizens, aid to municipalities and subsidies to specific industries. The programs listed below are either not found in most other states or are not funded with state revenues to the extraordinary extent that they are in Alaska.

Figure 4

Special Programs: FY 93 Authorized Expenditures from the Alaska General Fund and Permanent Fund

(in millions)

• Permanent Fund Dividends	\$491.0*
• Longevity Bonus Program	64.8
• University of Alaska Outreach Colleges	18.9
• Pioneers' Homes	30.5
• Power Cost Equalization	18.0
• Fisheries Rehabilitation and Enhancement Division	10.8
• Permanent Fund Dividend Hold Harmless	18.5
• Permanent Fund Corporation	18.0
• Longevity Bonus Program Hold Harmless	2.2
• Student Loans	7.5
• Permanent Fund Dividend Program Administration	4.3
• Mt. Edgecumbe Boarding School	4.1
• Rural Alaska Television Network	1.2
• Subsistence Division	1.8
• Municipal Assistance	42.9
• Contract Jails	3.9
• Alaska Seafood Marketing Institute	5.5
• Division of Tourism	3.2
• Division of Investments	3.3
Program Totals	\$750.4

*Estimated by the Permanent Fund Corporation.

Appendix 3

Classes of Alaska Municipal Governments

Organized Boroughs and Unified Home Rule Municipalities

Unified Home Rule	3	Juneau, Sitka, Anchorage
Home Rule	4	Denali, Lake and Peninsula, North Slope, Northwest Arctic
First Class	0	
Second Class	7	Aleutians East, Bristol Bay, Fairbanks North Star, Kenai Peninsula, Ketchikan Gateway, Kodiak Island, Matanuska Susitna
Third Class	1	Haines
Total Boroughs	15	

Incorporated Cities

	Within Boroughs	Within the Unorganized Borough	*Total
Home Rule	07	05	12
First Class	08	14	22
Second Class	<u>31</u>	<u>85</u>	<u>11</u>
Total Cities	46	104	150

*Does not include Metlakatla, a city organized under federal law.

State Population: 550,043

State Land Area: 570,833 square miles

Source: *Alaska Municipal Officials Directory 1992.*

Legal Basis of Municipal Government

The Alaska Constitution establishes a policy of maximum self-government for citizens of the state. This policy has been implemented through the creation of city and borough governments to provide for essential public services. Alaska is unique among the fifty states in that most of its land mass has not been organized into political subdivisions equivalent to the county form of areawide government found in the majority of states. This area of the state is called the unorganized borough and includes vast areas of sparsely inhabited land.

Cities and boroughs are distinct legal entities (municipalities) incorporated under state law to perform both regulatory (police, zoning, animal control, etc.) and proprietary (water, sewer, airport, etc.) functions. There are three types of general law boroughs and two types of general law cities. Additionally, cities or boroughs may adopt charters providing for home rule. Most of the laws relating to the organization and operations of municipal government can be found in the State Municipal Code, Title 29, of the Alaska Statutes.

Municipal Governments in Alaska

Borough Powers and Duties: First and second class boroughs must perform three areawide powers: (1) education, (2) planning/platting/zoning, and (3) tax assessment and collection.

First class boroughs and second class boroughs are essentially identical, except that first class boroughs can acquire additional non-areawide powers by ordinance rather than referendum. Most additional areawide powers for first class boroughs require voter approval or transfer from cities. Boroughs may provide additional services on an areawide basis, a non-areawide basis (outside cities), and/or a service area basis. The governing structure of a borough consists of an assembly (a legislative body ranging in size from 5 to 16), a school board (which operates the school system), a planning commission, and a mayor. The single third class borough is not permitted by law to assume any other areawide or non-areawide powers, but it can create service areas.

General Law Cities

There are two types of general law cities provided for by the Alaska Constitution: first class and second class.

City Powers and Duties: General law cities can exercise whatever powers are not prohibited by state law (AS 29.35). These include general governmental powers (financial, administrative, and legal), powers to provide public facilities and services, and regulatory powers. While cities are allowed to provide a wide range of community services and facilities, in practice, population and fiscal constraints serve to limit the number of services provided by most cities.

A community must have a minimum population of 400 in order to incorporate as a first class city. The mayor of a first class city is elected by the voters and is not a member of the council. The mayor of a first class city may vote only in cases of a tie or to veto action of the council. If a first class city is located in the unorganized borough, it has the added responsibility of providing education and planning and zoning services for its residents.

Second class cities are the most common form of municipal government found in Alaska. At least 25 resident registered voters' signatures are required for communities to petition the State to incorporate as a second class city. Alaska statutes require second class cities to conduct regular city council meetings, codify city ordinances, and establish local election procedures. The mayor of a second class city is elected by and from the council and may vote on all matters. Second class cities may provide services and raise revenue through a sales or property tax. Second class cities may levy a property tax only if it is approved by the voters and at a level no higher than 5 mills, except that the limit does not apply to millage levied to pay off bonds. All other municipalities may levy a property tax of not more than 30 mills, except to pay off bonds.

Home Rule Municipalities

A home rule municipality is a city or borough which has adopted a home rule charter through an election. The adoption of such a charter gives that local government "all legislative powers not prohibited by law or charter" (Article X, Section 11 - Constitution of Alaska). The charter provides for the governing structure, functions and services, and restrictions on municipal powers in accordance with the conditions, needs, and desires of the community. AS 29.10.200 (Limitation of Home Rule Powers) defines provisions of the State Municipal Code that apply specifically to home rule municipalities.

Unified Municipalities

Unified home rule municipalities are established when an organized borough and all cities within the borough unite, following an election, to form a single unit of government with a home rule charter.

Cities Organized under Federal Law

Metlakatla is situated on the Annette Island Indian Reservation in Southeast Alaska and was organized by authority of federal statutes. The community has adopted a form of government similar in many respects to a municipality, but is recognized as a city under federal law only.

Source: *Alaska Municipal Officials Directory 1992.*

Appendix 4

Timeline of Local Government Organization in Alaska

Pre-Russian	Native villages governed by tribal councils with membership based on family status and age. Provision of public services not important.
1867	Sitka forms a provisional city government which later fails due to lack of support by the Russian American Company and military authorities.
1888	Congress enacts the Miners Law setting up a rudimentary territorial government that recognized miners' rights to organize and promulgate rules that do not conflict with U.S. law.
1912	Congress passes the Organic Act creating a territorial government with the authority to enact legislation pertaining to local governments. Under pressure from mining, timber and fishing interests who did not want to pay property taxes, Congress expressly prohibits creation of counties without congressional approval.
1917	Territorial legislature authorizes establishment of incorporated school districts with taxing powers for areas outside of cities.
1924	Territorial legislature provides for incorporation of independent school districts encompassing a city or cities and the surrounding contiguous area with the power to levy a property tax.
1935	Territorial legislature authorizes Public Utility Districts (PUDs) as autonomous units of local government. PUDs had a wide range of powers including garbage, parks, street maintenance, telephone, electrical and other services.
1941	Federal Bureau of Indian Affairs (BIA) begins organizing traditional village tribal councils under the Indian Reorganization Act, which formalizes the relationship between IRAs and the federal government.
1956	Alaska state constitution is ratified by voters. Article X lays out general guidelines for two levels of government—cities for communities large enough to have a need for their own civil government and boroughs for regions.
1957	Territorial legislature adopts Village Incorporation Act which permits villages to incorporate as fourth class cities. Powers include provision of water, electricity, sewers and fire protection; regulation of dogs, curfews and land use; and provision of public works. Police powers were added in 1959.
1959	Statehood. At this time there were 24 first class cities, 8 second class cities, 2 third class cities, 10 fourth class cities, 69 IRAs, 5 PUDs, 8 independent school districts, 1 incorporated school district and an unknown number of traditional Native councils. The Local Affairs Agency is established within the Governor's Office to assist municipalities to organize.
1963	Legislature passes the Mandatory Borough Act which forces Anchorage, Fairbanks, Mat-Su, Kenai, Ketchikan, Kodiak and Juneau to form boroughs.

Appendix 4 (continued)

Timeline of Local Government Organization in Alaska

- 1967 Alaska Village Electrical Cooperative (AVEC) is incorporated. As a condition for receiving Rural Electrification Administration (REA) loans, communities are required to incorporate.
- 1969 State Revenue Sharing program established to share oil revenues with municipalities.
- 1971 Congress passes the Alaska Native Claims Settlement Act (ANCSA), which transfers large amounts of land to Native communities and requires that they be incorporated to receive a full entitlement.
- 1972 The Local Affairs Agency is upgraded to cabinet status as the Department of Community and Regional Affairs (DCRA) responsible for advising, assisting and advocating on behalf of local governments. The legislature also revises the municipal code (Title 29) and reduces the number of classes of cities from four to two. North Slope Borough is formed to take advantage of Prudhoe Bay property tax base, the first voluntarily formed borough (with full powers) since the Mandatory Borough Act.
- 1975 As a result of a Supreme Court decision, the state dismantles the existing education system in unorganized areas and creates 21 Regional Education Attendance Areas (REAs) similar in function to city and borough districts except that they don't require a local funding contribution. This action eliminates one of the few main remaining incentives to form boroughs—local control of education.
- 1979 Municipal Assistance program established to provide property tax relief to local residents and further block grant type funding of local government operations. With Revenue Sharing and municipal assistance programs in place it becomes possible for villages with little tax base to support a basic local government.
- 1986 Northwest Arctic Borough incorporates around the Red Dog Mine as a revenue base (Cominco provides payments to the borough in lieu of taxes). Provides a regional accounting system for 14 communities, eliminating expensive overhead.
- 1987 Aleutians East Borough incorporates on a fish tax base. Borough uses its regional revenue generation capacity to bond for public works projects in communities within its boundaries.
- 1989 Lake and Peninsula Borough incorporates around a hotel bed tax base.
- 1990 Denali Borough incorporates around a hotel bed tax base.

Appendix 5

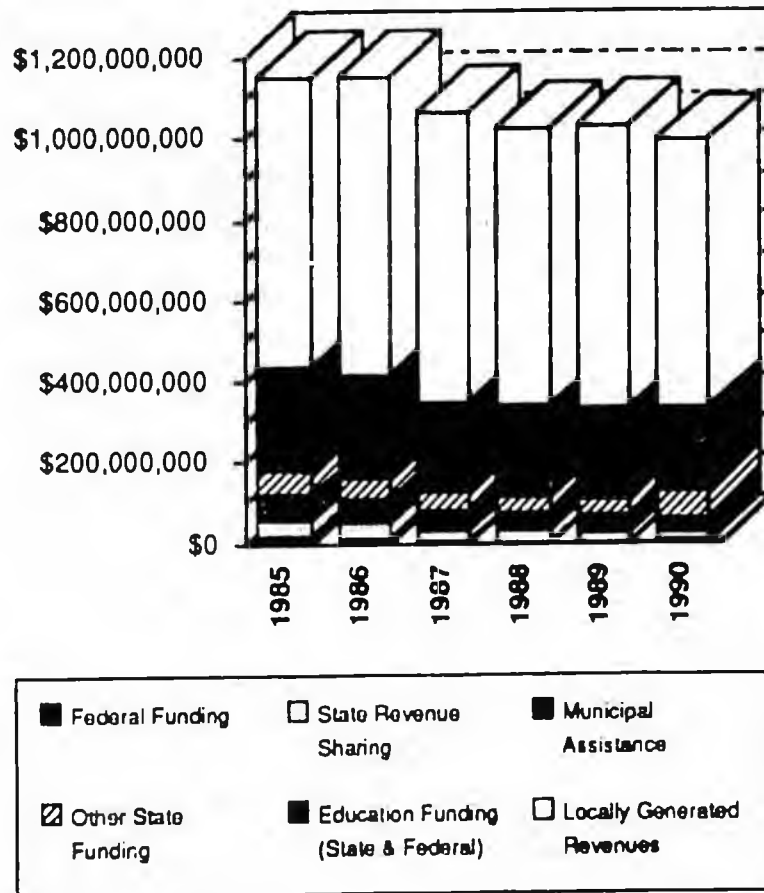
Local Government Finance Trends in Alaskan Cities, 1985 - 1990

A key consideration in the distribution of responsibility for service provision among the different levels of government is the relative financial condition of the respective levels of government. This appendix presents a brief overview of recent financial trends in Alaska's cities as a group (including all municipalities in Alaska other than boroughs).

The Alaska Department of Community and Regional Affairs maintains a data base of local government revenues and expenditures for all the cities in Alaska. The information in this data base is extracted from the certified financial statements which municipalities submit each year in conjunction with the State Revenue Sharing Program. Examining these data over a period of time provides a picture of the trends in local government revenues and expenditures. What are the levels and sources of local government revenues, and how have Alaskan cities been spending these revenues? The chart below shows the revenue side of the picture for the period from 1985 to 1990.

Figure 5

**Municipal Operating Revenues
1985 - 1990
Including inflation - in 1985 dollars**

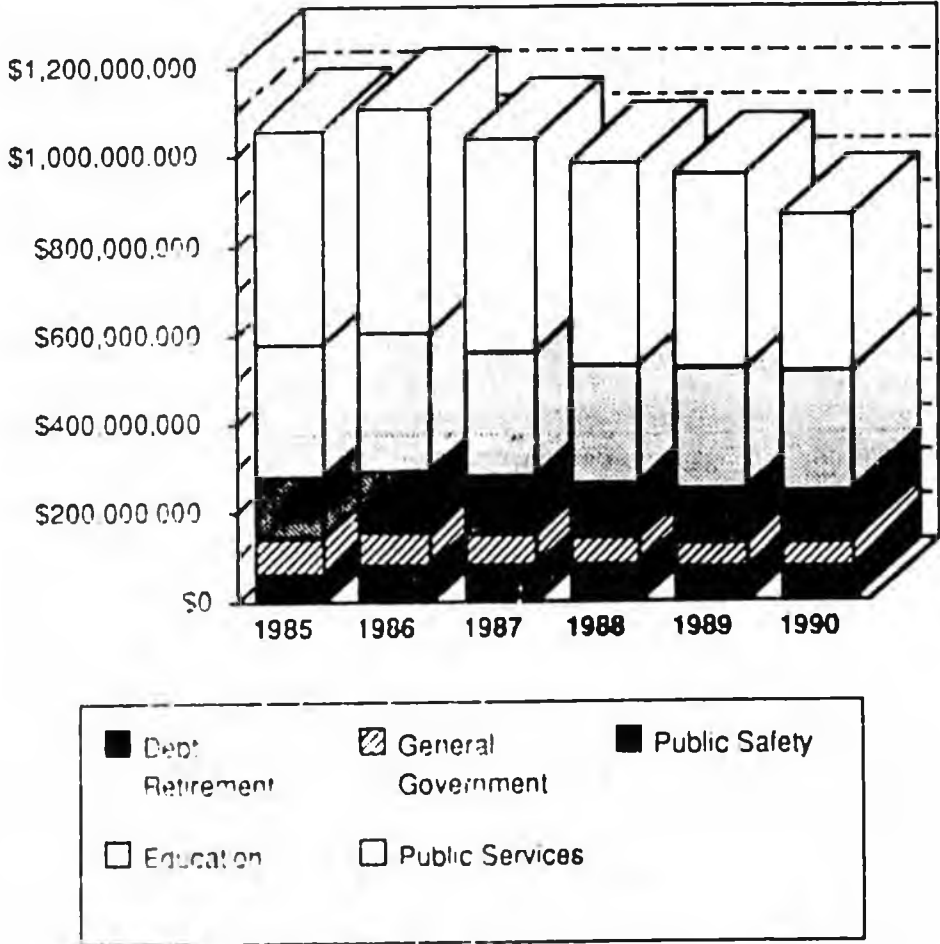


The revenue figures in this chart have been adjusted for inflation to reflect the actual purchasing power available to these local governments. Inflation was estimated to be about 18% over this six year period. Measured in actual dollars, the trend in total operating revenues for all municipalities was essentially flat. The flat trend in actual revenues represents the balancing of a significant decline in outside revenues sources and an increase in locally generated revenues. The decline of outside revenues resulted from the end of the federal revenue sharing program and dramatic cuts in the state's major local government assistance programs (State Revenue Sharing, cut 36%; and Municipal Assistance, cut 35%).

The chart below presents the expenditure side of local government during this same period. Over these six years, local governments as a group made cuts in almost every major budget category.

Figure 6

**Municipal Operating Expenditures
1985 - 1990
Including inflation - in 1985 dollars**



Appendix 6

Text of HCR 17

SENATE CONCURRENT RESOLUTION NO. 17 (CRA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Offered: 5/15/91
Referred: Finance

Sponsor(s): HOUSE FINANCE COMMITTEE

A RESOLUTION

1 Establishing a Task Force on Governmental Roles.

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

3 WHEREAS both the federal and state governments have reduced assistance to municipalities and
4 shifted responsibilities to municipalities; and

5 WHEREAS state agency operating funds appropriated by the legislature have increased by 19
6 percent over the past five years; and

7 WHEREAS state funds appropriated by the legislature to municipalities have been reduced by
8 40 percent over the last five years; and

9 WHEREAS during the last five years the number of state employees has increased and the
10 number of municipal employees has decreased; and

11 WHEREAS an effort is needed to sort out responsibilities for providing governmental services
12 in the most efficient and effective manner; and

13 WHEREAS the idea of undertaking a review of the roles of federal, state, and municipal
14 government in providing services is not new, but a system for providing the review has not been
15 instituted; and

16 WHEREAS the legislature needs information on the relationship between the federal, state, and
17 municipal government to ensure that residents of the state have necessary services at reasonable costs:

1 BE IT RESOLVED by the Alaska State Legislature that the Task Force on Governmental Roles
2 is established with the following primary purposes:

3 (1) to define local, state, and federal governmental roles taking into account differences
4 between urban and rural areas and differences between organized boroughs, the unorganized borough,
5 and regional educational attendance areas;

6 (2) to examine the roles of the federal, state, and municipal governments in providing
7 services and to determine whether changes ought to be made in those roles and recommend legislation
8 needed to accomplish those changes;

9 (3) to consider methods of providing funding for governmental services, including the
10 existing revenue sharing program and municipal assistance program, and make recommendations for
11 improved funding mechanisms;

12 (4) to identify needed governmental services and consider methods to ensure those
13 services are efficiently provided;

14 (5) to compare the relationship between local, state, and federal governments in Alaska
15 with that in other states and make suggestions regarding implementation of successful models and
16 innovative ideas;

17 (6) to classify various public services by appropriate levels of government responsibility
18 and evaluate the classification for efficient service delivery, local control, constitutional responsibilities,
19 ability of government to pay for the services, and other pertinent criteria;

20 (7) to recommend corrections for existing inconsistencies, overlap, or duplication of
21 governmental functions, and establish a proposed time frame for implementing the corrections;

22 (8) to recommend alternatives for providing services and evaluate cost and funding
23 options.

24 (9) to recommend changes to local government structures and mandatory powers; and
25 be it

26 FURTHER RESOLVED that the task force shall consist of 13 members as follows:

27 (1) two members of the Senate appointed by the President of the Senate;

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

29 (3) two persons representing the executive branch, appointed by the Governor;

30 (4) four persons representing different areas of the state and different municipalities,
31 appointed by the Alaska Municipal League;

32 (5) one person representing an unincorporated community in the unorganized borough,

1 appointed by the Alaska Federation of Natives;

2 (6) two public members appointed by the Governor; and be it

3 **FURTHER RESOLVED** that members of the task force shall elect from among themselves a
4 chair and a vice-chair and that, within funds made available for the purpose, the task force may hire staff
5 and, subject to approval by the Legislative Council, contract for services to perform its duties under the
6 procurement procedures adopted by the council; and be it

7 **FURTHER RESOLVED** that each member of the task force appointed by the Alaska Municipal
8 League should receive per diem and travel expenses from the municipality the member represents, except
9 that the task force may, in cases of necessity and within funds made available for the purpose, approve
10 the payment to a member of per diem and travel expenses authorized for boards and commissions under
11 AS 39.20.180; and be it

12 **FURTHER RESOLVED** that the task force shall report its findings and recommendations to
13 the Governor and the Legislature by June 30, 1992; and be it

14 **FURTHER RESOLVED** that the task force report include recommendations that ensure budget
15 reductions be shared equitably between the state and the municipal governments; and be it

16 **FURTHER RESOLVED** that the task force is terminated on June 30, 1992.

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Alaska State Legislature



Official Business

Speaker of the House of Representatives

State Capitol
Juneau, Alaska 99801-1182
(907) 465-3720

HCR 1

CREATING THE LONG-RANGE FINANCIAL PLANNING COMMISSION SPONSOR STATEMENT AS PRESENTED TO THE HOUSE FINANCE COMMITTEE - JANUARY 26, 1995

The concept of creating a special Long-Range Financial Planning Commission charged with proposing a plan to organize the state's finances was first proposed during the last legislative session. Recognizing that state spending has consistently exceeded recurring revenue to the state and that the state is faced with an unpredictable and declining revenue stream, several thoughtful plans for dealing with the state's budget crisis were proposed to the last legislature. Notable among these was the plan to change the process of managing the state's financial accounts developed by Roger Cremo.

The Cremo plan was presented to the last legislature (HJR 48) and received extensive consideration by the House Judiciary Committee. As a part of that consideration, House Judiciary Committee Chairman Brian Porter convened a subcommittee, which I chaired, to evaluate the underlying premises of the Cremo plan.

As we discussed the provisions of the CREMO plan, other plans and ideas were also debated. Central to all discussion was an expressed desire to examine the feasibility of forward funding the budget. With the advent of the oil tax litigation settlements, this could now be a possibility by the year 1997.

The subcommittee recommended to Chairman Porter that a Long-Range Financial Planning Commission be convened to review and identify anticipated state expenditures, recurring revenue and potential revenue sources, existing reserves, and to investigate implementing forward funding of the budget.

Long-range financial planning is essential if we are to attain some financial stability for Alaska's future. I believe that creating the Long-Range Financial Planning Commission is a crucial first step in that direction, and I ask for your support of HCR 1.



#4 passed
#7 passed
#8 passed
#9 passed
WORK DRAFT

WORK DRAFT

WORK DRAFT

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 ^[consensus by unanimous agreement] 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 ^{public} 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 ^{and evaluate} [evaluate] assets, including
 29 recurring revenue, reserves, physical resources, and investments;

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

*
 # 8
 passed

6
 passed

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.

*RAISING REVENUES
#87
passed*

#4

Brown



CS HCR 1 ()

p. 2, line 18

after "the" insert

"public"

HCR

1

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 2/8/95

FURTHER:

DATE TURNED INTO OFFICE: 2/9/95

The Finance Committee considered CS HCR 1(FIN)

Creating the Long Range Financial Planning Commission.

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous 5 CS CS HCR 1 (3TA)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

Senate Bill:

same title
 new title

House Bill:

technical change
 new: SCR# _____

SIGNING WITH RECOMMENDATIONS:	DP	DNP	NR	AM
<i>Steve Meyer</i>	✓			
<i>Roll E. ...</i>		✓		
<i>David ...</i>			✓	
<i>...</i>			✓	
Co-Chair: <i>...</i>	✓			
Co-Chair: <i>Kirk Halford</i>			✓	

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal
<i>LAA</i>	<i>1/31/95</i>		<i>563</i>

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

FISCAL NC

No: 1

NC Bill Version: CSHR 1 (FIN)

BI (H) Publish Date: 2/1/95

PL

STATE OF ALASKA
1995 LEGISLATIVE SESSION

Revision Date: _____
Title: Creating the Long Range Financial
Planning Commission.
Sponsor: Reopresentative Phillios
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	27.3	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
REVENUE FUND SOURCE	0	0	0	0	0	0

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
Division: Administrative Services

Phone: 465-3852

Date: 1/31/95

Approved By: Pamela A. Vami, Executive Director
Agency: Legislative Affairs Agency

Date: 1/31/95

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

Page 1 of 2

COMMITTEE COPY

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

2/9/95
JFC
Amend. rec.
by admin.
Moved by
Sen Donley
9-LS0021NO
p 2
6-8
Failed
2-5

SENATE CS FOR CS FOR HOUSE CONCURRENT RESOLUTION NO. 1(STA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE STATE AFFAIRS COMMITTEE

Offered: 2/8/95
Referred: Finance

Sponsors: REPRESENTATIVES Phillips, B.Davis, Green, Rokeberg, Navarre, James, Williams, Bunde, Kohring

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) ~~one~~ ^{ten} members of the public, not to include members of the legislative,
7 executive, or judicial branches; the Speaker of the House of Representatives, the President of
8 the Senate, and the Governor shall each appoint ^{four Gov. 3 HRS.} ~~three~~ of these members;

9 (2) two members of the House of Representatives appointed by the Speaker
10 of the House; one member shall be a member of the majority and one a member of the
11 minority;

12 (3) two members of the Senate appointed by the President of the Senate; one
13 member shall be a member of the majority and one a member of the minority; and

14 (4) two members of the executive branch appointed by the Governor; and be
15 it

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

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

23 FURTHER RESOLVED that the commission may hire staff to carry out its duties;
24 and be it

25 FURTHER RESOLVED that the commission shall

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

*Failed
2-5*

*Total
16 members*

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

3 (3) identify and prioritize systemic changes to stabilize the state's revenue
4 stream;

5 (4) identify and prioritize major reductions in state expenditures, to include
6 formula and nonformula programs, and to include proposed consolidation, transfer, or
7 elimination of governmental services or programs; the reductions identified and prioritized
8 under this paragraph must at least equal the current fiscal gap between recurring revenue and
9 recurring expenditures;

10 (5) evaluate forward funding of the budget;

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

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

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

16 (9) consider the division of responsibility for providing services and raising
17 revenue between the state and local governments and evaluate the effect of the long-range
18 financial plan on local governments;

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

21 (11) disseminate information and solicit public comment;

22 (12) submit a final report to the Governor and the Legislature by October 1,
23 1995, recommending a long-range financial plan for the state, including specific actions and
24 legislation needed to implement and monitor the plan; and be it

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

Alaska State Legislature

During Interim:
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Fax (907) 258-0226



During Session:
State Capitol
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(907) 465-4993
Fax (907) 465-3872

Senator | Pearce
District F

MEMORANDUM

TO: Senator Rick Halford, Co-Chair
Senate Finance Committee

FROM: Senator Drue Pearce *Drue Pearce*

RE: HCR 1, Creating the Long Range Financial Planning
Commission

DATE: Feb. 7, 1995

Thank you for scheduling SCSCSHCR 1 (STA). I attach for the committee's consideration, the following:

- . sponsor statement;
- . fiscal note (\$51.3);
- . supportive documents from:
 - . Anchorage Chamber of Commerce;
 - . Alaska State Chamber of Commerce;
 - . Alaska Municipal League;
 - . Commonwealth North;
 - . The Group;
 - . Associated General Contractors;
- . supportive editorial from The Anchorage Times.

I look forward to discussing the resolution with the Finance Committee on Feb. 9. If you wish additional information, please advise.

Again, thank you for scheduling SCSCSHCR 1.

Alaska State Legislature

During Interim:

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Anchorage, Alaska 99501-2133
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Fax (907) 258-0226



During Session:

State Capitol
Juneau, AK 99801-1182
(907) 465-4993
Fax (907) 465-3872

Senator Drue Pearce District F

SPONSOR STATEMENT

Jan. 25, 1995

Without a doubt, no subject has been more thoroughly discussed over the past ten years in Alaska than our impending budget Armageddon. Countless speeches have been given and hundreds of debates have taken place. Budget summits have come and gone. And still Alaska does not have a long-range financial plan in place.

SCR 3 (and HCR 1) would change that.

The purpose of the resolution is, simply put, to develop a way to bridge the fiscal gap which we're presently facing and recommend a ten-year financial plan to this legislature in one year.

Prudent fiscal practice demands we face this issue . . . and that we face it now. Additionally, such organizations as Commonwealth North, the Alaska Municipal League, the State Chamber of Commerce, Common Sense for Alaska, the National Federation of Independent Businesses and the Resource Development Council, are backing the concept.

I urge your support of this resolution.



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.

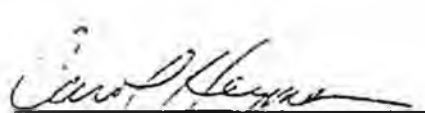
6. Inasmuch as a number of fiscal plans have been proposed but none of them has yet been adopted and implemented, the state must begin immediately a major effort to educate the public through a major all out media campaign about the fiscal gap and the options available to solve that gap, in order to 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 on 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, 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 process 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. 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. For now, the important things are to adopt the basic idea and get all 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 take effect, leaving nothing that any of them would have to do that could draw criticism.



Anchorage • Star of the North
Chamber of Commerce

January 23, 1995

To: Senator Drue Pearce and Ken Erickson FAX # 465-3872 9 pages
From: Carol Heyman *CH*
Re: State Fiscal Plan

I apologize for not having sent this sooner, overload is something I'm sure you are familiar with.

Some notes of the meeting held on January 5, 1995 at the chamber. Representatives Hanley, Brown and Navarre attended along with about 20 members of The Group, the chamber's State Fiscal Plan Committee and Board members. John Ayers chaired the meeting.

Points Discussed:

- EVERYONE AGREED ON THE NEED FOR A PLAN
- The business community as a strong lobby
- Navarre, Brown focussed on need to raise new revenues
- Legislators agreed lack of understanding of the budget by public and legislators
- Navarre suggested a special session to focus solely on plan
- Hanley thought it might be feasible to have a shorter session and spend last week on a plan
- Groups and chambers can help legislators credibility by publicizing positives, wins not just negatives
- Establishing credibility will be key to getting support for a plan

Unfortunately there were no solutions that came out of the meeting. I am faxing the process paper the chamber approved along with a copy of our fiscal plan resolution and the agenda from the January 5 meeting.

In speaking for The Group and the Chamber we would like to have some representation on any commission or committee you put together. Please let me know if you need a formal written request.

The Group represents 28 Alaska organization with about 70,000 members and the chamber represents about 35,000 employees of 1200 member businesses.

**Anchorage Chamber State Fiscal Plan Committee & The Group
January 5, 1995**

- I. Welcome - John Ayers
- II. Self Introductions
- III. Update on what the Chamber and The Group is doing
John Ayers - Chamber
Carol Heyman - The Group
- IV. Legislator's Point of Views
 - Brown
 - Hanle
 - Navare
 - Parnell
- V. Group discussion
 - Are we on the right path?
 - What more can we do?
- VI. Adjournment

ALASKA STATE CHAMBER • FISCAL NOTES • JANUARY, 1995

Legislative Leaders Agree: Create Long Range Fiscal Plan Commission Now

When the Legislature convened on January 16, it was clear creating a long range fiscal plan was a top priority. House Speaker Gail Phillips and Senate President Drue Pearce introduced identical resolutions creating a Long Range Financial Planning Commission. Representative Ed Willis also introduced a resolution creating a similar commission. Phillips' House Concurrent Resolution 1 (HCR 1) and Pearce's Senate Concurrent Resolution 3 (SCR 3) are scheduled for committee action this week.

Commission Created

The resolutions create a 13-member commission consisting of six public members and seven technical experts from the executive and legislative branches. The public shall be involved in its deliberations. The final report will be submitted to the Legislature by February 15, 1996.

Ten Year Fiscal Plan

The commission is directed to develop a 10-year financial plan that identifies actions to be achieved within three and five years. In developing the plan, they are to:

- Identify anticipated state expenditures and revenues.

- Recommend cuts in state spending, especially in formula-driven programs, to reach a spending level that could be supported by expected revenues. (Formula-

driven programs, or entitlements, are the fastest growing part of the state budget. If you meet a program's eligibility criteria, you are entitled to the benefit. As more people qualify, more money is needed to fund the program, thereby automatically increasing the budget. Examples include the K-12 foundation program which prescribes how state funds are distributed to school districts. As more children enroll in schools, the overall cost of the program automati-

cally increases; the public assistance programs such as Aid to Families with Dependent Children and Medicaid; and the Longevity Bonus program. To make changes in the way most formula programs are structured will require changes in

been set aside and used now to pay for next year's budget. To start forward funding, initially legislators would have to use money from the state's reserve accounts. This contrasts with the current practice of basing the budget on estimates of expected revenues for the upcoming fiscal year.)

Long Range Financial Planning Commission Hearing

House Finance Committee
Statewide Teleconference

Saturday, January 28
10 a.m. to 1 p.m.

Legislative Information Offices
Public Comments Invited

Hearings Scheduled

SCR 3 will be discussed by the Senate State Affairs Committee on Thursday, January 26, at 3:30 p.m. The committee's chair, Sen. Bert Sharp from Fairbanks, expects the committee to approve it that day. It will then go to the Senate Finance Committee for further discussion.

HCR 1 will be heard by the House Finance Committee on Thursday, January 26, at 9 a.m. A statewide teleconference will be held on Saturday, January 28 from 10 a.m. to 1 p.m. Interested Alaskans can listen or testify at the hearing by visiting their local Legislative Information Office (LIO). The LIOs can also provide a copy of the resolutions, as well as other legislation that has been introduced this session.

state law.)

- Recommend new revenue sources; if these include taxes, economic impact must be analyzed.

- Evaluate changes in the way state agencies prepare their budget and how the budget is funded, such as forward funding. ("Forward funding" means the state would base next year's budget on the amount of revenues it collected the prior year. For example, if forward funding was already in place this session, the revenues collected last fiscal year would have

'Fiscal Notes' is a project of the Alaska State Chamber of Commerce. Information is compiled and written for the State Chamber by Cheryl Frasca. Comments and suggestions are welcome. Contact the Chamber's Anchorage office at 278-2722, fax 278-6643.



FISCAL NOTES

A BUDGET UPDATE FROM THE ALASKA STATE CHAMBER

State Budget News for Alaskan Businesses

Nearing the top of the Legislature and Governor's agenda this session is development of a long range fiscal plan. A plan will focus on the fiscal tools that will be used over the next five to ten years to close the widening gap between what the state is spending and the revenues it is currently receiving. Getting a fiscal plan in

place is the Alaska State Chamber's top legislative priority because it will stabilize Alaska's economy and provide a more predictable climate for Alaska's businesses.

To assist Alaska's business community in understanding the debate, the State Chamber will be publishing "Fiscal Notes," a newsletter aimed at providing

understandable information about the budget process, the issues under discussion, and what it all means. It will be important Alaska's business community is heard because any plan will have significant impact on Alaska's business climate and the quality of life for our families and communities.

"Fiscal Notes" initially

will be distributed bi-weekly during the legislative session and distributed to interested Alaskans by fax. As the pace of budget discussions and decision-making increases, so will publication. Comments and suggestions regarding topics that might be of interest to Alaska businesses are welcome.

Alaska State Chamber of Commerce Top Legislative Priority: Fiscal Plan

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

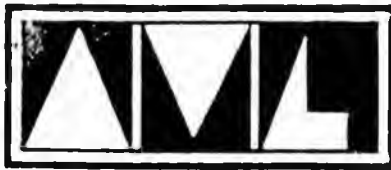
WHEREAS the Alaska State Chamber of Commerce believes uncertainty in the state budget process and state spending has created instability in the business and investment community; and

WHEREAS the Alaska State Chamber of Commerce believes that less taxation is encouragement 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 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, 1994.



The Touchstone

Volume 4, No. 6

A Newsletter of the Alaska Municipal League

December 1994

Card to him = offer our help

In This Issue

Note from the Director **Page 3**
Changes at the AML office, new municipal program and upcoming events.

Conference Photos **Page 6-7**
Snapshots of delegates from the 1994 Conference.

Position Vacancies **Page 8**
Member communities are looking for a few good people.

New Leaders for AML **Page 9**
Meet your new AML Board and Legislative Committee.

Award Winners **Page 11-12**
Excellence in Local Government Awards are given at the annual banquet.



Jerry Wongttilin, Sr. received special recognition by the Alaska Municipal League for serving as Mayor of Savoonga for 38 years. President Don Long presented him with a Certificate of Appreciation at the Annual Awards Banquet.

AML Board Adopts Priority List

The AML Board has identified six priority issues, the 1995 Municipal Platform, as the focus of the League's legislative program for the upcoming session.

1. Gaining passage of legislation to establish the Alaska Basic Municipal Services (AMBS) Program.
2. Encouraging the Governor and Legislature to undertake long-range fiscal planning, including continued funding for municipal programs.
3. Finding a solution to the unfunded state mandate of the Senior Citizens/Disabled Veterans Property Tax Exemption program.
4. Securing funding for the school construction and maintenance grant programs.
5. Guaranteeing local government involvement in a comprehensive transportation plan.
6. Encouraging the Governor and Legislature to invest state financial resources into development and management of natural resources which will return jobs and revenue to the economic base of Alaska.

AML's legislative program is carried out by the members in conjunction with the Board, Legislative Committee, and staff. The 1995 Municipal Platform and Policy Statement, which is a compilation of the League's positions on a wide variety of topics, will be distributed in early January.



SEASON'S GREETINGS

From the AML Staff:
Kevin, Julie, Jeanne, and Susan

From the AML/JIA Staff:
Steve, Kevin, Eileen, Pam, Rena, Suzanne, and Misty

HAPPY HOLIDAYS!

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.

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





Date: January 10, 1995
To: Concerned Alaskans
From: "TEAM ALASKA"
Subject: "TEAM ALASKA" conceptual report
PARTNERING FOR ALASKA'S FUTURE

In Alaska, annual state expenditures now exceed recurring revenues by hundreds of millions of dollars. How do we bridge this growing "budget gap"? The ability of the Alaskan economy to create good paying, long term jobs is running out of steam. UAA's Institute of Social and Economic Research and Commonwealth North recently recommended a combination of budget cuts, increased revenue measures and economic development in all of Alaska's industries to solve these challenges. Of the various tools available, economic development to create new jobs and sustain existing employment has the broadest support. However, it is among the most difficult to achieve.

Alaska faces increasing world competition. A recent Gaffney/Cline study, completed at the State's request, states communication and working relationships between industry and government must improve to optimize Alaska's competitive position. "Partnering" may be one answer to more "win/win" situations for Alaska and businesses, or non-profit organizations working together. "Partnering" could help develop better relationships of open communication, mutual trust and respect.

Commonwealth North recently facilitated a large, diverse group of Alaskans, including individuals not members of Commonwealth North, to assess the concept of "Partnering" as an approach to conducting business that addresses the economic challenges confronting the State of Alaska in the latter half of the 1990's. These men and women representing different industries, native corporations, non-profit organizations, academia, an environmental group, labor and government believe we can define common goals and new ways to work together to solve old problems in our state.

*Co-Chairmen: Governor Walter J. Hickel and the late Governor William A. Egan • Bill McHugh, President
Janith Brady, Vice President • Robert Hatfield Jr., Vice President • Marc Langland, Vice President • James S. McElroy, Secretary
Karen Hunt, Treasurer • Bill Allen • Robert B. Atwood • Richard F. Barnes • Fuller A. Cowell • Governor Steve Cowper • Perry Eaton
Mavis Erix • Lee Grossnick • Archbishop Francis Hurley • James Lawwiler • Loren H. Lounsbury • Jeff Lowenfels • John Morgan
• Cynthia A. Parker • Susan L. Radley • Governor William Sheffield • Ken Thompson • William J. Tobin • Dr. F. Thomas Trotter*



**TEAM ALASKA:
PARTNERING FOR
ALASKA'S FUTURE**

TEAM ALASKA: PARTNERING FOR ALASKA'S FUTURE

INTRODUCTION

In Alaska, annual state expenditures now exceed recurring revenues by hundreds of millions of dollars. Future shortfalls are expected to exceed \$500 million annually. While tourism, fishing, mining, timber, oil and service industries in Alaska provide the state with a diverse economy, one industry, the oil industry, provides 85 percent of state revenue. North Slope oil production is declining.

UAA's Institute of Social and Economic Research as well as a recent Commonwealth North study recommended a combination of budget cuts, increased revenue measures and economic development in Alaska's industries to bridge this growing "budget gap." Of the various tools available, economic activity to create new jobs and sustain existing employment has the broadest support and is least disruptive to individual families. However, it is among the most difficult to achieve.

While opportunities for additional economic development are present, Alaska faces increasing world competition. The Gaffney/Cline study recently issued by the State Department of Commerce and Economic Development outlined some major perceptions of Alaska which reduce the state's attractiveness for investment, reflecting that Alaska is not globally competitive. According to the Gaffney/Cline study, "the single largest step towards improving and optimizing the situation [Alaska's competitive position] would be an improvement in the communications and working relationships between the industry and the government."

It is clear we have reached a turning point. We must take action now to reduce our "fiscal gap" before we use up our reserves and are forced to take draconian measures.

A diverse group of over 50 men and women from all parts of Alaska, representing different industries, Native corporations, non-profit organizations, academia, an environmental group, labor and government recently met in a series of facilitated meetings to provide constructive answers on these issues. This group defined common goals and a vision for sustaining Alaska's economic growth by improving the state's global competitiveness. Economic growth can mean more jobs and increased revenues, other goals that are important in Alaska. We believe that public-

project, the Anchorage International Airport Ramp Rehabilitation and a military construction project on Shemya. The Arizona Transportation Department implemented partnering techniques on road projects in 1991. The result: a significant, 27 percent reduction in the time required to complete projects, reduced costs through value-added engineering and reduced claims and litigation.

While the techniques of Partnering may be more clearly seen in construction projects, Partnering need not be confined to these examples. Partnering approaches could be utilized by the State in larger development decisions involving state lands and resources such as marginal oil fields, timber harvesting, mining or tourism developments. The approach is not necessarily limited to just resource development. Partnering can be used to improve the delivery of services and programs by the state and by non-profit organizations.

DIRECTION FOR "TEAM ALASKA" – VISION, VALUES, STRATEGIES

In a series of open discussions involving all members, the diverse team reviewed the concept of partnering and partnering examples to define a Vision Statement, Values and key Strategies for partnering in Alaska. This conceptual framework could be used by government, industry and non-profit organizations for guidance when specific projects in any industry are selected for partnering. The details or tactics for each project are best determined and tailored for that specific project in open, partnering discussions.

Vision

Alaskans working together to make sure our state is the best possible place in which to live and to work, and to provide an exciting land of opportunity for ourselves and our children.

This would be accomplished through "Team Alaska," a partnership of the people of Alaska – individuals in public and private life, representing government, business, labor and non-profit organizations – committed to cooperating with each other to find new ways to achieve common goals.

These common goals include sustained economic development, the creation of jobs and balanced state revenue and spending, all with high standards of environmental sensitivity and protection.

In a changing world, achieving these goals will require developing in Alaska an investment climate capable of meeting global competitive challenges.

- Provide key stakeholders with an opportunity to be heard and to have their concerns considered when establishing individual project goals.
 - Provide for public disclosure of all information, except that which would reduce the competitiveness of the participating partners.
 - Provide for oversight of confidential information and negotiations with a representative of the broad public interest.
 - Ensure that the benefits of partnering projects are equitably distributed among stakeholders.
 - Routinely conduct and publish third-party reviews of project results which compare those results to the goals established for "partnership" projects.
3. Maintain high standards of environmental sensitivity and protection, and of worker health and safety.
 4. Publicize partnering successes nationally and internationally in order to encourage additional investment in our state.

ALIGNMENT AND MOTIVATION FOR PARTNERING

Instituting partnering within Alaska will require the alignment of many diverse groups. Consideration of groups which may be affected by a partnering project must be carefully thought through, and those key stakeholders involved in early discussions. Involvement and a chance to provide input are key to making partnering projects happen successfully. The benefits to partnering must be assessed. Likewise, potential barriers or problems of partnering must not be overlooked, and should be openly discussed and addressed.

Benefits of Improved Public - Private Partnerships

- Partnering will increase investment in the Alaska economy, creating jobs, wealth and opportunity for the state, its people and the companies that do business here.
- Partnering provides an enhanced opportunity for the state, Alaska communities, non-profit organizations and other interest groups to play a more influential role in attracting and in shaping economic development.

- Competing and conflicting regional, social, political and economic interests make it difficult for the Legislature to reach consensus on dramatic measures aimed at significantly improving Alaska's investment climate.

Partnering can involve legislators along side the executive branch in working with industry, with all endorsing initiatives up front.

- State, local and federal agencies are sometimes reluctant to coordinate permitting activities or relinquish regulatory authority. As a result, industry and the public must deal with multiple enforcement agencies and regulators with overlapping authority and variations in interpretation of regulations.

Partnering can allow government and industry to assess key work and regulatory processes and work together for common win/win solutions which improve and streamline regulatory processes while bringing greater consistency to interpretation of existing regulations.

- Government and business leaders are reluctant to engage the media. The press sees no role for itself in encouraging economic development, but often focuses on the objections and conflicts surrounding business projects.

Partnering can be an open process, affording the media an opportunity to communicate the goals, the costs and the benefits of a partnership project.

NEXT STEPS – WHAT IS NEEDED?

The needed change in Alaska must involve a commitment by our top leadership in early 1995. For the state, this approach must be endorsed and pursued by the Governor. Department heads must "buy-in" to the approach and communicate it down the line. But, ultimately the person on the ground making the daily decisions, implementing the programs, overseeing the contracts must be given the authority and the motivation to pursue this new approach.

It is not just state action and leadership that is needed. Industry leaders must also endorse and pursue this partnering approach. The partnering approach by definition depends on more than one party. The private sector needs to approach the public sector with much more openness and understanding of the requirements and goals of government. Citizen groups, environmental groups, labor unions and other "stakeholders" must be included and come prepared to share, communicate and work toward mutual goals.

"TEAM ALASKA" PROJECT STUDY TEAM MEMBERS

NAME	COMPANY
Jacob Adams	Arctic Slope Regional Corporation
Bill Allen	VECO International, Inc.
Eleanor Andrews	The Andrews Group Company
Beverly Beeton	University of Alaska Anchorage
Steven D. Berkshire	Alaska Pacific University
Eugene Bjornstad	Chugach Electric Association
Deborah R. Bonito	The Sourdough Mercantile
Jerry Booth	Cook Inlet Region, Inc.
Judy Brady	Alaska Oil and Gas Association
Bob Bulmer	Executive Search
Ronnie Chappell	ARCO Alaska, Inc.
Stephen Cowper	Tradelink Alaska
Louann Cutler	Preston, Ellis, Gates
Robert Dickson	Atkinson, Conway and Gagnon
Mano Frey	Alaska State AFL-CIO
Joe Griffith, Jr.	Chugach Electric
Dave Hanson	Arktos Associates
Tom Hawkins	Bristol Bay Native Corporation
Joseph Henrie	Southcentral Timber Development
Max Hodel	Office of the Governor
Mark Holland	Exxon Company USA
Barbara Huff Tuckness	Teamsters Local 959
Roy Huhndorf	Cook Inlet Region, Inc.
Nancy King	
Richard J. Knapp	Alaska Railroad Corporation
Gayle Knepper	Charter North
Jack Kruse	UAA/ISER
Ron Kukes	First Interstate Bank of Alaska
Marc Langland	Northrim Bank
Harriet Lawlor	ASEA, AFSCME Local 52
Pete Leathard	VECO International, Inc.
Norman Levesque	Alaska Municipal Bond Bank
James Linxwiler	Guess & Rudd
Jeff Lowenfels	Yukon Pacific Corporation
Sharon Macklin	Sharon Macklin - Government Relations
W. Paul Martin, Jr.	Locher Interests LTD
Sue Mason	Atkinson, Conway & Gagnon
George Masten	ASEA, AFSCME Local 53
Henry I. McGee	ARCO Alaska, Inc.
William V. McHugh	Yukon Pacific Corporation
John Morgan	BP Exploration (Alaska), Inc.
Boyd Morgenthaler	Adams, Morgenthaler and Company
Larry Ostrovsky	State of Alaska, District Attorney
Jim Palmer	BP Exploration (Alaska), Inc.
Paul Richards	Alyeska Pipeline Service Company
Kelly K. Robertson	Commonwealth North
James Rooney	R & M Consultants, Inc.
Susan Ruddy	The Nature Conservancy
Pat Salvucci	Ribelin, Lowell & Company

THE GROUP
MEMBERSHIP LIST

Alaska State Chamber of Commerce
Alaska Air Carriers Association
Alaska Coal Association
Alaska Dental Society
Alaska Forestry Association
Alaska Hospital Association
Alaska Independent Insurance Agents and Brokers
Alaska Miners Association
AOGA
Alaska Outdoor Council
Alaska Society of CPA's
Alaska State Medical Society
Alaska Truckers Association
Alaskans for Liability Reform
Alaska Support Industry Alliance
Anchorage Board of Realtors
Anchorage Chamber of Commerce
Anchorage Home Builders Association
Arctic Power
AGC
CHARR
Common Sense for Alaska
Commonwealth North
Downtown Anchorage Association
National Association of Women in Construction
Resource Development Council
Seaplane Pilots Association

"THE GROUP" - Breakfast, September 22, 1994

Linda Hall

My remarks today will deal with what we have labeled as the "service sector" of Alaskan commerce. The service sector represents industries such as real estate, banking and insurance which provide intangible services as opposed to dealing with products or processes. The complex nature of these segments has resulted in complex regulatory systems that require significant expenditures of both time and money.

In the service sector, the regulations promulgated from Alaskan Statutes deal primarily with licensing, substantial reporting requirements and mandating acceptable business practices. In the insurance industry, licensing alone can become very costly as various examinations are required and fees are charged for each license. Reporting requirements in all service segments mandate time and money be invested. There needs to be assessment of this role of data acquisition. A review of the relevance of the data required and its ultimate use should undergo a cost/benefit analysis. Collecting data for its own sake is a waste of resources.

There is frequently a compounding effect of regulations as they are promulgated from year to year with the enactment of new legislation. Taking a comprehensive look and finding duplication and redundancy in regulation will result in a more streamlined process. Clear and concise regulatory language is an absolute necessity to assure consistency in interpretation. We cannot operate in a business environment where interpretation changes within the various agencies and with changes in personnel.

Each segment of the service sector contributes to the Alaskan economy by producing a stream of revenue to the general fund, by producing jobs and by facilitating the flow of commerce. The impact of the insurance industry alone on the Alaskan economy is shown by the contribution of over \$26,000,000 in premium taxes and in excess of \$5,000,000 in fees generated as income to the general fund. This total in excess of \$31,000,000 makes the insurance industry the 4th largest source of revenue to the general fund. While this is a long distance from the top revenue source, it remains significant. There are in excess of 6,000 licenses issued to insurance producers and over 1,000 companies licensed to do insurance business in Alaska.

Regulation can stifle these types of industry. Does it make sense to charge \$50 for being 1 day late in reporting a change in telephone numbers? Does it make sense to require 2 notices of identical information for certain insurance placements? As we face increasing numbers of regulations, the burden becomes overwhelming.

If regulations are not kept reasonable and workable, the service segments of the economy will shrink as the cost of doing business becomes too great. We need to foster growth in the service segment of the economy to ensure the continuation of the vital functions it performs. Regulations need to be inventoried by each state agency to determine both the need for the regulation and to ascertain that the time and expense of compliance is justified.

**Testimony Before
THE HOUSE FINANCE COMMITTEE
Saturday, January 28, 1995
Regarding HCR 1**

**Testimony by
Nancy Schoephoester
Representing
Anchorage Chamber of Commerce, Fiscal Plan Committee
The Group**

Good morning. My name is Nancy Schoephoester and I am here today representing the Anchorage Chamber of Commerce, Fiscal Plan Committee and an organization known as The Group which is comprised of 27 associations and other statewide affiliations interested in the common goal of the development and implementation of a long range financial plan. A list of the membership of The Group is attached.

I am also submitting with this testimony a resolution from the Anchorage Chamber of Commerce and a proposal, also recommended by the Anchorage Chamber of Commerce, outlining a process for the development of such a long range financial plan.

The Anchorage Chamber of Commerce and The Group heartily support the development and implementation of a long range financial plan. Alaska's present level of spending is seriously out of balance. Current revenues are no longer sufficient to fund our state budget at current spending levels and haven't been for a long time. Statewide conferences have been held and recommendations made to close the budget gap. Popular wisdom is that it will take a combination of spending cuts, new revenues (including tax revenues), resource development and possible use of Permanent Fund earnings to pull the state out of its fiscal dilemma.

Toward that end, the Anchorage Chamber of Commerce and The Group support House Concurrent Resolution No. 1, with 2 exceptions:

- 1) We would like to see the 18 member Long Range Planning Commission be less heavily weighted with technical expertise. While technical expertise is certainly needed, we would rather see only 3-4 technical individuals as voting members of the Commission, with the others available and participating as non-voting members. Members of the public and legislators would fill the other seats on the Commission.
- 2) We would like to see the Commission on a faster track, with a report back to the legislature by October 1, 1995. The interim between sessions could then be used for additional public input.

In conclusion, The Anchorage Chamber of Commerce and The Group would like to have the opportunity to submit names for inclusion as Commission members.

Thank you.

Post-It™ brand fax transmittal memo 7671		# of pages	8
To	LOUANN CHRISTIAN	From	NANCY SCHOEPHOESTER
Co.	HOUSE FINANCE	Co.	
Dept.		Phone #	263-4655
Fax #		Fax #	



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2. Feb. 1995

To
State of Alaska Legislature

Hon. Drue Pearce	Senate President	FAX 465-3872
Hon. Rick Halford	Senate Majority Leader	465-4928
Hon. Gail Phillips	House Speaker	465-3472
Hon. Al Vezey	House Majority Leader	465-3258

Subject: Long Range Financial Planning Commission

Ref. HCR 1

Dear Legislator:

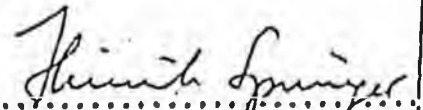
We are in full support of such a commission and applaud your efforts to address the long-term financial situation of the State.

As one of the nine members from the public we strongly recommend RICHARD CATTANACH for your serious consideration. Mr. Cattanach, from Unit Co. in Anchorage, has a lot of experience in commerce, construction, banking, development and political considerations and would be a real asset to such a commission. He has the right personality, education, background and energy and can devote sufficient time to this task. Above all he has the trust and respect of his peers and people he comes in contact with.

We think that you all know him personally and he would be glad to answer any questions or submit a resume if desired.

Sincerely,


.....
Tim Brady, President


.....
Heinrich Springer, Exed. Director



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2. Feb. 1995

To

The members of the Alaska Legislature:

We are in full support and our 570 members join with "The Group" to encourage you to develop a fiscal long range plan for the State of Alaska and address the many aspects of our cumbersome regulatory system.

Tim Brady
.....
Tim Brady, President

Greg Romack
.....
Greg Romack, Vice President

Heinrich Springer
.....
Heinrich Springer, Exec. Director

Post-It™ brand fax transmittal memo 7671		# of pages > 1
To <i>Sen. Steve</i>	From <i>Heinrich Springer</i>	
Co.	Co. <i>AGC</i>	
Dept.	Phone #	
Fax # <i>907-465-3872</i>	Fax # <i>562 6118</i>	

1/3/95

The Anchorage Times

Publisher: BILL J. ALLEN

"Believing in Alaskans, putting Alaska first"

Editors: DENNIS FRADLEY, PAUL JENKINS, WILLIAM J. TOBIN

The Anchorage Times Commentary in this segment of the Anchorage Daily News does not represent the views of the Daily News. It is written and published under an agreement with former owners of The Times, in the interests of preserving a diversity of viewpoints in the community.

Money matters

1995 BRINGS Alaska a new Legislature, a new administration and, hopefully, a new resolve to finally come up with a better way for the state to manage its finances.

Since the gush of oil revenues began filling state coffers in the '70s, the rule of thumb has been to spend as much as we had — and then some. In years when there wasn't enough to go around, the principle of beg, borrow and steal took precedence.

The state has been able to bounce along in recent years by tapping savings accounts, reaping the rewards of billion-dollar back tax settlements with oil companies and by over-generously guesstimating annual oil prices and then using supplemental budget requests to make up the difference. Other help has come gratis in the form of financial windfalls from unanticipated events like escalating oil prices as the result of a foreign war and a massive oil spill bringing in billions to the state economy.

The truth, hidden amid all these gyrations, is that Alaska is in a financial squeeze. Annual revenues to the state lag behind expenditures by hundreds of millions of dollars.

Most Alaskans are beginning to recognize the state has a serious fiscal gap. It is now in the neighborhood of a half-billion dollars a year. As oil production decreases in the coming years, the gap will widen. The question is, what do we do about it?

The new leaders of the state House and Senate and the new governor have voiced support for another statewide commission being formed to advise government on the best course to follow.

THE IDEA has merit — provided the commission's assignment is clear and simple and it is given a quick deadline to produce a concise recommendation.

There is no need to review what we already know. The state's choices are to cut spending, cut or cap dividends, raise new taxes, or a combination thereof. The decisions ultimately must be made by the governor and the legislators.

The task of a citizens blue ribbon panel should be to assist the process with a recommendation on how the state can force constraints on itself. Various proposals — from the so-called Cremo plan to forward funding to five-year averaging — have been discussed. Many more are out there.

The goal for a commission should be to pick the best option, get as much public understanding and support for it as possible, then get state government to act on it. It may be a plan that requires another constitutional amendment. If so, it should be ready for the 1996 ballot.

The timing couldn't be better for Alaska to get its financial house in order. The new year brings new people in government, new ideas, renewed commitment — and great hope for the future.

SENATE COMMITTEE REPORT

DATE: 2/2/95

FURTHER: Finance

DATE TURNED INTO OFFICE: 2-8-95

State Affairs Committee considered CS HOUSE CONCURRENT RESOLUTION NO. 1 (FIN)
 Creating the Long Range Financial Planning Commission.

PHfn

and recommends:

- be replaced with ^{a STA} SENATE CS. for CS HCR 1 (STA)
- adopt previous ___ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

Senate Bill:
 same title
 new title
 House Bill:
 technical change
 new: SCR# _____

SIGNING WITH RECOMMENDATIONS:	DP	DNP	NR	AM
<i>Bill E. Hill</i>		✓		
<i>David Dwyer</i>			✓	
<i>John Blawie - needs change in Appointment of Commission</i>		✓		
CHAIR: <i>Bob Mang</i> , Chair			✓	

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal
<i>LAA (House)</i>	<i>1/31/95</i>		<i>51.3</i>

FY96

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

HCR

19

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred: April 22, 1995

FURTHER REFERRALS:

Date of Committee Action: 5/3/95

The FINANCE Committee considered:

HCR 19

HOUSE CONCURRENT RESOLUTION NO. 19

TASK FORCE ON CORRECTIONS DEPARTMENT

Requesting the Governor to direct the Department of Corrections to establish a task force to study current and future department operations.

recommends it be replaced with the following committee substitute CS HCR 19 (FIN)

the same title
 a new title

additional referral to _____ Committee

attached amendment(s)

ADOPTS: _____ Letter of Intent

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



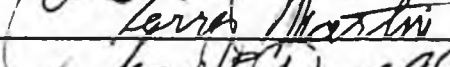
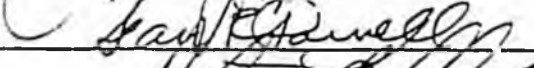

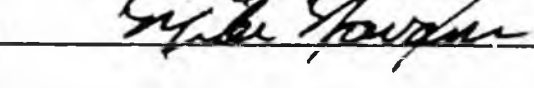
APPROVES PREVIOUS: _____ (Dept/Date)

fiscal note(s) HFC

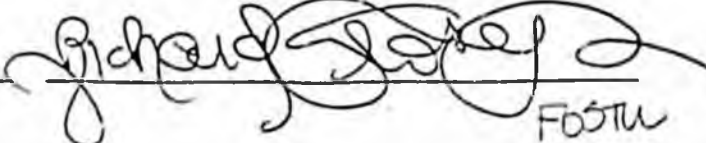
fiscal note(s) _____

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
	FOSTER	X			
	MULDER	X			
	MARTIN	✓			
	PANNELL	X			
	Kelly NAVARRE	✓			
					

CHAIR'S SIGNATURE _____


FOSTER

SPONSOR STATEMENT HOUSE CONCURRENT RESOLUTION 19

HCR 19 requests a task force study of the operations and future needs of the Department of Corrections.

During our budget hearings it became clear that the Department of Corrections is and has been running so fast to keep up, it has not been able to spend any time thinking about where it ought to be going. This Resolution and the accompanying fiscal note will allow the Department to do the planning it must do if we expect to get control of the costs of corrections in Alaska. It will provide an opportunity to seriously look at internal operations and compare them to private sector alternatives. It also will look at the capital need of the system and recommend ways of addressing those needs.

The task force recommended by this resolution will provide a broad perspective. The task force would be composed of 4 Legislators, 5 representatives of the administration, 1 representative of the judiciary, and three representatives of the public one appointed by the Senate, one by the House, and one by the Administration.

They are asked to report back by the end of January 1996. Hopefully, we will be able to take advantage of their recommendations in the FY 97 budget.

* Change Pg 2

HOUSE CONCURRENT RESOLUTION NO. 19
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVES MULDER, G.Davis, Navarre, Rokeberg, Brown

Introduced: 4/22/95

Referred: Finance

A RESOLUTION

1 Requesting the Governor to direct the Department of Corrections to establish a
2 task force to study current and future department operations.

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

4 WHEREAS a growing number of people are being arrested, prosecuted, adjudicated,
5 and incarcerated in the state; and

6 WHEREAS the inmate population in the state's prisons has been steadily increasing
7 over the last several years; and

8 WHEREAS the inmate population in the state's prisons is expected to continue to
9 increase; and

10 WHEREAS several of the state's correctional facilities are in poor condition and in
11 need of substantial repair or replacement; and

12 WHEREAS the cost of operating the prisons and jails is steadily increasing; and

13 WHEREAS advancements in technology are providing new and innovative methods
14 of monitoring and detaining prisoners; and

15 WHEREAS the state's revenue is declining, and capital funding is becoming more
16 difficult to obtain; and

1 **WHEREAS** the private sector has shown significant interest and ability in constructing
2 and operating prison facilities;

3 **BE IT RESOLVED** that the Alaska State Legislature respectfully requests the
4 Governor to direct the Department of Corrections to convene a task force to study current
5 operations and future options for the department, and to develop a comprehensive plan,
6 including options for private construction of prison facilities and private operation of prison
7 facilities; and be it

8 **FURTHER RESOLVED** that the task force should be comprised of two members of
9 the Alaska State House of Representatives selected by the speaker of the house, two members
10 of the Alaska State Senate selected by the senate president, five representatives of the
11 executive branch selected by the Governor, one representative of the judicial branch selected
12 by the chief justice of the supreme court, and three representatives of the public familiar with
13 construction of large facilities or with operations of large organizations selected by the
14 commissioner of corrections; and be it

15 **FURTHER RESOLVED** that the task force should contract with independent
16 consultants with expertise in private and public correction institutions; and be it

17 **FURTHER RESOLVED** that the task force, using appropriate contractors, should
18 study the operations of the Department of Corrections and potential for changes in its facilities
19 and operations, including

20 (1) a cost benefit analysis of the Department of Corrections as it now exists;
21 (2) analysis of the department's population increases, workload changes, and
22 projections of future trends;

23 (3) examination of inmate classification, placement, custody, and programming
24 and their consequences for public safety;

25 (4) a forecast of capital construction needs; and

26 (5) analysis of the opportunities, benefits, and costs of contracting for private
27 construction and operation of prisons; and be it

28 **FURTHER RESOLVED** that the task force is authorized to begin its work
29 immediately and should report its findings and recommendations to the legislature on or before
30 January 31, 1996.

711
Delete
FINANCING
INTER

A M E N D M E N T 2

OFFERED IN THE HOUSE

BY REPRESENTATIVE MULDER

TO: HCR 19

1 Page 2, line 13, after "selected":

2 Insert "one each"

3 Page 2, line 14, after "corrections":

4 Insert ", the speaker of the house, and the senate president"

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. HJR 19

Revision Date: _____ Dept. Affected: Corrections
 Title: Request the Governor to direct DOC to establish BRU: Administration and Support
a task force to study current and future department operations. Component: Office of the Commissioner
 Sponsor: Rep. Mulder
 Requester: Rep. Mulder COMPONENT SERIAL NO. #0694

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	350.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	350.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	350.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	350.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY95) cost: \$ 0.0

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

The original estimate for this project was \$ 500.0 for a one year project. The request was reduced to \$350.0 in order to stay within capital budget caps. Compressing the project to six months as suggested in HJR19 - or reducing the requested appropriation will likely require prioritization of the proposed project list since it is not likely all the work could be accomplished in a six month time frame.

The contract funds would be spent to conduct a formal strategic planning process including:

- 1) A cost-benefit analysis of Corrections as it presently exists;
- 2) A public opinion survey which will identify public knowledge about Corrections, public expectations of Corrections, public satisfaction measures of Corrections, and public recommendations about Corrections;

(Continued on Page 2)

Prepared by: Jerry Shriner Phone: 465-4640
 Division: Office of the Commissioner Date: 5/3/95
 Approved by Commissioner: Margaret M Pugh Margaret Pugh Date: 5/3/95
 Agency: Department of Corrections

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Fiscal Note/DOC

HJR 19

April 22, 1995

Page 2

(Continued from page 1)

- 3) An analysis of Corrections recent population increases and workloads and a projection of future trends;
- 4) An examination of Inmate Classification, placement, custody, and programming and their consequences for public safety and capacity requirements,
- 5) Identification of Corrections present capacity and least cost policy options and/or requirements for expansion to meet anticipated future population and workload requirements;
- 6) An analysis of the benefits and costs of private Corrections contracting will be solicited.

The Department believes that the Governor and the Legislature as well as the public and other criminal justice agencies will experience permanent and growing frustration about the role and costs of Corrections, unless a comprehensive plan is developed, which has broad bi-partisan and public support, which sets out a framework for dealing with these issues in the future.

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. HCR 19

Revision Date: 4-22-95
 Title: REQUESTING GOVERNOR TO DIRECT DEPT of
Corrections To establish TASK FORCE To study operations
 Sponsor: Mulder
 Requestor: HOUSE FINANCE

Dept. Affected: Corrections
 BRU: ADMIN + Support
 Components: Office of The Commissioner
 Serial # _____

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants, Claims						
Miscellaneous	200.0					
TOTAL OPERATING	200.0	0	0	0	0	0

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

REVENUE	0	0	0	0	0	0
---------	---	---	---	---	---	---

FUNDING: (THOUSANDS OF DOLLARS)

General Fund	200.0					
Federal Fund	0					
Other	0					
TOTAL	200.0	0	0	0	0	0

POSITIONS:

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

ANALYSIS: (ATTACH A SEPARATE PAGE IF NECESSARY)

see attached analysis *The Department will be able to contract with experts to assist study, cover travel and per diem for public members, and prepare comprehensive plan.*

Prepared by: Dennis DeWitt

Date: 5-2-95

Rep Edwin Mulder

Phone: 2647

Phone: 2647