

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILE 86 / 2

314 SCOM10: LOCAL GOVERNMENT STUDY 1979

1 date specified in the ordinance. Ordinances shall be attested by
2 the municipal clerk and by the mayor.

3 Section 9.02. ACTIONS REQUIRING AN ORDINANCE. In addition to
4 other actions which require an ordinance, the assembly shall use
5 ordinances to

6 (1) adopt and amend the administrative code;
7 (2) levy taxes;
8 (3) authorize borrowing of money;
9 (4) grant, renew or extend a franchise;
10 (5) regulate the rate charged by a utility of the munici-
11 pality;

12 (6) provide for a fine or other penalty or establish a
13 rule or regulation for the violation of which a fine or other
14 penalty is imposed;

15 (7) adopt or amend zoning or similar land use control
16 measures;

17 (8) convey or lease, or authorize the conveyance or
18 lease, of any interest in lands of the municipality.

19 Section 9.03. EMERGENCY ORDINANCES. In case of an emergency,
20 an ordinance may be introduced and adopted at the same meeting. An
21 emergency ordinance shall contain a finding that an emergency
22 exists and a statement of the facts constituting the emergency. An
23 emergency ordinance is adopted by the affirmative vote of all
24 members of the assembly present or of four of the total membership,
25 whichever is less. The mayor may veto an emergency ordinance. An
26 emergency ordinance is effective for 60 days unless sooner repealed
27 by resolution.

28 Section 9.04. ADOPTION BY REFERENCE. The assembly, by ordi-
29 nance, may adopt by reference a standard code of regulations or a

1 portion of the statutes of the State of Alaska. The matter adopted
2 by reference shall be made available to the public in a manner pre-
3 scribed by rule of the assembly.

4 Section 9.05. CODIFICATION. The assembly shall provide for
5 the indexing and codification of all ordinances adopted by the
6 assembly. Following adoption of the initial code, all proposed
7 amendments shall be adopted as amendments or additions to the code.

8 FINANCE

9 Section 10.01. FISCAL YEAR. The fiscal year shall start on
10 July 1 and end on June 30 of the following year.

11 Section 10.02. CAPITAL IMPROVEMENT PROGRAM. At least 120
12 days before the end of the fiscal year of the municipality, the
13 mayor shall submit to the assembly, with recommendations from the
14 planning commission, a six-year program for public services, fiscal
15 policies and capital improvements of the municipality. The program
16 shall include estimates of the effect of capital improvement pro-
17 jects on maintenance, operation and personnel costs. The assembly
18 shall hold at least two public hearings on the six-year program
19 before its adoption.

20 Section 10.03. OPERATING AND CAPITAL BUDGET. At least 120
21 days before the end of the fiscal year of the municipality, the
22 mayor shall submit to the assembly proposed capital and operating
23 budgets for the next fiscal year. The form and content of the
24 operating and capital budgets shall be consistent with the capital
25 improvement program. The mayor shall submit with the budgets an
26 analysis of the fiscal implications of all tax levies and programs.

27 Section 10.04. BUDGET HEARINGS. The assembly shall hold at
28 least two public hearings on the proposed capital and operating
29 budgets and the appropriation ordinances for the next fiscal year,

1 including one public hearing at the next regular meeting after the
2 budgets are submitted to the assembly and one hearing not later
3 than 60 days before the beginning of the next fiscal year.

4 Section 10.05. ASSEMBLY ACTION ON THE MUNICIPAL BUDGETS. The
5 assembly may increase or decrease any item, and may add or delete
6 items, in the proposed operating or capital budgets of the munici-
7 pality. The assembly shall approve the budgets of the municipality
8 as amended and appropriate by ordinance the necessary funds at
9 least 60 days before the end of the fiscal year of the municipality.
10 If the assembly fails to approve the capital and operating budgets
11 and to adopt the necessary appropriation ordinance within the time
12 stated, the capital and operating budget proposal shall become the
13 proposed budgets and appropriation ordinances for the fiscal year
14 without further action by the assembly.

15 Section 10.06. LAPSE OF APPROPRIATIONS. At the close of the
16 fiscal year, an unexpended appropriation shall lapse into the fund
17 from which appropriated. An appropriation for a capital improve-
18 ment, or an appropriation in connection with requirements of federal
19 or state grants, shall not lapse until the purpose of the appropria-
20 tion has been accomplished or abandoned.

21 Section 10.07. BUDGET ADMINISTRATION. (a) No payment shall
22 be made or obligation incurred except in accordance with appropria-
23 tions. Obligations otherwise incurred are void. The assembly, by
24 ordinance, may provide for exceptions in the case of tax refunds or
25 other routine payments.

26 (b) The assembly, by ordinance, may authorize a contract,
27 lease or obligation requiring funds from future appropriations. A
28 lease-purchase agreement with respect to the acquisition of a capi-
29 tal improvement valued in excess of one million dollars is not

1 valid until approved by a majority of the qualified voters voting
2 on the question.

3 Section 10.08. COMPETITIVE BIDDING. The assembly, by ordi-
4 nance, shall provide for competitive bidding for goods and services
5 and shall make provision for exceptions.

6 Section 10.09. FINANCIAL AUDIT. (a) The assembly shall
7 provide for an annual independent audit of all municipal accounts
8 by a certified public accountant. The audit shall be completed
9 within 90 days following the close of the fiscal year.

10 (b) A contract entered into under this section shall provide
11 that the auditor may not engage in any other consultant capacity
12 during the audit or for a period of two years after completion of
13 the contract for audit services.

14 TAXATION

15 Section 11.01. TAXING AUTHORITY. (a) The taxing power of
16 the municipality is vested in the assembly. The taxing power may
17 not be surrendered, delegated, suspended, or contracted away except
18 as provided by law.

19 (b) Private leaseholds, contracts or other interests in land
20 or property owned or held by the United States, the state or other
21 political subdivisions shall be taxable only to the extent of fair
22 market value of the private interest.

23 Section 11.02. TAXING PROCEDURES. (a) The assembly, by
24 ordinance, shall adopt procedures for assessment, levy and collec-
25 tion of property taxes. The procedures shall provide for the
26 assessment of property at full and true value, except as otherwise
27 provided by law, and for notice of assessment, appeal and judicial
28 review. Property taxes, with associated collection charges, penal-
29 ties and interest, are first liens upon the property. Property tax

1 becomes payable on the first day of each fiscal year.

2 (b) The assembly by ordinance may adopt a sales and use tax.

3 (c) The assembly by ordinance may adopt an income tax to be
4 collected by the applicable state department on its behalf.

5 MUNICIPAL BORROWING

6 Section 12.01. AUTHORITY. The municipality may borrow money
7 for any public purpose and issue its evidences of indebtedness.

8 Section 12.02. LIMITATIONS. (a) No general obligation
9 bonded indebtedness may be incurred unless authorized by the assem-
10 bly and ratified by a majority vote of those in the municipality
11 voting on the question, except that refunding bonds may be issued
12 without an election.

13 (b) Tax or revenue anticipation notes shall be repaid within
14 12 months of the date of issue. When the taxes or revenues antici-
15 pated are not received within this time, the assembly may renew the
16 notes for an additional period not to exceed six months.

17 Section 12.03. FORM AND MANNER OF SALE. The assembly, by
18 ordinance, shall provide for the form and manner of sale of bonds
19 and notes. The sale of bonds and notes to financial consultants of
20 the municipality is prohibited.

21 Section 12.04. PROCEEDS FROM THE SALE OF OBLIGATIONS. Pro-
22 ceeds derived from the sale of obligations shall be used solely for
23 the purposes for which the obligations were issued or for the
24 payment of principal or interest or other charges with respect to
25 the obligations.

26 SERVICE AREAS AND ASSESSMENT DISTRICTS

27 Section 13.01. SERVICE AREAS. (a) A service area to provide
28 a special service within a borough may be established, operated,
29 altered or abolished by the assembly by ordinance.

1 (b) The assembly, by ordinance, shall adopt procedures for
2 establishing, altering, abolishing or operating service areas.
3 Services provided in a service area shall be financed by a uniform
4 tax levy within the area.

5 (c) The assembly may provide for appointed or elected boards
6 to supervise the furnishing of special services in a service area.

7 Section 13.02. ASSESSMENT DISTRICTS. (a) The assembly, by
8 ordinance, may establish assessment districts to provide and
9 finance capital improvements by means of an assessment, or services
10 by means of a tax levy, and shall prescribe criteria for allocating
11 the cost of improvement or service within an assessment district.

12 (b) An assessment district may be established or extended
13 only with the approval of property owners who would bear the cost
14 of more than 50 percent of the estimated cost of the improvement or
15 service. An assessment district established to finance a capital
16 improvement may be dissolved by assembly resolution at any time
17 after the district's share of the cost of the improvement has been
18 paid. An assessment district established to finance a service may
19 not be dissolved without the approval of the property owners who
20 bear more than 50 percent of the cost of providing the service.

21 (c) A special assessment for capital improvements, with
22 interest and collection charges, is a lien on property assessed,
23 second only to property taxes and prior special assessments.

24 (d) An account or accounts for each special assessment dis-
25 trict shall be established and maintained separate from all other
26 municipal accounts. Revenues collected within a special assessment
27 district may be applied only to costs incurred with respect to that
28 assessment district.

29 GENERAL PROVISIONS

1 Section 14.01. CONFLICT OF INTEREST. An elected municipal
2 official may not participate in any official action in which he or
3 a member of his household has a substantial financial interest
4 unless after disclosure of the interest the member's participation
5 is approved by a majority of the body. The assembly, by ordinance,
6 shall implement this section as to elected officials and members of
7 boards and commissions and shall adopt procedures dealing with
8 conflict of interest on the part of municipal employees.

9 Section 14.02. PROHIBITIONS. (a) Except where authorized by
10 ordinance, an elected official of the municipality may hold no
11 other compensated municipal office or employment or elected posi-
12 tion under the state or municipality while in office.

13 (b) For a period of one year after he leaves office, no
14 member of the assembly or school board may hold compensated munici-
15 pal office or employment which was established, or the salary or
16 benefits of which were specially increased, during the last year in
17 office by the body of which he was a member. The provisions of
18 this subsection do not apply to employment by or election to a
19 charter commission.

20 Section 14.03. PUBLIC MEETINGS. All meetings of the assem-
21 bly, school board, and other boards and commissions shall be public.
22 The assembly, by ordinance, shall adopt procedures for maximum
23 reasonable public notice of all meetings. At each meeting the
24 public shall have reasonable opportunity to be heard. An executive
25 session may be held to discuss pending litigation or any matter the
26 immediate public knowledge of which would tend to affect adversely
27 the finances of the municipality or to defame or prejudice the
28 character or reputation of any person. The general matter for
29 consideration in executive session shall be expressed in the motion

1 calling for the session. No official action may be taken in execu-
2 tive session.

3 Section 14.04. CLAIMS. The assembly, by ordinance, shall
4 provide for the administration of claims against it.

5 Section 14.05. OATHS OF OFFICE. Each municipal officer,
6 before taking office, shall take and subscribe to the following
7 oath or affirmation: "I solemnly swear (or affirm) that I will
8 support and defend the Constitution of the United States, the
9 Constitution of the State of Alaska, and the charter of this munici-
10 pality, and that I will faithfully perform the duties of
11 to the best of my ability."

12 Section 14.06. CONTINUATION IN OFFICE. Each elected official
13 shall continue to serve until his successor qualifies and takes
14 office.

15 TRANSITION

16 Section 15.01. INITIAL TERMS OF MEMBERS OF ASSEMBLY. Assem-
17 bly seats A and D shall be designated two-year seats. Assembly
18 seats B and C shall be designated three-year seats. Candidates for
19 the initial municipal assembly shall designate in the declaration
20 of candidacy or other form of nomination the letter of the seat for
21 which election is sought.

22 Section 15.02. ORGANIZATION OF COMBINED ASSEMBLY-SCHOOL
23 BOARD. Members of the assembly-school board first elected under
24 the provisions of this charter shall take office in accordance with
25 AS 29.68.460(d).

26 Section 15.03. ORGANIZATIONS AND INSTITUTIONS CONTINUED.
27 Special assessment districts, service areas, and regulatory and
28 advisory boards and commissions existing within municipalities on
29 the effective date of unification under this charter continue to

1 function until altered in accordance with this charter.

2 Section 15.04. TRANSITIONAL BUDGET. The municipality shall
3 operate under the governments of the municipalities to be unified
4 until a municipal budget is adopted in accordance with this charter.

5 Section 15.05. EMPLOYMENT CONTINUED. All employees of govern-
6 ments being unified shall continue in employment until the assembly
7 adopts by ordinance an administrative code. Current employees of
8 the former governments may be terminated, upon unification, only
9 for cause. Salaries and benefits enjoyed under employment by the
10 former municipalities shall continue until the new code is effec-
11 tive. Pension plans, collective bargaining agreements, and similar
12 benefits shall not be diminished by unification under this charter.

13 Section 15.06. EMPLOYEE RETIREMENT. The municipality shall
14 join the Public Employees' Retirement System of Alaska, and all
15 prior services in local government shall be credited to each
16 employee at no cost to the employee.

17 Sec. 29.68.480. ELECTION OF CHARTER COMMISSION. If unification is
18 approved in the manner required by AS 14.08.071(d), the assembly of the
19 streamlined borough shall, not later than 90 days before the first
20 regular election of the unified municipality, adopt a resolution calling
21 for a charter commission election in accordance with AS 29.13.010.

22 Sec. 29.68.485. POWERS OF A UNIFIED MUNICIPALITY. A municipality
23 organized under AS 14.08.071(d) shall have all powers

24 (1) not prohibited it by law or by the charter set out in
25 AS 29.68.475;

26 (2) granted to organized boroughs and first class cities.

27 * Sec. 6. AS 29.13 is amended by adding a new section to article 1 to
28 read:

29 Sec. 29.13.090. ASSEMBLY MAY SERVE AS SCHOOL BOARD. The charter

1 commission elected to prepare a charter under the provisions of this
2 chapter within a unified municipality established in accordance with
3 AS 29.68.475 - 29.68.485 may provide that the borough mayor and assembly
4 shall serve as the school board. If the proposed charter provides that
5 the assembly serve as the school board, the assembly, by ordinance,
6 shall determine the manner of choosing members to serve as the officers
7 of the school board from among the members of the assembly.

8 * Sec. 7. AS 29.68 is amended by adding new sections to article 3 to
9 read:

10 ARTICLE 3. UNIFICATION OF LOCAL GOVERNMENTS.

11 Sec. 29.68.201. UNIFICATION OF LOCAL GOVERNMENTS AUTHORIZED. An
12 organized borough or a streamlined borough incorporated under AS 14.08.-
13 071(d) and all cities within the borough may unite to form a single unit
14 of home rule local government by complying with the provisions of AS 29.-
15 68.201 - 29.68.251.

16 Sec. 29.68.211. UNIFICATION PROPOSALS. (a) Unification of local
17 governments authorized by AS 29.68.201 shall be proposed by resolution
18 of the borough assembly. The resolution shall read:

19 "Shall the Borough and all cities within
20 it unite as a single unit of home rule government having the powers,
21 duties and functions of a unified government as authorized by law?

22 Yes [] No []"

23 (b) The assembly of each general law borough and each home rule
24 borough shall place the proposition set out in (a) of this section on
25 the ballot at the first regular election which occurs more than 90 days
26 after the effective date of this Act and at the regular election of the
27 borough occurring every two years thereafter.

28 Sec. 29.68.221. ELECTION. (a) After adoption of a resolution for
29 the purpose, the borough assembly shall submit to the voters the question

1 of whether the borough and all cities within it shall unite to form a
2 single unit of home rule government. The election shall be held at the
3 next regular borough election scheduled at least 60 days after receipt
4 of the valid petition or adoption of the resolution by the borough
5 assembly.

6 (b) The ballot proposition on the question of unification shall be
7 worded exactly as in AS 29.68.211(a).

8 (c) The election on the unification proposition shall be conducted
9 in accordance with the election code of the borough. All costs incurred
10 in the conduct of a vote on the proposition shall be paid by the borough.

11 (d) If a majority of those voting on the question favors unifica-
12 tion, the home rule charter set out in AS 29.68.251 takes effect on
13 July 1 next following the election in which unification was approved.
14 The charter operates to dissolve all local governments within the area
15 of unification.

16 Sec. 29.68.231. ELECTION OF INITIAL MUNICIPAL OFFICIALS. If
17 unification is approved in the manner required by AS 29.68.221, the
18 borough assembly shall provide for the first election of municipal
19 officials. The election of officials shall conform to provisions of the
20 home rule charter set out in AS 29.68.251. The election shall take
21 place not less than 45 nor more than 60 days after the date of certifi-
22 cation of the results of the unification election. The election of
23 municipal officials shall be conducted in accordance with the election
24 code of the borough. All costs incurred in conducting the election
25 required by this section shall be paid by the borough.

26 Sec. 29.68.241. EFFECT OF UNIFICATION. (a) A municipality estab-
27 lished by unification succeeds to all the assets and liabilities of the
28 local governments it unified. A bonded indebtedness or other debt
29 incurred before unification shall remain the tax obligation of the area

1 which contracted the debt, except that the tax obligation may be spread
2 over a larger area by ordinance if the governing body determines that
3 the asset for which the bonded indebtedness or other debt was incurred
4 was used for the benefit of the larger area before unification, or is so
5 used after unification.

6 (b) All provisions of law authorizing contributions of any kind,
7 in money or otherwise, from the state or federal government to boroughs
8 and cities shall remain in full force and effect with respect to a
9 unified municipality organized under AS 29.68.201 - 29.68.251.

10 (c) Within two years after the effective date of unification, the
11 governing body of the unified municipality shall revise, repeal, or re-
12 affirm all borough and city ordinances, resolutions and orders in force
13 within the borough at the time of unification. Each ordinance, resolu-
14 tion or order in force at the time of unification shall remain in force
15 until superseded by action of the governing body of the unified munici-
16 pality.

17 Sec. 29.68.251. GENERAL HOME RULE CHARTER FOR UNIFIED MUNICIPALITY.
18 Until superseded by a home rule charter adopted in the manner prescribed
19 in AS 29.12.010 - 29.13.090, the following shall operate as the home
20 rule charter of a municipality organized under AS 29.68.201 - 29.68.251:

21 NAME AND BOUNDARIES

22 Section 1.01. NAME OF MUNICIPALITY. The municipality shall
23 be a municipal corporation known as (INSERT THE NAME OF THE MUNICI-
24 PALITY).

25 Section 1.02. BOUNDARIES. The boundaries of the municipality
26 shall include all areas within the former borough on the effective
27 date of this charter. The boundaries may be altered in the manner
28 provided by law.

29 POWERS

1 Section 2.01. POWERS. The municipality may exercise all
2 legislative powers not prohibited by law or by this charter.

3 Section 2.02. CONSTRUCTION. The powers of the municipality
4 shall be liberally construed. The specific enumeration of a parti-
5 cular power in this charter shall not be construed as limiting the
6 powers of the municipality.

7 Section 2.03. INTERGOVERNMENTAL RELATIONS. The municipality
8 may exercise any of its powers or perform any of its functions and
9 may participate in their financing, jointly or in cooperation, by
10 agreement with any one or more local governments, the State, or the
11 United States, or any agency or instrumentality of these govern-
12 ments.

13 THE ASSEMBLY

14 Section 3.01. POWERS AND DUTIES. The legislative power of
15 the municipality is vested in the assembly. The assembly shall
16 provide for the performance of all duties and obligations imposed
17 upon the municipality by this charter.

18 Section 3.02. TERM AND COMPOSITION. The assembly shall be
19 composed of seven members elected at large. Seats shall be desig-
20 nated by letter. A member of the assembly shall serve a three-year
21 term.

22 Section 3.03. ELIGIBILITY. (a) Only a qualified voter of
23 the municipality who has been a resident of the municipality for at
24 least one year immediately preceding his election or appointment to
25 office shall be qualified for the office of member of the assembly.

26 (b) A member of the assembly shall remain a resident of the
27 municipality while in office.

28 (c) The assembly shall be the judge of the election and
29 qualification of its members. For these purposes the assembly

1 shall have power to subpoena witnesses, administer oaths, take
2 testimony, and require the production of evidence. A qualified
3 voter may appeal to the superior court for review of a decision of
4 the assembly under this section.

5 Section 3.04. PRESIDING OFFICER, MEETINGS AND PROCEDURES.

6 (a) The assembly shall elect annually from its membership a pre-
7 siding officer known as the "chairman". The chairman shall serve
8 at the pleasure of the assembly.

9 (b) The assembly shall meet in regular session at least twice
10 each month. The mayor, chairman of the assembly, or any four
11 members of the assembly may call special meetings.

12 (c) The assembly, by ordinance, shall determine its own rules
13 and order of business, including provision for reasonable notice to
14 the public and to all assemblymen of regular and special meetings.
15 The assembly shall maintain a journal of its proceedings as a
16 public record.

17 (d) Four members of the assembly constitute a quorum; however,
18 a smaller number may recess from time to time and compel the atten-
19 dance of absent members as prescribed by assembly rule.

20 Section 3.05. MUNICIPAL CLERK. The assembly shall appoint a
21 municipal clerk and prescribe the duties of that office. The clerk
22 serves at the pleasure of the assembly.

23 Section 3.06. STAFF. Pursuant to ordinance, the assembly may
24 engage legal counsel, other professional advisers, and staff as it
25 requires in the execution of its legislative functions.

26 THE EXECUTIVE BRANCH

27 Section 4.01. THE OFFICE OF THE MAYOR. (a) The executive
28 and administrative power of the municipality is vested in the
29 mayor. The mayor is elected at large for a three-year term.

1 (b) A candidate for the office of mayor shall be a qualified
2 voter of the municipality and a resident of the municipality for at
3 least one year immediately preceding his election.

4 (c) The mayor shall remain a resident of the municipality
5 while in office.

6 (d) The compensation of the mayor shall be determined by the
7 assembly by ordinance and may not be reduced during his term of
8 office without his consent.

9 Section 4.02. POWERS. (a) The mayor shall appoint all heads
10 of municipal departments, subject to confirmation by the assembly,
11 on the basis of professional qualification. Persons appointed by
12 the mayor serve at the pleasure of the mayor.

13 (b) The mayor may participate in all assembly meetings to the
14 same extent as an assembly member, but may not vote.

15 (c) The mayor has the veto power. The veto must be exercised
16 and submitted to the assembly with a written explanation within 10
17 days of passage of the ordinance affected. The assembly, by vote
18 of six members, may override a veto any time within 30 days after
19 its exercise.

20 Section 4.03. MUNICIPAL ATTORNEY. There shall be a municipal
21 attorney, appointed by the mayor and confirmed by the assembly.
22 The attorney serves at the pleasure of the mayor. The attorney
23 shall advise and assist the municipal government on legal matters.

24 Section 4.04. MUNICIPAL OFFICERS. The municipal clerk and
25 other officers of the municipality are appointed by the mayor or by
26 the assembly, as determined by ordinance. Officers serve at the
27 pleasure of the appointing authority. Appointments by the mayor
28 are subject to confirmation by the governing body.

29 Section 4.05. ADMINISTRATIVE CODE. The assembly, by ordi-

1 nance, shall adopt an administrative code providing for

2 (1) the identity, function and responsibility of each
3 executive department;

4 (2) rules of practice and procedure governing adminis-
5 trative proceedings; and

6 (3) personnel policies and rules preserving the merit
7 principle of employment.

8 Sec. 4.06. BOARDS AND COMMISSIONS. (a) The assembly, by
9 ordinance, may provide for advisory, regulatory or appellate boards
10 or commissions. The ordinance shall prescribe the duties, terms
11 and qualifications of members.

12 (b) Unless otherwise specifically provided in this charter,
13 the mayor shall appoint members of boards and commissions. Appoint-
14 ments are subject to confirmation by the assembly.

15 (c) Boards and commissions may make recommendations to the
16 assembly, the mayor and heads of executive departments on matters
17 specified in the ordinance creating the board or commission.

18 (d) The assembly, by ordinance, may create or designate
19 itself to be a board of review, adjustment or equalization. The
20 ordinance shall prescribe the rules of procedure, including quorum
21 and voting requirements.

22 EDUCATION

23 Section 5.01. PUBLIC SCHOOL SYSTEM. The system of public
24 schools for the municipality shall be operated by a school board of
25 seven persons elected at large. Seats shall be designated by
26 letter.

27 Section 5.02. QUALIFICATIONS, TERM AND COMPENSATION. (a) A
28 candidate for school board shall be a qualified municipal voter,
29 and a resident of the municipality for one year immediately preced-

1 ing the election. A school board member shall serve a three-year
2 term and shall remain a resident of the municipality while in
3 office.

4 (b) The compensation of members of the school board shall be
5 determined by the assembly by ordinance.

6 Section 5.03. POWERS. The school board has the powers pro-
7 vided by law, including but not limited to, the power to

8 (1) formulate policy for the operation of the schools;
9 (2) appoint and provide for suspension and removal of
10 school personnel, including the superintendent;

11 (3) serve as a board of personnel appeals; and

12 (4) generally supervise school district fiscal affairs,
13 including the preparation and submission of the annual budget and
14 capital construction program.

15 Section 5.04. JOINT CONFERENCES. The assembly and school
16 board shall meet at least twice yearly in public session to discuss
17 and coordinate financial planning, capital improvement needs, the
18 comprehensive plan, and other matters of mutual concern.

19 Section 5.05. BUDGET AND CAPITAL CONSTRUCTION PLAN. (a) The
20 superintendent of schools shall submit to the school board at such
21 time as the board directs a proposed budget for the next fiscal
22 year and a proposed six-year program for capital improvements and
23 fiscal policies. The board shall hold at least one public hearing
24 on the proposed budget and program before submitting them to the
25 assembly, and at least one public hearing after assembly action if
26 the total amount is different. The proposed budget and program
27 shall be approved and submitted to the assembly at least 90 days
28 before the end of the current fiscal year of the school district.

29 (b) The assembly may increase or decrease the budget of the

1 school district only as to total amount.

2 (c) The assembly shall approve the budget of the school dis-
3 trict as amended and appropriate the necessary funds at least 60
4 days before the end of the fiscal year of the school district. If
5 the assembly fails to approve the school district budget and make
6 the necessary appropriation within the time stated, the budget pro-
7 posal shall become the budget and appropriation for the fiscal year
8 of the school district without further assembly action.

9 PLANNING

10 Section 6.01. PLANNING COMMISSION. There shall be a planning
11 commission consisting of seven members who shall be appointed by
12 the mayor from among the qualified voters of the municipality.

13 Section 6.02. TERM AND COMPENSATION. (a) The assembly, by
14 ordinance, shall prescribe the terms of office of the members of
15 the planning commission.

16 (b) The compensation of the members of the planning commis-
17 sion shall be determined by the assembly by ordinance. The mayor
18 shall budget for staff assistance and support of the commission.

19 Section 6.03. DUTIES. The planning commission shall

20 (1) report its recommendations and advice to the assem-
21 bly on all proposals submitted to it by the assembly and on such
22 other matters pertaining to planning and zoning as the commission
23 may desire or the assembly may request;

24 (2) formulate and develop planning proposals for sub-
25 mission to the assembly whenever requested to do so by the assembly
26 or upon its own motion;

27 (3) promote public interest in, and understanding of,
28 the municipal comprehensive plan and related matters;

29 (4) perform other advisory functions and duties and

1 exercise other powers as the assembly may establish or which are
2 prescribed by law.

3 Section 6.04. COMPREHENSIVE PLAN. There shall be a compre-
4 hensive plan that shall serve as a guide to all future assembly
5 action concerning land use and development regulations, urban re-
6 newal programs, and expenditures for capital improvements.

7 VACANCIES IN ELECTIVE OFFICE

8 Section 7.01. DETERMINING VACANCIES. (a) An elective office
9 becomes vacant if the incumbent

10 (1) ceases to meet the qualifications prescribed for the
11 office by this charter;

12 (2) resigns;

13 (3) dies;

14 (4) is judicially determined to be incompetent;

15 (5) is convicted of a felony;

16 (6) is removed from office for breach of public trust;

17 or

18 (7) is recalled.

19 (b) Proceedings for the removal of an elected official for
20 breach of the public trust may be initiated by a majority of all
21 members of the assembly or, if the removal involves a member of the
22 school board, by a majority of all members of the school board.

23 The assembly, by ordinance, shall establish procedures for removal
24 of elected officials for breach of the public trust, including
25 provision for notice, a complete statement of the charge, a public
26 hearing conducted by an impartial hearing officer, and judicial
27 review. Removal must be approved by two-thirds of the authorized
28 membership of the assembly or school board, as applicable.

29 Section 7.02. FILLING VACANCIES IN ELECTIVE OFFICE. (a) If

1 a vacancy occurs on the assembly or the school board, the remaining
2 members shall appoint a qualified person to fill the vacancy within
3 30 days. The person appointed shall serve until the next regular
4 election, at which time a successor shall be elected to serve the
5 balance of the term. If less than 30 days remain in a term when a
6 vacancy occurs, the vacancy shall not be filled. However, if at
7 any time membership is reduced to fewer than a quorum, the remain-
8 ing members, within seven days, shall appoint a number of qualified
9 persons sufficient to constitute a quorum.

10 (b) A vacancy in the office of mayor shall be filled at a
11 regular or special election held not less than 45 days nor more
12 than 90 days from the time the vacancy occurs. If less than 45
13 days remain in the term when the vacancy occurs, the vacancy shall
14 not be filled. When a vacancy occurs in the office of mayor, the
15 chairman of the assembly shall serve as the acting mayor until a
16 successor is elected and takes office. The acting mayor has the
17 veto power, but may not vote on assembly action. The assembly, by
18 ordinance, shall provide for further succession to the office of
19 acting mayor.

20 INITIATIVE, REFERENDUM AND RECALL

21 Section 8.01. INITIATIVE AND REFERENDUM. (a) The powers of
22 initiative and referendum are reserved for exercise by the people
23 of the municipality in the manner provided by law. The powers of
24 initiative and referendum do not apply to ordinances establishing
25 budgets, fixing mill levies, authorizing the issuance of bonds, or
26 appropriating funds. A petition for initiative or referendum shall
27 be signed by a number of qualified voters equal to at least 10 per-
28 cent of the voters who cast ballots in the last regular mayoral
29 election.

1 (b) Within 10 days of the filing of a petition for initiative
2 or referendum, the municipal clerk shall certify on the petition
3 whether or not it is sufficient. An initiative shall be submitted
4 to the voters at the next regular election held at least 45 days
5 after certification of the petition. A referendum shall be sub-
6 mitted to the voters at a regular or special election held not
7 later than 75 days after certification of the petition. However,
8 the assembly may submit a referendum to the voters at a later
9 regular or special election if the assembly suspends the ordinance
10 until the election.

11 (c) A referendum petition may be filed at any time. However,
12 filing a referendum petition suspends the ordinance or resolution
13 only if the petition is filed within 60 days after the effective
14 date of the ordinance or resolution. The suspension of the ordi-
15 nance or resolution terminates on a finding of insufficiency of the
16 petition or upon certification of a majority vote against repeal.

17 (d) An initiative petition is void if the assembly enacts an
18 identical measure before the election. A referendum petition is
19 void if the assembly repeals the ordinance or resolution in ques-
20 tion before the election.

21 (e) The assembly may not repeal or substantially alter an
22 ordinance enacted by initiative or enacted under (d) of this sec-
23 tion, or reenact a measure rejected by referendum, within two years
24 after certification of the election at which the enactment or
25 rejection occurred.

26 Section 8.02. RECALL. An elected official may be recalled by
27 the voters in the manner provided by law. A petition to place the
28 recall of an elected official before the voters shall be signed by
29 a number of qualified voters equal to at least 10 per cent of the

1 voters who cast ballots in that district at the last municipal
2 election, excluding a runoff election, at which the official was a
3 candidate. Signers of a petition shall be residents of the municipi-
4 pality. A person appointed to fill a vacancy may be recalled in
5 the same manner as his elected predecessor.

6 LEGISLATION

7 Section 9.01. INTRODUCTION AND ENACTMENT OF ORDINANCES. (a)
8 An ordinance shall be introduced in writing in the form required by
9 assembly rule.

10 (b) An ordinance may be introduced by a member of the assem-
11 bly at a regular or special meeting of the assembly. The mayor may
12 cause an ordinance to be introduced. Following introduction and
13 upon approval of three members of the assembly, the clerk shall
14 publish a notice containing the text of the ordinance or an infor-
15 mative summary of its contents, the time and place for a public
16 hearing on the ordinance, and the time when and place where copies
17 of the ordinance will be available. The public hearing shall be
18 held at least five days after publication of the notice.

19 (c) An ordinance takes effect upon adoption or at a later
20 date specified in the ordinance. Ordinances shall be attested by
21 the municipal clerk and by the chairman of the assembly.

22 Section 9.02. ACTIONS REQUIRING AN ORDINANCE. In addition to
23 other actions which require an ordinance, the assembly shall use
24 ordinances to

- 25 (1) adopt and amend the administrative code;
- 26 (2) levy taxes;
- 27 (3) authorize borrowing of money;
- 28 (4) grant, renew or extend a franchise;
- 29 (5) regulate the rate charged by a utility of the municipi-

1 pality;

2 (6) provide for a fine or other penalty or establish a
3 rule or regulation for the violation of which a fine or other
4 penalty is imposed;

5 (7) adopt or amend zoning or similar land use control
6 measures;

7 (8) convey or lease, or authorize the conveyance or
8 lease, of any interest in lands of the municipality.

9 Section 9.03. EMERGENCY ORDINANCES. In case of an emergency,
10 an ordinance may be introduced and adopted at the same meeting. An
11 emergency ordinance shall contain a finding that an emergency
12 exists and a statement of the facts constituting the emergency. An
13 emergency ordinance is adopted by the affirmative vote of all
14 members of the assembly present or of three-fourths of the total
15 membership, whichever is less. The mayor may veto an emergency
16 ordinance. An emergency ordinance is effective for 60 days unless
17 sooner repealed by resolution.

18 Section 9.04. ADOPTION BY REFERENCE. The assembly, by ordi-
19 nance, may adopt by reference a standard code of regulations or a
20 portion of the statutes of the State of Alaska. The matter adopted
21 by reference shall be made available to the public in a manner pre-
22 scribed by rule of the assembly.

23 Section 9.05. CODIFICATION. The assembly shall provide for
24 the indexing and codification of all ordinances adopted by the
25 assembly. Following adoption of the initial code, all proposed
26 amendments shall be adopted as amendments or additions to the code.

27 FINANCE

28 Section 10.01. FISCAL YEAR. The fiscal year shall start on
29 July 1 and end on June 30 of the following year.

1 Section 10.02. CAPITAL IMPROVEMENT PROGRAM. At least 120
2 days before the end of the fiscal year of the municipality, the
3 mayor shall submit to the assembly, with recommendations from the
4 planning commission, a six-year program for capital improvements of
5 the municipality. The program shall include estimates of the
6 effect of capital improvement projects on maintenance, operation
7 and personnel costs. The assembly shall hold at least two public
8 hearings on the six-year program before its adoption.

9 Section 10.03. OPERATING AND CAPITAL BUDGET. At least 120
10 days before the end of the fiscal year of the municipality, the
11 mayor shall submit to the assembly proposed capital and operating
12 budgets for the next fiscal year. The form and content of the
13 operating and capital budgets shall be consistent with the capital
14 improvement program. The mayor shall submit with the budgets an
15 analysis of the fiscal implications of all tax levies and programs.

16 Section 10.04. BUDGET HEARINGS. The assembly shall hold at
17 least two public hearings on the proposed capital and operating
18 budgets for the next fiscal year, including one public hearing at
19 the next regular meeting after the budgets are submitted to the
20 assembly and one hearing not later than 60 days before the begin-
21 ning of the next fiscal year.

22 Section 10.05. ASSEMBLY ACTION ON THE MUNICIPAL BUDGETS. The
23 assembly may increase or decrease any item, and may add or delete
24 items, in the proposed operating or capital budgets of the munici-
25 pality. The assembly shall approve the budgets of the municipality
26 as amended and by ordinance appropriate the necessary funds at
27 least 60 days before the end of the fiscal year of the municipality.
28 If the assembly fails to approve the capital and operating budgets
29 and to adopt the necessary appropriation ordinance within the time

1 stated, the budget proposals shall become the proposed budgets and
2 appropriation ordinances for the fiscal year without further action
3 by the assembly.

4 Section 10.06. LAPSE OF APPROPRIATIONS. At the close of the
5 fiscal year, an unexpended appropriation shall lapse into the fund
6 from which appropriated. An appropriation for a capital improve-
7 ment, or an appropriation in connection with requirements of federal
8 or state grants, shall not lapse until the purpose of the appropria-
9 tion has been accomplished or abandoned.

10 Section 10.07. BUDGET ADMINISTRATION. (a) No payment shall
11 be made or obligation incurred except in accordance with appropria-
12 tions. Obligations otherwise incurred are void. The assembly, by
13 ordinance, may provide for exceptions in the case of tax refunds or
14 other routine payments.

15 (b) The assembly, by ordinance, may authorize a contract,
16 lease or obligation requiring funds from future appropriations. A
17 lease-purchase agreement with respect to the acquisition of a capi-
18 tal improvement valued in excess of one million dollars is not
19 valid until approved by a majority of the qualified voters voting
20 on the question.

21 Section 10.08. COMPETITIVE BIDDING. The assembly, by ordi-
22 nance, shall provide for competitive bidding for goods and services
23 and shall make provision for exceptions.

24 Section 10.09. FINANCIAL AUDIT. (a) The assembly shall
25 provide for an annual independent audit of all municipal accounts
26 by a certified public accountant. The audit shall be completed
27 within 90 days following the close of the fiscal year.

28 (b) A contract entered into under this section shall provide
29 that the auditor may not engage in any other consultant capacity

1 during the audit or for a period of two years after completion of
2 the contract for audit services.

3 TAXATION

4 Section 11.01. TAXING AUTHORITY. (a) The taxing power of
5 the municipality is vested in the assembly. The taxing power may
6 not be surrendered, delegated, suspended, or contracted away except
7 as provided by law.

8 (b) Private leaseholds, contracts or other interests in land
9 or property owned or held by the United States, the state or other
10 political subdivisions shall be taxable only to the extent of fair
11 market value of the private interest.

12 Section 11.02. TAXING PROCEDURES. (a) The assembly, by
13 ordinance, shall adopt procedures for tax assessment, levy and
14 collection of property taxes. The procedures shall provide for the
15 assessment of property at full and true value, except as otherwise
16 provided by law, and for notice of assessment, appeal and judicial
17 review. Property taxes, with associated collection charges, penal-
18 ties and interest, are first liens upon the property.

19 (b) The assembly by ordinance may adopt a sale and use tax.

20 MUNICIPAL BORROWING

21 Section 12.01. AUTHORITY. The municipality may borrow money
22 for any public purpose and issue its evidences of indebtedness.

23 Section 12.02. LIMITATIONS. (a) No general obligation
24 bonded indebtedness may be incurred unless authorized by the assem-
25 bly and ratified by a majority vote of those in the municipality
26 voting on the question, except that refunding bonds may be issued
27 without an election.

28 (b) Tax or revenue anticipation notes shall be repaid within
29 12 months of the date of issue. When the taxes or revenues antici-

1 pated are not received within this time, the assembly may renew the
2 notes for an additional period not to exceed six months.

3 Section 12.03. FORM AND MANNER OF SALE. The assembly, by
4 ordinance, shall provide for the form and manner of sale of bonds
5 and notes. The sale of bonds and notes to financial consultants of
6 the municipality is prohibited.

7 Section 12.04. PROCEEDS FROM THE SALE OF OBLIGATIONS. Pro-
8 ceeds derived from the sale of obligations shall be used solely for
9 the purposes for which the obligations were issued or for the
10 payment of principal or interest or other charges with respect to
11 the obligations.

12 SERVICE AREAS AND ASSESSMENT DISTRICTS

13 Section 13.01. SERVICE AREAS. (a) A service area to provide
14 a special service within a borough may be established, operated,
15 altered or abolished by the assembly by ordinance.

16 (b) The assembly, by ordinance, shall adopt procedures for
17 establishing, altering, abolishing or operating service areas.
18 Services provided in a service area shall be financed by a uniform
19 tax levy within the area.

20 (c) The assembly may provide for appointed or elected boards
21 to supervise the furnishing of special services in a service area.

22 Section 13.02. ASSESSMENT DISTRICTS. (a) The assembly, by
23 ordinance, may establish assessment districts to provide and
24 finance capital improvements by means of an assessment, or services
25 by means of a tax levy, and shall prescribe criteria for allocating
26 the cost of improvement or service within an assessment district.

27 (b) An assessment district may be established or extended
28 only with the approval of property owners who would bear the cost
29 of more than 50 percent of the estimated cost of the improvement or

1 service. An assessment district established to finance a capital
2 improvement may be dissolved by assembly resolution at any time
3 after the district's share of the cost of the improvement has been
4 paid. An assessment district established to finance a service may
5 not be dissolved without the approval of the property owners who
6 bear more than 50 percent of the cost of providing the service.

7 (c) A special assessment for capital improvements, with
8 interest and collection charges, is a lien on property assessed,
9 second only to property taxes and prior special assessments.

10 (d) An account or accounts for each special assessment dis-
11 trict shall be established and maintained separate from all other
12 municipal accounts. Revenues collected within a special assessment
13 district may be applied only to costs incurred with respect to that
14 assessment district.

15 GENERAL PROVISIONS

16 Section 14.01. CONFLICT OF INTEREST. An elected municipal
17 official may not participate in any official action in which he or
18 a member of his household has a substantial financial interest
19 unless after disclosure of the interest the member's participation
20 is approved by a majority of the body. The assembly, by ordinance,
21 shall implement this section as to elected officials and members of
22 boards and commissions and shall adopt procedures dealing with
23 conflict of interest on the part of municipal employees.

24 Section 14.02. PROHIBITIONS. (a) Except where authorized by
25 ordinance, an elected official of the municipality may hold no
26 other compensated municipal office or employment; or elected posi-
27 tion under the state or municipality while in office.

28 (b) For a period of one year after he leaves office, no
29 member of the assembly or school board may hold compensated munici-

1 pal office or employment which was established, or the salary or
2 benefits of which were specially increased, during the last year in
3 office by the body of which he was a member. The provisions of
4 this subsection do not apply to employment by or election to a
5 charter commission.

6 Section 14.03. PUBLIC MEETINGS. All meetings of the assem-
7 bly, school board, and other boards and commissions shall be public.
8 The assembly, by ordinance, shall adopt procedures for maximum
9 reasonable public notice of all meetings. At each meeting the
10 public shall have reasonable opportunity to be heard. An executive
11 session may be held to discuss pending litigation or any matter the
12 immediate public knowledge of which would tend to affect adversely
13 the finances of the municipality or to defame or prejudice the
14 character or reputation of any person. The general matter for
15 consideration in executive session shall be expressed in the motion
16 calling for the session. No official action may be taken in execu-
17 tive session.

18 Section 14.04. CLAIMS. The assembly, by ordinance, shall
19 provide for the administration of claims against it.

20 Section 14.05. OATHS OF OFFICE. Each municipal officer,
21 before taking office, shall take and subscribe to the following
22 oath or affirmation: "I solemnly swear (or affirm) that I will
23 support and defend the Constitution of the United States, the
24 Constitution of the State of Alaska, and the charter of this munici-
25 pality, and that I will faithfully perform the duties of
26 to the best of my ability."

27 Section 14.06. CONTINUATION IN OFFICE. Each elected official
28 shall continue to serve until his successor qualifies and takes
29 office.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29

TRANSITION

Section 15.01. INITIAL TERMS OF MEMBERS OF ASSEMBLY. Assembly seats A, D and G shall be designated one-year seats. Assembly seats B and E shall be designated two-year seats. Assembly seats C and F shall be designated three-year seats. Candidates for the initial municipal assembly shall designate in the declaration of candidacy or other form of nomination the letter of the seat for which election is sought.

Section 15.02. INITIAL TERMS OF SCHOOL BOARD MEMBERS. School board seats A and D shall be designated one-year seats. School board seats B, E and G shall be designated two-year seats. School board seats C and F shall be designated three-year seats. Candidates for the initial school board shall designate in the declaration of candidacy or other form of nomination the letter of the seat for which election is sought.

Section 15.03. ORGANIZATION OF ASSEMBLY AND SCHOOL BOARD. Members of the assembly and school board first elected under the provisions of this charter shall take office in accordance with AS 29.68.221(d).

Section 15.04. ORGANIZATIONS AND INSTITUTIONS CONTINUED. Special assessment districts, service areas, and regulatory and advisory boards and commissions existing within municipalities on the effective date of unification under this charter continue to function until altered in accordance with this charter.

Section 15.05. TRANSITIONAL BUDGET. The municipality shall operate under the governments of the municipalities to be unified until a municipal budget is adopted in accordance with this charter.

Section 15.06. EMPLOYMENT CONTINUED. All employees of governments being unified shall continue in employment until the assembly

1 adopts by ordinance an administrative code. Current employees of
2 the former governments may be terminated, upon unification, only
3 for cause. Salaries and benefits enjoyed under employment by the
4 former municipalities shall continue until the new code is effec-
5 tive. Pension plans, collective bargaining agreements, and similar
6 benefits shall not be diminished by unification under this charter.

7 Sec. 29.68.261. ELECTION OF CHARTER COMMISSION. If unification is
8 approved in the manner required by AS 29.68.221, the assembly of the
9 unified municipality shall, not later than 90 days before the first
10 regular election of the unified municipality, adopt a resolution calling
11 for a charter commission election in accordance with AS 29.13.010.

12 Sec. 29.68.271. POWERS OF A UNIFIED MUNICIPALITY. A municipality
13 organized under AS 29.68.201 - 29.68.251 shall have all powers

14 (1) not prohibited it by law or the charter set out in sec.
15 251 of this chapter;

16 (2) granted to organized boroughs and first class cities.

17 * Sec. 8. AS 29.13.010 is amended to read:

18 Sec. 29.13.010. MUNICIPAL CHARTER ADOPTION. A first class munici-
19 pality, a municipality established in accordance with AS 29.68.201 -
20 29.68.251 and a municipality established under AS 29.13.010 may adopt a
21 charter for its own government. A home rule municipality may amend its
22 charter or adopt a new one. A charter is framed by a charter commission
23 of five [SEVEN] members chosen by the municipal voters at a regular or
24 special election. A candidate for the commission must be a qualified
25 voter of the municipality and a resident of the municipality for three
26 years immediately preceding the election. A charter commission election
27 is called by filing a petition with the borough assembly, the assembly
28 of a unified municipality, or the city council, or by resolution of the
29 borough assembly, the assembly of a unified municipality, or the city

1 council. The petition must be signed by a number of municipal voters
2 equal to 10 percent of the votes cast in the last regular election of
3 the municipality.

4 * Sec. 9. AS 29.13 is amended by adding a new section to read:

5 Sec. 29.13.090. ASSEMBLY MAY SERVE AS SCHOOL BOARD. The charter
6 commission elected to prepare a charter under the provisions of this
7 chapter within a unified municipality established in accordance with
8 AS 29.68.201 - 29.68.251 may provide that the borough mayor and assembly
9 serve as the school board. If the proposed charter provides that the
10 assembly serve as the school board, the assembly, by ordinance, shall
11 determine the manner of choosing members to serve as the officers of the
12 school board from among the members of the assembly.

13 * Sec. 10. AS 29.68.240, 29.68.250, 29.68.260, 29.68.270, 29.68.280,
14 29.68.290, 29.68.300, 29.68.310, 29.68.320, 29.68.330, 29.68.340, 29.68.350,
15 29.68.360, 29.68.370, 29.68.380, 29.68.390, 29.68.400, 29.68.410, 29.68.420,
16 29.68.430 and 29.68.440 are repealed.

17 * Sec. 11. A right or liability of a municipality established by unifica-
18 tion in accordance with AS 29.68.240 - 29.68.440 and repealed by sec. 10 of
19 this Act is not affected by the enactment of this Act.

20 * Sec. 12. This Act takes effect immediately in accordance with AS 01.10.-
21 070(c).

Mayoria

DRAFT

SELF-GOVERNMENT FOR RURAL ALASKA:
PENDING ISSUES IN BOROUGH FORMATION

prepared for

Senate Committee on Community and Regional Affairs
Sen. Arliss Sturgulewski, Chairman
House Committee on Community and Regional Affairs
Rep. Bill Parker, Chairman
Alaska State Legislature

by

Victor Fischer
221 E. 7th Avenue, #204, Anchorage, Ak 99501

March 31, 1980

PREFACE

The Community and Regional Affairs Committees of the Senate and House joined together between legislative sessions to carry out the "Local Government Study - 1979". The joint committee sponsored a series of research papers, conducted a Local Government Symposium that brought participants from all parts of the state, and held meetings and discussions in many rural areas. These activities and their findings and conclusions are summarized in an interim report of 9/20/79 and the Final Report of January 1980; both are available from the CRA committees. *Leg Info Office*

The results of the joint interim local government study are incorporated in a legislative package covering these bills introduced in the Second Session of the Eleventh Legislature:

SB 348, HB 580	Establishing unorganized boroughs
SB 349, HB 582	Program of Planning Assistance
SB 350, HB 581	Responsibilities of DPDP
SB 351, HB 583	State aid to local governments
SB 352, HB 586	Requiring fiscal notes for bills affecting a municipality
SB 353, HB 585	Incorporation of second class as Home Rule boroughs
SB 354, HB 584	Eliminating the third class borough

This paper has been prepared by committee consultant Victor Fischer to outline topics that need further legislative consideration in order to pursue the committees' goal of bringing greater self-determination and better services to all the people and all parts of Alaska.

TABLE OF CONTENTS

INTRODUCTION AND SUMMARY.	1
IMPLEMENTING THE GOAL OF MAXIMUM SELF-GOVERNMENT.	4
FISCAL ISSUES AND EQUITY CONSIDERATIONS	7
Revenue Base for Rural Boroughs.	7
North Slope Borough.	7
Pipeline Boroughs.	9
Rest of Unorganized Borough.	10
Financial Disparities vs. Equity among Parts of State.	12
Issues in Equity	15
DECENTRALIZATION AND TRANSFER OF STATE SERVICES	18
INTEGRATION OF SERVICE AREAS INTO BOROUGHES.	20
ALASKA NATIVE CLAIMS SETTLEMENT CORPORATIONS.	22

INTRODUCTION AND SUMMARY

The purpose of this paper is to review the issues that still need to be addressed if effective self-governing governmental structures are to develop in rural Alaska. Principal considerations relate to creating organized boroughs and achieving financial equity. The point of departure is the legislative package outlined in the Preface, as well as the pending revisions to the revenue-sharing and school foundation programs.

Enactment of these legislative proposals would help provide people in rural regions with a greater degree of self-determination and a voice in achieving more coordinated provision of state services. However, more problem-solving and legislative action will be required to move toward organized forms of self-governance.

The following are the key topics that will need to be dealt with to provide a foundation for future action by the legislature and the people of rural Alaska:

- Pursuit of the principle of maximum self-government as espoused in the state constitution requires elimination of statutory disincentives to moving from unorganized to organized status, provision of inducements for regional governmental organization, and basic financial support of performance of governmental functions.
- Absence of an adequate tax base in most rural areas is the biggest obstacle to creation of organized boroughs.

- Disparities in property values of different regions are tremendous; they range from per capita values of over \$600,000 in the North Slope Borough to less than \$3,000 in southwest Alaska.
- Among unincorporated regions, only those along the oil pipeline have the potential tax base to support government; other regions do not. *is this true - what about fisheries?*
- Achievement of some measure of equity among regions or areas of the state is justified by the accidental location of taxable resources-related properties and is made possible by the state's petroleum revenues.
- Pertinent to consideration of interregional equity are these questions:

Should the level of services available to people in different areas depend on availability of taxable property?

Should areas with low per capita valuations have to tax themselves at higher rates than wealthy areas to raise the same revenues?

Should state wealth be shared only with organized local governments or should people in all regions receive a share of the state's resources wealth?

What restrictions should the state place on local governments' abilities to tax resource-related properties that happen to lie within their jurisdictions?

- Attention needs to be given to assuring that fundamental services to the people are not so dependent on taxable wealth of local jurisdictions as to raise questions of constitutional legality.
- Decentralization and transfer of state services to regional and local governments would benefit both the state and local areas.

- The use of contracting with municipal governments for performance of state functions would also be mutually beneficial.
- Integration of existing service areas into boroughs as they become organized should be no problem if not accompanied by financial and other penalties for establishing self-government.
- Native lands need to be protected and potential opposition of Native corporations to borough organization needs to be dealt with by authorizing land banking and/or providing property tax exemption for undeveloped lands.

These issues and topics are touched on in the subsequent parts of this paper. They will have to be analyzed in much greater depth if the next legislature is to have a basis for further consideration and action.

IMPLEMENTING THE GOAL OF MAXIMUM SELF-GOVERNMENT

Alaska's constitution established a policy of maximum self-government for the people of the state. To help achieve that end, the constitution requires that the entire state be divided into boroughs, both organized and unorganized. The single unorganized borough that now covers virtually all of rural Alaska is clearly counter to constitutional intent.

9 Bills sponsored by the Community and Regional Affairs Committees of both houses and now before the legislature, particularly SB 348/HB 580, would carry out constitutional objectives and lead to division of the state into appropriate units to be constituted as regional unorganized boroughs.

However, there is no constitutional intent, and there certainly is no requirement, that all boroughs in Alaska be organized as municipal corporations. Rather, a prime purpose of the unorganized borough concept is to

provide people in all areas of the state with: (1) a voice in the provision

promises of state services in their region; and (2) *increasing options if a decision is made to establish a borough by allowing that a home rule charter be written* the opportunity to advance to self-governing status by establishing an organized borough. Both objectives

would be furthered by the CRA *HB 580 - SB 348* committee's legislative package.)

But, one thing the legislative package does not do is provide incentives for, or support creating of, regional borough governments. Nor does it provide the means for regional governments to function.

Dividing the state into regions and allowing unorganized boroughs to move directly into home rule status provides a vehicle for moving toward organized

*Redrafted
to include
SB 546?*

status. Yet, the principal obstacles to ^{creating} organized governments remain: the lack of adequate tax or other financial base, and the existence of state program disincentives to incorporation. These problems are discussed in the next part of this ^{2. What} paper, but it needs to be pointed out here that, without their resolution, establishment of organized governments, and thereby achievement of maximal self-determination, is most unlikely throughout most of rural Alaska. [These factors] were identified by Local Government Symposium participants, and they will continue to plague any efforts toward greater local self-determination.

A basic step, obviously, is to remove penalties and disincentives to establishment of organized governments in rural Alaska. This should not be too difficult a task. It first requires identification of all existing obstacles and disincentives. Then, it becomes a matter for follow-up legislative action.

The next step is creating positive incentives to incorporate. Existing organizing grants are totally inadequate, and [land grants to boroughs provide little benefit when there is little value in, and no market for, land.] (NOTE: Hohman's borough bill provides some real incentives, but I don't have copy so can't make reference specifically.)

Most important, as also discussed below, is establishing a system under which all regions of the state can share in Alaska's natural resource wealth. Only then will all areas of the state have a true option of achieving maximum self-government, since an adequate financial base is

critical to a region's ability to provide needed services and carry on the functions of government.

FISCAL ISSUES AND EQUITY CONSIDERATIONS

Revenue Base for Rural Boroughs

If legislation is passed to establish regional unorganized boroughs throughout the state (SB 348, HB 580), if local people are given a role in regional strategy planning (~~SB 349, HB 582~~), and if coordinated delivery of services within regions is achieved (SB 350, HB 581), the major obstacle to effective self-government will remain -- absence of an adequate tax base in most rural areas. Alaska boroughs must largely rely on (real property taxes) to sustain performance of municipal functions. ^{what percentage of state income is paid?} Current state distributions to boroughs, through revenue-sharing or otherwise, are not adequate to support even the most basic general government functions on a regional basis.

It is only in areas where oil and gas ^{fisheries} properties are located that the foundation exists for support of governmental functions. The North Slope Borough (NSB) provides an excellent example of what a rural region can do when it contains significant taxable property that can generate local revenues. To a lesser degree, a similar situation could apply in other regions located along the trans-Alaska pipeline. However, whether a tax base sufficient to support organized boroughs exists in other parts of rural Alaska is problematical.

North Slope Borough

Incorporated as a borough in 1972, with the clear intent of taxing petroleum-related properties for the benefit of the local people, the North

Slope Borough has a population of around 8,000. About 5,000 live in Barrow and other traditional communities, while some 3,000 are located in camps tied to oil and gas exploration, development, production and transportation. All are counted for purposes of revenue-sharing.

According to NSB's FY 79-80 budget, expenditures amount to \$74 million, of which \$40.9 million is for operating expenses and \$33.1 million is for capital construction and debt service (all figures are rounded). The total amounts to around \$9,250 per capita in the total population, or \$14,800 per person if only those in traditional communities are counted. (Compare to Anchorage, Fairbanks, Juneau?)

yes

Not clear

Revenues are derived principally from oil and gas property taxes -- \$52 million from this source alone. NSB's assessed value is around \$5 billion. The borough raises the maximum allowed under AS 29.53.045 for operating purposes: \$26.2 million, which is equivalent to 5.21 mills on full assessed value. Under AS 29.53.055, NSB collects another \$25.8 million, equivalent to 5.14 mills, for debt service, which is not subject to a property tax revenue limit.

Another \$1.5 million is raised by NSB through sales and use taxes that are applicable mainly to the oil industry and related transactions. The borough also obtains \$13.7 million through intergovernmental transfers, mostly for educational purposes.

Excluding intergovernmental revenues, nearly nine of every ten dollars raised by the borough are derived directly from petroleum industry-related sources. If one took into account indirect income from these sources, the ratio would be even higher.

The statutory limit on property taxation for operations purposes has not so far hampered the NSB. However, it has been reported that, when all authorized capital improvements are on-line, revenues derived under the property tax limit may not be sufficient to operate the facilities and still meet continuing expenditure needs. If and when that point is reached, NSB will have to find other revenue sources or obtain legislative revision of tax limitations. The latter action could well affect benefits accruing to other regions in the state.

Pipeline Boroughs

Other jurisdictions also benefit from location of pipeline and related properties within their boundaries. Within the Fairbanks North Star Borough, 68.4 percent of all real property assessed value (\$1,158 million) was in oil and gas properties (\$792 million), as of January 1, 1979, bringing in \$5.7 million in property tax revenues. Even more extreme is the 95 percent of the City of Valdez' property tax revenues derived from oil and gas property: \$9,211,293 of the \$9,728,050 total.

A number of rural areas are in a position to emulate the North Slope Borough and incorporate a borough to similarly tax oil and gas properties for the

benefit of their residents. These are the areas located along the existing oil pipeline between Prudhoe Bay and Valdez.

The January 1, 1979, assessed value of Alyeska Pipeline Service Company's property within the unorganized borough was \$4.325 million -- or an average of \$8.5 million per mile over a distance of 508.3 miles. Five REAA regions lie in the unorganized borough along the pipeline route. In one of these, the Upper Yukon REAA, steps have been taken to initiate establishment of an organized borough, to be called "Yukon Flats Borough".

The 1979 Darbyshire study of Yukon Flats Borough feasibility concludes that minimum standards for borough incorporation could be met. The key to that conclusion lies in the \$900 million in estimated pipeline-assessed valuation that would be convertible into property tax revenue for government operations of around \$6 million in FY 1981, or approximately \$3,750 per capita. Since there is no limit on revenues raised for bonded debt retirement, tax income derived from pipeline property could go much higher. With projected construction of a gasline through the prospective borough, taxable values would increase further. Similar situations apply in other regions straddling the pipeline corridor.

Rest of Unorganized Borough

The estimated 1978 assessed value of property in the unorganized borough averaged near \$6,000, exclusive of oil and gas property (Milt Barker 11/15/79 memo on financial disincentives), and many rural areas fall below

the above average. The comparable figures for organized boroughs, not including those with major oil and gas properties, range between \$20,000 and \$30,000 per capita.

It is clear that, even at the maximum tax rate of 30 mills, regional boroughs in rural Alaska would not be able to raise sufficient funds from property taxation for general government operations. The problems of local revenue-raising are exacerbated by the generally low income level and, therefore, a lack of sufficient base for a productive sales tax. Difficulties are further compounded by extremely high cost of living and doing business in rural Alaska.

Aside from lack of a local revenue base to fund government operations, rural regions have to beware of potential additional costs that would come to them with incorporation as an organized borough. Under existing law and proposed changes, an REAA loses its "in-lieu" contribution from the state if it becomes part of an organized borough. Barker's memo estimates that the total loss to all REAAs would have amounted to \$7.6 million in FY 77; the amount would be greater today. Organized boroughs would also face a decrease in foundation support for schools and would be required to provide a local match of state funds. Together with loss of in-lieu monies, these factors would cost rural areas \$8 million upon incorporation. (NOTE: This paragraph and others on HB 192 may need update.)

Operational & construction monies?

*3-58199
Sen. Finance
HOUSE*

In addition, any REAA that becomes a borough would lose state support for school construction. Under AS 43.18.100, the state pays 80 percent of

borough school construction debt, whereas the state now fully funds school facilities in REAAs within the unorganized borough.

These costs are in no way offset by additional state support. Under state-local revenue-sharing provisions of HB 192, Barker projects total state revenues to all new rural boroughs of around \$65,000, assuming that these boroughs raised only sufficient local revenues to meet matching requirements under the school foundation program. Even if all rural areas taxed at the common borough millage of 5 or 10 on local properties, their total state support under revenue-sharing would come to only about \$1.3 million. This amount hardly offsets loss of existing school support, constituting only insignificant sums to individual boroughs.

Thus, the rural borough dilemma: oil and gas riches to a few, poverty to the rest. Existing state laws and policies are inadequate to help those who are in need, and do not provide any equitable funds distribution to rural regions, other than in the area of education. State action will be required to resolve the dilemma.

Financial Disparities vs. Equity among Parts of State

Although the principle of state concern for Alaska's local government system is embedded in the constitution, there is no requirement for a guarantee of equity among governmental units or areas throughout the state. Such a concept has, however, been evolving over the years, principally through state-municipal revenue-sharing and through the school foundation program.

There are two factors that both necessitate extending public (i.e., state) concern with interregional equity and provide a basis for dealing with the issue. First is the accidental location of and the tremendous disparity in the distribution of taxable property among different parts of Alaska. The location of valuable taxable property accords with the location of important natural resources and the facilities used in their exploitation. Because such locations bear no relationship to patterns of local government or to local fiscal needs, the result is a great difference in wealth and services among regions. The extremes this disparity can reach are illustrated by an estimated property value of less than \$3,000 per capita in southwest Alaska and a per capita value of over \$600,000 in the North Slope Borough. NSB raises about \$6,500 per capita from taxes on oil and gas properties, while I estimate that a 30 mill tax rate in the southwest would raise less than \$100 per capita -- certainly not enough to even carry out a tax assessment and collection program. The effect of such disparity on the level of services that can be supported by local tax resources is obvious.

personalization

The state has stepped in to limit the amount of tax that can be levied by local governments in position to tax oil and gas properties. In effect, the tax ceiling mainly provides protection for owners of such properties against what some would consider unreasonably high or exorbitant tax payments. But, the tax limitation results in no real redistribution or sharing of wealth or revenues. It provides no help for the poor regions of the state, directly or indirectly.

This situation leads to the second factor that makes concern for equity both appropriate and timely: the state's fiscal situation. Revenues from oil and gas put Alaska in a situation where no part of the state needs be or should be left out of sharing the resource wealth belonging to all the people. Such equity does not now exist.

It is generally accepted that Alaska's natural resources wealth belongs to all of the people, regardless of the location of resources or of the state's citizens. With few exceptions, state resources revenues -- from royalties, severance taxes, and other levies -- accrue to the general fund or the permanent fund for the benefit of all Alaskans.

*Should the
comm
share?*

With large revenues from Prudhoe Bay oil production, the state has the ability to provide assistance to all regions of the state. The principal question before state government and the public is how to allocate these revenues to provide direct and indirect benefits to the people. A major premise of this paper is that some of the money should be used to redistribute part of the state's wealth among all regions of the state.

Equitable sharing of state resources revenues with the regions would bring two important benefits. First, it would permit the state and rural regions to pursue the constitutional goal of achieving maximum local self-government. Second, it would establish a means of channeling a greater share of state wealth into the poorer areas of the state. Given appropriate formulas, such distribution could benefit the more needy areas and individuals to a

BB 488
Long Caudle
3828

greater extent than such vehicles as income tax elimination or per capita distribution of state wealth.

Issues in Equity

Underlying any approach to state efforts to share wealth and equalize revenues are several basic questions of policy and philosophy:

- Should the level of services available to people in different regions and local government depend on taxable property in the jurisdiction?

The answer is "no" in education, where the foundation program provides a basic support level to all, though it does discriminate against organized boroughs.

"No" is the partial answer under existing local government revenue-sharing and HB 192's pending revisions.

"No" was the answer given by the Local Government Symposium of August 1979 conducted by Joint CRA Committee; symposium participants opted for establishment of a new additional state-supported foundation program for a number of "basic services": health and sanitation, ^{assistance, public safety,} public welfare, fire protection, public safety, and regional planning.

- Should local governments with low per capita property valuations have to tax themselves at higher rates than wealthy areas in order to raise the same revenues -- either for needed services or for state matching?

It is generally agreed that the answer must be "no", that the poor should not be burdened with yet greater poverty. This

philosophy is reflected in the proposed revenue-sharing provisions of HB 192.

- Should people in all regions of the state receive a share of the state's wealth, or should sharing apply only to organized local government?

The answer on this issue is as yet undetermined. Revenue-sharing now applies only to organized municipal governments -- cities and boroughs. Existing disparities and statutory disincentives to organized borough formation, such as school support and land selection provisions, now preclude unorganized rural areas from participating in wealth sharing or revenue equalization. However, legislation introduced as far back as 1970 and 1972 proposed programs for state wealth-sharing with both organized and unorganized boroughs, with the funds for the latter managed through the Department of Community and Regional Affairs. The same concept was supported at the 1979 Local Government Symposium.

- Should local jurisdictions that do include taxable wealth be precluded from, or limited in, taxing resource-related properties in favor of state collection and distribution of such taxes?

The answer so far has been to let local governments tax properties in accordance with established limits, save for the exception covering bond repayment requirements. Previous legislative proposals for revenue equalization have preserved existing local taxing prerogatives.

It must be pointed out that legal, as well as equity, considerations are pertinent to policies and decisions on revenue equalization. In 1972, the California Supreme Court held that the state could not maintain a system of education under which the quality of schooling depended upon taxable wealth of school districts; similar decisions have since been handed down in other states. Alaska's educational financing fully meets the California test. However, it is quite possible that the concept may be extended to funding of other fundamental services. For example, it is quite possible that the courts may hold that Alaska's constitution requires state support of quality health, welfare, and other services for all people in the state regardless of local taxable wealth.

These considerations, together with the basic issue of providing adequate support to permit effective regional governments to function, need to be addressed if viable borough governments are to evolve in rural Alaska.

DECENTRALIZATION AND TRANSFER OF STATE SERVICES

Parts of the legislative package sponsored by the Senate and House Community Affairs Committees -- SB 348-349-350, HB 580-581-582 -- would establish a structure and process for coordinating state functions on a region-by-region basis. Participants in the 1979 Local Government Symposium contemplated further steps: decentralized performance of state functions, contracting for delivery of state services, and transfer of some service functions to regional and local governments.

These directions were proposed to overcome inadequacy of present services to rural Alaska, differences in the characteristics and needs of different regions, and state inability to effectively relate its activities with those sponsored by federal agencies, the latter being increasingly performed on a regional basis. Reallocation of existing funds from state into local delivery systems was viewed as facilitating unification of efforts and strengthening regional and community self-determination, while helping stem expansion of state government to serve unmet needs.

Intergovernmental contracting was recommended as a prime means of furthering decentralization of service delivery throughout Alaska. More local control was deemed possible through a contractual approach, ^{which} while would likely prove to be a more economical and efficient method of providing services. Such contracting could be not only with boroughs and cities, but also with nonprofit regional associations that presently contract with

the federal government for performance of many social, health, and economic functions in rural areas.

Symposium participants recognized that the contracting concept is often politically difficult to advance: legislators want to "bring home the bacon", the bureaucracy feels a threat to the existing manner of operating, and often municipalities resist the idea of serving as program deliverers. Yet, state government does contract with municipalities to perform state functions such as road maintenance. Significantly, the state Department of Health and Social Services is in process of contracting with a nonprofit regional corporation for delivery of a broad array of services within its region.

This whole approach needs establishment of clear policies and strong implementation. These need to be grounded in the concept that the state provides the funding, and regional or local entities perform the public functions. Standards and procedures would need to be established by the state to assure that agreed upon levels of performance are met. Under such a strategy, benefits can accrue in important measure to newly-emerging regional boroughs, to the people at the local level, and to state government itself.

INTEGRATION OF SERVICE AREAS INTO BOROUGHES

Alaska's constitution makes service areas part of organized boroughs.

Therefore, as new boroughs are established in rural areas, REAAs and coastal management service areas will have to be integrated into the new units.

Such integration of service areas should present no major structural obstacles, especially if the matter is given some advance attention. In the case of REAAs, they would, if desired, retain their present mode of operations and organization. The main difference would be that, instead of the State Department of Education performing certain oversight functions, budgetary oversight would shift to the borough.

Coastal service areas are principally established to carry on planning. Since that function is a basic responsibility of organized boroughs, it can be assumed that appropriate interrelationship of planning will be effected. This could be in the form of the existing coastal planning operation being absorbed by the borough, or it could be accomplished by constituting the coastal planning effort as the borough's planning department. In addition, a borough would most likely take on some implementation authorities and responsibilities that now rest with the state, such as zoning and local utilities.

Chad More serious than structural integration is the financial penalty attached to absorbing an REAA into an organized borough. Under existing law, "in-lieu" support would be lost and other benefits decreased. For any new

borough not benefiting from high value properties, present and proposed revenue-sharing falls far short of making up losses in state support of school construction and operation. (NOTE: Check against Foundation Plan change proposals.)

Two approaches to dealing with this problem can be considered. First, an overall revenue equalization or wealth-sharing program could be so structured as to assure new organized boroughs that penalties would not be imposed as a result of establishment of a municipal government. Second, the same school funding concepts and formulas applicable in REAAs (i.e., in unorganized areas) can be adopted for organized boroughs, thus achieving full equity regardless of municipal incorporation status.

ALASKA NATIVE CLAIMS SETTLEMENT CORPORATIONS

Congress enacted the Alaska Native Claims Settlement Act (ANCSA) in 1971 in recognition that Alaska Natives had valid claims to the most land in Alaska. ANCSA provided that Native corporations established under the act would select and retain 44 million acres of land. They would further receive \$962.5 million in compensation for lands taken from them.

In the context of this paper, several important issues emerge. First, the function of the money settlement must be clearly understood. Second, the possible effects of regional government organization on Native corporations' abilities to preserve the Native land estate must be recognized and be properly dealt with.

Money provided under ANCSA is to compensate Alaska Natives for property that was taken away from them. It is not a welfare payment; it is not a grant in pursuit of social or economic objectives. The compensation is similar to payments any other property-owner receives if his land is, for example, taken to build a highway. These owners are not expected to use these payments to pay for the schooling of their children or otherwise as a substitute for costs the government would otherwise bear. It should be clear, therefore, that proceeds under ANCSA should not be viewed as a substitute for government support of public services to predominantly Native communities and regions.

At the same time, income generated by Native corporations and distributed to shareholders constitutes income to individuals. As corporations attain a stage of economic viability that permits them to pay significant dividends, ability of individuals and, as a result, of communities, to pay for local services will increase.

p. 11

ANCSA provides that land owned by Native corporations is exempt from taxation until December 18, 1991, unless the land is used to produce revenues. This time limit may be extended by the U. S. Congress.

Most land was selected by Native village corporations on the basis of aboriginal use and subsistence values; a few made selections with the hope of generating income. Those regional corporations that had an opportunity to select land themselves, and not all did, generally chose land that had resources or other economic development potential. While some of these lands will be producing revenues over the next ten years, it is unlikely that many of the 44 million acres acquired under ANCSA will be providing cash income to corporations by the end of 1991.

Even minimal assessed valuations and low tax rates would result in tax levies too large for most village corporations to pay, due to large amounts of economically nonproductive land they will own. The consequence of tax levies could, in effect, be unintended expropriation by government or forced sales to pay taxes. In either case, the Native people could be left without the land that they supposedly received in perpetuity under ANCSA.

VICTOR FISCHER ASSOCIATES CONSULTING
221 EAST 7TH AVENUE #204 • ANCHORAGE, ALASKA 99501 • (907) 272-2381
3-29-80 et seq

To Margo Waring -- some side comments as I review the various comments and rework the draft.

General: I don't have knowledge and info to carry many of the ideas into specific fiscal analysis. I would suggest strong reliance on Milt Barker and Jack Kreinheder for elucidation, explanations, examples, etc., as well as general review and revision of what I have done.

Please check my comments in red on copy of your collective comments and your 3/12 memo to me.

Am having a very hard time with the idea of history of the oil and gas property tax. As I strated getting into that, it became very clear that the only reason the state adopted it was to prevent the North Slope Borough from going its own way in taxing petroleum properties. In fact, initial proposal by Egan & co in 1972 would have been a totally punitive-type tax and would ~~wxxk~~ have worked to discourage borough formation altogether...

My feeling is that we should let that sleeping dog lie. The tax exists, and there is not distribution element to it. Rehashing would not likely be very constructive. Instead, emphasis should be on wealth-sharing -- and that goes back to 1970. If you disagree, I'll pull something together, but it may take a bit of time and may need to be done in Juneau... If you are serious about raising this subject, though, it is something that should, as you suggest in your cover memo, be put in context of philosophy, other oil tax legislation, and alternatives. That would require much time and effort, and it should probably be done for the committee by Jay Gross or Chancy Croft. That could be built into the interim work program, if you consider it worthwhile.

I disagree - it would be information

Done. I hope sufficiently... I found it rather hard getting into this little project. Should have done it last fall when all was lively and pertinent.

If more needs to be done, I should work on it in Juno, both for sake of interaction and sources. Preferably there won't be anything, as I've gone well beyond initially conceived scope and projected costs... *and budgeted*

But there is yet one more thing I need to do, from here -- give you some ideas about followup study implementation. Can't do it tonight (3/31), but will get to you by end of week.

So it goes

regards all

[Signature]

P3 there are some notes in the text regarding checking on some items.

I VIEW THIS STILL AS A DRAFT

Just realized that I forgot to put something in that needs doing -- developing appropriate policies and criteria for equity/wealth sharing -- that's one that should be worked in somewhere... but I'm on way to send this now...

SEE MY COMMENTS

FISCAL ISSUES AND EQUITY CONSIDERATIONS

K

Introduction

Division of rural Alaska into regional unorganized boroughs, as proposed by the CRA Committee and enactment of a new revenue sharing law, HB 192, *year/senate* *✓ House CRA* *would* will be significant steps toward providing a better basis for coordinated provision of state services and a fairer distribution of state funds. However, though in themselves *necessary* commendable, these measures *alone* will not yet establish a basis for self-government and for equitable sharing of state wealth among all parts of Alaska.

If legislation passed which established
Even after regional unorganized boroughs are established throughout the state and they *if* *are given* *planning through regional strategy* *Studies & other DPDP studies* *(SB)* local people a role in achieving planned and coordinated delivery of services within their regions, the major obstacle to effective self-government remains: absence of an adequate tax base in most rural areas. ~~The fiscal situation of Alaska boroughs is still such that they must rely on real property taxes to sustain performance of municipal functions.~~ Current state distributions to boroughs, through revenue sharing or otherwise, are not adequate to support even the most basic general government functions on a regional basis.

It is only in areas where oil and gas properties are located that the foundation exists for support of governmental functions. One needs but to look at the North Slope Borough experience to see what such properties can do for an organized borough. In a smaller measure, the same situation applies in other regions located along the trans-Alaska pipeline. Whether a tax base sufficient to support organized boroughs in other parts of rural Alaska is problematical.

1

The North Slope Borough (NSB) provides an excellent example of what a rural region can do when it contains ^{significant} large amounts of taxable property that can generate local revenues.

Incorporated as a borough in 1972, with the clear intent of taxing petroleum related properties for the benefit of the local people, NSB has a population of around 8,000. About 5,000 live in Barrow and other traditional communities, while about 3,000 are located in camps tied to oil and gas exploration, development, production and transportation.

MARGO - I DON'T HAVE THIS INFO HANDY

According to NSB's FY 1979-80 budget, expenditures amount to \$74 million, of which \$40.9 million is for operating expenses and \$33.1 million is for capital construction and debt service (all figures are rounded). The total amounts to around \$9,250 percapita in the total population or

\$14,800 per person if only those in traditional communities are counted.

(Compare to Anchorage, Fairbanks, Juneau?)

Revenues are derived principally from property taxes, \$52 million from this source alone. NSB assessed value is around \$5 billion. Under AS 29.53.045, the borough is limited to property tax collections for operating purposes of \$26.2 million, amounting to 5.21 mills on full assessed value. Under 29.53.055, NSB collects another \$25.8 million, equivalent to 5.14 mills, for debt service, which is not subject to the property tax revenue limit.

In the NSB,
Another \$1.5 million is raised by sales and use taxes [of that derived from the use tax levied on storage, use or consumption of tangible property] applicable mainly to the oil industry and related transactions. The borough also obtains \$13.7 million through intergovernmental transfers, mostly for education ^{AL} purposes.

Excluding intergovernmental revenues, nearly nine of every ten dollars raised by the ^{NSB} borough are derived directly from petroleum industry related

all this sent in previous #?

note - collected for revenue showing

I could get, but you CAN PROBABLY GET PRINT FROM CRA OR MILT BARKER

I don't want to go into... makes it impossible to compare people are

(mill rate)

since they are figured on 22.5% assessed value 30 mil oil debt 29.6 mil debt 59.6 mil debt

sources. If one took into account indirect income from these sources, the ratio would be even higher.

The statutory limit on property taxation for operations purposes has not so far hampered the NSB. However, it has been reported that when all authorized capital improvements are on line, revenues derived under the property tax limit may not be sufficient to operate the facilities and still meet continuing expenditure needs. If and when that point is reached, NSB will have to find other revenue sources or obtain legislation revision of tax limitations. The latter action could well affect benefits accruing to other regions in the state.

Pipeline boroughs

Other jurisdictions also benefit from location of pipeline and related properties within their boundaries. Within the Fairbanks North Star Borough, 68.4 percent of all real property assessed value (\$1,158 million) was in oil and gas properties (\$792 million) as of January 1, 1979, bringing in \$5.7 million in property tax revenues. Even more extreme is the 95 percent of the City of Valdez' property tax revenues derived from oil and gas property: \$9,211,293 of the \$9,728,050 total.

A number of rural areas are in a position to emulate the North Slope and incorporate a borough to similarly tax oil and gas properties for the benefit of their residents. These are the areas located along the existing oil pipeline between Prudhoe Bay and Valdez.

The January 1, 1979 assessed value of Alyeska Pipeline Service Company property within the unorganized borough was \$4.325 million, or an average of \$8.5 million per mile over a distance of 508.3 miles. Five REAA regions lie in the unorganized borough along the pipeline route. In one

I don't have enough info
of these, the Upper Yukon REAA, steps have been taken to initiate establishment of an organized borough, to be called "Yukon Flats Borough."

The 1979 Darbyshire study of Yukon Flats Borough feasibility concludes that minimum standards for borough incorporation would be met. The key to that conclusion lies in the \$900,000,000 in estimated pipeline assessed valuation that would be convertible into property tax revenue of around \$6 million in FY 1981. Per capita revenues would be approximately \$3,750.

word [Revenues raised for bond retirement would permit tax revenues derived from pipeline property to go yet higher.] With projected construction of a gas line through the prospective borough, taxable values would increase further. Similar situations apply in other regions straddling the pipeline corridor.

Maybe the gasline & its implications should be a sep section
YES, THAT WOULD BE GREAT
Note: this would be proper place to include Table 1 from Milt Barker, Legislative Finance, memo of Nov. 15, 1979, but it's probably too complex and there are some problems with figures.)

Rest of Unorganized Borough

include - but as summary info?
Milt could draft
The estimated 1978 assessed value of property in the unorganized borough averaged near \$6,000, exclusive of oil and gas property (Milt Barker 11/15/79 memo on financial disincentives). The comparable figures for organized boroughs, not including those with major oil and gas properties in the range between \$20,000 and \$30,000 per capita.

word *As one takes into account the tax problems in urban boroughs and the fact that many rural areas would fall below the above average, it is clear that even at the maximum tax rate of 30 mills, regional boroughs in rural Alaska would not be able to raise sufficient funds from property taxation for general government operations.* The problems of local revenue raising are exacerbated by the generally low income level, extremely high cost of living and doing business, and lack of sufficient base for a productive sales tax.

Aside from lack of a local revenue base, rural regions have to beware of potential additional costs that would come to them with incorporation as an organized borough. Under existing law, and REAA loses its "in-lieu" contribution from the state if it becomes part of an organized borough.

Barker has estimated that the total loss to all REAAs would have amounted

to \$7.6 million in FY 77; the amount would be greater today. Organized

boroughs would also face a decrease in foundation support for schools

and would be required to provide a local match of state funds. Together

with loss of in-lieu monies, these factors would cost rural areas \$8 million

upon incorporation.

These costs are in no way offset by additional state support. Under

revenue sharing provisions of HB 192, total revenues to all new rural

boroughs would be around \$65,000, assuming that these boroughs raised

only sufficient local revenues to meet matching requirements under the

school foundation program. Even at the common borough millage of 5 or 10 mills

on local properties, total support under revenue sharing would come to

only about \$1.3 million. This amount hardly offsets school support losses

and would mean only insignificant sums to individual boroughs. Barker also

shows that even under the most favorable assumptions, [shared corporate

income taxes (AS 43.20.016)] would not materially assist most rural

boroughs.

Thus, the rural borough dilemma: oil and gas riches to a few, poverty to

the rest. Existing state laws and policies are inadequate to help those

who are in need, and do not provide any equitable funds distribution to

rural regions, other than in the area of education.

How about footnotes
in back for figures, etc.?

I'd prefer not to, keep simple

WHY, WHAT?

also different
level of paying
capital cost
substantial
discrepancy not
addressed by
school foundation
report

margo - we have
copy of school
foundation report
+ SB 199(?) as
much amended
will address
this

check
w/ new
bill
YES
I DON'T
KNOW

Financial Disparities

Alaska's constitution requires that the entire state be divided into boroughs, both organized and unorganized. The single unorganized borough that now covers virtually all of rural Alaska is clearly counter to the constitution's intent. Bills now before the legislature would carry out constitutional objectives and lead to division of the state into logical socioeconomic units to be constituted as regional unorganized boroughs.

There is no constitutional intent, however, and there certainly is no requirement that all boroughs in Alaska be organized as municipal corporations. [Rather, a prime purpose of the unorganized borough concept is to provide people in all areas of the state with a voice in the provision of state services in their region] and with the opportunity to advance to self-governing status by establishing an organized borough. [Again, pending legislation would make possible both these aims.]

not so

WHIT IS IT?

Although the principle of state concern for Alaska's local government system is embedded in the constitution, there is no requirement for a guarantee of equity among governmental units or areas throughout the state. This concept has, however, been evolving over the years, principally through state-municipal revenue sharing and through the school foundation program.

There are two factors that both necessitate further public (i.e., state) concern with interregional equity and provide a basis for dealing with the issue. [First is the tremendous disparity in the distribution of taxable property among the unorganized borough regions.] The location of valuable taxable property accords with the location of important natural resources and the facilities used in their exploitation. Because such locations bear no relationship to patterns of local government or to local fiscal needs, the result is a tremendous disparity in wealth and services

organized & unorganized - as the situation of accidental location

among regions. The extremes this disparity can reach are illustrated by an estimated property value of less than \$3,000 per capita in southwest Alaska and a per capita value of over \$600,000 in the North Slope Borough.

The ^{USB} latter raises about \$6,500 per capita from taxes on oil and gas properties, while a 30 mill tax rate in the southwest would raise less than \$100 per capita, certainly not enough to even carry out a tax assessment and collection program. The effect of such disparity on the level of services that can be supported by local tax resources is obvious.

Do we need to qualify using inadequate though the minimum data

The state has stepped in to limit the amount of tax that can be levied by local governments in position to tax oil and gas properties. In effect, the tax ceiling mainly provides protection for owners of such properties against what some would consider unreasonably high or exorbitant tax payments. But the tax limitation results in no real redistribution or sharing of wealth or revenues. It provides no help for the poor regions of the state, directly or indirectly.

This situation leads to the second factor that makes concern for equity both appropriate and timely: the state's fiscal situation, ^{because} For Revenues from oil and gas put Alaska in a situation where no parts of the state need be or should be left ² out of sharing the resource wealth belonging to all the people.

There is no need to here delve into the state's ability to provide assistance to all regions of the state. The revenues are available, and it is principally a matter of deciding where the money will go. The purpose in this paper is to consider the case for using some of it to redistribute part of the state's wealth among all regions of the state.

Issues in equity

Underlying any approach to state efforts to share wealth and equalize revenues are several basic questions of policy and philosophy: Should the level of services available to people in different regions and local government depend on taxable property in the jurisdiction? The answer is "no" in education, where the foundation program provides a basic support level. "No" is the partial answer under existing revenue sharing and - *expanded*

HB 192? pending revisions, "No" was the answer given by the Local Government Symposium of August 1979 conducted by Joint CRA Committee; Symposium participants opted for establishment of a new additional state-supported foundation program for a number of "basic services": health and sanitation, *assistance* public ~~welfare~~, fire protection, public safety, and regional planning. *public safety inc. fire protection* *not according to the final report*

Should local governments with low percapita property valuations have to tax themselves at higher rates than wealthy areas in order to raise the same revenues, either for needed services or for state matching? It is generally agreed that the answer must be "no," that the poor should not be burdened with yet greater poverty. This philosophy is reflected in the new revenue sharing provisions *proposed in HB 192*.

Should people in all regions of the state receive a share of the state's wealth, or should sharing apply only to organized local government? The answer on this issue is not *as yet undetermined* in. Revenue sharing applies only to organized

explain here or a separate section municipal governments--cities and boroughs. Existing disparities and statutory disincentives to organized borough formation now preclude unorganized rural areas from participating in wealth sharing or revenue equalization. However, legislation introduced as far back as 1970 and 1972 proposed programs for state wealth sharing with both organized and unorganized boroughs, with the funds for the latter managed through the Department of Community and Regional Affairs. *tree? YES* The same concept was supported at the 1979 Local Government Symposium. *history - ci* *tail here*

Should local jurisdictions that do include taxable wealth be precluded from taxing resource-related properties in favor of state collection and distribution of such taxes? The answer so far has been to let local governments tax properties in accordance with established limits, save for the exception covering bond repayment requirements. Previous legislative proposals for revenue equalization have preserved existing local taxing prerogatives.

It should be pointed out that legal, as well as equity, considerations are pertinent to policies and decisions on revenue equalization. In 1972, the California Supreme Court held that the state could not maintain a system of education under which the quality of schooling depended upon taxable wealth of school districts. Similar decisions have since been handed down in other states. [The rulings do not apply to current educational financing in Alaska, but may be extended to funding of other fundamental services such as public protection and basic sanitation.]

sup- he used
the argument
would run

Integration of Service Areas

Alaska's constitution makes service areas part of organized boroughs. Therefore, as new boroughs are established in rural areas, REAA's and coastal management service areas will have to be integrated into the new units.

Such integration of service areas should present no major structural obstacles, especially if the matter is given some advance attention. In the case of REAA's, they could, if desired, retain their present mode of operations and organization. The main difference would be that instead of the state Department of Education performing certain oversight functions, budgetary oversight would shift to the borough. [Alternatively, especially under home rule, an area might decide to make different arrangements for operating borough schools. *What does this mean?*]

Explain - such as, benefits/costs

Coastal service areas are principally established to carry on planning. Since that function is a basic responsibility of organized boroughs, it can be assumed that appropriate interrelationship of planning will be effected. This could be in the form of the existing coastal planning operation being absorbed by the borough, or it could be accomplished by constituting the coastal planning effort as the borough's planning department.

Wastewater implementation benefit.

More serious than structural integration is the financial penalty attached to absorbing an REAA into an organized borough. Under existing law,

"in-lieu" support would be lost and other benefits decreased. For any new, borough not benefiting from high value properties, present and proposed revenue sharing falls far short of making up these losses in state support.

Two approaches to dealing with this problem can be considered. First, an overall revenue equalization or wealth sharing program could be so structured as to assure new organized boroughs that penalties would not be imposed as a result of establishment of a municipal government. Second, the same school funding formula applicable in REAAs, i.e., unorganized areas, can be adopted for organized boroughs, thus achieving full equity between them.

PLEASE DO

check

*important
consider
in
construction/
operating*

check

Alaska Native Claims Settlement Corporations

Congress enacted the Alaska Native Claims Settlement Act (ANCSA) in 1971 in recognition that Alaska Natives had valid claims to the most land in Alaska. ANCSA provided that Native corporations established under the act would select and retain 44 million acres of land. They would further receive \$962.5 million in compensation for lands taken from them.

In the context of this paper, several important issues emerge. First, the function of the money settlement must be clearly understood. Second, the possible effects of regional government organization on Native corporation's ability to preserve the Native land estate must be recognized and be properly

dealt with.

Money provided under ANCSA is to compensate Alaska Natives for property that was taken away from them. It is not a welfare payment; it is not a grant in pursuit of social or economic objectives. The compensation is similar to payments any other property owner receives if their land is, for example, taken to build a highway. These owners are not expected to use these payments to pay for the schooling of their children or otherwise as a substitute for costs the government would otherwise bear. It should be clear, therefore, that proceeds under ANCSA should not be viewed as a substitute for government support of public services to predominantly Native communities and regions.

At the same time, income generated by Native corporations and distributed to shareholders constitutes income to individuals. As corporations attain a stage of economic viability that permits them to pay significant dividends, ability of individuals and, as a result, of communities to pay for local services, will increase.

ANCSA provides that land owned by Native corporations is exempt from taxation until December 18, 1991, unless the land is used to produce revenues.

Most land was selected by Native village corporations on the basis of aboriginal use and subsistence values; a few made selections with the hope of generating income. Those regional corporations that had an opportunity to select land themselves, and not all did, generally chose land that had resources or other economic development potential. Under the most optimistic assumptions, it is likely that many of the 44 million acres will be producing revenues by the end of 1991.

Even minimal assessed valuations and low tax rates would result in tax levies too large for most village corporations to pay due to large amounts

*Only if these dividends are as projects in the region that generate
NO - could be for utility, etc. pay
sales taxes*

while some of

*the land will be producing revenues by 1991, most
will not.*

Speculative

of economically nonproductive land they will own. The consequence will
be expropriation by government or forced sale to pay taxes. In either case, ?
the people would be left without the land that they supposedly received
in perpetuity under ANCSA.

This problem is critical in considering establishment of organized
boroughs in rural Alaska. The very regional governmental units that
would be designed to bring benefits and local self-government to the
people could conceivably deprive them of their land, undermine their life-
style, and leave them disinherited. It is thus critical that this
situation be carefully addressed and resolved before steps toward extensive
rural borough organization are undertaken.

There are several ways of dealing with the potential problem of taxing
non-productive lands owned by Native corporations in rural Alaska:
Land banking can be authorized by the U.S. Congress or by the Alaska
legislature to shelter land from taxation while in unused, reserved status.

The state can exempt from local property taxes undeveloped land over a
certain acreage. (10,100 or 200 acres?) so long as it produces no revenue
to the private owner. Such a tax exemption might be applied to all property
owners.

*Uncertainty to arise because - Yes & No - opens
another major field that I'd rather not get into*

State policy and implementing action on this matter needs to be taken without
delay. *There are 10 years - the 2 questions need to*

It's long policy & history - etc

*be looked at
without delay -
but the answer
is 9/ in time.*

Alaska State Legislature

SENATOR
LISS STURGULEWSKI

COMMITTEES
CHAIRMAN
Community & Regional Affairs

VICE-CHAIRMAN
Commerce

Health & Social Services



Senate

2957 SHELDON JACKSON
ANCHORAGE, ALASKA 99504
DISTRICT 10-H

While in Juneau
FOUCH Y
JUNEAU, ALASKA 99801
(907) 485-3712

*H/C Vic Fischer
for pick up
272-2381*

3/12/80

TO: VIC FISHER
FROM: MARGO WARING

I've reviewed your draft material and have a few comments to make in addition to or in enlargement of marginalia.

First, regarding the marginalia, question marks generally mean that the intention is unclear or could be misunderstood.

I think that prior to those sections that deal with the oil properties tax--and perhaps picked up again in the equity sections--it would be helpful to give a run-down of the history of that tax, the arguments pro and con, etc. This might give some historical perspective to the issue and give people a feel for the length of time under which this question has been discussed.

Page 4--I think it would be helpful, again for prespective purposes to discuss the issue of the gasoline. How would things shake-out regarding taxable properties if the gasoline goes thru on the currently predicted route? Questions of scale and quantity can sometimes clarify an issue for some folks who can ignore a one shot deal.

Regarding the "tax problems in urban boros", what had you in mind here? Same paragraph--did you have some basic figure in mind, that is the basic cost of general government operations? The disparity between the potential tax at the highest mill levy and the actual cost may be helpful.

Page 5 and other places, as I mentioned when I was in Anchorage, I think that you should check out the proposed changes in the School Foundation Program and whether or not the points you make here are (would be) right to do.

Page 7--middle of the page and to the end--In this section, do you think it would be worthwhile to restate the point that even if state wealth is redistributed by, for example, tax rebates, such wealth redistribution does not help local governments and their situation as local governments can tax property but not income.

Further, you haven't addressed the whole issue of whose wealth is it (tho this issue could come out in a section dealing with the history), unless there is some reason otherwise, except for the reference to the accidents of location. I think that this question could be profitably explored, especially in terms of the basic philosophically different approaches in different tax programs, some of which regard natural resources as state wealth and a few which do not. The implicit assumptions in other oil tax legislation vs. the oil properties tax might be a useful starting point. Alternative ways of handling local impact from oil properties (one of the justifications for the current oil properties tax split) could also be mentioned.

Page 8--I think that it would be good, either in this paragraph or elsewhere to discuss how revenue sharing has a "partial no".

Do you think it would be going too far afield to discuss (perhaps with the financial disincentives section) other "statutory disincentives"?

Page 9--Expand the "Issues in equity" section, perhaps at the end of the last paragraph on this page, to identify how the argument would run, not in any particular detail, but the main statements of the argument: Basic services are equivalent to educational services in that . . . If educational services cannot be dependent on . . . Then . . . That type of thing.

Vic Fisher
page 2

Page 10--end of first paragraph. We may as well put in the plug that says that upon borough formation, not only would planning go to the new borough's planning department, but they would also certain implementation responsibilities and authorities that now rest with the state.

Page 11--Again, individual wealth is different than local government's potential revenue sources. This would be significant only if the dividends were on projects in the region and were property taxable.

Again, it might be good if early on you were to state what it is that local governments can tax--boroughs of which class and cities too.

Page 12-- You might point out land banking in the state or tax deferral scheme for instance the Agriculture ones, and the similarity of what is suggested here Native lands.

Sorry that I sort of rushed through this, but I hope it will be a little bit useful to you.

I think, too as you suggested, that the "critical paragraphs will be very useful for focussing, because the paper, as Arliss put it, "needs a statement of direction". After the problems are identified, then what? Arliss also felt that there were other public policy issues that should be identified and discussed how to or to what extent maximum self government can be encouraged--what does concept mean in the context of what is happening? Also about the ability to decentralize and transfer services. She also asked me to point out (as in her marginal comment) that there is the point of school construction, which is different than school operation. Organized boroughs pay float revenue bonds for 80%, etc very different than the situation in unorganized boroughs.

My own general comments are in agreement with Arliss', that a more focussed approach on statewide equity (fiscal) questions and their relationship to new boroughs be better. I also think that you assume too much knowledge on the part of your readers--about tax structures and history, about legislation and the interim. Do you think that a reorganization of the sections would help to focus on the about fiscal equity and wealth redistribution and its relationship to organized government?

I hope that there will be a summary page, since I've noticed that few legislators spend much time reading.

~~Rathaxxihaixixx~~ While I may try to telex up the copy of your paper that has Arliss' and Marge's marginal notes (yellow for Arliss=review), I will bring the copy up with me to Anchorage on March 18 (arriving airport at 5:40) and you can pick up the copy then. Please confirm that this is what you would like to do.

Alaska State Legislature

SENATOR
LISS STURGULEWSKI
COMMITTEE
CHAIRMAN
Rural & Regional Affairs
VICE-CHAIRMAN
COMMITTEE
Health & Social Services



Senate

3957 SHELDON JACKSON
ANCHORAGE, ALASKA 99504
DISTRICT 10-H

While in Juneau
POUCH V
JUNEAU, ALASKA 99801
(907) 485-2712

*P/C Vic Fisher
for pick up
272-2381*

5/12/80
VIC FISHER
FROM: MARGO WARING

I've reviewed your draft material and have a few comments to make in addition to or in enlargement of marginalia.

First, regarding the marginalia, question marks generally mean that the intention is unclear or could be misunderstood.

I think that prior to those sections that deal with the oil properties tax--and perhaps picked up again in the equity sections--it would be helpful to give a run down of the history of that tax, the arguments pro and con, etc. This might give some historical perspective to the issue and give people a feel for the length of time under which this question has been discussed.

Page 4--I think it would be helpful, again for prespective purposes to discuss the issue of the gasoline. How would things shake out regarding taxable properties if the gasoline goes thru on the currently predicted route? Questions of scale and quantity can sometimes clarify an issue for some folks who can ignore a one shot deal.

Regarding the "tax problems in urban boros", what had you in mind here? Some paragraph--did you have some basic figure in mind that is the basic cost of general government operations? The disparity between the potential tax at the highest mill levy and the actual cost may be helpful.

Page 5 and other places, as I mentioned when I was in Anchorage, I think that you should check out the proposed changes in the School Foundation Program and whether or not the points you make here are (would be) right to do.

Page 7--middle of the page and to the end--In this section, do you think it would be worthwhile to restate the point that even if state wealth is redistributed by, for example, tax rebates, such wealth redistribution does not help local governments and their situation as local governments can tax property but not income.

Further, you haven't addressed the whole issue of whose wealth is it (tho this issue could come out in a section dealing with the history), unless there is some reason otherwise, except for the reference to the accidents of location. I think that this question could be profitably explored, especially in terms of the basic philosophically different approaches in different tax programs, some of which regard natural resources as state wealth and a few which do not. The implicit assumptions in other oil tax legislation vs. the oil properties tax might be a useful starting point. Alternative ways of handling local impact from oil properties (one of the justifications for the current oil properties tax split) could also be mentioned.

Page 8--I think that it would be good, either in this paragraph or elsewhere to discuss how revenue sharing has a "partial no".

Do you think it would be going too far afield to discuss (perhaps with the financial disincentives section) other "statutory disincentives"?

Page 9--Expand the "Issues in equity" section, perhaps at the end of the last paragraph on this page, to identify how the argument would run, not in any particular detail, but the main statements of the argument: Basic services are equivalent to educational services in that . . . If educational services cannot be dependent on . . . Then . . . That type of thing.

Vic Fisher
page 2

Page 10--end of first paragraph. We may as well put in the plug that says that upon boro formation, not only would planning go to the new boro's planning department, but they would also certain implementation responsibilities and authorities that now rest with the state.

Page 11--Again, individual wealth is different than local government's potential revenue sources. This would be significant only if the dividends were on projects in the region and were property taxable.

~~Page 11--it might be good if early on you were to state what it is that local governments can tax--boros of which class and cities too.~~

Page 12--You might point out land banking in the state or tax deferral scheme for instance the Agriculture ones, and the similarity of what is suggested here Native Lands.

Sorry that I sort of rushed through this, but I hope it will be a little bit useful to you.

I think, too as you suggested, that the "critical paragraphs" will be very useful for focussing, because the paper, as Arliss put it, "needs a statement of direction". After the problems are identified, then what? Arliss also felt that there were other public policy issues that should be identified and discussed how to or to what extent maximum self government can be encouraged--what does concept mean in the context of what is happening? Also about the ability to decentralize and transfer services. She also asked me to point out (as in her marginal comment) that there is the point of school construction, which is different than school operation. Organized boroughs pay float revenue bonds for 80%, etc very different than the situation in unorganized boroughs.

My own general comments are in agreement with Arliss', that a more focussed approach on statewide equity (fiscal) questions and their relationship to new boroughs be better. I also think that you assume too much knowledge on the part of your readers--about tax structures and history, about legislation and the interim. Do you think that a reorganization of the sections would help to focus on the about fiscal equity and wealth redistribution and its relationship to organized government?

I hope that there will be a summary page, since I've noticed that few legislators spend much time reading.

~~Rathxxxxhxxxxxxx~~ While I may try to telex up the copy of your paper that has Arliss' and Marge's marginal notes (yellow for Arliss=review), I will bring copy up with me to Anchorage on March 18 (arriving airport at 5:40) and you pick up the copy then. Please confirm that this is what you would like to do

TO ARLISS
FROM MARGO
RE VIC F's PROPOSAL/ CRA PROJECT

After my return, I believe that I see this project in a slightly different light. Perspective, I guess.

First, I read over his proposal re the financial/institutional analysis. I also spoke briefly with Marge about this. She confirmed my impression that it is unclear what Vic had in mind. If I had to set up a work program for it, I don't think I'd know what to put down. Marge agrees with this assessment.

Secondly, as I thought about it, it seemed to me that the more global project of looking at the financing of services in rural Alaska, while it is needed and important, has no particular support. Witness the problems with SB 348 and with the Capital Foundation. Most of the rural folks are scared to have anyone look at the question as it might involve looking at possible taxes. On the other side there are significant numbers of folks who see this (taxation) as the only way--taxes or no government--as represented by Parr and Kelly.

Third, some of the background work that needs to be done would be done if 348/350 passes; i.e., how much is spent and by whom and for what in rural Alaska, and the economic analysis that will be done for each of the regional strategy studies. It would be after this info is in that alternatives could be looked at most fruitfully, especially if the conclusion is that the Legislature has a different set of responsibilities for the unorganized boros, as the assembly--or whatever other alternatives seem feasible.

Fourth, there is still a whole set of work that needs to be done, but a set that has some constituency and a little bit of visibility. I also think that this set of tasks is more manageable than the ones suggested at in Vic's proposal.

Project

What will be the effect of the gasline on local government?

Tasks:

Assuming that the oil and gas properties tax remains unchanged, what is the expectable range of possible tax along the pipeline corridor?

What levels of taxation are likely? Based on past experience in NSB, Kenai, etc.

What disparities are created between pipeline boros (or potential boros) and other areas of the state?

What conclusions can be drawn regarding disparities in tax base and level of taxation required for the provision of minimal services?

What alternatives are possible?

Most of this work could be conducted by House Research and by Legislative Finance. There also would be a focus for efforts, a focus on something people anticipate happening (vs. everyone's apparent sense that sleeping dogs should be let lie re rural Alaska).

VICTOR FISCHER ASSOCIATES CONSULTING

221 EAST 7TH AVENUE #204 • ANCHORAGE, ALASKA 99501 • (907) 272-2381

January 30, 1980

MEMO TO ARLISS STURGULEWSKI & BILL PARKER, CRACOMMITTEES, ALASKA LEGISLATURE

RE: "pipeline boroughs" and beyond

At your request, I have looked at possible preparation of a "primer" and issue papers on several interrelated matters: potential of the trans-Alaska pipeline and related properties providing an economic base for boroughs, new and existing, along the pipeline corridor; possible problems resulting from lack of property taxation ceiling for payment of debt service, thus effectively resulting in lack of a tax limit; and equity and other considerations entailed in local vs. state use of pipeline property tax revenues, particularly from standpoint of rural areas not located along the pipeline.

I have concluded that such an effort is not 'doable' at this time, and certainly not within the scope of present resources available for my participation. The materials that have been assembled as part of the local government study are totally inadequate for this task. Although good information is available on the North Slope Borough, much additional data will be required for Fairbanks and Valdez, as well as for most of the unorganized areas along the pipeline. Thus, the fiscal and economic base data is insufficient to even properly examine the issues posed about 'pipeline boroughs.'

Elke Kallab's May 24, 1979 memo and other Alaska-wide fiscal information I have at hand are also inadequate. They provide no basis whatsoever for comparing the different areas. Kallab comments, by the way: "It would appear from the efforts made that it might be possible to obtain the necessary information regarding the flow of funds and delivery system of services in the unorganized borough. However, it would take a great deal of time, effort, cooperation and coordination on the part of federal and state agencies to achieve it..."

I believe that the information and analyses you seek can be dealt with properly and in any way definitively only in the context of a much broader and thorough study than we can undertake at this time.

It appears to me that until the more basic as well as more complex questions of statewide policy and equity considerations are considered, a review of pipeline boroughs alone would be to little avail. Its only possible purpose would be to provide incentives to more rapid borough formation along the pipeline corridor. This, however, may only exacerbate possible future desires to change borough taxation and financing policies and rules.

Accordingly, I suggest the following:

1. I prepare a study design to carry out the overall study;
2. part of the study design will be an analysis of the issues and questions that need to be included (this will then provide a rationale not to monkey around with local tax and fiscal policy during this session beyond the major revenue sharing bill);
3. the study will be funded through the senate or the house or both, with the products to be available in time for consideration and action at the 1981 legislative session.

Home Native Corp. could be created - this as part of paper -

I believe that this project needs to involve more than my personal efforts. Your present committee staffs might participate during the interim between sessions. The most appropriate party for a contract to carry out the major research and analysis tasks is ISER. I have discussed the matter with Tom Morehouse and Scott Goldsmith, and they are both willing to participate. (Scott, in case you don't know him, is ISER's specialist in public finance and has done many studies of state and local finances, including work on establishing equitable formulas for statewide distribution of school funds, taking into account cost of living, needs, and other pertinent factors.) Under this arrangement, my participation would be through ISER.

I have not here addressed the specific issues that such a product would be concerned with. Their basic directions were fairly well discussed at the August local government symposium. Margo's 1/16/80 memo covers many of the pertinent points. My assumption is that we are all concerned about the same issues, and it will be easiest to outline them in the context of the complete study design. This, of course, would be done in consultation with you two, Margo & Margie, et al

SECRET

1/16/80

TO: ARLISS

FROM: MARGO

RE: YOUR REQUEST FOR LANGUAGE FOR A STUDY CONTRACT WITH V. FISHER

PROJECT SCOPE:

The legislative session of 1980 will bring together a set of issues which call for a reappraisal of the existing state system of revenue distribution.

Bills will be introduced which will address an initial phase of subdivision of the unorganized boro, indicating eventual fruition of Art. X of the Alaska Constitution. Studies have ~~been~~ ~~xxx~~ been or are being conducted which explore the economic base and feasibility of boro organization (Yukon Flats), explore existing incentives and disincentives to boro organization, revenue sharing and the assumption of additional local government responsibilities are being examined, the potential construction of the gasline and, therefore, its availability as a revenue source are open for discussion. In addition, budget "excesses" generated by increased oil revenues have reopened public policy discussion of the distribution of Alaska's wealth to its owners, the present and future residents of the state.

In the context of this background and based on available data (see attached listing), the contractor will explore, in a fashion suitable to presentation to the legislature, several interrelated public policy questions.

1. New boros and wealth (revenue) distribution. Should revenue distribution be dependent on organizational status? Should incorporation decisions be dependent on fiscal abilities? Is revenue equalization a desirable incentive to the promotion of rural boros?
2. Existing and contemplated local governments. Should the availability of an ~~xxx~~ ~~xxxxxxx~~ unusually valuable property determine the level of services to residents in different political subdivisions?
3. Related. ~~xxx~~ Are there public policy inconsistencies between such ~~xxx~~ sets of revenue sharing approaches as the Fish Tax (Chap. 79, SLA 1979 and the Corporate Petroleum Revenue Tax and AS 43.56? ~~4~~ Is it in the state's interest, and the public interest, to promote this dual approach? Should ~~xxxx~~ local governments with low valuation per capita need to tax themselves at a higher rate than more wealth areas in order to raise the same revenue? Should pipeline and production properties be regarded as state property and ~~the~~ the revenues from an ad valorem tax on property be distributed by some other formula (alternatives to be suggested)?

→ Who should be the taxing authority for natural resources?

4. More specifically related to AS 43.56. A comparative analysis of the uses by the NSB and the KPB of AS 43.56 and its implications for new boros, reasons for differences, effects on local government, level and quality of services, economic diversity and private businesses. Discuss implications of gasline. Should the ceiling on the local share be ~~xxx-lifted-together~~ eliminated? What are the implications in terms of local autonomy? Economic development?

~~liquidity?~~ Long term debt-service? Inter-governmental equity?

PRODUCT

A ~~dissemination~~ paper will be prepared by the contractor which discusses the questions stated above. Legislative recommendations will be made, their pros and cons discussed.

Draft version will be available to Senator S. by . Upon review and recommendation of additions, changes, etc. final copy will be prepared and presented by

opportunities for formation of borough
other pipeline borrough
Relationship will levy limit to long term
financial health?

need to find out where muni's are re left.
Relationship to Geo Hahman Boro. Fund - state levy
last resort non-profits

SCOMM

#10:4

STATE OF ALASKA THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

CONTRACT BETWEEN

STATE OF ALASKA
LEGISLATIVE AFFAIRS AGENCY
POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811

AND

VICTOR FISCHER
221 EAST SEVENTH AVENUE, #204
ANCHORAGE, ALASKA 99501

The parties to this agreement are the LEGISLATIVE AFFAIRS AGENCY, hereinafter referred to as the "Agency," on behalf of the Alaska State Legislature's Joint Community & Regional Affairs Local Government Study Committee, hereinafter referred to as the "Committee," and VICTOR FISCHER, hereinafter referred to as the "Consultant."

THE PURPOSE OF THIS AGREEMENT is to provide specialized research and consulting services to the Committee.

IT IS THEREFORE MUTUALLY AGREED THAT:

CLAUSE I - STATEMENT OF WORK

The Consultant shall, as directed by the Committee Co-Chairmen, provide the Committee with specialized research and consulting services relating to the Local Government Study, including but not limited to:

- assisting in developing, coordinating, and pursuing the study program;
- undertaking research as directed by the Co-Chairmen;
- assisting in the analysis of the information gathered at study-related meetings;
- assisting in the preparation of reports;
- coordinating with Committee staff and other Local Government Study participants; and
- other duties assigned by the Co-Chairmen.

Work performed under this contract shall be conducted in a timely and efficient manner, and deadlines shall be adhered to as set by the Co-Chairmen.

CLAUSE II - PERIOD OF PERFORMANCE

- A. The period of this contract shall be from July 1, 1979, to January 14, 1980, unless extended by written agreement or terminated in accordance with paragraph B of this clause.
- B. This contract may be terminated by mutual agreement.

CLAUSE III - COMPENSATION AND METHOD OF PAYMENT

- A. Payment for work performed under this contract shall be at the rate of Fifty Dollars (\$50.00) per hour or Two Hundred Fifty Dollars (\$250.00) per day, whichever is less, to be paid before the last working day of each month for work carried out between the 15th day of the preceding month and the 15th day of the current month. On or before the 10th day of each month, the Consultant shall submit a statement of time worked to the Co-Chairmen for approval. Payment for approved time worked shall be made by the Agency. Total compensation for work performed under Clause I shall not exceed Five Thousand Dollars (\$5,000.00).
- B. The Agency shall furnish travel expenses at coach fares and per diem expenses at prevailing state employee rates, long-distance telephone charges related to business of the Committee, clerical support, and equipment necessary to carry out the work designated in Clause I of this agreement, subject to the approval of the Co-Chairmen.
- C. Office space shall be provided by the Consultant.
- D. No other employee benefits are allowed the Consultant.

CLAUSE IV - CO-CHAIRMEN

The Co-Chairmen for the Joint Community & Regional Affairs Local Government Study Committee are the Honorable Arliss Sturgulewski and the Honorable Bill Parker.

CLAUSE V - RECORDS AND PROGRESS REPORTS

The Consultant shall keep the Co-Chairmen informed as to the progress of work performed under this contract and shall provide written progress reports as specified by the Co-Chairmen.

CLAUSE VI - RECORDS, DOCUMENTS, AUDIT

The Consultant shall maintain accurate records, including detailed time records, as may be required by the Agency. The records are subject to inspection by the Agency at all reasonable times. All documents, reports, and writings produced in the course of the work performed under this contract are, upon delivery to the Agency or to the Committee, or at termination of this agreement, the property of the Agency and are in the public domain; provided that the Consultant will have the right to use any such materials for purposes of writing about or discussing the issues.

CLAUSE VII - ALL WRITINGS CONTAINED HEREIN

This agreement contains all the terms and conditions agreed upon by the parties. No other understandings, oral or otherwise, regarding the subject matter of this agreement shall be deemed to exist or to bind either of the parties to this agreement.

IN WITNESS WHEREOF, the parties have executed this agreement on the dates indicated below.

CONSULTANT:

LEGISLATIVE AFFAIRS AGENCY

VICTOR FISCHER Date
IRS No. _____

MYRTON R. CHARNEY Date
Executive Director

APPROVED:

APPROVED AS TO FORM:

SENATOR ARLISS STURGULEWSKI Date
Co-Chairperson, Joint Community
and Regional Affairs Local
Government Study Committee

Billy G. Berrier 8/14/79
BILLY G. BERRIER Date
Agency Legal Counsel

REPRESENTATIVE BILL PARKER Date
Co-Chairperson, Joint Community
and Regional Affairs Local
Government Study Committee

CONTRACT BETWEEN

STATE OF ALASKA, LEGISLATIVE AFFAIRS AGENCY
Pouch Y
JUNEAU, ALASKA 99811

AND

VICTOR FISCHER
221 E. 7th Avenue, #204
ANCHORAGE, ALASKA 99501

The parties to this agreement are the LEGISLATIVE AFFAIRS AGENCY, on behalf of the Alaska State Legislature's Joint Community Regional Affairs Local Government Study Committee, hereinafter referred to as the "COMMITTEE", and Victor Fischer, hereinafter referred to as the "CONSULTANT."

THE PURPOSE OF THIS AGREEMENT is to provide specialized research and consulting services to the COMMITTEE.

IT IS THEREFORE MUTUALLY AGREED THAT:

CLAUSE I - STATEMENT OF WORK

The CONSULTANT shall, as directed by the COMMITTEE CO-CHAIRMEN, provide the COMMITTEE with specialized research and consulting services relating to the Local Government Study, including but not limited to:

- assisting in developing, coordinating and pursuing the study program;
- undertaking research as directed by the CO-CHAIRMEN;
- assisting in the analysis of the information gathered at study-related meetings;
- assisting in the preparation of reports;
- coordinating with COMMITTEE staff and other Local Government Study participants;
- other duties assigned by the CO-CHAIRMEN;
- work shall be performed in a timely and efficient manner, and deadlines shall be adhered to as set by the CO-CHAIRMEN.

CLAUSE II - PERIOD OF PERFORMANCE

- (A) The period of this contract shall be from July 1, 1979, to January 14, 1980, unless extended by written agreement or terminated in accordance with (B) of this clause.