

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 86/2

332 SCOMM10: LOCAL GOVERNMENT STUDY 1979

NEW STUYAHOK
October 1, 1979
52 Participants

QUESTIONS RELATIVE TO PROPOSED LEGISLATION

How would representation work?

Would people go to Dillingham to vote?

Concern that administrative costs would be excessive if a borough was formed. How best could people get a voice in government? What positive impacts would an unorganized borough have? Are bush legislators effective in getting things done?

At the present time there are problems with the regional school board as some of the people do not really represent village interest on the school board, but rather those of Dillingham. Would this be handled the same way under the proposed legislation?

DEFICIENCIES IN EXISTING SERVICES

Airport cannot be used two weeks in the spring as it needs a new gravel base. It is essential for emergency use.

Would like to receive educational TV.

Backhoe needs to be replaced for maintenance of the sanitary land fill.

Water/sewer system being transferred from Public Health and the community cannot afford to maintain it.

Fire plugs exist in the village, but there are no hoses to connect to them.

NOORVIK

November 17, 1979

32 Participants

GENERAL CONCERNS

Public Safety

One of the first concerns mentioned in Noorvik was that cited in the NANA Regional Strategy Report as a priority - the need for funding for "Search and Rescue." The local organization is reimbursed for some expenses from the state; however, when they do not have formal authorization from the state troopers for an operation, they do not receive funding. The \$15,000 allocated for Search and Rescue for the current year has almost been expended. Local control over spending for these activities is desired.

The turnover in police personnel has been high. There are a number of factors which may be responsible, primarily peer pressure exerted on the individuals who are policemen. There are family resentments as certain families seem to be singled out by the police. Also, the courts do not support the public safety people. The District Attorney does not back the local police and this has a demoralizing effect.

In Noorvik it appears that the CETA pay for police is adequate as they are only needed on weekends. There is not much happening weekdays. It seems as if those who become police are only in it for the money as once they get paid, they quit. Even those who have received training seem subject to the pressures mentioned. Law Enforcement Assistance Administration seemed to be more effective in this regard than CETA, as the former paid for two individuals who could be supportive of each other and some continuity was provided in this way.

Schools

There was a concern that the role of the advisory school boards has not been clearly defined. In hiring, the Board acts on the recommendations of the REAA advisory members and there are often personality problems between the teachers and principal.

Also, the question was raised on the relationship of village school personnel with the villagers. It was felt that some isolation existed between the village and the school community and that there was not enough informal and personal interaction.

Economic

Unemployment is a major problem. Bingo is one of the few sources of revenue. The finances of the city organization are dependent on CETA monies.

Some mineral wealth exists and could be developed for job opportunities. With the introduction of a cash economy, the villagers cannot survive without money. Reindeer herding is a possibility but does not employ too many people. BLM is cutting off grazing ranges and caribou are a problem when considering reindeer herding. Fish and Game are not managing caribou properly according to the Noorvik residents.

SPECIFIC CAPITAL IMPROVEMENTS NEEDED

Sewer System

The existing vacuum-type sewer system is functioning well but needs to be expanded to serve more homes. This system was introduced as an experiment in 1971 and the public health service assisted in establishing rates. A larger water and sewer facility is needed as the towns grows and financial assistance will be necessary for this. At the present time the facility can only service 50 homes and a larger vacuum pump is needed.

Road

Funding for a road to the gravel source is needed. The plan is to create a land fill at the gravel site but the land status of that area needs to be explored. BIA has promised to construct the road. (Follow-up contact with Tom Peterson, of BIA Road Construction, confirmed that road surveying in Noorvik might take place in spring, 1980, with construction planned for 1982. BIA builds roads upon request from the villages recognized under ANCSA based on a priority list developed from the villages and regional federal people.)

Street and Airport Lighting

Street lights are needed. It is difficult for the elderly to get around in the dark of winter days and evenings without light. A system had been established at one time, but the bulbs were without protectors and were broken by children. They had no bulbs to replace them. A vandal-proof system needs to be used.

Also, fire pots are now used at the airstrip. The question was raised of the adequacy of these and the question of cost is a paramount one with the rising cost of fuel oil for the pots.

LOCAL GOVERNMENT CONCERNS

It is difficult to get people to run for offices for the second class city. They do not understand the system too well. There are often conflicts between holding both church and city positions.

Assistance is needed in the writing of ordinances and the operational problems related to city government.

SOCIAL PROBLEMS

There are social problems related to the generation gap between the old and young. There is the desire to maintain village identity and also to help the older people who often do not understand new ways.

Alcohol is a major problem. Alcohol programs need to be funded, possibly to limit the quantity available.

Energy availability is also a major concern.

MISC COMMENTS

The village has a lot of visitors who come and go and ask for comments and then do nothing about the problems.

"It is more important to ask where we are going than where we came from."

VENETIE

October 19, 1979

40 Participants (Among this number were members of the Arctic Village Council who had flown to Venetie for the hearing.)

CONCEPT OF BOROUGH GOVERNMENT

There was discussion of the Yukon Flats Borough Study. It was stated that the group did not know much about local government, but must be prepared for it. They want to figure out something that would be for the good of the people in the future. They are ready to sit down, talk, and figure out something that will benefit the people. They are ready to work with Doyon, the Tanana Chiefs, the state and the rest of the villages in the Yukon Flats area. Unity was seen as important. They must work together, support one another; they are one people, one tribe. And they should accomplish one thing at a time.

There was a feeling that they were being asked to respond to the idea of borough government when, in fact, it was a new concept for them. They have no basis for comparison between the effectiveness of state and borough government as they know nothing of the latter. They would need a chance to review the borough idea, explain it to their tribal members, sit down and discuss it in their own language. They have just been introduced to the concept.

The representatives from Arctic Village area are not interested in the creation of a borough. They feel they do not want any part of the borough idea. They do not want to be bribed into being a borough and have passed a resolution in opposition to the borough concept.

RELATIONSHIP WITH THE FEDERAL GOVERNMENT

It was pointed out that the villages of Venetie and Arctic Village have a unique relationship with the federal government in that they have opted to maintain a reservation status under ANCSA. With the passage of ANCSA, the village did not get a monetary settlement, instead choose to keep the simple title to a large amount of land which had traditionally been used by their people. A main concern was the fear that in 1991 their land might be taxed. It was their understanding at the time that ANCSA was passed that title would be clear and that there would be no taxation. Also, there has been no clarification of the status of the land which surrounds the reservation.

The orientation of these villages appears to be toward the federal rather than the state government. Through federal government grants, the villages are implementing a long-range plan which consists of airport projects, housing, sewer, water, timber development, status of land clarification organization of tribal government, offices, etc.

They are trying to move from a subsistence way of life into the mainstream of America by studying laws, and trying to make acts of Congress work for them. Bureaucratic red tape has been a stumbling block. They listen to the people, and get instructions from the people. They live their lives virtually the way their grandfathers did. They are finally realizing what is theirs. They want to keep their old ways, but work with modern things. They feel independent as a tribe.

RECOGNITION OF EXISTING GOVERNMENTS

The question of recognition of the Indian Reorganization Act and Tribal Councils was raised. The question was asked if the Constitution would need to be changed to accomplish this. The point was made that tribal councils are recognized by federal government, but not by state government for contracting.

FINAL RECOMMENDATIONS OF THE JOINT COMMITTEE

CREATION OF REGIONAL UNITS -- UNORGANIZED BOROUGHES

Alaska's single unorganized borough will be divided into regional units in accordance with the intent of the State Constitution. Each unit will be an unorganized borough.

These regional unorganized boroughs will not themselves be functioning units of government. Rather, the regional unit will provide the framework for planning and programming purposes: regional strategy studies, coordination of services, data collection, achieving equity in allocation of State resources, and the like. In accordance with the State Constitution, unorganized boroughs will also provide the basis for "maximum local participation and responsibility" in performance of State services within the borough. Furthermore, each unorganized borough can be the vehicle for establishing an organized borough -- if and when the people in the region want to move into a stage of greater self-government.

Regional boundaries will be developed by the Department of Community and Regional Affairs (DC&RA). Each unorganized borough will consist of one or more Rural Education Attendance Areas (REAA) and will be located within the boundaries of a single regional corporation established under the Alaska Native Claims Settlement Act. The Commissioner, of the Department of Community and Regional Affairs, will consider borough incorporation standards in delineating regional units and may combine two or more REAAs into a single borough only after public hearings in the area affected. DC&RA will have four months during which to conduct the necessary hearings and implement creation of regional unorganized boroughs.

REGIONAL STRATEGY AND PLANNING STUDIES

A regional strategy study fund will provide assistance for regional studies that will address economic, social and physical aspects of unorganized boroughs and provide the means by which people in each region can participate with governments in establishing policies and programs for the region. Studies will also address the feasibility and viability of organized borough incorporation.

The study fund will be administered by the Department of Community and Regional Affairs, which will consider study proposals upon petition by a representative segment of a region's population or upon request by one or more representative organizations in the unorganized borough. Studies will be made by or under the auspices of an existing organization or group of organizations in the area. If no appropriate instrumentality exists, DC&RA will assist the people of the region in designating a regional study unit.

Regional studies will be conducted for a prescribed time period to assure that excessive delays are not encountered. Study funds will be determined according to a per capita formula. Alternative and additional funding sources will also be considered.

HOME RULE

Unorganized boroughs will be able to incorporate directly as home rule municipalities without prior incorporation as a first class borough. Upon petition by the people, an election would be held to determine whether the voters want to create a commission to write a charter for the proposed borough and to select persons to serve on the charter commission. If writing a charter is approved, the commission provides for the governing structure, functions and services, and restrictions on borough powers in accordance with the conditions, needs, and desires of the region. After review of the charter by the DC&RA Commissioner for compliance with State law, the people vote on approval of the charter and establishment of the home rule borough.

Authority to move directly to home rule status will also be extended to second class boroughs, which will then be able to adopt charters without going through the first class borough stage.

Costs of preparing charters by unorganized boroughs will be borne by the State DC&RA.

COORDINATION AND DELIVERY OF STATE SERVICES

A principal purpose of establishing regional unorganized boroughs is to

- (1) promote efficient and effective delivery of all State services, and
- (2) provide common areas for collection of information, data, and other materials important to the region and to agencies responsible for provision of technical and financial assistance.

Accordingly, all agencies, commissions, and other entities of State Government will, by July 1, 1981, use the unorganized boroughs delineated by the Department of Community and Regional Affairs as common substate districts for the planning and delivery of State services. Exceptions may be authorized by the Legislature if a particular entity can satisfactorily demonstrate that an exception is in the public interest. Also, beginning July 1, 1981, all State entities will base collection of primary data and information on a geocoding system that will allow such data and information to be identified by substate districts (i.e., unorganized boroughs and boroughs) and other geographical boundaries used, for example, in planning, public service delivery, commercial trade, or industrial development.

The Division of Policy Development and Planning (DPDP) will facilitate conformance to these requirements by evaluating and defining efficient geographic patterns for governmental activities throughout Alaska. DPDP will also determine the most appropriate geocoding system to carry out the above objectives; this will be done in consultation with State, local, federal, and private organizations. Both tasks will be completed by January 1, 1981.

FISCAL NOTES FOR BILLS AFFECTING MUNICIPALITIES

Before a bill is reported in the Legislature, a fiscal note is prepared estimating the financial effect of the proposed legislation. This concept would be extended to legislation affecting local government spending: if enactment of a bill would require an expenditure by a municipality, a fiscal note will estimate total expenditures that would be required on the part of all affected municipalities. Such municipal fiscal notes would be prepared by the Department of Community and Regional Affairs. The effect of this legislation will be to avoid unknowingly saddling communities with unanticipated financial burdens.

ELIMINATION OF THIRD CLASS BOROUGH

Creation of Rural Education Attendance Areas throughout Alaska has eliminated the purpose of the third class borough, which has education as its only authorized substantive function. Accordingly, legislation would eliminate statutory provision for the third class borough. Special arrangements will be made for the Haines Borough, the sole third class borough in the State.

REVIEW AND REVISION OF TITLE 29

Title 29, of the Alaska Statutes, contains State laws pertaining to municipalities. Though the structure of local government organization under Title 29 is basically sound, many of its procedural and administrative provisions are not helpful or relevant to rural or urban municipalities. Steps will, therefore, be proposed to undertake a thorough review and initiate necessary revision of Title 29 to make it more useful to the municipalities of the State.

REVENUE SHARING AND FOUNDATION APPROACH TO BASIC SERVICES

The Legislature is giving continuing consideration to the financing of local services. While some steps toward more adequate and more equitable support will likely be taken, other approaches may require more study and definition.

Proposed legislation provides that the minimum revenue sharing entitlement to organized municipalities, in addition to the per capita sharing provided under existing law, will be \$25,000 plus a cost of living factor. This will assure that every community will have at least a minimal amount of money to fund its governmental activities. Other legislative consideration is being given to broader review and revision of revenue sharing as a means of further strengthening local capacity to provide services.

The feasibility of a foundation approach for the delivery of basic services continues to be explored. As evolved by the Local Government Symposium, a basic level of services would be established (in addition to education, which is already covered) for public safety, health and sanitation, and public assistance. The foundation approach would not discriminate against organized boroughs in the provision of state financial support.

EXHIBITS

RESEARCH AND ANALYSES PAPERS SPONSORED BY JOINT COMMITTEE

EXHIBIT A

- I. Borough Incorporation Standards as Interpreted by Local Boundary Commission
Marjorie Gorsuch, Administrative Assistant, House Community & Regional
Affairs, August, 1979
- II. Bureau of Indian Affairs and Comprehensive Employment and Training Assistance
Contracting Procedures, August, 1979
Jim Sanders, Graduate Student Intern
- III. Distribution of Flow of Funds in Alaska, June, 1979
Elke Kallab, Policy Analyst, Division of Legislative Research Services, Leg-
islative Affairs Agency
- IV. Financial Disincentives to Borough Formation, November, 1979
Milt Barker, Fiscal Analyst, Legislative Finance Division
- V. Legislative Proposals related to Organization and Financial Equalization in the
Unorganized Borough, August, 1979
Jack Chenoweth, Legislative Counsel, Legislative Affairs Agency
- VI. Local Government Study - Report of Local Government Symposium, 9/20/79
- VII. Pipeline Boroughs, January, 1980
Vic Fischer, Consultant
- VIII. Property Tax Revenues of Pipeline Boroughs, November, 1979
Milt Barker, Fiscal Analyst, Legislative Finance Division
- IX. Requests relating to Borough Formation, August, 1979
Pat Poland, Local Government Specialist, Department of Community and
Regional Affairs
- X. Service Delivery to the Unorganized Borough, August, 1979
Majorie Gorsuch, Administrative Assistant, House C&RA
- XI. Services and Programs Provided by the Non-Governmental and Quasi-Governmental
Organizations in the Unorganized Borough, August, 1979
Jim Sanders, Graduate Student Intern
- XII. State/Federal A95 Review Process, August, 1979
Lamar Cotten, Graduate Student Intern
- XIII. State Municipal Land Trustee Program, August, 1979
Lamar Cotten, Graduate Student Intern
- XIV. Statutory Inducements and Disincentives re Municipal Government Incorporation,
August, 1979
Eric Simpson, Director, Division of Community Services, Department of
Community and Regional Affairs
- XV. Taxing Capacity of the Unorganized Borough, June, 1979
Alexander Hoke, Jack Kreinheder, Research Analysts Division of Research
Services
- XVI. Traditional, Non-Traditional and Quasi-Governmental Native Methods of
Organization, August, 1979
Lamar Cotten, Graduate Student Intern

I

BOROUGH INCORPORATION STANDARDS
AS INTERPRETED BY LOCAL BOUNDARY COMMISSION

LOCAL BOUNDARY COMMISSION INTERPRETATION OF BOROUGH INCORPORATION STANDARDS

A review of the requests for borough incorporation which have been denied is helpful for the insight it gives into the Local Boundary Commission's interpretation of incorporation standards.

Article X Section 3 of the State Constitution outlines the standards for borough incorporation as follows:

"The entire State shall be divided into boroughs, organized or unorganized. They shall be established in a manner and according to standards provided by law. The standards shall include population with common interests to the maximum degree possible. The legislature shall classify boroughs and prescribe their powers and functions. Methods by which boroughs may be organized, incorporated, merged, consolidated, reclassified, or dissolved shall be prescribed by law."

These standards are further refined in the statutes.

AS 29.18.030 Organized boroughs An area may incorporate as an organized borough if it conforms to the following standards:

- (1) the population of the area is interrelated and integrated as to its social, cultural, and economic activities, and is large and stable enough to support organized borough government;
- (2) the boundaries of the proposed borough conform generally to natural geography and include all areas necessary for full development of local services;
- (3) the economy of the area includes the human and financial resources capable of providing local services; evaluation of an area's economy includes land use, property valuation, total economic base, total personal income, resource and commercial development, anticipated functions, expenses, and income of the proposed borough;
- (4) land, water, and air transportation facilities allow the communication and exchange necessary for the development of integrated local government.

It is the role of the Local Boundary Commission to determine if a proposed borough meets the standards for incorporation. (AS 29.18.090 (a))

In 1973 the Local Boundary Commission had requests for borough incorporation from the Anchorage area (Cook Inlet Borough petition) and the Kenai area including the City of Kenai and the North Kenai Fire Service area (Nikiski Borough petition). The two were rejected on similar grounds.

The Department of Community and Regional Affairs, in its May 11, 1973 report to the Commission, made reference to the underlying principles which prompted the framers of the state constitution to provide for the borough system of government. It reviewed the concept of borough government as an approach to areawide and regional government, functionally adaptable throughout the State as variation in geography, economy and other circumstances required. The report emphasized that the boundaries of a city are not fixed -- that the constitutional framers directed that the boundaries might be altered and the power of a city extended in response to growth and development outward from the central core.

The Department recommended that the petition be denied unless the borough boundaries were expanded to include Tetlin, Tanacross, Dot Lake, Northway --the entire area between Delta Junction and Tok--as the proposed borough stating, "We find no reason why the entirety of the valley, an area geographically distinct, economically sound, and having the requisite transportation facilities sufficient to foster communication and interrelationship of people in their activities should be divided into separate units." (Department of Community and Regional Affairs report to Local Boundary Commission on the Deltana Borough proposal, p. 33)

In its final decision on July 12, 1974, the Local Boundary Commission found that even if the boundaries were expanded, that based on the testimony received from the residents of the area, the boundaries of the area would not comply with the provisions of AS 29.18.030 (1) "as the population of the area was not interrelated and integrated as to its social, cultural, and economic activities..."

In its statement of decision on the petition for detachment of the Chugiak-Eagle River area from the Greater Anchorage Area Borough and for incorporation of a second class borough in the Chugiak-Eagle River area (March 15, 1976), the Commission cited the following reasons for rejecting the petition.

1. The proposed petition fails to meet statutory and regulatory standards for detachment and incorporation contained in AS 29.18.030 and AAC 19.15.230 in that the area is an integral part of the municipality of Anchorage culturally, socially, and economically.
2. There are no natural boundaries separating the area from the remainder of the Anchorage municipality.
3. The detachment would be inimical to the interest of the State in that the constitutional mandate of a minimum of local government units and tax levying jurisdictions would be violated.
4. The area is not stable enough to support organized borough government in that the Eagle River-Chugiak tax base is not large enough to support necessary services without the support of the larger tax base of the entire Anchorage area.

The interpretation of the incorporation standard related to boundaries (AS 29.18.030 (2)) again became an issue with the formation of the North Slope Borough. The appellants in Mobil Oil Corporation v. Local Boundary Commission argued that neither the geography nor the transportation standards had been satisfied and that the Local Boundary Commission had erred in granting borough status to the North Slope.

In the Supreme Court decision on the case (January 16, 1974), the Court made reference to Article X Section 1 of the Constitution and stated:

"We read this to favor upholding organization of boroughs by the Local Boundary Commission whenever the requirements for incorporation have been minimally met."

The Court further found that the inclusion of Naval Petroleum Reserve No. 4 was desirable for integrated local government so that it might fall within the new borough's planning and zoning power. The record gave evidence of the Reserve's importance to the subsistence lifestyle of area residents and this evidence justified such inclusion.

II

BUREAU OF INDIAN AFFAIRS AND
COMPREHENSIVE EMPLOYMENT AND TRAINING ASSISTANCE

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

DIVISION OF LOCAL GOVERNMENT ASSISTANCE

II
JAY S. HAMMOND, GOVERNOR

225 CORDOVA, BUILDING B
ANCHORAGE, ALASKA 99501

August 28, 1979

The Honorable Arlis Sturgulewski,
Senator
Alaska State Senate
2957 Sheldon Jackson Street
Anchorage, Alaska 99501

Dear Senator Sturgulewski:

Re: Indian Self-Determination and BIA
Contracting

In 1975 the U.S. Congress enacted the Indian Self-Determination and Education Assistance Act. This act had a pronounced effect upon the administration of Federal Indian programs. Nationally, the result was a decentralization of Federal Bureaucracies and a corresponding move towards local reservation control and administration of Indian and Native American programs. In Alaska, the result has been the strengthening and growth of Alaska Native Non-profit Corporations through the availability of increased Federal program dollars.

In the Indian Self-Determination Act it specifically identifies Alaska Native villages, or regional or village corporations as having "Indian Tribe" status. The act further states that any recognized Indian tribe with an accountable "Tribal Organization" can negotiate and contract for services normally provided to Indian and Native Americans by the U.S. Department of Interior and HEW.

There are a variety of federally funded programs currently being contracted out to Alaska Native Non-Profit Corporations. The Bureau of Indian Affairs (BIA) contracts to the non-profits for the provision of Social Services, Employment Assistance and Johnson O'Malley funds (educational). HEW through Indian Health Service (IHA) contracts for the provision of health services to a variety of Alaska Native Health entities. The U.S. Department of Labor contracts Indian and Native American CETA funds to 14 Native Non-

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profit corporations throughout Alaska. HUD contracts to regional Native Housing Authorities for the provision of adequate Native housing.

Each of these Federal funding agents requires that the contracting non-profit have the support of the regional Native communities for which it is contracting. The Bureau of Indian Affairs is actively involved in the process of Indian Self-Determination implementation. The procedures BIA has developed for determining local support for contracting to a regional non-profit illustrate the inherent strengths and weaknesses of Indian Self-Determination.

The Indian Self-Determination Act specifically identifies Alaska Native villages as being eligible for the contracting of Federal Indian programs. Each recognized Alaska Native community must pass a resolution of support for any entity seeking a service contract from the BIA. In the Calista Region, all fifty of the villages must decide whether or not to support the AVCP (Area Village Council Presidents) in their bid for the BIA contracted services. If only twenty communities pass resolutions supporting the AVCP initiative, the AVCP will receive funding for only those communities. The balance of the communities will continue to be served by the BIA or negotiate for their non-profit service contracts. Individual Native communities or sub-regional Native non-profit corporations can (with proven accountability and resolutions) contract for the provision of BIA funded services. Municipal governments have no say in the process of Indian Self-Determination. The IRA council or traditional council is the body which decides who will provide the contracted services for their community.

Through the Bureau of Indian Affairs, Indian Self-Determination has provided for a more equitable distribution of services. However, this is accomplished at the risk of a decrease in the efficiency of service delivery.

On a local level, the need for specific service and the best manner of delivery of such services can be tailor made through regional control. The variety and applicability of available services can increase the delivery of essential services. In addition, local or regionally contracted Native Non-profits are strengthened financially and professionally by the availability of program dollars. From this process of self determination, Alaska Native people have begun to have a greater sense of control over their own destinies.

However, as with most processes of change, there are many unanticipated problems. Indian Self-determination in Alaska

has created some specific challenges.

- 1) there has been no increase in BIA funding levels. However, with the proliferation of Native Non-profit service organizations, the total administrative costs have vastly increased. This has resulted in an overall reduction in available program dollars.
- 2) Each community has the right to support a particular non-profit in its bid for BIA contracts or provide the services themselves. This can lead to the fractionalization of region-wide non-profits and further divide available program and administrative dollars.
- 3) Each contracting Federal agency has its own limits on the allowable administrative costs. CETA programs have congressionally mandated administrative cost limits. BIA and IHS negotiate their allowable administrative cost levels independently. This can result in a Native non-profit corporation having 3 or 4 administrative cost levels. None of the federal agencies wants their program to be absorbing a disproportionate share of total administrative costs. Frequently, audits result in a Federal agency disallowing administrative costs they feel give a disproportionate share to their agency. This has created serious financial problems for many non-profits. This fosters the breaking apart of regional non-profits into separate non-profits offering specific functions (Health Authority, Housing Authorities, CETA organizations, etc.) The net effect is a reduction in cost efficiency and program coordination.

Conclusions:

There are some aspects of Indian Self-Determination that can be used. This process does allow regional priorities to be set and control to be established at the local level. The contracting of programs to regional non-profits allows these organizations to grow professionally and achieve financial solvency. Most importantly, the inhabitants of the regions have greater accessibility to the needed services and local native people can begin to integrate into the employment areas previously reserved for "outsiders".

There are liabilities involved in this self-determination process. There is a potential for continuing regional fractionalization of regional non-profits. This could result in the proliferation of sub-regional or village service delivery entities and a greater sub-dividing of the

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State. The differing Federal agency administrative cost levels encourages the creation of separate regional non-profits. These two factors could lead to a decreased efficiency in the utilization of Federal funds and encourage the formation of sub-regional boundaries.

Sincerely,

James C. Sanders

JCS:sj

III

DISTRIBUTION OF FLOW OF FUNDS IN ALASKA

STATE OF ALASKA THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

May 24, 1979

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

SUBJECT: Distribution of Flow of Funds in Alaska
(W.O. 7276)

TO: The Honorable Arliss Sturgulewski

FROM: Elke Kallab *EK*
Policy Analyst

The attached summary of federal and state flow of funds in Alaska for FY '78 by federal and state governments is the best we were able to achieve in the time frame available. We are not too encouraged from our preliminary efforts that these data can be improved upon appreciably, although certain portions could, no doubt, be further refined as to function, and possibly community.

We would like to make the following comments about the methodology used and the limitations encountered in compiling the attached summary of federal and state flow of funds in Alaska.

Boundaries

Since it was desired to find out where funding originated and where the funds were spent, the boundaries that we settled on were census divisions for federal funds and election districts for state funds, because the best available data were reported in this fashion, and also because the boundary lines are not altogether conflicting. Copies with approximate boundary lines of census divisions and election districts superimposed on the Community and Regional Affairs' city and borough map are in our office, if you would like to see the general outlines of the regions we have grouped.

Sources

The Community Services Administration brings out a publication, Geographic Distribution of Federal Funds in Alaska, which attempts to report all federal obligations. However, we discovered that it is not a complete list. We do not know at this time how complete the information contained in the above mentioned publication is, although we believe it to be quite accurate, particularly with the supplemental allocation of funds provided by HUD and the Indian Health Service.

May 24, 1979

The obligations of federal funds are separated by the individual departments, and the agencies and programs within those departments. They are further broken down as to federal grants versus other federal obligations. We have obtained further details as to communities within regions receiving federal funds from the Department of Health, Education and Welfare (HEW) and we are enclosing a copy of the HEW breakdown of federal funds into Alaska, so you may see the level of detail which is available. The individual who compiles the information for the Geographic Distribution of Federal Funds in Alaska told us that while similar breakdowns do not exist for other departments in the federal government, the information could be provided by requesting it from the individual departments. We have not pursued this avenue to determine the difficulties or length of time needed to obtain such breakdowns for all federal outlays listed in the Geographic Distribution of Federal Funds in Alaska.

For the state's flow of funds we worked from several sources intended to complement very inadequate information.

We began with the capital and operating budget as broken out by election districts. This, however, represents only those monies which can be identified by communities or election districts, and does not cover the bulk of the budget. We supplemented this information with state salaries, which were also available by election districts to get a more complete picture. Expenditures by the court system and the legislature were also obtained, and to the extent we could allocate them to a particular region, we did. The state's appropriations are broken down generally by departments (function) to which funds are appropriated. So far, we have found it impossible to reconcile these figures with the total state budget for that fiscal year, which was \$1,169,000,000. We really do not know what or where the missing components in the state budget are, and have been unable to get clarification from those individuals we have contacted for help.

As mentioned before, many of the attached amounts can be allocated to individual communities, but we do not believe this would necessarily be of value, because it cannot be done for all monies. There is no comprehensive accounting system in the state which would supply the information you are seeking.

We believe the figures we have collected are accurate, but they are spotty and incomplete, and we do not know the extent of their incompleteness or bias regarding location or function.

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 boroughs. However, it would take a great deal of time, effort, cooperation and coordination on the part

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May 24, 1979

of federal and state agencies to achieve it. It has been suggested that to be successful in such an undertaking would require that the state change its accounting system, so funds can be accounted for and tracked.

Finally, while the attached information is incomplete, we believe it is more comprehensive than anything else available at this time. If you have any questions, please let us know.

EK:lmk
Attachments

NOTE: These figures are incomplete and for internal legislative use only. See attached memo.

S U M M A R Y
FEDERAL AND STATE FLOW OF FUNDS IN ALASKA
Fiscal Year 1978

(October 1, 1977 - September 30, 1978)		(July 1, 1977 - June 30, 1978)		FEDERAL AND STATE FUNDS
CENSUS DIVISION	FEDERAL FUNDS	ELECTION DISTRICT	STATE FUNDS	
01 Aleutian Islands	\$ 76,521,000	15 Aleutian Island-Kodiak	Operating Budget ¹	\$ 118,500
Native Health Service	241,632		Capital Budget	1,744,000
			State Salaries ²	268,908
			U of A Salaries	46,500
			Court System Expenditures	-
TOTALS	\$ 76,762,632			\$ 2,177,908
				\$ 78,940,540

¹ Includes only those items which are identifiable as to location.
The bulk of the operating budget is not available by location breakdown.

² Does not include salaries of court system, legislature, or University of Alaska.

* Excludes federal funds.

** Small portions of these salaries may be federally funded. (See attached sheet for more details).

*** Includes Bethel.

Prepared by:

Legislative Affairs Agency
Research Division

May 23, 1979

NOTE: These figures are incomplete and for internal legislative use only. See attached memo.

(October 1, 1977 - September 30, 1978)			(July 1, 1977 - June 30, 1978)			FEDERAL AND STATE FUNDS
CENSUS DIVISION	FEDERAL FUNDS		ELECTION DISTRICT	STATE FUNDS		
02 Anchorage		\$845,898,000	07-12 Anchorage	Operating Budget ¹	\$ 48,942,000 *	
	HUD	3,328,000		Capital Budget	9,550,100 *	
				State Salaries ²	50,709,486 **	
				U of A Salaries	17,609,500	
				Court System Expenditures	9,728,864	
	TOTALS	\$849,226,000			\$136,539,950	\$985,765,950
03 Angoon		\$ 10,206,000	02 Wrangell-Petersburg	Operating Budget ¹	\$ 513,800	
23 Skagway-Yakutat		11,868,000		Capital Budget	625,000	
22 Sitka		21,117,000		State Salaries ²	893,697	
10 Haines		3,825,000		U of A Salaries	26,100	
11 Juneau		193,199,000		Court System Expenditures	155,650	
28 Wrangell-Petersburg		16,790,000				
	HUD	55,000				
	Native Health Service	356,084				
			03 Sitka	Operating Budget ¹	\$ 2,607,800	
				Capital Budget	870,100	
				State Salaries ²	2,449,773	
				U of A Salaries	342,800	
				Court System Expenditures	186,756	
			04 Juneau	Operating Budget ¹	\$ 6,097,600 *	
				Capital Budget	6,309,500 *	
				State Salaries ²	45,453,988 **	
				U of A Salaries	2,812,200	
				Court System Expenditures	1,920,921	
	TOTALS	\$257,416,084			\$ 71,273,685	\$328,689,700

Prepared by:
Legislative Affairs Agency
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May 23, 1979

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(October 1, 1977 - September 30, 1978)			(July 1, 1977 - June 30, 1978)			FEDERAL AND STATE FUNDS
CENSUS DIVISION	FEDERAL FUNDS		ELECTION DISTRICT	STATE FUNDS		
04 Barrow-North Slope	\$ 49,187,900		21 Barrow-Kotzebue	Operating Budget ¹	\$ 625,000	
14 Kobuk	10,404,000			Capital Budget	2,968,000	
Native Health Service	686,826			State Salaries ²	608,150	
				U of A Salaries	1,415,000	
				Court System Expenditures	255,646	
TOTALS	\$ 60,277,826				\$ 5,871,796	\$ 66,149,622
05 Bethel	\$ 39,844,000		17 Bethel-Lower Kuskokwim	Operating Budget ¹	\$ 1,999,300 *	
Native Health Service	6,422,000			Capital Budget	1,961,000	
				State Salaries ²	1,486,009 **	
				U of A Salaries	1,808,500	
				Court System Expenditures	544,201	
TOTALS	\$ 46,266,000				\$ 7,799,010	\$ 54,065,010
06 Bristol Bay Borough	\$ 8,574,000		16 Dillingham-Bristol Bay	Operating Budget ¹	\$ -	
07 Bristol Bay	13,495,000			Capital Budget	947,000	
Native Health Service	428,690			State Salaries ²	980,255	
				U of A Salaries	67,000	
				Court System Expenditures	-	
TOTALS	\$ 22,497,690				\$ 1,994,255	\$ 24,491,945

Prepared by:
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May 23, 1979

NOTE: These figures are incomplete and for internal legislative use only. See attached memo.

(October 1, 1977 - September 30, 1978)			(July 1, 1977 - June 30, 1978)			FEDERAL AND STATE FUNDS
CENSUS DIVISION	FEDERAL FUNDS		ELECTION DISTRICT	STATE FUNDS		
08 Cordova-McCarthy	\$ 9,009,000		05 Cordova-Valdez-Seward	Operating Budget ¹	\$ 5,268,600 *	
26 Valdez-Chitina-Whittier	18,830,000			Capital Budget	1,344,900	
21 Seward	16,108,000			State Salaries ²	8,055,302 **	
	HUD	359,000		U of A Salaries	606,900	
	Native Health Service	493,960		Court System Expenditures	225,182	
	TOTALS	\$ 44,799,960			\$ 15,500,884	\$ 60,300,844
09 Fairbanks	\$172,222,000		20 Fairbanks	Operating Budget ¹	\$ 44,223,800 *	
				Capital Budget	8,887,500 *	
				State Salaries ²	18,368,746 **	
				U of A Salaries	20,807,000	
				Court System Expenditures	3,107,880	
	TOTALS	\$172,222,000			\$ 95,394,926	\$267,616,926
12 Kenai-Cook Inlet	\$ 31,343,000		13 Kenai-Soldotna-Homer	Operating Budget ¹	\$ 986,600	
	Native Health Service	435,392		Capital Budget	1,300,600	
				State Salaries ²	3,149,980	
				U of A Salaries	937,700	
				Court System Expenditures	476,698	
	TOTALS	\$ 31,778,392			\$ 6,851,578	\$ 38,629,970

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May 23, 1979

NOTE: These figures are incomplete and for internal legislative use only. See attached memo.

(October 1, 1977 - September 30, 1978)		(July 1, 1977 - June 30, 1978)		FEDERAL AND STATE FUNDS
CENSUS DIVISION	FEDERAL FUNDS	ELECTION DISTRICT	STATE FUNDS	
16 Kuskokwim	\$ 6,524,000	18 Galena-McGrath-Hooper	Operating Budget ¹	\$ -
27 Wade Hampton	14,240,000	Bay	Capital Budget	1,220,000
29 Yukon-Koyukuk	44,589,000		State Salaries ²	437,153
Native Health Service	1,218,160***		U of A Salaries	92,600
			Court System Expenditures	-
TOTALS	\$ 66,571,160			\$ 1,749,753
				\$ 68,320,913
15 Kodiak	\$ 40,144,000	14 Kodiak	Operating Budget ¹	\$ 1,126,800
Native Health Service	271,733		Capital Budget	135,000
			State Salaries ²	2,684,962
			U of A Salaries	505,200
			Court System Expenditures	228,538
TOTALS	\$ 40,415,733			\$ 4,680,500
				\$ 45,096,233
17 Matanuska-Susitna	\$ 21,054,000	06 Palmer-Wasilla-Matanuska	Operating Budget ¹	\$ 4,018,400
			Capital Budget	670,000
			State Salaries ²	4,198,732
			U of A Salaries	1,567,900
			Court System Expenditures	83,206
TOTALS	\$ 21,054,000			\$ 10,538,238
				\$ 31,592,238

Prepared by:
Legislative Affairs Agency
Research Division
May 23, 1979

NOTE: These figures are incomplete and for internal legislative use only. See attached memo.

(October 1, 1977 - September 30, 1978)			(July 1, 1977 - June 30, 1978)			FEDERAL AND STATE FUNDS
CENSUS DIVISION	FEDERAL FUNDS		ELECTION DISTRICT	STATE FUNDS		
18 Nome		\$ 18,765,000	22 Nome-Seward Peninsula	Operating Budget ¹	\$ 391,300	
	Native Health Service	1,088,042		Capital Budget	392,500	
				State Salaries ²	2,331,325	
				U of A Salaries	341,500	
				Court System Expenditures	342,825	
	TOTALS	\$ 19,853,042			\$ 3,799,450	\$ 23,652,49
13 Ketchikan		\$ 31,343,000	01 Ketchikan	Operating Budget ¹	\$ 1,474,700	
19 Outer Ketchikan		9,129,000		Capital Budget	1,258,000	
20 Prince of Wales		3,220,000		State Salaries ²	2,875,883	
	HUD	1,000		U of A Salaries	499,500	
				Court System Expenditures	486,354	
	TOTALS	\$ 43,693,000			\$ 6,594,437	\$ 50,287,43
24 Southeast Fairbanks		\$ 22,108,000	19 Nenana-Ft. Yukon-Tok	Operating Budget ¹	\$ -	
25 Upper Yukon		4,370,000		Capital Budget	1,062,000	
	HUD	4,020,000		State Salaries ²	2,273,549	
	Native Health Service	710,079		U of A Salaries	137,100	
				Court System Expenditures	-	
	TOTALS	\$ 31,208,079			\$ 3,472,649	\$ 34,680,72

Prepared by:
Legislative Affairs Agency
Research Division
May 23, 1979

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(October 1, 1977 - September 30, 1978)		(July 1, 1977 - June 30, 1978)		FEDERAL AND STATE FUNDS
<u>CENSUS DIVISION</u>	<u>FEDERAL FUNDS</u>	<u>ELECTION DISTRICT</u>	<u>STATE FUNDS</u>	
Statewide	Native Health Service \$ 73,839,885	State Salaries	\$ 1,543,535	
	IIUD 11,680,793	Court System Expenditures	873,869	
		Legislative Expenditures	8,583,408	
	TOTALS \$ 85,520,678		\$ 11,000,811	\$ 96,521,489
GRAND TOTALS \$1,869,562,275			\$385,239,830	\$2,254,802,106

Prepared by:
Legislative Affairs Agency
Research Division
May 23, 1979

ATTACHMENT

DISTRICTS	STATE SALARIES	POSSIBLE FEDERAL FUNDS
07-12 Anchorage	\$ 50,709,486	\$ 2,025,800
04 Juneau	45,453,988	235,600
17 Bethel-Lower Kuskokwim	1,486,009	200,000
05 Cordova-Valdez-Seward	8,055,302	43,400
20 Fairbanks	18,368,746	29,804,300

NOTE: These figures are incomplete and for internal legislative use only.
See Attached Memo.

Prepared by:
Legislative Affairs Agency
Research Division
May 23, 1979

IV

FINANCIAL DISINCENTIVES TO BOROUGH FORMATION

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

IV
FINANCE DIVISION
POUCH WF-STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3795

November 15, 1978

MEMORANDUM

TO: Arliss Sturgulewski, Chairman
Senate Community & Regional Affairs Committee

FROM: MB
Milt Barker, Fiscal Analyst
Legislative Finance Division

SUBJECT: Financial Disincentive to Borough Formation

In this memo the net change in state aid and local effort for all REAA's upon their conversion to organized boroughs is estimated. The date of the assumed conversions is July 1, 1977; the period of state aid is fiscal year 1978. The following principal elements are considered:

1. public school foundation support (AS 14.17)
 - (a) in-lieu funds for REAA's (AS 14.08.121)
 - (b) basic need
 - (c) required local effort (AS 14.17.071)
2. municipal revenue sharing under the terms of HB 192
3. shared corporate income taxes (AS 43.20.016)

Foundation Support

Current state funding for REAA's is at 100% of basic need under the foundation program as well as a state contribution equal to the number of REAA pupils times the average local tax contributions per pupil in the organized school districts during the prior fiscal year, which in this case was \$688 per pupil for FY 77 (AS 14.08.121).

Upon conversion to borough status, an REAA loses this latter "in-lieu" contribution of \$688 per pupil. For all REAA's, the loss of this support would have amounted to

"In-Lieu"

(\$7,610,656)

for FY 78.

Also upon conversion, the new borough would have received less than 100% of basic need, the actual percentage depending on the new borough's assessed value per ADM relative to the average assessed value per ADM for all districts in the state, but in no case being less than 97% (ADM is average daily membership of pupils).

For FY 78 foundation support, the "Alaska Taxable", January 1, 1976, assessed valuation of municipalities of \$9,805,715,960 was used. Using a method described in Appendix I, I estimate assessed value of outside municipalities at \$110,714,000 for a total statewide valuation of \$9,916,429,960 excluding oil and gas property in the unorganized borough.

With 83,274 pupils in ADM for FY 78 according to the Department of Education's "Statistical Report 1978-79", this would have been a statewide average assessed value per ADM of \$119,082. As further described in Appendix I, the average assessed value per ADM for an REAA with no oil or gas property would have been \$19,895.

Plugging these assessed values per ADM into the formula for determining state support (AS 14.17.021(c)) yields a level of state aid equal to 99.5% of basic need for REAA's that would have become boroughs.

From the attached statement of REAA FY 78 revenues prepared by the Department of Education, we see that total basic need for all REAA's is \$47,530,826, this being the sum of amounts under the headings "federal 874" and "foundation" since PL 81-874 funds are deducted from foundation support for both REAA's and organized school districts (AS 14.08.121(a)(1) and AS 14.17.021(a)). Thus, the decrease in foundation support would be \$47,530,826 times .5% or

Basic
Need

(\$237,654)

for all REAA's in total.

Finally, the assumption of borough status by an REAA would have required local effort for the first time. The required local to state match would have been 1 to 199 for all newly formed boroughs on average.

The state contribution would have been the \$47,530,826 in basic need reduced by the \$237,654 equalization amount and by the \$17,485,871 in PL 81-874 funds or \$29,807,301. This would have required a local match of

Local
Effort

(\$149,785)

Thus, the total financial disincentive under the school foundation program for borough formation is

(\$7,998,095)

and is due almost entirely to loss of the "in-lieu" funds. The additional loss is about 5% on top of the "in-lieu" funds. A glance at the DOE table on REAA FY 78 revenues allows one to estimate the disincentive for any particular REAA.

It must be cautioned that these estimates are in terms of averages and that the results could differ for individual REAA's. However, the differences should not be that significant, especially for non-pipeline REAA's; even at the minimal level of 97% state support (which only pipeline REAA's would come close to) the loss of foundation support for all REAA's would have been at most \$1,425,924, with required local effort decreasing to \$44,100 because the match ratio drops to a minimum of 1:32. Thus, the total loss to any individual REAA would probably have been no more than 19% on top of the "in-lieu" loss.

More likely to affect these estimates are changes overtime in the contributions per ADM of organized school districts that determine "in-lieu" funds. The continued increases in the statutory level of basic need (an increase of 10% is scheduled for FY 80 -- AS 14.17.056) should not be significant since the loss due to the equalization factor was only \$237,654 to start with.

Municipal Revenue Sharing

Under the method proposed in HB 192, municipal revenue sharing funds would be distributed based on a formula that takes account of population and local effort in relation to assessed valuation per capita (proposed AS 29.88.010). 1/

1/ For purposes of the revenue sharing formula, a municipality's assessed valuation may not be less than 15% of the average statewide assessed value per capita. Using the \$9,916,429,960 statewide assessed value derived above and the "Alaska Taxable 1977" January 1, 1977 statewide population estimate of 398,983, we have average per capita of \$24,854 of which 15% would be \$3,728 per capita. However, estimated un-organized borough valuation per capita is \$6,096. (from Appendix I)

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If we use the Appendix I population and valuation per capita figures for the unorganized borough excluding oil and gas property (50,451 persons and \$6,096 per capita) and assume the only local effort is the required school foundation match (\$149,785), the total revenue sharing to all new boroughs would be only

HB 192
Revenue
Sharing

\$64,130

on the assumption that the appropriation for all revenue sharing is \$27,000,000, the level at which HB 192 becomes effective. ^{2/}

The \$149,785 level of local effort is the equivalent of .49 mills. If the new boroughs increased their local effort above the minimum .49 mills required for school foundation aid, they would receive revenue sharing support as follows: ^{3/}

<u>Mills</u>	<u>Local Effort</u>	<u>HB 192 Revenue Sharing</u>
5	\$1,528,418	\$ 654,387
10	3,056,836	1,308,775
20	6,113,673	2,617,551
30	9,170,510	3,926,326

If the revenue sharing appropriation were roughly \$63,000,000 it would on average provide a 1 to 1 match of entitlement to local effort for new boroughs (other than pipeline boroughs).

Depending on the average mill rate in the new boroughs, the appropriation would have to be much larger to offset \$7,610,656 "in-lieu" disincentive under the foundation program:

<u>Mills</u>	<u>Revenue Sharing Appropriation Required to Offset "in-lieu"</u>
5	\$377,000,000
10	220,000,000
20	141,000,000
30	115,000,000

^{2/} Sec. 11 of HB 192 provides a minimum entitlement of \$25,000 plus a COLA during the first fiscal year the act is effective. Thus, if the act takes effect before a new borough formation, this floor is of no value to new boroughs and would not in any event provide increased support beyond the first year.

^{3/} See next page for footnote

11/15/79

Thus, at common borough millages of 5 or 10 and the trigger appropriation level, HB 192 revenue sharing would provide insignificant revenues to any individual non-pipeline, newly-formed borough since the total support to 21 old REAA's would have been from \$65,000 to \$1,300,000.

Shared Corporate Income Taxes

AS 43.20.016 distributes the appropriation for shared corporate income taxes in an amount equal to that received by boroughs in FY 78, or for newly-formed boroughs in amount equal to the FY 78 receipts of the borough closest in population, pro-rated if the appropriation is insufficient to fund these base levels. If it is greater, the excess is distributed per capita.

FY 78 total distribution was \$10,571,500. FY 80's appropriation was just a little above that, \$11,400,000. If appropriation levels remain sufficient to only fund base amounts the entitlements of newly-formed boroughs would be:

<u>REAA</u>	<u>Population 4/</u>	<u>Base Entitlement</u>
Adak	3,200	\$ 7,275
Alaska Central Railbelt	1,095	13,985
Alaska Gateway	788	13,985
Aleutian Region	2,375	7,275
Annette Island	962	13,985

(con't on p. 6)

3/ These estimated new Chapter 88 revenue sharing entitlements are based on a pro-ratio factor of 2.61 shown on the attached Legislative Affairs computer simulation of HB 192 dated February 19, 1979. As the new boroughs took a bigger bite of the pie the pro-ratio factor would decrease. Thus, the estimates for the higher millages become progressively greater than they should be. However, the estimates still give a rough idea of entitlements and a more accurate picture of the relative fiscal effect if only one or two REAA's should actually convert to boroughs.

4/ Estimated by applying ratio of total population to ages 5 through 18 from appropriate 1970 census divisions to Department of Education pupil ADM figures for FY 78 and adding population of city school districts from "Alaska Taxable 1978". The total population differs from that in Appendix I because of the inclusion of Valdez and one year later data.

<u>REAA</u>	<u>Population</u>	<u>Base Entitlement</u>
Bering Strait	4043	7,275
Chatham	3178	7,275
Chugach	7438	1,220,920
Copper River	1925	7,275
Delta/Greely	3051	7,275
Iditarod	731	13,985
Kuspuk	880	13,985
Lower Kuskokwim	7420	1,220,920
Lower Yukon	2615	7,275
Northwest Arctic	3660	7,275
Pribilof	973	13,985
Southeast Island	9408	208,145
Southwest	2620	7,275
Lake & Peninsula	923	13,985
Yukon Flats	1004	13,985
Yukon Koyukuk	2828	7,275
Total	61,117	\$2,834,615

The pattern here presents a crazy-quilt of aid in which some larger communities get less than smaller ones, with Chugach and the Lower Kuskokwim to receive substantially more than any of the others because their populations were near that of the North Slope Borough which had, of course, large business license tax receipts for FY 78.

Although the administration's estimates for the corporate petroleum income tax have remained at \$160 million a year (the calendar 1978 level), legislative finance estimates the petroleum income taxes alone, disregarding non-petroleum corporate income taxes, will mount to around \$600 million by FY 81. If distributions were at 10% of this level, \$60,000,000, the excess of roughly \$50,000,000 over base entitlements would bring \$7,500,000 to newly-formed boroughs on a per capita distribution, more nearly offsetting the other financial disincentives to borough formation.

The Lower Kuskokwim should clearly gain from borough formation as should Chugach if Valdez is incorporated into the borough, even at current appropriation levels.

Other Considerations

This analysis has not considered the further decline in state support to REAA's that become boroughs that would occur for school construction. Under AS 43.18.100, the state would pick up 80% of the debt service for new borough's school construction debt whereas the state now builds entirely at its own expense the necessary school facilities for REAA's.

11/15/79

Of course, with the "Hooch" case settlement new boroughs school construction needs may not be that significant for some time.

One incentive not considered is the value of municipal land selections a new borough would be entitled to under AS 29.18.203. However, it may be an incentive to postpone formation since a new borough receives 10% of state lands within its boundary at the time of incorporation. So until Alaska's land status is resolved, there are disincentives here too, considering opportunity costs.

APPENDIX I
UNORGANIZED BOROUGH ASSESSED VALUES

The potential average assessed value of real and personal property in the unorganized borough is estimated in a roughshod way here, using data from several points in time, partially because that is the way the Department of Education does it for the foundation formula, and partially to not pretend to insupportable exactitude.

The FY 78 REAA pupil ADM was 10,729 according to the Department of Education's "1978-1979 Statistical Report". The average ratio of total population to school population (ages 5 through 18) for all census divisions outside organized cities or boroughs in the 1970 consensus was 3.01:1. Thus, total REAA population for FY 78 is estimated at 32,294. For purposes of estimating property values, we deduct 666 persons from this figure for Selawik and Eagle, which levy property taxes and have assessed value figures in "Alaska Taxable", but are part of REAA's.

Using some assumptions from Darbyshire & Associates, August 1979 Yukon Flats Regional Government Study (see attached page 139 from that study) -- namely, 3.5 persons per household, restricted deeds on 50% of residential property, \$20,000 average value per non-restricted dwelling, and \$2,000 taxable personal property per household -- I estimate assessable values outside taxing jurisdictions at \$110,714,000. This is conservative in that no commercial or industrial values are inputted; such properties are assumed to be in the taxing cities in the unorganized borough.

Adding this \$110,714,000 to the January 1, 1976 assessed value for all cities, except Valdez, which are outside organized boroughs, \$196,849,710, we get a total assessable value for the unorganized borough, excluding Valdez and oil and gas property, of \$307,563,710.

As of January 1, 1977, total population, excluding Valdez, that resided outside organized boroughs was 32,294 estimated for REAA's, plus 18,157 for school districts outside organized boroughs (from "Alaska Taxable 1977"), or 50,451.

The total pupil ADM for FY 78 was the 10,729 for REAA's plus 4,730 for all school districts, excluding Valdez, outside organized boroughs, or 15,459.

Based on these figures, the average assessed value per ADM would be \$19,895 and per capita \$6,096 in the unorganized borough for FY 78 excluding oil and gas property.

RURAL EDUCATION ATTENDANCE AREAS
REVENUE

FY-78 Audited

	Other Federal	Federal. 874	Total Federal	Foundation	Pupil Trans	In Lieu Of	Boarding Home	Other State	Total State	Rental	Interest	Other Local Income	Total Local
Adak		1,469,558	1,469,558	245,201	57,737	416,240	---	---	719,178	9,088	60,417	12,889	82,394
Alaska Central		355,136	355,136	1,226,448	160,372	241,488	---	1,107	1,629,415	19,402	35,816	---	55,218
Alaska Gateway		44,531	44,531	1,551,000	163,454	290,336	482	---	2,005,272	2,183	23,248	7,616	33,047
Aleutian		187,079	187,079	1,297,921	---	160,304	10,442	---	1,468,667	2,278	12,890	72,638*	87,806
Annette Is.		974,909	974,909	23,125	5,645	219,472	---	1,984	250,226	---	24,209	2,500	26,709
Bering Strait		661,549	661,549	1,981,201	21,080	304,784	305,784	---	2,612,849	30,133	11,348	2,768	44,249
Chatham		278,532	278,532	410,502	---	127,968	---	---	538,470	24,073	1,670	---	25,743
Chugach		72,804	72,804	230,032	---	33,024	---	---	263,056	---	---	8,903	8,903
Copper River		343,113	343,113	1,870,637	289,715	482,976	9,404	---	2,652,732	---	19,314	21,838	41,152
Delta/Greely		900,583	900,583	1,244,417	267,219	533,200	1,760	---	2,046,596	---	36,343	1,351	37,694
Iditarod		465,099	465,099	1,239,901	---	195,392	---	61,145 ²	1,496,438	20,829	3,101	---	23,930
Kuspuk	16,880	706,247	723,127	1,363,986	31,749	233,920	4,654	33,521	1,667,830	20,255	23,864	3,951 ⁴	48,070
Kower Kuskokwim	89,098	2,173,269	2,262,367	3,154,856	50,582	1,016,176	1,070,870	---	5,292,484	95,177	75,530	142,242 ³	312,949
Lower Yukon		1,480,442	1,480,442	2,227,933	---	615,072	---	51,500	2,894,505	148,234	68,122	46,405 ⁴	262,761
Northwest Arctic		2,316,087	2,316,087	3,992,413	---	1,033,376	91,811	2,711	5,120,311	169,692	50,415	22,340 ⁴	242,447
Pribilof		439,713	439,713	467,787	---	126,592	---	3,181	597,560	---	20,012	---	20,012
Southeast Is.		896,690	896,690	720,310	12,332	294,464	23,793	3,253	1,054,152	---	29,415	---	29,415
Southwest		1,293,592	1,293,592	1,649,017	---	359,824	---	---	2,008,841	56,890	52,532	26,605	136,027
Lake & Pen.		751,920	751,920	1,635,080	33,708	263,504	4,275	---	1,936,567	36,250	21,541	231	58,022
Yukon Flats		415,576	415,576	1,328,863	---	209,152	17,432	---	1,555,447	---	---	4,339 ⁵	4,339
Yukon-Koyukuk		1,259,442	1,259,442	2,184,325	---	453,392	---	51,500	2,689,217	70,505	43,400	122,574 ⁵	236,479
		17,485,871	17,591,849	30,044,955	1,093,593	7,610,656	1,540,707	209,902	40,499,813	704,959	613,187	499,190	1,817,366

- *1 Sale of Capital Equipment
- 2 Includes 21,000 Insurance Proceeds
- 3 Federal Payments
- 4 Includes Indirect Cost Payments
- 5 Includes AVEL Subsidy

THE FOLLOWING DOCUMENT(S) MAY NOT FILM
LEGIBLY BECAUSE OF POOR QUALITY OF THE
ORIGINAL.

LOCAL EFFORT = MILL RATE EQUIVALENT
USING FULL & TRUE PROPERTY VALUE AND
ALL ALLOWED LOCAL REVENUES.
MILITARY POPULATION TREATED AS CIVILIANS.

PREPARED BY
LEGISLATIVE AFFAIRS AGENCY
RESEARCH DIVISION
FEBRUARY 19, 1979

CHAPTER 88 PRORATION FACTOR IS 2.8135487047
MINIMUM ENTITLEMENT PRORATION FACTOR IS 0.8758651501
HOLD HARMLESS PRORATION FACTOR IS 0.9914967014

LOCAL GOV'T	POPULATION	LOCAL EFFORT	CHAPTER 88 ENTITLEMENT	CHAPTER 89 ENTITLEMENT	MINIMUM ENTITLEMENT	HOLD HARMLESS ADD ON	PROPOSED ENTITLEMENT	PRESENT ENTITLEMENT
BOROUGH AND SERVICE AREAS								
1 ANCHORAGE A.W.	202,101	9.62	\$5,083,464	\$2,752,543	\$0	\$0	\$7,143,711	\$4,457,601
2 CITY S.A.	81,082	1.22	\$253,603	\$0	\$0	\$0	\$253,603	\$272,735
3 EAGLE RIVER	7,321	1.01	\$20,935	\$0	\$0	\$0	\$18,120	\$52,991
4 CHUGIAK	76,481	0.32	\$5,557	\$0	\$0	\$0	\$4,825	\$42,356
5 GIRDWOOD	608	1.81	\$2,689	\$0	\$0	\$0	\$2,509	\$6,779
6 GLEN ALPS	65	3.06	\$520	\$0	\$0	\$0	\$452	\$0
7 FIRE S.A.	124,216	1.38	\$668,468	\$0	\$0	\$0	\$550,509	\$1,131,923
8 ROADS & DRAINAGE	155,995	0.47	\$192,103	\$972,200	\$0	\$0	\$1,130,759	\$520,221
9 POLICE S.A.	163,258	3.90	\$1,663,327	\$0	\$0	\$0	\$1,448,806	\$1,531,039
10 PARKS & REC.	201,616	0.70	\$372,734	\$0	\$0	\$0	\$323,689	\$754,653
11 P & R/CHUGIAK	14,476	0.37	\$14,323	\$0	\$0	\$0	\$12,459	\$34,562
12 SOLID WASTE S.A.	184,290	0.14	\$67,874	\$0	\$0	\$0	\$55,943	\$0
13 CHUGIAK/SOLID WASTE	14,476	0.05	\$2,322	\$0	\$0	\$0	\$1,930	\$0
14 BUILDING SAFETY	184,216	0.17	\$31,833	\$0	\$0	\$0	\$71,117	\$0
15 SPECIAL ASSESSMENT	155,995	1.07	\$439,102	\$0	\$0	\$0	\$381,325	\$0
TOTAL							\$11,404,644	\$8,366,057
16 BRISTOL BAY BOROUGH	1,685	19.42	\$35,545	\$0	\$0	\$0	\$74,293	\$27,515
17 SOUTH NAKNEK S.A.	225	1.25	\$738	\$8,370	\$0	\$0	\$8,940	\$7,466
TOTAL							\$83,229	\$34,981
18 FAIRBANKS BOROUGH	66,222	6.99	\$1,210,055	\$112,010	\$0	\$0	\$1,161,502	\$955,404
19 BALLALINE LAKE	168	1.03	\$454	\$291	\$0	\$0	\$1,278	\$476
20 DIANE	66	0.78	\$135	\$4,000	\$0	\$0	\$4,673	\$2,431
21 WIDOWVIEW ACRES	77	0.71	\$143	\$3,050	\$0	\$0	\$3,193	\$4,303
22 SMITH RANCH	433	1.43	\$1,644	\$7,647	\$0	\$0	\$9,310	\$4,012
23 ENGINEER CREEK	144	1.69	\$638	\$3,193	\$0	\$0	\$3,873	\$4,335
24 ESTER LUMP	10	1.32	\$34	\$5,951	\$0	\$0	\$6,000	\$3,185
25 NORTH STAR F.P.	6,500	0.79	\$13,533	\$0	\$0	\$0	\$11,752	\$50,007
26 BECKER RIDGE	108	2.10	\$594	\$16,888	\$0	\$0	\$17,444	\$10,109
27 UNIVERSITY F.P.	7,177	1.98	\$37,322	\$0	\$0	\$0	\$32,411	\$55,216
28 LAKEGEY HILL	50	12.51	\$1,635	\$3,021	\$0	\$0	\$4,673	\$4,292
29 SPRUCE ACRES	50	2.01	\$263	\$1,811	\$0	\$0	\$2,024	\$369
TOTAL							\$1,274,302	\$1,035,911
30 HATHES BOROUGH	1,924	5.55	\$27,946	\$0	\$0	\$0	\$24,263	\$2,611
31 JUNEAU BOROUGH A.W.	22,105	18.75	\$1,083,308	\$145,000	\$0	\$0	\$1,033,575	\$447,077
32 S.A. 1	7,416	12.64	\$245,105	\$35,575	\$0	\$0	\$245,105	\$143,033
33 S.A. 2	1,664	5.16	\$23,448	\$11,725	\$0	\$0	\$31,115	\$25,218
34 S.A. 3	199	16.30	\$6,481	\$30,575	\$0	\$0	\$67,255	\$43,123
35 S.A. 4	1,478	1.67	\$6,475	\$0	\$0	\$0	\$5,623	\$0,337
36 S.A. 5	9,623	1.19	\$30,029	\$0	\$0	\$0	\$26,073	\$54,378
37 S.A. 6	747	0.80	\$1,564	\$0	\$0	\$0	\$1,359	\$4,535
38 S.A. 7	441	0.53	\$611	\$0	\$0	\$0	\$530	\$2,940
39 S.A. 8	500	0.10	\$500	\$0	\$0	\$0	\$500	\$7,500

							TOTAL	\$1,489,307	\$759,259
40 KENAI PENINSULA BOROUGH	25,281	5.41	\$357,975	\$0	\$0	\$0	\$310,872	\$96,957	
41 CENTRAL HOSPITAL	15,568	1.00	\$42,012	\$80,625	\$0	\$0	\$116,423	\$71,917	
42 SOUTH HOSPITAL	6,282	2.28	\$37,485	\$80,625	\$0	\$0	\$112,492	\$71,917	
43 NIKISKI F.P.	3,489	1.54	\$14,095	\$0	\$0	\$0	\$12,241	\$25,092	
44 NORTH KENAI REC.	3,800	0.36	\$3,532	\$0	\$0	\$0	\$3,110	\$18,216	
45 BEAR CREEK F.P.	687	1.37	\$2,472	\$0	\$0	\$0	\$2,147	\$4,940	
							TOTAL	\$557,287	\$289,054
46 KETCHIKAN BOROUGH	13,071	6.02	\$205,670	\$0	\$0	\$0	\$178,608	\$81,615	
47 SHORELINE S.A.	683	0.60	\$1,442	\$0	\$0	\$0	\$1,252	\$4,569	
							TOTAL	\$179,861	\$86,185
48 KODIAK ISLAND BOROUGH	8,926	8.21	\$191,759	\$49,450	\$0	\$0	\$215,556	\$88,730	
49 FIRE DISTRICT I	1,853	1.76	\$8,532	\$0	\$0	\$0	\$7,409	\$13,326	
50 ROAD DISTRICT	352	0.62	\$574	\$40,312	\$0	\$0	\$40,468	\$21,575	
							TOTAL	\$263,435	\$123,632
51 MAT-SU BOROUGH	20,360	7.37	\$392,204	\$152,512	\$0	\$0	\$491,813	\$119,309	
52 WASILLA F.P.	3,619	1.24	\$11,813	\$0	\$0	\$0	\$10,259	\$25,119	
53 BUTTE F.P.	2,122	0.51	\$2,845	\$0	\$0	\$0	\$2,470	\$14,723	
54 GREATER PALMER F.P.	3,027	0.00	\$21	\$0	\$0	\$0	\$18	\$21,003	
55 SUTTON F.P.	693	0.72	\$1,313	\$0	\$0	\$0	\$1,140	\$4,810	
56 NON AREA-WIDE	15,595	0.15	\$7,776	\$0	\$0	\$0	\$6,753	\$0	
57 TALKEETNA FLOOD S.A.	271	1.13	\$802	\$0	\$0	\$0	\$697	\$0	
58 GARDEN TERRACE	69	1.87	\$338	\$0	\$0	\$0	\$294	\$0	
							TOTAL	\$513,446	\$184,977
59 NORTH SLOPE BOROUGH	8,187	6.00	\$128,419	\$111,580	\$0	\$43,322	\$265,107	\$267,331	
60 SITKA BOROUGH	8,787	10.13	\$232,863	\$134,382	\$0	\$39,683	\$374,813	\$378,027	
FIRST CLASS CITIES									
61 BARROW	2,716	6.48	\$45,982	\$0	\$0	\$215	\$40,145	\$40,430	
62 CORDOVA	2,780	23.70	\$172,209	\$122,475	\$0	\$0	\$270,083	\$202,482	
63 CRAIG	587	10.49	\$16,093	\$14,675	\$0	\$0	\$28,586	\$28,582	
64 DILLINGHAM	1,360	18.01	\$64,043	\$11,993	\$0	\$0	\$67,508	\$57,722	
65 FAIRBANKS	35,457	18.22	\$1,736,606	\$899,773	\$0	\$0	\$2,400,223	\$1,541,810	
66 GALENA	585	6.07	\$15,627	\$24,008	\$0	\$4,192	\$41,531	\$41,537	
67 HATHES	1,366	19.40	\$69,276	\$23,057	\$0	\$0	\$87,979	\$93,096	
68 HOMER	2,055	9.03	\$48,536	\$23,193	\$0	\$8,780	\$79,509	\$74,455	
69 HOORNAI	1,093	4.03	\$11,537	\$19,350	\$0	\$16,583	\$46,044	\$46,439	
70 HYDABURG	380	0.00	\$0	\$9,900	\$15,100	\$0	\$25,000	\$19,355	
71 KAKE	679	4.30	\$7,643	\$2,645	\$15,648	\$0	\$25,936	\$16,068	
72 KENAI	5,364	21.03	\$294,948	\$117,416	\$0	\$0	\$372,556	\$224,263	
73 KETCHIKAN	8,293	18.83	\$408,344	\$161,500	\$0	\$0	\$514,740	\$362,267	
74 KING COVE	566	5.98	\$8,846	\$9,050	\$17,666	\$0	\$35,562	\$24,562	
75 KIMBECK	323	0.00	\$0	\$8,225	\$16,775	\$0	\$23,000	\$14,040	
76 KODIAK	5,754	15.70	\$236,211	\$39,452	\$0	\$0	\$244,247	\$194,916	
77 KODIAK	503	15.89	\$23,900	\$34,970	\$0	\$0	\$52,823	\$35,323	
78 KODIAK	2,892	30.50	\$230,582	\$238,701	\$0	\$0	\$450,743	\$340,050	
79 NORTH POLE	461	5.40	\$6,759	\$30,820	\$0	\$0	\$52,427	\$26,582	
80 PALMER	2,141	16.42	\$91,896	\$124,085	\$0	\$0	\$202,834	\$100,550	
81 PELICAN	221	18.63	\$19,764	\$7,256	\$8,854	\$0	\$24,231	\$9,180	
82 PETROBURG	3,197	25.00	\$208,900	\$105,435	\$0	\$0	\$285,952	\$100,705	
83 SAND POINT	773	13.28	\$26,848	\$42,925	\$0	\$0	\$65,575	\$43,491	
84 SAINT MARY'S	436	0.00	\$0	\$20,847	\$9,652	\$8,152	\$38,651	\$39,454	
85 SELDovia	612	0.00	\$0	\$21,715	\$5,160	\$4,233	\$30,909	\$30,468	
86 SEWARD	2,130	14.56	\$81,092	\$149,425	\$0	\$0	\$210,576	\$138,287	

80	UNALASKA	619	23.71	\$48,078	\$128,838	\$0	\$0	\$169,495	\$93,240
81	VALDET	4,481	4.32	\$50,711	\$128,309	\$0	\$37,919	\$268,343	\$270,644
82	ZONE I	4,002	0.00	\$0	\$0	\$0	\$0	\$0	\$0
83	ZONE II	419	0.00	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL								\$268,343	\$270,644
84	WRANGELL	3,325	12.08	\$105,010	\$100,222	\$0	\$0	\$190,563	\$192,121
85	ZONE III	997	5.89	\$15,370	\$0	\$0	\$0	\$13,347	\$0
86	ZONE IV	2,328	8.20	\$49,928	\$0	\$0	\$0	\$43,358	\$0
TOTAL								\$247,269	\$192,121
87	YAKUTAT	442	0.00	\$0	\$13,195	\$13,679	\$0	\$24,362	\$17,708
SECOND CLASS CITIES									
88	ANCHORAGE	113	0.00	\$0	\$0	\$26,875	\$0	\$23,338	\$1,414
89	AKIACHAK	354	0.00	\$0	\$29,250	\$3,250	\$109	\$31,931	\$32,205
90	AKIAK	192	0.00	\$0	\$5,200	\$27,300	\$0	\$28,863	\$8,423
91	AKOPIUT	608	0.00	\$0	\$155,837	\$0	\$0	\$154,512	\$107,913
92	ALAYANUK	533	0.00	\$0	\$26,000	\$6,500	\$456	\$31,876	\$32,149
93	ALIKPACIK	227	0.00	\$0	\$0	\$31,562	\$0	\$27,409	\$0
94	ALLANAYET	216	0.00	\$0	\$9,028	\$24,409	\$0	\$30,148	\$8,053
95	AMBER	273	0.00	\$0	\$21,400	\$12,037	\$0	\$31,671	\$21,993
96	ANAYTHUK PASS	173	0.00	\$0	\$0	\$33,437	\$0	\$29,037	\$0
97	ANDERSON	584	0.00	\$0	\$16,718	\$16,718	\$0	\$31,095	\$16,297
98	ANDSON	527	0.00	\$0	\$13,435	\$12,501	\$0	\$24,178	\$23,529
99	ANDAY	355	0.00	\$0	\$19,059	\$14,378	\$0	\$31,363	\$22,486
100	ANAYK	102	0.00	\$0	\$0	\$33,437	\$0	\$29,037	\$0
101	ATHAPULUAK	185	0.00	\$0	\$34,450	\$0	\$0	\$34,157	\$25,577
102	BETHEL	3,608	14.25	\$134,404	\$171,112	\$0	\$0	\$285,376	\$242,387
103	BROOKS MISSION	194	0.00	\$0	\$0	\$31,562	\$0	\$27,409	\$0
104	BUCKLAND	176	0.00	\$0	\$5,350	\$28,087	\$0	\$29,696	\$8,341
105	CHEFCHAK	204	0.00	\$0	\$5,200	\$27,300	\$0	\$28,863	\$8,412
106	CHENAY	463	0.00	\$0	\$0	\$32,500	\$0	\$28,223	\$9,087
107	CHENAYDALLUK	119	0.00	\$0	\$5,350	\$28,087	\$0	\$29,696	\$8,535
108	CLARK'S POINT	98	0.00	\$0	\$0	\$31,562	\$0	\$27,409	\$0
109	DELTA JUNCTION	892	0.00	\$0	\$29,295	\$0	\$1,292	\$30,323	\$30,583
110	DIOMIDE	125	0.00	\$0	\$5,050	\$26,512	\$0	\$28,031	\$5,560
111	EAGLE	124	1.85	\$605	\$11,385	\$16,759	\$0	\$26,368	\$8,370
112	EEK	307	0.00	\$0	\$0	\$32,500	\$0	\$28,223	\$8,722
113	EMMONS	111	0.00	\$0	\$0	\$31,562	\$0	\$27,409	\$0
114	ELTH	288	0.00	\$0	\$0	\$31,562	\$0	\$27,409	\$0
115	EMMONS	556	0.00	\$0	\$7,832	\$24,667	\$0	\$29,187	\$19,968
116	FORT YUKON	637	0.00	\$0	\$56,776	\$0	\$0	\$56,294	\$52,435
117	FORTY-NINE LEDGE	210	0.00	\$0	\$5,200	\$27,300	\$0	\$28,863	\$9,366
118	GAMBLE	447	0.00	\$0	\$32,093	\$9,403	\$0	\$30,129	\$24,158
119	GILQUIN	118	0.00	\$0	\$5,050	\$26,512	\$0	\$28,031	\$7,760
120	GOODNEWS BAY	248	0.00	\$0	\$2,437	\$30,062	\$0	\$28,523	\$7,487
121	GRAYLING	161	0.00	\$0	\$0	\$33,437	\$0	\$29,037	\$431
122	HILLY CROSS	302	0.00	\$0	\$18,725	\$14,712	\$0	\$31,342	\$17,154
123	HENDER BAY	648	0.00	\$0	\$0	\$32,500	\$0	\$28,223	\$16,531
124	HORTON	440	0.00	\$0	\$63,702	\$0	\$0	\$63,160	\$39,183
125	HURTS	98	0.00	\$0	\$0	\$33,437	\$0	\$29,037	\$1,461
126	HUSLIA	216	0.00	\$0	\$57,412	\$0	\$0	\$56,023	\$36,372
127	KACHENAK	151	0.00	\$0	\$0	\$26,875	\$0	\$23,338	\$0
128	KAYLOVIAK	192	0.00	\$0	\$0	\$33,437	\$0	\$29,037	\$2,863
129	KAYTAG	257	0.00	\$0	\$6,687	\$26,750	\$0	\$29,860	\$8,025
130	KAYAN	46	0.00	\$0	\$4,000	\$21,000	\$0	\$22,502	\$4,080
131	KIANA	331	0.00	\$0	\$15,448	\$17,989	\$0	\$30,939	\$19,852
132	KIVALINA	227	0.00	\$0	\$5,350	\$28,087	\$0	\$29,696	\$11,407
133	KOMIK	176	0.00	\$0	\$0	\$33,437	\$0	\$29,037	\$0
134	KORIK	305	0.00	\$0	\$5,200	\$27,300	\$0	\$28,863	\$10,650
135	KOTIK	2,625	14.43	\$101,725	\$53,916	\$0	\$0	\$145,755	\$126,462

143 KAYAK	140	0.00	\$0	\$5,050	\$25,512	\$0	\$25,512	\$0
147 KOYUKUK	124	0.00	\$0	\$5,350	\$23,087	\$0	\$23,087	\$0
148 KUPUKANUK	42	0.00	\$0	\$0	\$25,937	\$0	\$25,937	\$0
149 KUTHELIK	444	0.00	\$0	\$5,200	\$27,300	\$0	\$27,300	\$0
150 LARGEN BAY	137	0.00	\$0	\$0	\$26,875	\$0	\$26,875	\$0
151 LOWER KALOKAG	218	0.00	\$0	\$0	\$33,437	\$0	\$33,437	\$0
152 NADAKOTAK	250	0.00	\$0	\$5,050	\$5,512	\$0	\$5,512	\$0
153 NADKATHI	382	0.00	\$0	\$24,777	\$0,000	\$0	\$0,000	\$0
154 NADKATHI	186	0.00	\$0	\$5,200	\$27,300	\$0	\$27,300	\$0
155 MOUNTAIN VILLAGE	573	0.00	\$0	\$15,575	\$15,925	\$0	\$15,925	\$0
156 NADKATHI	307	0.00	\$0	\$8,060	\$24,440	\$0	\$24,440	\$0
157 NADKATHI	215	0.00	\$0	\$5,200	\$27,300	\$0	\$27,300	\$0
158 NADKATHI	105	0.00	\$0	\$0	\$31,562	\$0	\$31,562	\$0
159 NEW STUYANOK	297	0.00	\$0	\$5,050	\$25,512	\$0	\$25,512	\$0
160 NEWTON	154	0.00	\$0	\$0	\$32,500	\$0	\$32,500	\$0
161 NIGHTMATE	135	0.00	\$0	\$0	\$32,500	\$0	\$32,500	\$0
162 NIKOLAI	152	0.00	\$0	\$8,426	\$25,011	\$0	\$25,011	\$0
163 NIKOLAI	226	0.00	\$0	\$0	\$31,562	\$0	\$31,562	\$0
164 NODKATHI	524	0.00	\$0	\$7,356	\$26,011	\$0	\$26,011	\$0
165 NODKATHI	382	0.00	\$0	\$19,093	\$14,378	\$0	\$14,378	\$0
166 NODKATHI	182	0.00	\$0	\$0	\$33,437	\$0	\$33,437	\$0
167 OLD HARBOR	342	0.00	\$0	\$10,346	\$16,528	\$0	\$16,528	\$0
168 OUYNKATE	177	0.00	\$0	\$1,881	\$24,993	\$0	\$24,993	\$0
169 PTH BY STATION	301	0.00	\$0	\$3,250	\$23,250	\$0	\$23,250	\$0
170 PLATINUM	56	0.00	\$0	\$0	\$32,500	\$0	\$32,500	\$0
171 POINT HOPE	464	0.00	\$0	\$0	\$33,437	\$0	\$33,437	\$0
172 PORT ALEXANDER	101	0.00	\$0	\$0	\$25,937	\$0	\$25,937	\$0
173 PORT HEIDEN	89	0.00	\$0	\$89,000	\$0	\$0	\$0	\$0
174 PORT LIONS	232	0.00	\$0	\$6,557	\$20,317	\$0	\$20,317	\$0
175 QUINNAGAK	451	0.00	\$0	\$6,825	\$25,875	\$0	\$25,875	\$0
176 RUBY	219	0.00	\$0	\$0	\$33,437	\$0	\$33,437	\$0
177 RUTHIAN MISSION	187	0.00	\$0	\$8,060	\$24,440	\$0	\$24,440	\$0
178 SAINT MICHAEL	283	0.00	\$0	\$5,050	\$25,512	\$0	\$25,512	\$0
179 SAINT PAUL	550	0.00	\$0	\$114,571	\$0	\$0	\$0	\$0
180 SANTIAGO	409	0.00	\$0	\$5,050	\$25,512	\$0	\$25,512	\$0
181 SAYAN	272	0.00	\$0	\$7,250	\$17,750	\$0	\$17,750	\$0
182 SCOTTEN BAY	190	0.00	\$0	\$0,202	\$23,237	\$0	\$23,237	\$0
183 SET ANIK	554	0.00	\$0	\$0	\$33,437	\$0	\$33,437	\$0
184 SHAGLIK	229	0.00	\$0	\$16,551	\$16,805	\$0	\$16,805	\$0
185 SHAGLIK	163	0.00	\$0	\$38,621	\$0	\$0	\$0	\$0
186 SPS DON POINT	143	0.00	\$0	\$0	\$32,500	\$0	\$32,500	\$0
187 SHAGLIK	353	0.00	\$0	\$11,250	\$23,250	\$0	\$23,250	\$0
188 SHAGLIK	198	0.00	\$0	\$5,350	\$23,087	\$0	\$23,087	\$0
189 SHAGLIK	326	0.00	\$0	\$0	\$31,562	\$0	\$31,562	\$0
190 TANANA	499	0.00	\$0	\$36,948	\$0	\$0	\$0	\$0
191 TELLER	253	0.00	\$0	\$13,540	\$18,022	\$0	\$18,022	\$0
192 TENATE SPRINGS	134	0.00	\$0	\$2,553	\$23,343	\$0	\$23,343	\$0
193 TONIAK	455	0.00	\$0	\$15,781	\$15,781	\$0	\$15,781	\$0
194 TOMSON BAY	336	0.00	\$0	\$5,200	\$27,300	\$0	\$27,300	\$0
195 TULLEWAY	231	0.00	\$0	\$0	\$32,500	\$0	\$32,500	\$0
196 TULLEWAY	239	0.00	\$0	\$5,200	\$27,300	\$0	\$27,300	\$0
197 ULM AG DIST	602	0.00	\$0	\$34,150	\$0	\$0	\$0	\$0
198 UPPER KALOKAG	164	0.00	\$0	\$0	\$33,437	\$0	\$33,437	\$0
199 WAINRIGHT	429	0.00	\$0	\$0	\$33,437	\$0	\$33,437	\$0
200 WAINRIGHT	130	0.00	\$0	\$0	\$31,562	\$0	\$31,562	\$0
201 WAINRIGHT	2,184	0.00	\$0	\$111,660	\$0	\$0	\$0	\$0
202 WHITE MOUNTAIN	115	0.00	\$0	\$0	\$31,562	\$0	\$31,562	\$0
203 WHITTIER	353	0.00	\$0	\$0	\$23,750	\$0	\$23,750	\$0
204 WIERING	117	0.00	\$0	\$5,350	\$23,087	\$0	\$23,087	\$0
205 EXT FIRE AREAS	1	0.00	\$0	\$37,587	\$0	\$0	\$0	\$0

TOTAL \$17,753,155 \$9,246,844 \$2,516,100 \$231,559 \$27,000,000 \$18,592,973

Shared Revenue

Fiscal 1977-1978

1st Quarter 1976-77

	1976-77	1977-78	1977-78	1977-78	1977-78	1977-78
	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	1st Quarter	TOTAL
						VOLUME
Anchorage Boro.	104689229	12511746	13255715	15727090	145160758	1211892369
City & Borough of Anchorage	9255558	1212722	1452200	31457043	3070703	37235698
City & Borough of Sitka	1679620	296014	355498	11451111	1082501	13163926
Chukchi Bay Boro.	142790	18944	-0-	1517611	67021	1398576
North Star Boro.	12901001	2317966	274135	4746613	147913	56672732
Haines Boro.	302698	164669	7500	278432	276470	727497
Kachik Village Boro.	2820910	1231832	161700	30227016	3089885	34761133
Kachik Village Boro.	355091	36773	14880	1727175	1461330	3260956
Kodiak Island Boro.	288579	57280	13500	1815030	195641	2021451
Mat Su Boro.	2099668	519222	157430	1271957	1433213	9081795
North Star Boro.	14665116	131500	77905	101501340	20364392	122092037
Total Boro's	142206560	22212948	14725543	11501334	142681353	712308228
Akiak	-0-	1500	-0-	-0-	42182	43682
Akiak	10582	-0-	-0-	-0-	-0-	-0-
Akiak	-0-	1932	1500	1150	1501	44690
Akiak	-0-	6278	-0-	17435	-0-	13712
Akiak	-0-	-0-	-0-	3300	28021	31227
Alakamak	58980	-0-	-0-	124533	403176	527109
Aleknagik	-0-	-0-	-0-	47452	1500	45952
Alut Com. & Boro.	3000	16430	-0-	31500	3924	50437
Ullakat	-0-	-0-	-0-	13166	-0-	13666
Unik	20880	1500	1500	17967	11994	43452
Anaktavuk	-0-	-0-	-0-	1500	1500	10500
Anderson	17459	9259	9531	31174	51057	135643
Angoon	1143	3000	1500	250010	30575	296070
Arctic	15774	3000	-0-	231341	85352	524746
Arctic	1500	-0-	-0-	7235	3200	10435
Bowman	24123	13877	-0-	2147137	242362	2403947
Almuntak	4865	-0-	-0-	7407	1500	7409
Bittel	342626	315472	15505	603621	284305	1611155
Bering Division	-0-	-0-	-0-	15119	1500	17414
Buckland	7683	1500	-0-	23184	13709	10375
Chesapeake	-0-	-0-	-0-	21237	26474	55741
Chesapeake	7477	15775	-0-	3431	-0-	24004
Chesapeake	1500	-0-	-0-	2000	-0-	2000

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
YEAR	POPULATION	HOUSEHOLDS	PER CAPITA ASSESSED VALUE \$	MAXIMUM OPERATING BUDGET \$M	LOCALLY ASSESSED PROPERTY TOTAL PROPERTY \$M	RESIDENTIAL EXEMPTIONS \$M	NET TAXABLE \$M	STATE ASSESSED PROP. OIL PIPELINE \$M	GAS PIPELINE \$M	TOTAL TAXABLE PROPERTY INCLUDING GAS PIPELINE \$M	EXCLUDING GAS PIPELINE \$M
1980	1,667	476	49,710	5,593	10,712	2,380	8,332	875,500		883,832	883,832
81	1,717	490	52,190	6,049	11,030	2,450	8,580	901,850		910,430	910,430
82	1,768	505	54,800	6,540	18,865	2,525	16,340	929,550	155,480	1,101,370	938,390
83	1,821	520	57,540	7,073	19,204	2,600	16,604	957,100	368,960	1,342,664	966,204
84	1,876	536	60,420	7,651	17,060	2,680	14,380	985,150	522,750	1,522,280	994,530
1985	1,932	552	63,440	8,273	14,920	2,760	12,160	1,014,900	526,800	1,553,860	1,024,560
86	1,990	569	66,610	8,947	12,798	2,845	9,953	1,045,500	511,000	1,566,453	1,055,453
87	2,050	586	69,950	9,679	13,181	2,930	10,251	1,014,050	495,200	1,519,501	1,024,301
88	2,111	603	73,440	10,465	13,570	3,015	10,555	983,450	479,390	1,473,395	994,005
89	2,175	621	77,120	11,322	13,976	3,105	10,871	953,700	463,580	1,428,151	964,571
1990	2,240	640	80,970	12,243	14,400	3,200	11,200	925,650	447,780	1,384,630	936,850
91	2,307	659	85,020	13,240	14,829	3,295	11,534	897,600	431,970	1,341,104	909,134
92	2,376	679	89,270	14,317	15,277	3,395	11,882	870,400	416,170	1,298,452	882,282
93	2,448	699	93,730	15,488	15,731	3,495	12,236	844,900	400,370	1,257,506	857,136
94	2,521	720	98,420	16,748	16,203	3,600	12,603	819,400	384,560	1,216,563	832,003
1995	2,597	742	103,340	18,115	16,694	3,710	12,984	794,750	368,760	1,176,494	807,734
96	2,675	764	108,510	19,593	17,192	3,820	13,372	770,950	352,960	1,137,282	784,322
97	2,755	787	113,930	21,187	17,708	3,935	13,773	748,000	337,150	1,098,923	761,773
98	2,837	811	119,630	22,909	18,244	4,055	14,189	725,050	321,350	1,060,589	739,239
99	2,923	835	125,610	24,783	18,788	4,175	14,613	703,800	305,540	1,023,953	718,413
2000	3,010	860	131,890	26,797	19,350	4,300	15,050	682,550	289,740	977,340	697,600

Column 1 - The year of projection.

Column 2 - Population - Base year is 1978 - population 1,571. The annual increase in population is projected to be 3% per year. From Darbyshire & Associates "Technical Report #2 - Data Reconnaissance."

Column 3 - Households - The number of households was estimated by dividing the projected population by 3.5 persons per household.

Column 4 - Per Capita Assessed Value - The average per capita assessed value for the state as published annually by the Department of Community and Regional Affairs. It is estimated the annual increase for the projection period will be 5% per year. From 1978 to 1979 the per capita assessed value for the state increased 12%, excluding oil and gas property. Therefore, the writer estimates a 5% annual increase over the projection period is reasonable to anticipate.

Column 5 - Maximum Operating Budget - The estimated maximum amount of revenue that can be levied through property tax for the operating budget of the proposed borough.

Formula:

Population x 225% Average per Capita Assessed Value x 30 Mills = Maximum Operating Budget.

Example: 1980

1,667 x \$49,710 x 2.25 x 0.03 = \$5,593,403.48 -- say \$5,593,400.00.

Population - As certified by the Commissioner of Community and Regional Affairs on the Assessment Date (A.S. 29.53.045c).

Average Per Capita Assessed Value - A.S. 29.53.045c.

30 Mills - A.S. 29.53.050.

Column 6 - Locally Assessed Property/Total Property - Includes:

Real Property -

A - Residential,

B - Commercial-Industrial

Personal Property -

C - Individual,

D - Commercial-Industrial

A - Real Property/Residential: A survey of deeds issued by the township trustee indicates 50% of the residential property is subject to the covenants and restrictions of the restricted deed, and therefore not subject to property tax. It is estimated there is one dwelling unit per household with an average value of \$20,000;

Therefore:

Households x 50% x \$20,000 = Residential Assessed Value.

B - Real Property/Commercial-Industrial: It is estimated that there is \$2,500/capita invested in commercial and industrial development to support the population of the proposed borough. The growth of commercial and industrial properties will equal the growth of the population.

C - Personal Property/Individual: It is estimated the taxable personal property will average \$2,000/household.

D - Personal Property/Commercial-Industrial: It is estimated that there is \$600/capita invested in commercial and industrial equipment and inventory to support the population of the proposed borough. Value will increase in direct proportion to the population.

Column 7 - Residential Exemptions - It is assumed 50% of the dwelling units are owner-occupied and the proposed borough will enact the \$10,000 single-family owner-occupied exemption allowed under A.S. 29.53. This column gives the projected assessed value that would be exempt from taxation.

Column 8 - Locally Assessed Property/Net Taxable - Column 6 minus Column 7.

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ORIGINAL

V

LEGISLATIVE PROPOSALS RELATED TO ORGANIZATION
AND
FINANCIAL EQUALIZATION IN THE UNORGANIZED BOROUGH

LEGISLATIVE PROPOSALS
UNORGANIZED BOROUGH

SB 101 (1969)

HB 730 (1970)

HB 161 (1971)

HB 122 (1973)

FORM OF
REGIONAL
GOVERNMENT
AUTHORIZED

Six unorganized boroughs and service area within unorganized boroughs (Northwestern, Western, Interior, Southwestern, Southcentral, Southeastern) Residents of each unorganized borough represented on elected five-member advisory board.

Regional unorganized boroughs, as a prerequisite to so-called regional boroughs; service areas authorized within regional unorganized boroughs. A regional borough, once established, would be supervised by an elected regional council.

None; service areas of the unorganized borough were authorized. Authority was given to the director of Local Affairs Agency to establish, alter and abolish unorganized borough areas in accordance with standards he developed. Once established, the service areas would be controlled and directed by Regional Service Area Commissions, appointed or elected, whose principal responsibilities were advisory.

Second class boroughs with boundaries corresponding to the boundaries of the 12 geographic areas described by the Alaska Native Claims Settlement Act. The bill made provision for elections to determine the initial powers which the second class boroughs would enjoy and for the choice of initial borough officers.

MANNER OF
ORGANIZATION

Directive as to the number of unorganized boroughs; discretionary with the Legislative Affairs Agency as to the subsequent establishment of service areas.

Boundary determinations for regional unorganized boroughs were mandatory; the first election for the establishment of a regional borough was also mandatory, but subsequent action seeking incorporation of regional boroughs required submission of a petition from area voters.

Discretionary with the director of the Local Affairs Agency.

Mandatory, in accordance with the provisions of the legislation which require mandatory incorporation if no voluntary incorporation occurred before Jan. 1, 1977.

FISCAL INCENTIVES
AND IMPLICATIONS

Authority was retained by the legislature to levy service area taxes, with the Local Affairs Agency authorized to collect any taxes which were levied; the unorganized borough boards were granted the authority to receive and expend funds.

A Regional and Community Affairs Fund was established as a source of shared revenues for borough gov'ts. and for regional unorganized boroughs (with a 10% reserve for cities of the unorganized borough), to be distributed on the basis of population ratio and income deficiency. No fiscal estimate was provided. Regional unorganized boroughs might select 10% land entitlement.

No authority was granted to a service area to raise revenues within the region; presumably state grants would be made available for purposes of organization operation and provision of state services.

No incentives; the bill specifically denied to "boroughs incorporated by this act" the benefits of the then applicable ten percent land selection authorization.

LEGISLATIVE PROPOSALS
UNORGANIZED BOROUGH

SB 122 (1973)

HB 291 (1973)

HB 202 (1977) HB 9 (1979)

Governor's 1977 "Package"
HB 596, HB 597, HB 598

FORM OF REGIONAL GOVERNMENT AUTHORIZED	None. This was the predecessor of legislation eventually enacted in 1975 to provide for the decentralization of responsibility for the operation of schools.	Unorganized borough districts. This legislation is quite similar to HB 596 except that the entities are called "unorganized borough districts" and it modified the local hearing requirements with respect to the drawing of the boundaries of these districts and requires affirmative legislative approval of the proposed boundaries.	None.	FORM OF REGIONAL GOV'T. Unorganized borough units each of which would have authority to adopt home rule charters. (HB 596) Boundaries would be recommended by the Boundary Commission. Voters would choose 11 member advisory council in each borough. MANNER OF ORGANIZATION Mandatory formation of unorganized borough units. (HB 596)
MANNER OF ORGANIZATION	Mandatory formation of educational service areas.	(See above and HB 596)	Not applicable.	FISCAL INCENTIVES AND IMPLICATIONS Extension of the property tax levy on a statewide basis (HB 597), with the levy of a premium rate on certain real and personal property of companies engaged in oil and gas activities (HB 598), was, even with the credits & exemptions allowed, expected to be sufficient to meet revenue sharing demands built into the two bills. The sharing of general property tax revenue, involving population and fiscal capacity factors, represented a realistic effort to address economic disparities. Major source of shared revenue was to be 20 mill tax on pipeline property (HB 598) however, sharing scheme was converted in the House to one based on economic impact - real or imagine-non-conductive to providing revenues on a sustained basis to meet the costs of public services at the local level.
FISCAL INCENTIVES AND IMPLICATIONS	Full state funding of the basic costs of educational services to be provided; no authorization to generate and expend revenues from local sources.	(See above and HB 596)	The levy of a millage rate, the proceeds of which are to be deposited in the General Fund to partially off-set state-funded educational costs, would constitute the first general property tax levy in the unorganized borough. The tax would necessarily fall on the improved commercial property as possibility exists 2nd Class cities would establish residential exemptions.	

VIII

PROPERTY TAX REVENUES OF PIPELINE BOROUGHES

STATE OF ALASKA

VIII

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
POUCH WF-STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3795

November 15, 1979

MEMORANDUM

TO: Arliss Sturgulewski, Chairman
Senate Community & Regional Affairs Comm.

FROM: Milt Barker, Fiscal Analyst
Legislative Finance Division

SUBJECT: Property Tax Revenues of Pipeline Boroughs

This memo is a revision of a memo of October 25, 1979 on the same subject. The revision is due to the use in the prior memo of an outdated boundary line separating the Chugach and Copper REAA's as well as the receipt of information on Valdez and the North Star Borough. Note that the analysis now includes the effects of combining the City of Valdez and the Chugach REAA into one borough.

Attached are tables that show potential property tax revenues in the pipeline municipalities and REAA's, both with and without the per capita limitations set by statute.

Table 1 shows potential property tax revenue from oil and gas production and transportation properties alone, without the per capita limits contained in AS 29.53.045. However, the 30 mill limit contained in AS 29.53.050(a) is the stopping point in the tables. This 30 mill limit applies only to operating and capital expenditures and can be exceeded to pay debt service as provided in AS 29.53.055. Supreme Court Decision No. 1750, October 20, 1978, held that bonds need not be in or threatened with default in order to exceed the 30 mills; thus, the only brake on the authorization and issuance of bonds is the operating expenditures required to staff, maintain, and operate the facility. Note that a municipality may levy up to 30 mills, or more with debt service, on oil and gas properties, even though the State levy is only 20 mills; however, there is no credit for oil companies against the State tax for any municipal levy exceeding 20 mills.

Table 1 also shows the per capita oil and gas revenues that would accrue without the per capita limits of AS 29.53.045.

Table 2 shows potential property tax revenues for REAA's that could be derived from all taxable property, not just oil and gas, under the per capita limits of current law contained in AS 29.53.045. Again, 30 mills is the maximum for operating and capital expenditures but can be exceeded for debt service. Up to 14.5 mills, the \$1,500 per capita revenue limit represents maximum property tax revenues, while from 14.5 to 30 mills the 225% of statewide average assessed value per capita is the limit.

Thus, if a municipality desired more than the revenue shown under the \$1,500 per capita column, it would use the 225% option with some millage above 14.5 mills. If it were content with the \$1,500 per capita limit or less, the required millage would be

<u>REAA</u>	<u>MILLS</u>
Yukon Flats	1.4
Yukon Koyukuk	4.1
Delta Greely	6.7
Copper River	1.9
Chugach	Not Under Per Capita Limits

or less. It would not be rational for a municipality to have a millage between any of these rates and 14.5 mills.

Valdez

It can be seen in Table 2 that a borough made up of Valdez and the Chugach REAA would use the 225% option since current Valdez property taxes of \$9,728,050 already exceed the \$1500 per capita limit. The City of Valdez mentions a 5.974 mill levy in their FY 80 budget; this is roughly 20.9 mills under the 225% limit on assessed valuation. Thus, a combined Valdez-Chugach borough would be able to tax up to 9.1 mills additionally under the 225% assessed value limit which would mean up to 2.6 mills additionally on full value.

\$9,211,293 of Valdez's property tax revenues are derived from oil and gas property.

Fairbanks North Star Borough

The property tax revenues for FY 80 for the North Star Borough are:

	<u>Millage</u>	<u>All Real Property Assessed Value 1-1-79</u>	<u>Property Tax Revenues</u>
Borough	7.18	\$1,158,310,825	\$ 8,316,671
City of North Pole	4.5	48,954,050	220,293
City of Fairbanks	8.5	530,001,850	4,505,015
Service Areas	various	267,611,475	198,919
			<u>\$13,240,898</u>

The borough assessed value is inclusive of the cities and service areas' values.

The portion of the above represented by oil and gas property is:

	<u>Millage</u>	<u>Oil & Gas Property Assessed Value 1-1-79</u>	<u>Property Tax Revenues</u>
Borough	7.18	\$792,249,650	\$5,688,352
City of North Pole	4.5	613,740	2,761
Service Area	1.0	64,303,000	64,303
			<u>\$5,755,416</u>

Both the North Star Borough and City of North Pole are well within the per capita property tax limitations.

North Slope Borough

Attached are pages 10 and 11 from the FY 1979-1980 North Slope Borough budget document. As explained therein, they have a 10.35 millage for FY 1979-1980 on total assessed value of \$5,021,847,880, of which \$4,810,887,800 should be the oil and gas properties shown in Table 1. 5.21 of 10.35 mills are for debt service.

However, the Borough's actual millages are 59.61 total and 29.61 for debt service because of the operation of the per capita limits, the 225% option being the most advantageous to them. Note that they have reached the 30 mill limit for the operating budget.

The property tax revenues to be derived in FY 1979-1980 are \$51,965,200 in total of which \$25,803,000 is for debt service.

TABLE 1
POTENTIAL OIL & GAS PROPERTY TAX REVENUES FOR OPERATING & CAPITAL EXPENDITURES WITHOUT PER CAPITA LIMITS

	1/1/79 Oil & Gas Property Assessed Value (\$000)1/	POTENTIAL				Est. 1979 Popu- lation2/	POTENTIAL			
		OIL & GAS PROPERTY TAX REVENUE (\$000)					OIL & GAS PROPERTY TAX REVENUE			
							PER CAPITA			
		@ 5 Mills	@ 10 Mills	@ 20 Mills	@ 30 Mills		@ 5 Mills	@ 10 Mills	@ 20 Mills	@ 30 Mills
NORTH SLOPE BOROUGH	4,810,887.8	24,054.4	48,108.8	96,217.6	144,362.6	7,971	3,017	6,035	12,070	18,105
YUKON FLATS REAA	1,020,959.4	5,104.8	10,209.6	20,419.2	30,628.8	1,004	5,084	10,168	20,337	30,504
YUKON KOYUKUK REAA	1,037,975.4	5,189.9	10,379.8	20,759.6	31,139.4	2,828	1,835	3,670	7,340	11,011
FAIRBANKS NORTH STAR BOROUGH	792,249.6	3,954.7	7,909.4	15,818.8	23,728.2	60,227	65	131	262	393
DELTA GREELY REAA	680,639.6	3,403.2	6,806.4	13,612.8	20,419.2	3,051	1,115	2,230	4,460	6,690
COPPER RIVER REAA	1,539,947.1	7,699.7	15,399.5	30,798.9	46,198.4	1,925	4,000	8,000	16,000	24,000
CHUGACH REAA	34,032.0	170.2	340.3	680.6	1,021.0	2,957	57	115	230	,460
CITY OF VALDEZ	1,541,897.0	7,709.5	15,419.0	30,838.0	46,257.0	4,481	1,720	3,440	6,880	10,320
CHUGACH REAA - VALDEZ	1,575,929.0	7,879.7	15,759.3	31,518.6	47,278.0	7,438	1,059	2,118	4,237	8,356

NOTES: ^{1/} Borough and City of Valdez figures are from Department of Revenue certified tax roll; figures for REAA's are based on the certified value for the unorganized borough (\$4,325,758,440) pro-rated by pipeline mileage (508.3 miles in unorganized borough).

^{2/} Borough and City of Valdez figures are the July 1, 1978 estimates contained in "Alaska Taxable 1978" published by the Department of Community & Regional Affairs. REAA figures are from November 15, 1979 Memo from Milt Barker to Arliss Sturgulewski re: "Financial Disincentives to Borough Formation".

PREPARED BY:
LEGISLATIVE FINANCE
November 15, 1979

TABLE 2

POTENTIAL FY 79-80 PROPERTY TAX REVENUES FOR
OPERATING & CAPITAL EXPENDITURES UNDER CURRENT LAW

PROPERTY TAX LIMITS (\$000)

	<u>\$1500 Per Capita Limit</u>	<u>225% OF STATEWIDE ASSESSED VALUE PER CAPITA LIMIT</u> ^{1/}		
		<u>15 Mills</u>	<u>20 Mills</u>	<u>30 Mills</u>
Yukon Flats	1,506.0	1,557.0	2,076.0	3,114.0
Yukon Koyukuk	4,242.0	4,386.0	5,848.0	8,772.0
Delta Greely	4,576.5	4,731.9	6,309.2	9,463.8
Copper River	2,887.5	2,985.3	3,980.4	5,970.6
Chugach	Not under limits--See Table 1 for potential oil & gas property tax revenue			
Chugach & Valdez	7,107.0	11,535.7	15,380.9	23,071.3
Chugach & Valdez (net of current Valdez tax revenue) ^{2/}	-0-	1,807.7	5,652.9	13,343.3

NOTE: ^{1/} Based on January 1, 1979 statewide assessed value of \$18,611,051,000 and a population estimate of 405,000.

^{2/} Valdez proposes FY 80 property taxes of \$9,728,050.

PREPARED BY:

LEGISLATIVE FINANCE
November 14, 1979

NORTH SLOPE BOROUGH

RESOLUTION SERIAL NO. 13-79

A RESOLUTION FIXING THE RATE OF LEVY ON PROPERTY IN THE
NORTH SLOPE BOROUGH.

WHEREAS, AS 29.43.170(a) provides the rate of levy, the date of equalization and the date when the taxes become delinquent shall be fixed by Resolution; and

WHEREAS, Resolution No. 27-78 fixes the date of equalization and the date when taxes become due and delinquent as June 29, 1979; and

WHEREAS, the Assembly has appropriated the necessary funds to carry out the Borough business and in accordance with the certified assessment roll there is \$5,021,847,880 assessed value of real and personal property in the Borough which in said value would result in a millage rate of 10.35 of which 5.21 mills for the Operating Budget (to include \$1,803,000 of Debt Service) per AS 29.53.055; and

WHEREAS, the Borough elected to utilize the AS 29.53.045(c) formula which results in a value of \$872,075,147 which can be taxed with results in a proration of all assessed value to 17.365623% of assessed value on all properties of the Borough thereby increasing the millage rate to yield the same taxes on each piece of property according to a certain letter of the State of Alaska; and

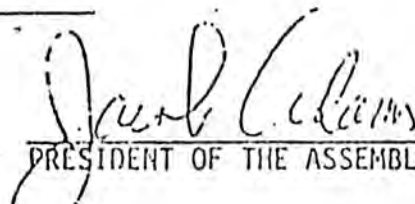
WHEREAS, the State average per capita assessed valuation to be certified by the Department of Revenue will be \$47,342.00;

NOW, THEREFORE BE IT RESOLVED:

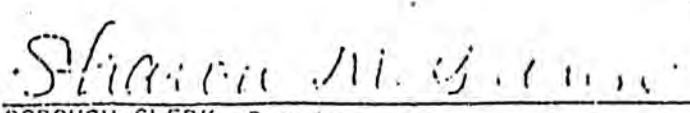
1. Rate of Levy (on basis of \$47,342.00 State average per capita assessed valuation): The rate of levy on each adjusted dollar of taxable property as of January 1, 1979 in the North Slope Borough is hereby fixed at 59.61 mills of which 30 mills are for the Operating Budget per AS 29.53.045(c) and 29.61 mills are restricted for Debt Service per AS 29.53.055

INTRODUCED: May 24, 1979

ADOPTED : May 24, 1979


PRESIDENT OF THE ASSEMBLY

ATTEST:


BOROUGH CLERK, Deputy


BOROUGH MAYOR, Acting

IX

REQUESTS RELATING TO BOROUGH FORMATION

17

RECORD OF INQUIRIES MADE OF THE DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS
RE BOROUGH INCORPORATION

During the 1970's there have been numerous inquiries into the process of developing borough government from communities in the unorganized borough.

Most of these inquiries were simply that -- with no action being pursued by the community. Most were initiated in response to a particular need which it was perceived local government might meet.

Admiralty Island Angoon expressed interest in borough government. Primary motivation behind interest appeared to be concern about controlling any timber development that took place on Admiralty Island. When there appeared to be no immediate threat of timber development occurring, and the Community realized that they might have a difficult time satisfying the financial requirements of a regional government, interest waned.

Cordova At the time Cordova area was seriously being considered as the southern terminus of a North Slope gas line, that area seemed very interested in borough government. Once the gas pipeline became a non-reality for the Cordova area, so did the issue of borough government.

Kobuk A petition of incorporation was received in 1974, but no follow-up action was taken to remedy deficiencies in the petition. The primary motivating factor for the request appeared to be local control of schools.

Kotzebue NANA region expressed interest in regional government 1974-75. Primary interest seemed to be the exercise of the planning power, both in the sense of controlling development within the region and controlling State and Federal activities that were taking place, at that time, on a rather random basis. NANA Regional Strategies Proposal was developed and appears to have satisfied many of the planning requirements of that particular region.

Newson Island This is a small island located in the Calista Region, which has on it the communities of Nigtmute, Toksook Bay and Tununak. In the early 1970's, there was some talk of these three communities uniting and forming a small borough. The person who was the primary mover, a consultant, disappeared and so did the enthusiasm for regional government.

Nome Nome has inquired into regional government, although the only interest the Community appears to have in borough government is how they might use it as a defense mechanism to keep themselves out of any other borough.

Prince of Wales Island Strong interest was expressed in the early 1970's. The local residents' thoughts appeared to be that they could obtain additional revenues through realization of stumpage fees for forestry activities taking place on the Island, as well as have more of a say in how timber development would affect them. An additional factor for at least one community on the Island was that they desired to remove themselves from the State-operated School System. However, in the end, the independent nature of the Communities of Craig, Hydaburg, Klawock and Thorne Bay rendered the situation such that they could simply not agree on the class of borough, the powers it would exercise and how the assembly ought to be composed.

X

SERVICE DELIVERY TO THE UNORGANIZED BOROUGH

X

SERVICE DELIVERY
TO THE UNORGANIZED BOROUGH

The Alaska State Constitution states:

"The legislature shall provide for the performance of services it deems necessary or advisable in unorganized boroughs, allowing for maximum local participation and responsibility. It may exercise any power or function in an unorganized borough which the assembly may exercise in an organized borough."

Article X, Section 6

There are presently three legislatively-mandated service areas:

1. Aquaculture Service Areas
2. Coastal Resource Service Areas
3. Regional Educational Attendance Areas (REAAs)

AQUACULTURE SERVICE AREAS

In 1979, the Legislature amended AS 16, the Aquaculture Program, with FCCS HB 359 (Ch. 59, SLA 1979) granting the Commissioner of Commerce and Economic Development the authority to declare qualified regional associations, incorporated as non-profit corporations, as "service areas" within the unorganized borough for the purpose of providing salmon enhancement services.

Under this provision, a regional aquaculture association, comprised of associations representative of commercial fishermen and other representatives within the region, whose board of directors includes no less than one representative of each member user group, which has incorporated as a nonprofit corporation, becomes a service area within the unorganized borough with the authority to tax designated species of salmon caught commercially within the region and apply the proceeds to salmon enhancement programs.

On July 13, 1979, Judge Allen Compton, Superior Court, declared that the state may not dedicate a tax on the harvest of a natural resource of the state to a specific purpose by the device of declaring the tax for the purpose of providing a service within a so-called service area in the unorganized borough. Further, it was the Court's view that an incorporated nonprofit association may not become a "service area," either by inference or express legislative declaration. (No. 1JU-78-191 Civil Memorandum of Decision and Order - Judge Allen Compton, Superior Court.)

The Southern Southeast Regional Aquaculture Association will appeal Judge Compton's ruling.

SERVICE DELIVERY TO THE UNORGANIZED BOROUGH (Cont'd)

COASTAL RESOURCE SERVICE AREAS

Coastal Resource Service Areas are authorized by the Alaska Coastal Management Act of 1977 to plan for the coastal areas. Each regional educational attendance area containing a part of the coastal area may be organized for this purpose or two or more REAAs may be consolidated as a single coastal resource service area. Implementation of the plans which are developed is the responsibility of the state.

At the present time, residents of two areas in the unorganized borough have voted to create coastal resource service areas. The Northwest Coastal Resource Service Area, comprising the area covered by REAA 1, has elected its seven-member board and will develop a coastal management plan.

On May 15, 1979, residents of REAA 3 and 4 voted to create the Yukon/Kuskokwim Delta Coastal Resource Service Area and will elect its board members on September 11, 1979. The City of Bethel opted to be excluded from this service area. In the Yukon/Kuskokwim area, the Department of Community and Regional Affairs entered into an agreement with Nunam Kitlutsisti, Inc. (Protectors of the Land,) the environmental planning area of Association of Village Council Presidents (AVCP) to provide a public outreach program presenting organizational options and procedures for coastal management in the area.

There have been expressed concerns related to how the state, through the appropriate state agencies, will actually implement an approved district coastal management program in the unorganized borough. Under AS 38.05.037, the Division of Lands has a general grant of authority to exercise zoning powers within the unorganized borough. Until recently, this has not been a problem because the zoning power was never used. However, where land-use controls are involved in coastal resource service areas, zoning will have to be established and administered by the Division of Lands.

On this subject, Mr. Vic Fischer in a memorandum to Mr. Steve Reeve, DNR, (February 2, 1979) recommends:

"If the state is deemed to have an overriding interest that requires it to exercise zoning authority in the unorganized borough, or at least within its coastal areas, neither ADL (Alaska Division of Lands) or DNR (Department of Natural Resources) appear to be the appropriate agency to manage the zoning program, with its strictly localized zoning, adjustment, appeals, and other aspects of continuing zoning administration. If the state is to engage in zoning, by far the most appropriate agency for the exercise of the function is the Department of Community and Regional Affairs (DCRA did not exist at the time ADL was granted zoning authority many years ago.)

In general, states have played only a minor role in the exercise of zoning authority beyond authorizing its use by local governments. The only exception is Hawaii, where general zoning classification is handled by the state, supplemented by local government; i.e., county, regulations in urban and other development areas. Elsewhere, zoning has been applied as a local government police power.

SERVICE DELIVERY TO THE UNORGANIZED BOROUGH (Cont'd)

COASTAL RESOURCE SERVICE AREAS (Cont'd)

Except for the special authority given ADL, zoning in Alaska has traditionally been a power of cities and, more recently, of boroughs. Zoning would not have to be exercised by the state at all if provisions were made for (1) reorganization of the unorganized borough into a series of organized boroughs with planning and zoning authority (and this could be done without forcing them to tax or even manage schools) or (2) delegating the planning and zoning power to service areas within the unorganized borough, much as was done by the legislature in the case of coastal management planning."

REGIONAL EDUCATION ATTENDANCE AREAS (REAA's)

REAA's were created in 1975 as the mechanism through which the Legislature delegates to regional school boards the authority to operate the public schools using the boundaries or sub-boundaries of the regional corporations established under the Alaska Native Settlement Act or a combination of such boundaries.

Because the REAA's represent a major effort in regionalization, local control and decentralization of service delivery in the unorganized borough, the boundaries of which are also to be used for coastal zone management purposes, an in-depth history and analysis of the REAA's is included for your review.

During the early 1970's, the Center for Northern Educational Research was requested by the Department of Education to initiate a study of the delivery of educational services in the unorganized borough and the Interim Legislative Committee on Pre-Higher Education of the Eighth Legislature identified decentralization of the Alaska State-Operated Schools as the subject it wanted to study. The final report published in 1974, entitled "Pre-Higher Education in the Unorganized Borough: Analysis and Recommendations," included a wide range of recommendations. A primary point was the recognition of the need for local control of education and the relationship of that local control with local government creation.

"In order that any plan be more than temporary, the authority for controlling education should be aligned with the development of local governmental units as envisioned by Alaska's Constitution. If local control can be defined as that measure of control which a state delegates to local units of government, then the issues of local control of education cannot be treated separately from the broad issue of the creation of local units of government. And local government units formed around the delivery of education can provide the vanguard for local control over delivery of other governmental services. Therefore, the structure created to serve educational needs must be formed in anticipation of increases in appetites for control of other governmental functions. To ignore the need for legislative support to move toward creating local government units will only blunt the emerging desire of local citizens to assume the reigns and responsibility for their own destiny." p. 34

SERVICE DELIVERY TO THE UNORGANIZED BOROUGH (Cont'd)

REGIONAL EDUCATIONAL ATTENDANCE AREAS (REAA's) (Cont'd)

The Center approached this subject with a note of caution; however,

"Local control of education in many regions is the main reason for creating local government units. All such creations, however, must await the readiness and desire of local people to assume control over them....the main sources of constituent resistance to local government stem from 1) lack of self-confidence, understandable, in the light of past history 2) groundless fear that the local tax base must be the primary source of local government, especially school funding, and 3) an acute shortage of trained personnel to handle what must seem like the endless march of administrative details.." p. 35

BOUNDARIES OF THE REGIONAL EDUCATIONAL ATTENDANCE AREAS

AS 14.08.031 (a) provides that REAA boundaries follow regional boundaries set under the Alaska Native Claims Settlement Act unless by referendum a community votes to merge with another community contiguous to it but within the boundaries or sub-boundaries of another regional corporation. The use of regional lines was not intended to be exclusive as shown by AS 14.08.031 (b) prescribing certain characteristics for REAA's.

"As far as practicable, each regional educational attendance area shall contain an integrated socio-economic, linguistically and culturally homogeneous area. In the formation of the REAA's, consideration shall be given to the transportation and communication between communities that comprise the area. Wherever possible, municipalities, other governmental or regional corporate entities, drainage basins and other identifiable geographic features shall be used in describing the boundaries.."

Taken together, these two sections suggest that REAA boundaries are to follow, rather than cross, regional corporation boundaries where they contact them and conform to natural or other predetermined boundaries. This is how the State Department of Community and Regional Affairs, which was charged with administering the act in consultation with the State Department of Education, interpreted it in a series of informational meetings in rural areas around the state in July and August, 1975. Later they began implementing it similarly when hearings were held in numerous bush locations regarding proposed boundaries. The result of the hearings was a division of the state into some 21 REAA's. Originally 20 REAA's were created by C&RA, but after a meeting of residents of REAA 17 and the Governor, REAA 21 (including Whittier and Tatitlek) was created on September 24, 1975, dividing REAA 14 along the boundary between the Chugach and Ahtna Regional Corporations.

Frequent mention has been made of the fact that the statutory characteristics for boundary selections of the REAA's are similar to the standards for borough incorporation.

SERVICE DELIVERY TO THE UNORGANIZED BOROUGH (Cont'd)

ADMINISTRATION OF THE REAAs

REAA voters elect a board of from 5-11 members who are voted on "at large." In addition to the elected board for each REAA, every community (or military reservation) with a school has a community school committee. The Statute merely charges them to "review and make recommendations to the board" of the REAA "concerning the curriculum, program and general operation of the local school." They may, however, be delegated other functions by the school board.

Matters of employment, salaries, purchasing, and disbursement of funds are lodged with the REAA boards. Although the power to "adopt regulations governing organization, policies and procedures for the operation of the schools" and to "develop a philosophy of education, principles and goals for the schools" is a board responsibility, the Commissioner of Education is given overriding control of school operations.

FINANCING REAAs

All funds for REAAs are furnished by the State Legislature. They receive "basic need," as used in computing foundation aid to districts, plus an amount equal to the average per pupil local tax contributions in city and borough districts. Thus, they are relieved of local effort requirements, but the amount they can receive from the state over and above basic need is indirectly determined by city and borough decisions regarding their local tax effort. (AS 14.08.12)

Among the local financial concerns of the REAAs, even as they began their first year of operation with full state support, were the following: (See Summary of Findings Alaska School Finance Study Workshops October-November 1976, published February 1977)

1. Public School Foundation Program. While few wished to change the basic funding method, concern was expressed about the ability of the formula to provide sufficient funds to meet operating costs, especially those of small attendance centers. The validity, accuracy and amounts of instructional unit allotments (regional cost differentials) were questioned. The ability of "basic need" dollars to meet the REAAs' "basic program need" was of great concern. (Two important legislative changes made in the Public School Foundation Program in 1977 responded to the financial concern of the REAAs. One recognized the plight of the very small attendance centers and provided for an increased minimum of instructional units. The second change modified the instructional unit allotments (regional cost differentials) to be more in line with the cost of doing business in rural and isolated areas of the state.)

2. School Construction. The amount of funds available for new construction, as well as the manner in which it is provided, received extensive criticism. Even as the FY 1978 building program got underway, REAAs expressed additional concern about the proportion of bond issue building funds being retained by the supervising state agencies for administrative purposes.

SERVICE DELIVERY TO THE UNORGANIZED BOROUGH (Cont'd)

FINANCING REAAs (Cont'd)

3. Equity. REAAs, with no local source of revenue, have limited ability to operate discretionary programs beyond what is possible with the amount in lieu of local taxes available to each. The possibility that legislation might be enacted to tax property in REAAs was of concern.
4. Operation and Maintenance of School Facilities. Extreme operational costs often result from inheriting substandard or poorly designed facilities. Costs of operating facilities are unpredictable, and in some cases were expected to consume as much as one-third of the operating budget. Inherited utility contracts was singled out as an item of great concern.
5. Other Financial Concerns. State and federal categorical programs were items of much concern, partly because obtaining some of these funds depends upon the grant writing ability of the REAA. High costs of travel and meeting expenses for school boards and superintendents were expected to cause problems. Inadequate funding for school food service programs was also identified as a major concern. The acceptance and operation of former BIA schools was of concern because of the possibility that current funding methods might not be adequate to provide funds necessary to operate the schools. Costs of teacher housing was a problem in some REAAs.

SERVICE DELIVERY TO THE UNORGANIZED BOROUGH (Cont'd)

CHRONOLOGY OF EVENTS: DECENTRALIZATION OF THE ALASKA STATE-OPERATED SCHOOL SYSTEM - 1974-1976

January 1974. Center for Northern Educational Research (CNER) releases its report, PreHigher Education in the Unorganized Borough: Analysis and Recommendations, produced at the request of the Eighth Alaska State Legislature's Interim Committee and of Native leaders.

January - May 1974. Eighth Alaska State Legislature meets and reviews CNER report in committee, but does not act on the recommendations of the report concerning rural education.

July 14-16, 1974. The Alaska Federation of Natives (AFN), having assessed the Legislature's inactivity, calls an Education Strategies Conference in Fairbanks to review CNER's recommendations, to prioritize issues addressed in the report, and to determine whether and how to bring CNER recommendations to the attention and action of the new State Legislature.

August 15, 1974. Mr. Gordon Jackson, Executive Vice-President for Human Resources, at the AFN presents the recommendations and strategies from the July conference to the State Board of Education and receives their unanimous support of those items.

October 14-16, 1974. The AFN Annual Convention endorses through resolutions the PreHigher Education's recommendations and strategies. The Human Resource Committee of AFN, meeting during the convention, endorses those principles and directs staff to include those concerns into the formal AFN Education Position Paper to be presented to the newly elected State Legislature.

January 1975. The Ninth Alaska State Legislature convenes, with several bills related to the CNER/AFN recommendations prefiled. These bills include Senate Bill (SB) 35, House Bill (HB) 24, and SB 94 and SB 136.

June 4, 1975. Governor Hammond signs into law (Chapter 124, SLA 75) the Free Conference version of SB 35 and HB 24. An interim administrative structure, AUBSK, is created for the transitional year.

September-October 1975. Representatives of DOE and DCRA hold formal hearings for REAAs; public hearings are held in 21 communities in the unorganized borough; 796 people attend, representing 83 communities.

July 1, 1976. Twenty-one Regional Educational Attendance Area school boards take responsibility for education in their regions.

SB 35 AND REGIONAL GOVERNMENT *

Patrick K. Poland

The transfer of the major operational responsibilities for rural Alaska's schools from the State of Alaska (Alaska Unorganized Borough School District) to regional school districts (Regional Educational Attendance Areas) with locally elected school boards was accomplished by Ch 124, Session Laws of Alaska, 1975 (popularly referred to as Senate Bill 35).

To a great extent, the ultimate impact of Senate Bill 35 is just beginning to be realized. However, there are already several definite implications for municipal government that have arisen from the implementation of Senate Bill 35. The purpose of this discussion is to underscore these implications as they relate to the development of municipal government in the Unorganized Borough. For purposes of this discussion, municipalities consist of boroughs and first-class cities; that is, municipalities having the education function.

Regional Identification

While rural Alaska's initial encounter with the concept of regionalism came about with passage of Public Law 92-746, the Alaska Native Claims Settlement Act (ANCSA), there is no doubt that Senate Bill 35 went far beyond the implications of the ANCSA in terms of developing regional identification. In the view of the Department of Community and Regional Affairs this was a positive step towards developing regional government in the Unorganized Borough. Prior to the passage and implementation of this particular act there were no real tests of the regional concept of service delivery taking place in the Unorganized Borough;¹ and while there were many advocates of this particular mechanism of service delivery, it remained, by and large, untested. However, with the mandate of regionalization created by Senate Bill 35, rural residents have, in a sense, been forced to test the concepts of regionalism in Alaska's vast Unorganized Borough.

Surprisingly, there seemed little if any real resistance to the idea of regional school districts. On the contrary, most rural residents seemed eager to embrace the concept. Much of this was undoubtedly due to the dissatisfaction many rural residents felt with the former State-Operated School System. Perhaps the strongest demonstration of this desire to participate in a regional approach to service delivery was the change in municipal status executed by the City of Selawik. In that particular instance, the City of Selawik, formerly a city of the first class in the Unorganized Borough and therefore having school responsibilities, petitioned the Local Boundary Commission² and convinced them of the need for the city to be dissolved and "reincorporated" as a second class city so that it might become a part of the particular Regional Educational Attendance Area (Northwest Arctic). Among

Very similar statutory language exists at AS 29.18.030, which is the statutory provision establishing standards for borough incorporation. The similarity of the standards goes a long way towards defining appropriate boundaries for potential regional governments. In fact, to some observers, the boundaries of the newly created Regional Educational Attendance Areas (with some exceptions) generally conform to good borough boundaries. This has been a little alarming to many rural residents, since no small number of them are still concerned that the state is going to "foist" boroughs upon them.

Finance

The second major subject area that has been the topic of much discussion as a result of Senate Bill 35 is that of local government finance. As presently constituted, Regional Educational Attendance Areas, in comparison to municipal school districts, have an advantageous funding schedule. In addition to 100 percent Public School Foundation Program funding, Regional Educational Attendance Areas also receive from the State an amount equal to the average local contribution per pupil in municipal school districts multiplied by the number of students in the Regional Educational Attendance Area. This advantageous funding schedule for REAAs versus municipal districts remains a hindrance rather than an enticement for REAAs to seek organized borough status.

Since most REAAs are property poor (hence, no ability to generate tax revenues), the thought of forming municipal school districts to provide services which are currently provided by Regional Educational Attendance Areas is almost out of the question. For example, the poorest existing borough has about \$20,000 worth of taxable property per capita. On the other hand, some of the Regional Educational Attendance Areas could probably expect to have considerably less than \$5,000 worth of taxable property per capita. Realistically, it is impossible to provide basic municipal services without adequate funding.

The major exceptions to this discussion, of course, are those areas surrounding "the pipeline." The regions surrounding Fort Yukon, Delta Junction, Glennallen, Copper Center, and Valdez have taxable property per capita values that could easily support borough government.

Partially in response to these obvious funding inequities, the Department of Community and Regional Affairs, as a part of its final conclusions reached in its study of regional government, recommended that a new system of financing regional governments be found. Basically, the system suggested was one that placed a state-wide property tax on all property associated with the exploitation of natural resources and then, in turn, distributed those tax revenues on the basis of population and services being provided by individual boroughs. It was determined that additional study of that particular proposal

The principal negative aspect of Senate Bill 35 has been the funding formula which maintains a disincentive to formation of municipal governments and fails to properly address the extremely poor tax base of much of rural Alaska.

Ultimately, the passage of Senate Bill 35, if for no reason other than the fact that it has generated discussion and interest, is going to have had a significant effect (probably the most significant since the passage of the 1964 mandatory borough act) towards developing regional government in this state.

Notes

1. Admittedly, certain state and federal agencies have been administering a few programs on a regional basis. However, these agencies have had the benefit of vast government financial and technical resources to assist them. In the opinion of this writer, the availability of these resources makes any comparison between the state/federal regional approach and the REAAs invalid.

2. The Local Boundary Commission is composed of five members and is responsible for reviewing and approving or disapproving all municipal incorporation, dissolution, and boundary change proposals.

3. While a final report was not issued at the end of the study, several comprehensive memorandums summarizing various aspects of the study are available from Community and Regional Affairs. As an additional result of the study, legislation calling for a Local Government Commission to study and make recommendations to the Legislature on all aspects of state/local relations is being introduced by Governor Hammond in the second session of the Tenth State Legislature (January 1978).

4. Alaska Constitution, Article X, Section 2. All local government powers shall be vested in boroughs and cities. The state may delegate taxing powers to organized boroughs and cities only.

5. For further information, the reader may wish to consult David Getches, Law and Alaska Native Education, pp. 32-34.

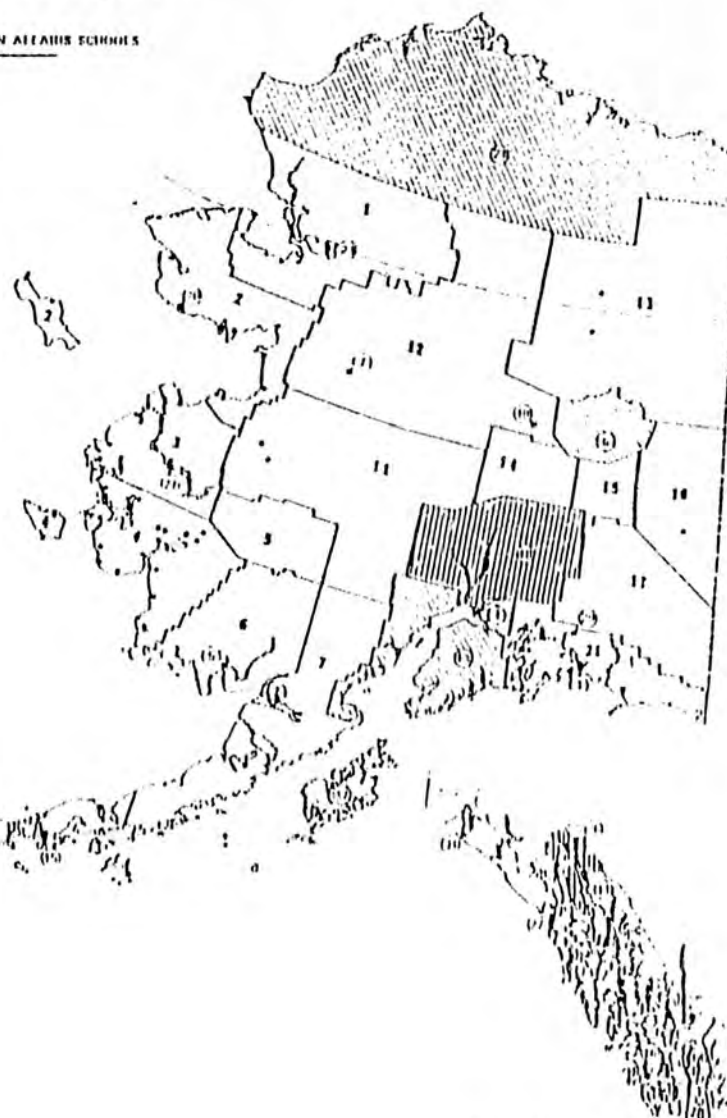
*Article reprinted from New School Districts in Rural Alaska: A Report on the REAAs After One Year, Center for Northern Educational Research, University of Alaska, 1978, pp. 137-142.

**This percentage was reduced to 20 percent by the Legislature with the passage of Sec 2 Ch. 147 SLA 1978.

U-28

BUREAU OF INDIAN AFFAIRS SCHOOLS

- 5000



(Southeast Alaska)

XI

SERVICES AND PROGRAMS PROVIDED BY THE
NON-GOVERNMENTAL AND QUASI-GOVERNMENTAL ORGANIZATIONS
IN THE UNORGANIZED BOROUGH

IDENTIFICATION OF SERVICES AND PROGRAMS PROVIDED BY NON-GOVERNMENT AND QUASI-GOVERNMENTAL ORGANIZATIONS IN THE UNORGANIZED BOROUGH

Throughout the organized and unorganized Alaska boroughs, there are a host of services and programs provided by non-governmental and quasi-governmental organizations. The majority of the services being delivered outside of the traditional Federal, State and local government agencies are being provided by Alaska Native nonprofit corporations.

The Alaska Native nonprofit corporations usually have regional jurisdiction boundaries following the same boundaries as the 12 Alaska Native regional profit corporations as described by the Alaska Native Claims Settlement Act (ANCSA.) These 12 regional boundaries are the divisions used in this report to depict what services are being provided by the various regional Native nonprofit corporations (Table I.) The same regional divisions have been used to identify the amount of program dollars flowing to the governmental and non-governmental entities of the organized and unorganized boroughs (Table II.) In addition, the 12 regional (ANCSA) divisions have been used to identify the proliferation of governmental and non-governmental organizations throughout the State of Alaska (Table III.)

Before the three Tables are explained, the importance of the regional Native nonprofits should be explored. The regional ANCSA boundaries reflect specific cultural and geographic areas. Consequently, the inhabitants of the regions have similar concerns for their land and way of life. In those areas of the State which have regional government, the nonprofits frequently are the representative organization of the Native community within a region. Conversely, the Native people in those areas of the State that are living within boroughs; i.e., Kodiak, still have a need to identify and preserve those aspects of their traditional ways of life necessary for the continuation of a cultural identity and use the Native nonprofit structure to meet this end.

The need for a collective voice, combined with the massive amount of Federal dollars available to the nonprofits, has created a situation in which these organizations are dynamic forces in the regions. Native nonprofit corporations are highly visible and offer the people of the various regions a voice in the determination of the services provided, and a chance to collectively combat the perceived forces of unwanted change.

IDENTIFICATION OF SERVICES AND PROGRAMS PROVIDED BY NON-GOVERNMENT AND
QUASI-GOVERNMENTAL ORGANIZATIONS IN THE UNORGANIZED BOROUGH (Cont'd)

TABLE I

Services Provided by Native Regional Nonprofit Corporations

These services cover a wide range of activities and are predominately funded from a few Federal sources and to a lesser degree with some State funds. It can be seen from this listing that many of the nonprofits are offering a full complement of services normally provided by governmental entities. It should be further noted that if a region is totally or partially encompassed within a borough, the nonprofits still offer the same degree of services provided by those nonprofits totally within the unorganized borough. The nature of the Federal funding has created this situation. Many of the National Federal programs have specific monies set aside for Indian and Native Americans. In the Lower 48 states, these funds go to Indian reservations and Indian urban organizations. However, in Alaska, the Native nonprofits have been identified as the representative Indian and Native American organizations for Alaska. The State of Alaska subcontracts with some of the nonprofits because they have the regional structure needed for the provision of specific services; i.e., Adult Basic Education.

Native Regional Corporations	Services Provided by Native Regional Nonprofit Corporations																	
	Adult Basic Education	BIA-Agriculture	BIA-ANA grant	BIA Credit	BIA tribal operations	BIA Employment Assistance	BIA Higher Education	BIA Housing Improvement	BIA Realty	BIA-Social Services	Community Planning -FNA-	Cultural Preservation	Education JOM	Employment CETA	Health Service	Housing	Local Government Training	Subsistence Resource Advocacy
Cook Inlet Region	X					X	X			X		X	X	X	X	X		X
Koniag	X										X		X	X	X	X		X
Arctic Slope Region		X	X	X	X				X	X		X			X	X		
Bristol Bay Native Corp.											X		X	X	X	X	X	X
Sealaska				X	X	X		X		X	X	X	X	X	X	X	X	X
Chugach			X									X	X	X	X	X		X
Doyon			X		X	X	X			X	X	X	X	X	X	X	X	X
AHTNA											X	X	X	X	X	X		
Aleutian	X										X	X	X	X	X	X		
Calista	X					X	X			X	X	X		X	X	X	X	X
Derling Straits	X											X		X	X	X		
PVHA		X	X	X		X	X	X		X	X	X		X	X	X	X	X

TABLE 1 SERVICES PROVIDED BY NATIVE REGIONAL NONPROFIT CORPORATIONS

August 4/5, 1979

IDENTIFICATION OF SERVICES AND PROGRAMS PROVIDED BY NON-GOVERNMENT AND
QUASI-GOVERNMENTAL ORGANIZATIONS IN THE UNORGANIZED BOROUGH (Cont'd)

TABLE II

Funding Sources for Regional profit Corporations

Table II breaks out on a regional basis the flow of dollars into the 12 regions of the State. Most of these dollars are going directly to the non-profit corporations. The Comprehensive Employment and Training Act (CETA) funds, Indian Health Service funds, Housing and Urban Development (HUD) funds, Bureau of Indian Affairs (BIA) contracted services funds, BIA Johnson-O'Malley (JOM) funds and the subcontracted RuralCAP funds go directly to the regional nonprofits. These funding levels for FY 1979 total over \$93,000,000. The \$41,000,000 listed under ongoing HUD projects are actually being spread over a period of several years, consequently giving a slight distortion to the overall funding levels. It should also be noted that not all of the BIA services have, as of yet, been contracted to the nonprofits. Once all of the BIA services are subcontracted to the nonprofits, there will be a considerable increase in the level of nonprofit funding.

The Federal and State revenue sharing figures reflect only those funds going to communities within the unorganized borough. In addition, the HUD Community Development Block Grants go directly to the community. These funds are listed so as to give a comparative picture of the funds available to the governmental organizations within the unorganized borough. The \$8,000,000 dollars going to the regional local governments is relatively small when compared to the massive amounts going to the regional nonprofits. This again emphasizes the level of importance held by the nonprofits within and outside of the unorganized borough.

Native Regional Corporations	Div. of Indian Affairs FY 79	U.S. Public Health Service Indian Health Services FY 79	HUD Indian Housing		HUD FY 79 Community Development Block Grants	Federal Revenue Sharing	State Revenue Sharing	State RDA Grants	BIA Contracted Services	BIA JOH	Rural Cap
			other on-going projects								
Cook Inlet Region	2,499,950	1,350,077		2,149,995				20,000	1,721,292	413,656	80,000
Koniag	766,384	446,472	816,000	1,839,701	285,000			78,000	250,223	370,287	172,545
Arctic Slope ³ Region	1,456,761	446,012							767,107		
*Administered by AFN											
Bristol Bay Native Corp.	1,164,157	1,062,219			225,000	137,094	143,724	52,150		386,237	285,545
Sealaska	3,950,241 656,862 586,535	711,705			698,000	505,324	557,339	116,200	4,868,621	974,984	381,180
Chugach	397,862	384,521		1,632,000		353,080	470,539	17,000		160,094	96,000
Boyon	3,954,371	1,776,384		10,357,000	191,000	120,248	368,288	61,850	4,736,696	482,622	237,090
AHTNA	190,254	396,617				19,348		40,000		86,784	
Alutian	583,320	444,000	489,600	6,772,800		80,088	236,508	124,000	136,497	253,023	168,000
Calista	6,642,158	2,794,568	4,161,600	5,793,600	401,350	479,040	763,235	219,000	1,721,766	284,198	1,165,450
Bering Straits	2,010,085	1,574,205		12,741,003	240,000	212,976	503,232	113,877	308,103	11,951	272,180
NANA	1,466,867	975,174		2,751,854	230,000	161,020	214,533		246,788		
Total	26,325,807	12,382,954	5,467,200	71,557,953	2,683,550	2,069,028	3,257,868	842,077	14,757,093	3,423,836	2,857,990

TABLE 11 FUNDING SOURCES FOR REGIONAL PROFIT CORPORATIONS