

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 86 / 2

333 SCOM10: LOCAL GOVERNMENT STUDY 1979

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

TABLE III

Governmental and Non-governmental Structures within the Unorganized Borough

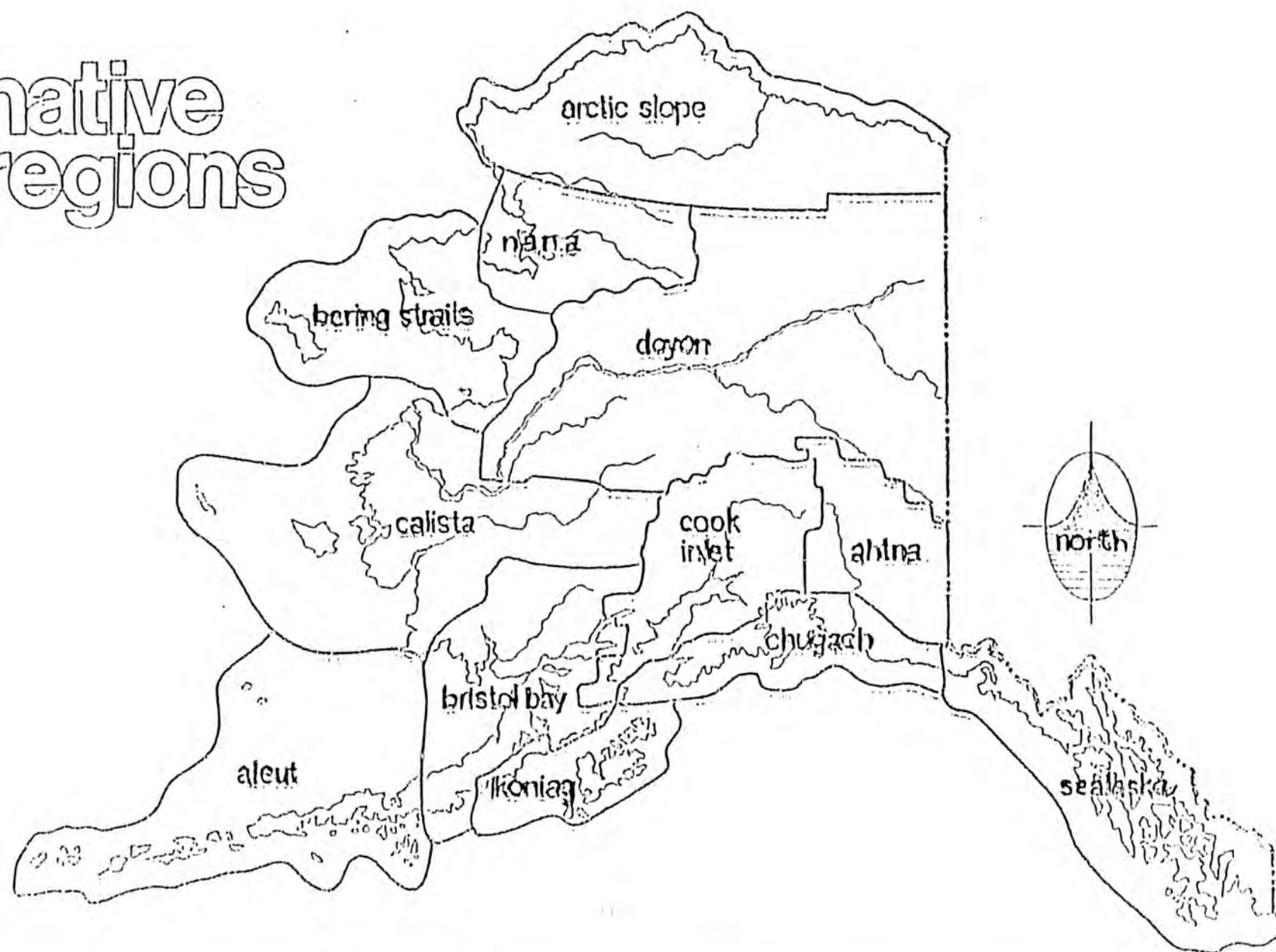
Table III is an attempt to look at the variety and numbers of governmental and non-governmental structures existing within the various regions. Within each region there are the constitutionally recognized forms of local government and public school systems. However, the Indian Reorganization Act (IRA) Councils and the nonprofits represent a system of Federally recognized and funded entities existing outside of the traditional forms of government. This confusion over who controls what in the unorganized borough, combined with the strength of the nonprofits, has resulted in the stagnation of the evolutionary process of regional governments in the unorganized borough.

It should be noted that the number of nonprofits is much larger than the actual number of regions. In all of the regions, there is one major nonprofit corporation providing most of the services. However, the majority of the regions have several additional nonprofit corporations offering specific programs; i.e., housing. In some cases this has resulted in the creation of several nonprofit entities within a region operating independently from other nonprofits within the region. Consequently, coordinative efforts become increasingly difficult and duplication of efforts is unavoidable. The need to set regional plans and coordinate the flow of Federal and State dollars has been an incentive for the regions to contemplate the formation of regional governments.

TABLE III REGIONAL STRUCTURES

Regional Native Profit Corporations	Organized Boroughs				Incorporated Communities		IRA Councils		Native Profit Corporations	REAA's	Independent School Districts	BIA Schools	Village Corporations
	Unified Home Rule Municipalities	Home Rule	Second Class	Third Class	Home Rule Cities	First Class Cities	Second Class Cities						
Arcic Slope		1				1	3	5	4		1		8
Alcutian						3	1	4	2	1	3		13
AHTNA			1						2	1			8
Bering Strait						1	11	15	4	2	1	10	16
Dudstol Bay			2			1	12	14	3	2	2		25
Took Inlet	1		2		2	3	3	2	2		3		8
WANA							11	8	2	1			1
Calista						1	35	10	6	3	1	27	44
Boyovon			2		2	2	18	10	5	4	2	5	27
KANA			1		1		5	1	1		1		14
Chugach			1		3		1	2	2	1	2		5
Sealaska	2		1	1	3	9	7	10	3	3	14		12
Total	3	1	10	1	11	21	107	81	36	18	50	47	181

native regions



XII

STATE/FEDERAL A95 REVIEW PROCESS

THE MUNICIPALITY OF ANCHORAGE A-95 CLEARINGHOUSE PROCESSINTRODUCTION

In response to the need for coordination and planning development of activities within and among the Federal, State and local levels of government, Congress has passed a number of legislative acts which would attempt to avoid duplicative and conflicting programs and policies, one of which is referred to as the A-95 Clearinghouse Process. It is derived principally from the Intergovernmental Cooperation Act of 1968 and Section 204 of the Demonstration Cities and Metropolitan Development Act of 1966. Its primary objective is for state and local government, through state and area-wide clearinghouses, to have an opportunity to assess the relationship of Federal projects or projects with Federal assistance to state, area-wide and local plans and programs. Federal agencies are to consider these assessments in deciding whether to proceed with the proposed project. The manner in which states, regions and local governments conduct this project is generally left up to the discretion of the particular governments. Again, it should be emphasized the Federal government is simply seeking the assessment of the different levels of government on proposed projects and an endorsement of such a project does not insure positive action by the Federal government nor does, on the other hand, will negative comments result in the cancellation of such a project.

THE MUNICIPALITY OF ANCHORAGE (MOA) A-95 CLEARINGHOUSE PROCESS

The procedure used by the MOA would normally commence when a federal agency or an organization with Federal assistance proposes to start a new project or program within the MOA area. The organization will send to the MOA a Notification of Intent (NOI) as early as possible. The MOA Clearinghouse will request review and comment from municipal, state and Federal agencies, along with non-profit service organizations, which they feel would have pertinent input. The MOA encourages a wide variety of input and, as a general policy, will not refuse any group comments. The MOA allows (generally) 30 days for review and comment except in unusual circumstances. After obtaining the responses from the various agencies and groups, and, if in the view of the MOA, there are no substantive negative comments, the MOA will send the comments to the agency proposing the project (they, in turn, must send these comments to the funding agency or department). However, if the MOA feels that the NOI does not adequately describe what the project or program will entail, it may request additional information before it will allow clearance. Or,

if MOA feels that there are substantive negative comments, it will act as a mediator between the two parties in hopes of alleviating their differences. If this exercise is unsuccessful, and the MOA still feels that the negative comments are justified, it will allow them to go to the Federal Regional Council (FRC)*. The FRC will then require a response from the agency or group seeking clearance concerning the negative comments.

The potential power of this process obviously lies with the MOA. It has the discretion to forward negative comments to the FRC which could conceivably result in the delay or cancellation of a project. Hence, in many cases it may be to the agency or group's advantage to settle what differences the MOA feel are important at an early stage of the process. The effectiveness of the MOA in using this planning and coordinative role depends primarily on the Clearinghouse utilizing municipal resources and its relationship with state and Federal agencies. According to the MOA Clearinghouse Director, this occurs at a satisfactory level.

THE RELATIONSHIP BETWEEN THE STATE OF ALASKA AND THE MOA CONCERNING THE A-95 PROCESS

The State**and MOA are the only two government units in Alaska which have A-95 Clearinghouse systems. They are currently attempting to coordinate their activities where both are involved and may have similar interests, goals and objectives. The two have agreed upon a number of points in operating their Clearinghouses through an informal memorandum of understanding. According to this understanding, MOA will "assume primary responsibility for coordinating state, area-wide, and local government review of proposed federal activities. . . (that) occurs exclusively within MOA boundaries." The state, on the other hand, will "assume primary responsibility for coordinating state, area-wide and local government review of proposed Federal activities. . . (that) do not occur exclusively within the MOA boundaries." Hence, by coordinating their efforts, the two governments avoid duplicative activities. Additionally, the MOA will serve as a mediator to solve differences between parties concerning exclusively within the MOA area, where the state will carry out function concerning a project not exclusively in the MOA. The agreement also states that the body responsible for sending the final response to Federal proposals and which receives an agency or group's responses (to negative comments) to

* the Federal Regional Council is primarily composed of the regional directors of the various federal agencies and departments.

** the Division of Policy Development and Planning is responsible for the State Clearinghouse functions.

provide the other body a copy of such a response if it contains substantive comment by the latter body. This allows the body not primarily responsible to know what comments received by the entity making the proposal and possibly the FRC (this would, as mentioned earlier, be in the case of a Clearinghouse sending negative comments). Additionally, both parties are also obligated to respond to a request of review in a 25 day time frame (after receiving the Notification of Intent).

NON-FEDERAL ASSISTED PROGRAMS WHICH MAY GO THROUGH THE A-95 REVIEW AND COMMENT PROCESS

The existence of a structurally sound review and comment framework allows the MOA to use it for non-Federal assisted activities which they feel need to pass through a similar process. This often includes, but not limited to, actions and activities such as:

- I. The Alaska Division of Land permits
- II. Corps of Engineers projects
- III. Review of proposed state and Federal regulations

A-95 FUNDING

The MOA does not receive direct Federal funds for their A-95 program, the staff salary is either funded by the MOA or CETA. Funding is available for A-95 activities through the Public Works and Economic Development Amendments of 1974 and the Economic Development Administration and HUD Comprehensive Planning Program (701). Given the numerous requirements for the various funds, however, the MOA has declined to seek them.

A growing problem in Anchorage as well as other cities has been the funding for staff time of the agencies monitoring the different projects. This increasing demand for this activity has posed budgetary and manpower strains on the MOA. In light of the fact that the A-95 program was initiated by the Federal government, many officials have expressed the desire for Federal aid for different aspects of the process. However, to date no such allocation of funds has occurred.

THE MOA AND STATE RELATIONSHIP WITH THE ALASKA COASTAL MANAGEMENT PROGRAM (ACMP)

In addition to the A-95 agreement between the state and the MOA, the two have an understanding concerning the Alaska Coastal Management Program which has many goals and objectives very similar to that of the A-95 Process. The principle

difference between the two processes is that the state has the final say over the ACMP comments. The MOA is obligated to conduct and coordinate the the area-wide and local government review of proposed Federal activity within the MOA area as to its consistency with the MOA's district Coastal Management plan contained in the ACMP. If the MOA finds a proposed activity to be controversial, it may request the state to hold a public hearing in Anchorage. In the event that the MOA determines that the Federal project is inconsistent with its district coastal management plan, the MOA shall specifically describe the inconsistency and suggest alternatives which would alleviate them. If, in the event the state will send comments that are contrary to the feelings of the MOA, the state will initiate discussions with the MOA in order to resolve any disagreements. The state, however, will have the final word concerning impact by Federal proposed activities on the Coastal Management Program. Not surprisingly, the MOA is seeking more say in the process.

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XIII

STATE MUNICIPAL LAND TRUSTEE PROGRAM

INTRODUCTION

The Alaska Native Claims Settlement Act (ANCSA) mandated that the approximately 200 Alaska Native Villages will obtain nearly 22 million acres of the 40 million acres received from the settlement with the federal government. Village selections range from 69,120 to 161,280 acres, with exception of those in Southeast which are 23,040 acres. According to Section 14(3)(c) of ANSCA, each village, through it's corporation, must convey at least 1,280 acres (two square miles) of "The remaining surface estate of the improved land on which the native village is located and as much additional land as is necessary for community expansion, and appropriate rights-of-way for public use, and other foreseeable community needs to the municipal corporation or in trust (to the state)".¹

TRUSTEE ROLE OF THE STATE

Currently, about (100) of the ANSCA recognized villages are also municipal incorporated entities or are located within one (the overwhelming majority of them being second class cities). For the remaining 100 unincorporated communities, the state has accepted (AS 44.47.150) the responsibility as

1. Section 14(c)(3) of the Alaska Native Claims Settlement Act.

trustee for those lands. This role does not allow the state to "acquire title, nor administer the municipal lands for it's own sovereign use or benefit".² "Rather the lands will be conveyed and administered "in trust" for any municipal corporation established in the native village in the future".³

The Department of Community and Regional Affairs has the responsibility to administer the program under the following four basic guidelines:

- 1) All transfers of trust lands (irrespective of the mode of transfer) must first have the approval⁴ of a recognized "appropriate Village entity".
- 2) The trustee program will be conducted in a manner in which Villages will not feel pressured to incorporate to obtain control of their lands.

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2. Handling The Municipal Land Trust Program. A Trust Philosophy, Alaska Native Management Report, 9/15/77 page 4.
 3. Ibid.
 4. "Appropriate Village Entity" as defined by the proposed regulations (19 AAC 90.120) for the Municipal Trust Lands is "an active organization (but not necessarily a formal organization having it's own independent legal identity) which represents, in a traditional or democratic manner, the collective views of bona-fide residents of the Village..."

- 3) Any financial benefits derived from the trustee lands will be given to the future municipality.
- 4) Title to and interest in trust lands can only be obtained through the trustee program (and not by adverse possession or prescription).

VILLAGE PARTICIPATION

The state views the Village residents as co-trustees in making land selection determinations for possible future municipalities. They wish this decision-making process to be a joint effort. The state, nevertheless, recognizes it's obligation as the legal trustee to the beneficiary (the future municipality) and therefore is not required to accept the suggested lands by the appropriate Village entity. The state in trust, according the program administrator, "seems to have a legitimate role in identifying and accepting land to be conveyed in trust"⁵. This is obviously a potential point of conflict between the Village and state.

VILLAGE CORPORATION ROLE

The village corporation will be the interim trustee until the designated lands are transferred to either the municipality or state. If in the event a need arises for public use such as schools, power easements, HUD housing or a sewer lagoon, before the federal government has issued patent or interim

5. Ibid. Page 3.

conveyance to the village corporation, the problem of possible construction delay or cancellation may be avoided by the village corporation and the state (in trust) voluntarily executing a contractual agreement. This agreement (or conveyance by promissary note) would simply provide that the land to be used for municipal use would be part of the future 14(c)(3) conveyance and that it would be accepted by the state in trust. The agreement must, in addition to village corporation consent, be favored by a resolution of the appropriate Village entity. In addition, the regional corporation must be given the opportunity to review the action and render advise.

CURRENT STATUS OF THE PROGRAM

Presently there are 90 Villages included in the program with a possibility of an additional 19 in the near future. Only 17 of these Villages have received title to even small portions of their lands (none of them have received all their selections). There has not been, as of June 1979, any land transferred into or out of trust status. Hence; implementation of the four basis policies of the trust program has not occurred and therefore the need and effectiveness of the state's involvement can not be determined. The program activities, as to date, have primarily consisted of the state playing the role of mediator between different village corporations and municipalities concerning land selections and conducting discussions with and giving assistance to villages concerning future public facility sites.

FUTURE STATUS OF THE PROGRAM

The State of Alaska anticipates transfers of land or commitments to transfer in the immediate future. This is based on the following events:

1. The Program Regulations will be soon adapted.
2. BLM will convey a substantial amount of lands to village corporations.
3. Village awareness and understanding of the program will be greatly enhanced.
4. Construction of public facilities (i.e. schools) will increase in the Villages and thereby increase the amount of land involved in the trustee program.

SECTION 14(c)(3) of the ALASKA NATIVE CLAIMS SETTLEMENT ACT:

(c) Each patent issued pursuant to subsections (a) and (b) shall be subject to the requirements of this subsection. Upon receipt of a patent or patents;

(3) the Village Corporation shall then convey to any Municipal Corporation in the Native village or to the State in trust for any Municipal Corporation established in the Native village in the future, title to the remaining surface estate of the improved land on which the Native village is located and as much additional land as is necessary for community expansion, and appropriate rights-of-way for public use, and other foreseeable community needs: Provided, That the amount of lands to be transferred to the Municipal Corporation or in trust shall be no less than 1,280 acres;

ALASKA STATUTES 44.47.150:

Sec. 44.47.150. Village land conveyed in trust. (a) The commissioner of the Department of Community and Regional Affairs is designated to accept, administer, and dispose of land conveyed to the state in trust by village corporations under § 14(c)(3) of the Alaska Native Claims Settlement Act (P.L. 92-203, 85 Stat. 703) for the purposes specified in that section.

(b) Transfer of land by sale, lease, right-of-way, easement, or permit, including transfer of surface resources, may be made by the commissioner only after approval of an appropriate village entity such as the traditional council, a village meeting, or a village referendum. Such approval shall be by resolution filed with the department.

(c) Within one complete state fiscal year after the incorporation of a municipality in the village or of a municipality which includes all or part of the village, land acquired under this section shall be conveyed without cost to the municipality, and the municipality shall succeed to all the entrusted interest in the land.

(d) Separate accounts shall be maintained in the name of each village for the land, including the revenues from the land, acquired from each village corporation under this section, and within 90 days of the close of each state fiscal year a statement of the account for each municipality shall be prepared by the commissioner and be made available to the village and to the public upon request.

(e) Upon the conveyance of land to a municipality under this section, the commissioner shall account to the municipality for all profits including interest from the land, and the municipality may then request that the governor submit a request to the legislature for an appropriation for the amount due it.

(f) No title or interest to lands acquired by the department under this section may be acquired by adverse possession or prescription.

(g) For the purposes of this chapter, the term municipality includes only first and second class cities incorporated under the laws of the state. (§ 1 ch 119 SLA 1975)

Department of Community & Regional Affairs
Municipal Lands Trustee Program
November 15, 1979

SUMMARY OF MLT ACTIVITIES
(from inception to
November 15, 1979)

<u>ACTIVITY</u>	<u>TOTALS</u> (pending)	<u>NOTES & COMMENTS</u>
Villages having received Patent or Interim Conveyance from BLM.	34	Of the 34 villages having Patent or IC from BLM, 3 have insufficient interests or acreage to convey municipal trust lands; approximately 70% of the potential MLT villages still have insufficient title under ANCSA to make 14(c)(3) grants.
Villages involved in discussions concerning MLT program.	45	This represents approximately 60% of all MLT villages currently having more than a half-dozen residents. An estimated 1/3 of all MLT villages are currently ineligible for municipal incorporation due to insufficient population.
Villages having discussed and now considering tender of MLT land.	37	92 unincorporated villages currently have federal selection certification; 7 more are expected, for a total of 99.
Villages having made formal or informal tenders, including Letters of Intent.	20	Some of these are of necessity only letters of intent because of lack of fee simple title under ANCSA from BLM to the village corporations. 21 transactions have been finalized and 1 transaction is pending.
Villages where MLT program has a legal interest in land by formal agreement or conveyance.	13	Most transactions are for the purpose of providing adequate site control for expenditure of public funds for capital improvement projects. 8 transactions have been completed with 12 more pending.
Reconveyance out of trust. (Number of villages).	12	These transactions generally involve lands for schools, housing, airports, and electrification. 8 transactions are complete. 11 transactions are pending.
Villages where land training has been given by MLT program.	13	Training is conducted in conjunction with regional training workshops, provides an understanding of the ANCSA 14(c)(3) and the MLT program, and leads to conveyances of municipal trust lands.

(Region) VILLAGE	Villages having received Patent or Interim Conveyance from BLM.	Villages involved in discussions concerning MNT program.	Villages now considering tender of MNT land.	Villages having discussed and informal tenders, including Letters of Intent.	Villages having made formal or a legal agreement of conveyance.	Reconveyance out of trust.	Villages where land training has been given by MNT program.
(Ahtna) CANTWELL			X	X			
CHISTOCHINA	X						
CHITINA			X				
COPPER CENTER			X	X	X	X	X
GAKONA			X				
GULKANA	X		X				
MENTASTA LAKE	X		X	X			
TAZLINA	X		X	X			
(Aleut) AKUTAN	X		X	X	X		
ATKA			X	X	(3)	3 pending	3 pending
BELKOFSKI	X						
FALSE PASS	X						
NELSON LAGOON	X						
NIKOLSKI	X				X		
ST. GEORGE	X		X	X	X		
UNGA	X						
(Arctic Slope) ATKASOOK	X						

(Region) VILLAGE	Villages having received Patent or Interim Conveyance from BLM.	Villages involved in discussions concerning MIT program.	Villages having discussed and now considering tender of MIT land.	Villages having made formal or informal tenders, including Letters of Intent.	Villages where MIT program has a legal interest in land by formal agreement or conveyance.	Reconveyance out of trust.	Villages where land training has been given by MIT program.
(Arctic Slope) POINT LAY	X	X	X	X			
(Bering Straits) COUNCIL							
KING ISLAND		X	X	X			
MARY'S IGLOO		X					
SOLOMON							
(Bristol Bay) CHIGNIK	X						
CHIGNIK LAGOON	X						
CHIGNIK LAKE	X						
EGEGIK	X						
EKUK	X	X	X				
IGIUGIG							
ILIAMNA							
IVANOFF BAY	X						
KOKHANOK		X	X	X	X	X	
KOLIGANEK	X	X	X	X	pending		
LEVELOCK	X						
NAKNEK		X					

(Region) VILLAGE	Villages having received patent or Interim Conveyance from BLM.	Villages involved in discussions concerning MIF program.	Villages having discussed and now considering tender of MIF land.	Villages having made formal or informal tenders, including letters of intent.	Villages where MIF program has a legal interest in land by formal agreement or conveyance.	Recognition out of trust.	Villages where land training has been given by MIF program.
(Bristol Bay)							
PEDRO BAY							
PERRYVILLE	X						
PILOT POINT							
PORTAGE CREEK	.	X	X	X			
SOUTH NAKNEK							
TWIN HILLS	X						
UGASHIK							
(Calista)							
ANDREAFSKI		X	X				
BILL MOORE'S							
CHULONAWICK							
CROOKED CREEK		X	X	X	X	X	X
GEORGETOWN							X
HAMILTON							
KIPNUK		X	X	X	1 final 1 pending	1 final 1 pending	X
KONGIGANAK							X
KWIGILLINGOK		X	X	pending	pending	pending	X
LIME VILLAGE		X	X				X

(Region) VILLAGE	Villages having received Patent or Interim Conveyance from BLM.	Villages involved in discussions now considering tender of MIP land.	Villages having discussed and informal tenders of Intent.	Villages where MIP Program has a legal interest in land by formal agreement or conveyance.	Reconveyance out of trust.	Villages where land training has been given by MIP program.
(Calista)						
NAPAIMUTE						
OSCARVILLE						
PITKAS POINT						
PAIMIUT		X	X			
RED DEVIL		X	X			X
SLEETMUTE		X	X			X
STONY RIVER		X	X			X
TUNTUTULIAK		X	X	X	X	X
UMKUMIUTE						
OHOGAMIUT						
(Chugach)						
CHENEGA	X	X	X	X		
ENGLISH BAY	X	X	X			X
PORT GRAHAM	X	X	X			X
TATITLEK	X	X	X	X	2 pending	2 pending X
(Cook Inlet)						
CHICKALCON						
KNIK	3% only. On appeal.	X				
NINILCHIK	X					

(Region) VILLAGE	Villages where land training has been given by NIT program. Recovery out of trust. Villages where NIT program has a legal interest in land by formal agreement or conveyance. Villages having made formal or informal tenders, including letters of intent. Villages having discussed and now considering tender of NIT land. Villages involved in discussions concerning NIT program. Villages having received Patent or Interim Conveyance from BLM.					
(Cook Inlet)						
TYONEK	X	X				
SALAMATOF						
(Doyon)						
BEAVER						
BIRCH CREEK						
CHALKYITSEK						
CIRCLE						
DOT LAKE		X	X			
EAGLE		X	X			
		Discussed possible exchange of land.				
EVANSVILLE		X	X			
HEALY LAKE						
MANLEY HOT SPRINGS		X	X			
MINTO		X	X			
NORTHWAY	1% only. On appeal.	X				
RAMPART						
STEVENS VILLAGE						
TAKOTNA		X	X	X	1 final, pending	1 final, pending
TANACROSS		X	X	X	X	X

(Region) VILLAGE	Villages having received Patent or Interim conveyance from BIA.	Villages involved in discussions now considering NIT program.	Villages having discussed and Letters of Intent.	Villages where NIT program has a legal interest in land by formal agreement or conveyance.	Villages where NIT program has been given by NIT program.	Reconveyance out of trust.	Villages where land training has been given by NIT program.
(Doyon) TELIDA							
(Koniag) AFOGNAK	X						
KAGUYAK	10% only						
KARLUK	X	X	X	X	2 pending	2 pending	
WOODY ISLAND							
(Nana) HOATAK		X	X	X	pending	pending	
(Sealaska) KLUKWAN		X Discussed possible exchange of lands.	X				
TOTALS (pending)	34*	45	37	22 (1)	2 (12)	8 (11)	13

* Of the 34 villages having Patent or IC, 3 have insufficient interests or amounts to convey municipal trust lands.

Information current as of November 15, 1979

XIV

STATUTORY INDUCEMENTS AND DISINCENTIVES
RELATED TO BOROUGH GOVERNMENT INCORPORATION

STATUTORY INDUCEMENTS AND DISINCENTIVES RELATED TO BOROUGH
GOVERNMENT INCORPORATION

Organizational Grants (AS 29.18.180) To defray the cost of transition to borough government status and to provide for its development and interim governmental operations, each newly created borough is entitled to an organizational grant of \$25,000 or \$10 per voter voting in the incorporation election, whichever is greater.

The organizational grants have not been a statutory incentive to encourage borough incorporation because the grant is not adequate and is not intended to pay for the entire cost of borough organization. Although there are no guidelines for the use of the organizational grants, a newly incorporated borough may use the funds to defray the cost of hiring a borough administrator, paying for a local assessment of real and personal property, obtaining office space, etc.

In order to provide an incentive to borough incorporation, an organizational grant would have to be at least \$75,000 to \$100,000 plus the initial cost involved in conducting a feasibility study on borough incorporation, and an amount equal to the cost of conducting the initial assessment and appraisal of real and personal property.

Land Selections (AS 29.18.203) A newly created borough may select ten percent of the total acreage of vacant, unappropriated, unreserved land within its boundaries on the date of incorporation. In the selection of land under the Statehood Act, it has been the policy of the State to make available to boroughs and cities the maximum land area from which to make selections consistent with the State's best interest.

The municipal land selection process is an incentive to borough incorporation to the extent that the boundaries proposed for a borough would probably include the maximum allowable vacant, unappropriated, and unrestricted lands from which to select its ten percent. However, the boundaries of a proposed borough must conform to natural geography and include all areas necessary for full development of local services.

State Revenue Sharing Program (AS 43.18.010-045) The State Revenue Sharing Program annually distributes grants to cities and boroughs based on the number of local residents in a municipality, the eligible powers exercised by each local government, the cost of living allowance used in computing total grant entitlements and the total appropriation approved for the grant program.

During each fiscal year, the Department of Community and Regional Affairs distributes State Revenue Sharing Funds to eligible cities or organized boroughs which provide specific services, and exercise the powers as follows:

<u>Municipal Service</u>	<u>Rate of Entitlement</u>
Police Protection	\$12. per capita
Military	\$ 6. per capita
Fire Protection	\$ 7.50 per capita
Water or Air Pollution	\$ 2. per capita
Land-Use Planning	\$ 2. per capita
Parks and Recreation	\$ 5. per capita

STATUTORY INDUCEMENTS AND DISINCENTIVES RELATED TO BOROUGH
GOVERNMENT INCORPORATION (Cont'd)

<u>Municipal Service (Cont'd)</u>	<u>Rate of Entitlement (Cont'd)</u>
Military	\$ 1.25 per capita
Transportation Facilities	\$ 5.00 per capita
Military	\$ 2.50 per capita
Road Maintenance	
- Public Roads	\$ 1,500. per mile
- Ice Roads	\$ 900. per mile
Health Facilities	\$ 4,000. per fac. OR
	\$ 1,000. per bed
Health Services	\$ 2. per capita
Hospitals	\$75,000. per host. OR
	\$25,000. per hosp. OR
	\$ 1,000. per bed
State Construction Aid	\$ 2,500. per bed

State Revenue Sharing has had an increasing impact on municipalities since its enactment in 1969. The program funding has increased from \$2.0 million in 1970 to \$18.6 million in FY 1979, and municipalities have become increasingly dependent on these grants. However, due to the limited amount of funding made available for the program each year, municipalities have not received 100 percent of their grant entitlements. Last fiscal year municipalities received only 88.7 percent of their total grant entitlements and next fiscal year the Department of Community and Regional Affairs expects the program to be funded at approximately 85 percent of all the grant entitlements.

The current formula is intended to encourage existing local governments to provide financial incentives to exercise powers, improve upon existing services provided and reduce any local taxes.

Local Service Road and Trail Program (LRS&T) (AS 19.30.111-251) The Local Service Roads and Trail Program provides state assistance in the development of roads and trails on routes that are not eligible for Federal-aid highway funds. These funds are intended to provide local service roads, year-around foot trails, winter trail staking, bicycle paths, erosion control, foot bridges, boardwalks, etc.

This program is 100 percent State-funded through State bond issues. Under the program, funds are allocated to organized boroughs and home-rule cities according to a strict area/population formula. Each local government receives its allocation by submitting a three-year program with project priorities noted to the Regional Highway Engineer by October 1 of each year. A portion of the fund is also allocated to the unorganized boroughs; this money is administered by DOTPF. The communities within the unorganized boroughs receive funding based on priority and need. Each community selects its project and submits it to the Department for consideration.

The Department of Transportation and Public Facilities (DOTPF) is responsible for maintaining, causing to be maintained, or constructing any project under the LSR&T Program. However, a project constructed within the boundaries of a local government which exercises the power of streets and sidewalks may be transferred to a local government upon the approval of DOTPF and acceptance by the local government.

STATUTORY INDUCEMENTS AND DISINCENTIVES RELATED TO BOROUGH
GOVERNMENT INCORPORATION (Cont'd)

Local Service Road and Trail Program (LRS&T) (AS 19.30.111-251) (Cont'd)

A road, street or highway transferred to a local government under this process can be eligible to receive State Revenue Sharing funding equal to \$1,500 a mile for each eligible mile for streets or highways maintained by the local government.

Although a borough stands a greater chance of being awarded local service roads and trails projects under the area/population formula, and although roads, streets and highways may be transferred to a municipality, the LSR&T Program has not been a sufficient incentive to encourage borough incorporation.

Regional Education Attendance Area (REAA's) REAA's were created with the passage of Chapter 124, Session Laws of Alaska, 1975 (popularly referred to as Senate Bill 35,) thus transferring the major operational responsibilities for rural Alaska schools (Alaska Unorganized Borough School District) to regional school districts (REAA's.) Although the REAA's created have provided a greater amount of local control over local municipal-type services, strengthened the existing regional identification of these areas, and provided boundaries that are useful to establishing future boroughs, the State funding formula has been a disincentive to the formation of borough government, and it fails to properly address the extremely poor tax base for much of rural Alaska. In addition to receiving funding for 100 percent of the Public School Foundation Program and 100 percent of the cost for new school construction, REAA's receive from the State an amount equal to the average local contribution per pupil in municipal school districts multiplied by the number of students which will approximate \$710 per student this year. The Public Foundation Program will be funded approximately at 100 percent this year, and the State school construction cost will only be funded at approximately 80 percent this year. The advantageous funding schedule mentioned above for REAA's still remains a disincentive to the formation of organized boroughs unless the borough school districts can obtain additional funding to offset the increased level of funding for REAA's.

State-Shared Taxes State-shared taxes are specific taxes levied and collected by the State of Alaska (Department of Revenue) and are, in part, refunded to cities and boroughs providing municipal services. State-shared taxes refunded to municipalities include the following:

Amusement and Gaming Taxes (AS 43.35.010-090) Fifty percent of the taxes collected under this program are refunded to the municipality in which the tax is collected. Payments are made automatically, on a semi-annual basis, to all cities and boroughs upon receipt of notice of incorporation.

Aviation Fuel Taxes (AS 43.40.010-040) Sixty percent of the taxes collected under this program are refunded to the municipality in which the tax is collected, if that municipality owns and/or operates a public airport.

Corporate Income Taxes (AS 43.20.010) Effective July 1, 1979, each municipality will receive a refund equal to the amount they received as a refund under the former Business License Tax Program. Refunds are mailed automatically to municipalities, once a year.

STATUTORY INDUCEMENTS AND DISINCENTIVES RELATED TO BOROUGH
GOVERNMENT INCORPORATION (Cont'd)

Liquor License Taxes (AS 04.10.460) One hundred percent of the amount collected under this tax program is refunded to the municipality in which it was collected if the municipality has a police force and actively enforces State, Federal, and local liquor laws. Refunds are mailed automatically to municipalities semi-annually.

Punchboard Taxes (AS 43.35.100-150) Seventy-five percent of the amount collected under this tax program is refunded to the municipality in which it was collected. Refunds are mailed automatically to municipalities once a year.

Raw Fish Taxes (AS 43.75.130-135) Currently each borough receives twenty percent of the amount of tax revenues collected in the area outside cities and ten percent of the amount of tax revenues collected within cities. Refunds to eligible municipalities are mailed annually.

Telephone and Electric Cooperative Taxes (AS 10.25.570) One hundred percent of the tax collected from telephone and electric cooperatives is refunded to the municipalities in which the cooperative does business. A municipality's entitlement is based upon the amount of gross revenue the cooperative received from operations within the municipality's boundaries. The tax is refunded annually.

With the exception of the raw fish tax refunds, all other State-shared taxes contribute a relatively small amount of revenue to an organized borough and would not provide a statutory inducement to municipal incorporation. Depending on the amount of fish products processed within the boundaries of a proposed borough, the raw fish tax could provide an incentive to borough incorporation; i.e., the Aleutian Islands.

XV

TAXING CAPACITY OF THE UNORGANIZED BOROUGH

STATE OF ALASKA THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

XV

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

MEMORANDUM

June 1, 1979

SUBJECT: Taxing Capacity of the Unorganized Borough
(W.O.#7277)

TO: The Honorable Arliss Sturgulewski

FROM: Alexander Hoke
Policy Analyst
Jack Kreinheder
Policy Analyst

AH
JK

You have asked that we investigate the revenue generating capacity of the unorganized borough in relation to a possible sales tax in this area. Our analysis of this matter is summarized in the table and three computer printouts attached to this memorandum, and is based upon actual sales tax revenue (collected in many of the second class, first class and home rule cities within the unorganized borough) in conjunction with revenue estimates based on gross business receipts data for those communities within the unorganized borough which do not presently levy a sales tax. Since a measure of the sales tax capacity in the unorganized borough must of necessity come from multiple sources, the goal of our analysis is to bracket the actual sales tax capacity with a base level estimate and a high-end estimate of revenues generated by a 1, 2, and 3 percent sales tax levied on a borough-wide basis. Our methodology included:

1. Using actual sales tax data (reported to the Department of Community & Regional Affairs by many communities within the unorganized borough for revenue sharing purposes) for communities which levy a sales tax;
2. Using gross business receipts data (filed through 1978 with the Department of Revenue by all businesses operating in the state for the purpose of paying a gross receipts tax) for those communities in which a sales tax is not collected.

Computer Output

The first computer printout provides an alphabetic listing of communities within the unorganized borough for which gross receipts data is available. This gross receipts data is given in units of thousands of

TABLE I
GROSS RECEIPTS SUMMARY

	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
Unorganized Borough	\$ 263.3	\$ 521.7	\$ 607.7	\$ 640.6
Boroughs	4,923.1	7,929.8	8,195.8	9,687.2
Out-of-state	449.7	2,291.3	1,557.7	1,408.7
TOTAL	\$5,636.1	\$10,742.8	\$10,361.2	\$11,736.5

All figures in millions of dollars

dollars for the calendar years 1974 through 1977. Additionally, actual sales tax revenue for fiscal years 1977 and 1978 along with the present tax rate is listed in the last three columns of the printout. The figures for gross receipts listed on this printout represent that portion of the total business activity within a given community which can be directly attributed to that community. As shown on Table I a significant portion of business activity in the state is filed by businesses whose base of operations lies outside the state (Seattle, San Francisco, etc.). Therefore, one can assume that each community in the unorganized borough shares some portion of the "out-of-state" gross business receipts.

For the purpose of providing an immediate visual assessment of the magnitude of gross business receipts for each community in the unorganized borough for 1977, the second computer printout categorizes communities according the level of gross receipts directly attributable to that community.

Calculation of Sales Tax Capacity

The final computer printout shows our estimate of a 1977 base level sales tax capacity and maximum sales tax capacity calculated at tax rates of 1, 2 and 3 percent for each community within the unorganized borough. Figures for communities flagged by an asterisk are computed in the following manner: Since sales tax revenue data is available on a fiscal year basis only, calendar 1977 estimates were made by averaging fiscal '77 and fiscal '78 revenues. The calendar '77 estimate was then adjusted to a 1% sales tax rate by dividing this value by the sales tax rate listed in the far right column on the printout. Notice that for 1, 2, and 3 percent sales tax revenue estimates, the base level amount equals the maximum amount, indicating that a range estimate was not necessary since actual data was available.

For those communities for which actual sales tax data is not available, estimating the sales tax capacity of a given community is a more complex problem. The base revenue values are calculated using the 1977 gross receipts for each community. The maximum revenue values include the base values plus a per capita share of out-of-state gross receipts times the population of the community. This adjustment is necessary because many firms which conduct operations in Alaska are based outside of the state and report their gross receipts at these out-of-state locations. These out-of-state gross receipts totalled \$1,408.7 million in 1977. It is difficult to determine the exact amount of these out-of-state receipts which was generated by each community; as an approximate indicator we have used a per capita share of these receipts.

The shortcoming of using a per capita share of the out-of-state gross receipts to compute a ceiling for the taxing capacity of communities in the unorganized borough is most noticeable for communities with a low

level of economic activity relative to their population size. This anomaly is clearly visible on the third printout where the relative range between the base level revenue and maximum revenue potential is very large for certain communities while the relative range between base level and maximum for the entire unorganized borough is much narrower.

Since applying a simple 1% sales tax levy against the total gross business receipts for a given community resulted in a much higher level of tax revenue than was actually generated within those communities, it was determined that a multiplier could be found to reduce the gross business receipts amount such that a 1% sales tax would approximate available sales tax revenue data in the greatest number of instances. An iterative series of calculations proved that a multiplier of .42 maximized the accuracy of sales tax revenue estimation using gross business receipts data.* Using the .42 multiplier with a 1% sales tax in the unorganized borough results in a range from a base level of \$2,147,000 to an upper limit of \$2,467,000--a difference of \$321,000 or 15%.

The following table summarizes our best estimate of the sales tax revenue generating capacity of the unorganized borough at tax rates of 1, 2, and 3 percent:

1977 UNORGANIZED BOROUGH SALES TAX CAPACITY*

CAPACITY AT 1%		CAPACITY AT 2%		CAPACITY AT 3%	
<u>Base Level</u>	<u>Maximum</u>	<u>Base Level</u>	<u>Maximum</u>	<u>Base Level</u>	<u>Maximum</u>
\$2,147	\$2,467	\$4,294	\$4,934	\$6,440	\$7,401

* Figures in thousands of dollars.

AH:JK:dh
Attachments

* The accuracy of sales tax revenue estimation using gross business receipts data times the .42 multiplier was 70%, i.e. the range between the base level revenue and maximum level revenue estimates bracketed actual sales tax revenue data 70% of the time when the .42 multiplier was used.

TABLE I
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All figures in millions of dollars

XVI

TRADITIONAL, NON-TRADITIONAL AND
QUASI-GOVERNMENTAL NATIVE METHODS OF ORGANIZATION

DEVELOPMENT OF TRADITIONAL, NON-TRADITIONAL AND
QUASI-GOVERNMENTAL NATIVE METHODS OF ORGANIZATIONEARLY POLITICAL FORMATIONS

The original traditional village council form of government varied in structure, size and activities throughout the regions. Primarily, the councils were composed of male elders, often from the same families, who had been successful in combat and food gathering. Their powers and duties included: deciding disputes, protection of village boundaries and hunting grounds, punishing violators of village customs and laws and the distribution of essential commodities.

All village governments were affected by the early contact with western culture. This was particularly true, however, in the Southeastern part of the State. There, churches and other groups introduced democratic concepts and methods by way of organizing Natives in church and social clubs. These activities gave Native leaders fundamental tools needed when the first federally recognized villages were formed under the organized Village Act of 1920: Angoon was, for example, among the first to organize (around 1920). The community elected a town council, built a town hall and installed electricity for the use of its residents.² Territorial legislation followed in 1915 to permit "Indian villages" to organize as units of local government. Their powers were limited along racial lines (i.e., they could not tax non-Native property) and the Act was repealed in 1929. Later Native communities were incorporated under Territorial law governing formation of local governments.³

Concurrent with these activities was the formation of the first regional Native political group. The Alaska Native Brotherhood (ANB) in 1912 and the Alaska Native Sisterhood (ANS) three years later were organized from members of the Tlingit and Tsimshian tribes. Both groups were concerned with obtaining citizenship for Alaska Natives, educational opportunities and the abandonment of aboriginal customs which were seen by whites as "uncivilized."⁴

Other Native organizations were soon to follow. The Tanana Chiefs was founded in 1915 for the purpose of strengthening village ties and dealing with outside forces. Until the 1960's a less-structured system of inter-village related activities existed in the West and Northwest regions based primarily on traditional and cultural functions.

One of the more effective and persistent of early Native groups has been the Tlingit-Haida Central Council. The organization was formed in 1929 as an off-shoot of ANS and ANB primarily to pursue a lawsuit against the U.S. Government for twenty-million acres in Southeast Alaska. The matter was finally settled in 1963 with the Council receiving a 7.5 million dollar judgment award. The group, which includes 21 communities as members, still exists and is recognized as a tribal organization under the Self-Determination Act of 1975.

INDIAN REORGANIZATION ACT COUNCILS/TRADITIONAL COUNCILS

The Indian Reorganization Act (IRA) of 1934, and as amended in 1936, states that "Indians in Alaska not heretofore recognized as bands or tribes, but having a common bond or occupation, or association, or residence with well-defined neighborhood, community or rural district may organize to adopt constitution and by-laws and receive charter of incorporation and federal loans..."² Villages are to propose a constitution and by-laws that have to be accepted by a majority of village residents in a special election and additionally be approved by the Secretary of the Interior.

After fifteen years of the Act, thirty-two villages had incorporated and fifty-four by 1970. Currently there exist sixty-eight IRA Councils, plus two IRA Associations for credit purposes, and the Community of Metlakatla, an Indian Reserve and the only IRA corporation recognized by the State as a municipal corporation. Ninety villages are still governed solely by traditional village councils.

The major effect of incorporation was that it has lent credence to the legal existence of a village since its constitution has been approved by the Secretary of Interior. With the formation of the Council, many villages were, through a governmental process, able to regain control over economic activities such as the village cooperative stores, reindeer herding, and construction and repair of school property, which over the years has slowly become a function of the Bureau of Indian Affairs (BIA) representatives.³

The Council structure also serves as an introduction of the political process to rural Alaska and increases contacts between Native leaders and Federal Government representatives. This acculturation activity undoubtedly has had an effect on the ability of the Native population to deal with whites as increased contact has occurred in recent years. Additionally, the formation created a federally-sponsored local Native government that was eligible to receive and administer federal dollars. Furthermore, the Council works as a mechanism to train Natives for vital local government positions such as administrator and manager.

With the advent of statehood and State-recognized local government, chiefly Second Class cities, the role and power of the IRA Council has been reduced. Since the councils are not recognized by the State, the primary role of the Council has been that of a nonprofit association to obtain federal funds. The traditional public and municipal functions are performed by the State. For example, police power is still controlled by the State or a sub-unit of it. The IRA Council does have ability to pass resolutions and rules of contract; however, they are not enforceable by State or federal enforcement officers.

The IRA Councils do have the power, subject to the Secretary of Interior's approval, to obtain legal assistance, prevent the sale or disposal of tribal lands or other assets and to negotiate with Federal, State and local government. In addition, under Section 102 of the Indian Self-Determination Act of 1975, an IRA Council has the power to decide between receiving services provided by the BIA directly from BIA, or from the village council, or a regional nonprofit corporation. This would include such activities as employment assistance, higher education, social services, housing and tribal operations. And, Section 104 of the same Act allows

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village councils the right to request funds for "the strengthening or improvement of tribal government which could involve monies for training personnel, building of community halls and equipment and supplies."

Current Status

Village councils are not, as previously mentioned, State recognized entities and thereby lack nearly all municipal powers and responsibilities. The level of their activity, in part, depends upon whether there is a State-sponsored government in the community, the size of the village and the services performed by the regional profit and nonprofit organizations. In villages governed by traditional councils, the adoption of a constitution and by-laws is encouraged. This, as with the IRA Constitution, is assurance for the Federal Government that the body it deals with actually represents the residents.

Although the status of the IRA has diminished with the emergence of the second class cities, their existence has been maintained for a number of reasons. First, as stated before, under the Self-Determination Act of 1975, the IRA Councils have first priority for contracting and grants. Secondly, the councils are seen by Natives as a form of protection, in the event that whites obtain control of the villages.⁸ Additionally, there have been attempts to coordinate IRA Councils and State-City functions and funding sources. The Native nonprofit organization of Mauneluk, for example, is operating a training program to coordinate IRA Councils and State-governing councils in the eleven villages of the NANA region. It has also been reactivating IRA Councils in its region. Ten councils have so far been re-established.⁹ The advantages of this action include the improvement of services provided by the villages; it complements the services provided by existing state or- ganized governments without threatening the police and regulatory authority of those governments; and at the same time assures the members of the IRA village that they will remain eligible for Federal Native pro- grams under the criteria unrelated to their status as ANCSA stockholders.¹⁰

SECOND CLASS CITIES

Second class cities are the most common form of local government in Alaska today. One hundred and seven of the nearly 160 incorporated governmental units are second class cities. They are most often found in the unorganized borough (92 cities) as opposed to the organized borough (16) cities. The total population of second class cities represents approximately 2% of the population, while those in the unorganized borough represent about 6%.¹¹ The current average size of this class of city (excluding the larger ones; Bethel, Kotzebue and Delta Junction) in the unorganized borough is 264 residents as opposed to 208 residents in the organized borough (excluding Wasilla). The vast majority of second class cities are located in three general areas: Bristol Bay, Kuskokwim Bay and River area, and the Kobuk River area. The remaining cities are scattered throughout the State. The racial composition of the second class cities is predominantly Native with only 6% of them having a non-Native majority population.

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The present "second class city" evolved from a State classification system of 1st, 2nd, 3rd and 4th class cities. The original distinction between city government levels was muddled during the 1960's and early 1970's by additional powers being granted by the Legislature to the different classifications. Consequently, the actual difference was in many cases nearly eliminated. The State responded to the situation by reclassifying all 1st, 2nd and 3rd class cities as 1st class cities and 4th class cities as 2nd class cities. Additionally, the Local Boundary Commission gave previously 1st, 2nd and 3rd class cities with a population under 400 (the number of residents required for a 1st class city) the opportunity to convince the State, within a two-year period of the start of reclassification, that their government infrastructure was adequate to fulfill the duties of a 1st class city.

Since 1963, both the State and Federal Government have encouraged the incorporation of Native villages under State law. Normally the availability of revenue sharing or the installation of a village electric generator were the incentives for incorporation.¹² In the last ten years, seventy-six 2nd class cities have been incorporated, nearly all of them in the Northwest region of the unorganized borough. Many of these incorporated also for the opportunity to obtain land through the Alaska Native Claims Settlement Act.

Current Status

Second class cities located in the unorganized borough have been plagued with a number of fundamental weaknesses which have even brought into question the need for their legal existence. A number of the cities suffer from a lack of well-trained administrators, managers and financial officers. Too often when cities do obtain experienced personnel, their stay is brief with the lure of better pay and environment in larger communities. Adequate resources are still another problem. It is not uncommon for cities' officials to be unaware of their duties, powers and sources of possible funding, and just as important, the constant changes in State and Federal statutes affecting them.

The lack of adequate communications with other second class cities is noticeably absent. This is vital for coordinating inter-governmental policies as well as fostering better understanding between the communities.

To compound the problem even further, second class cities are quite often simply another layer of government/service organization upon small communities that are ill-equipped to properly manage the different entities without constant problems of duplication, confusion and mismanagement. Ideally, many of the smaller communities would be better operated by a single organization with one council or board. However, since the chances of a major consolidation of agencies and councils appear slim, the villages will have to continue to work within the existing framework.

POSSIBLE IMPACT ON LOCAL GOVERNMENTS AND ORGANIZATIONS BY BOROUGH GOVERNMENT

Borough government impact on rural second class cities, service organizations and village councils would, of course, depend upon its size, structure, duties and powers. Currently there exist two distinctly different "bush area" boroughs which share a number of common characteristics with the unorganized borough. As a method of assessing the impact on future boroughs or local structures, it is necessary to review the past experience of these two governments.

Bristol Bay Borough

Bristol Bay is a second class borough which was the only regional government formed in response to the 1961 Borough Act. The Borough is currently the smallest one both in size and population. The primary basis for its existence was the desire to control the local school system and to place a tax upon the local canneries. As noted by one pair of writers: "(This) was a clear demonstration that in the absence of adequate laws, standards and guidelines, the borough form of government would be shaped largely in response to local political current and controversies."¹³ This obvious lack of a 'natural' social, economic and political community was evident since it encompassed only three small villages in a region that contained a number of similar communities. Hence, many of the minimal standards, potential powers and responsibilities were absent.

Other than the Borough itself, there is no State sponsored government nor are there any IRA councils. There are two village corporations; Paug-Vik Incorporated Limited (Naknek) and an unnamed merger of the villages of Port Heiden and South Naknek.

The Borough does fulfill most of the basic duties and services on an adequate level. It does, for example, derive taxes from its local economic structure providing the possibility for accountability for dollars spent to the residents. It is active in planning and zoning and has a single, locally-controlled school board. Furthermore, having a single governmental unit is undoubtedly more efficient than many smaller units for this region.

On the other hand, however, the Borough has major defects. It is again, contrary to what was envisioned a structurally and functionally sound regional form of government. It is simply too small. The Borough does not contain the natural economic, social, political and geographical boundaries or the area for effective regional government. The residents of the Borough are still served by the nonprofit and profit corporations along with State and Federal government programs which also must be coordinated with communities, associations and groups outside the Borough. Hence, overlapping jurisdictional boundaries still exist and cause confusion, political conflict and duplication of services. Additionally, the Borough political power structure has not served as an inducement for other communities in the area which could possibly be an integral part of it.

Bristol Bay does not appear to be a model for future rural boroughs. Although its size preempts the need for city government, it is, by the same token, not the solution to the problem of overlap by the various corporations and groups which have responsibilities and powers inside as well as outside the borough.

North Slope Borough

The North Slope Borough was established in the midst of controversy in 1972. It is the largest borough in area and has a population of about 7,200. The formation of the Borough was opposed by the oil industry because of the threat of a Borough property tax upon the pipeline. After much litigation, the area was incorporated as a Home Rule Borough, which is currently the largest regional (non-tribal) Native-controlled government in the country. It has a number of natural advantages. For example, it derives 98% of its taxes from one source; the Trans-Alaska Pipeline operation. It is sparsely populated and has only one large city.

The Borough contains seven incorporated cities; Barrow being the only first class city, while the other six are second class cities. Additionally, there are eight village corporations, five IRA Councils and the regional corporation which covers the same area as the borough.

The Borough has attempted to provide equitable and efficient levels of services to all the residents by consolidating many of the traditional city powers within the Borough. This transfer of power was generally approved by the communities. The Borough currently possesses fifteen of the twenty-two possible area-wide powers. The main opposition to the centralization of authority has come from the City of Barrow. This was due, in part, to personal and institutional rivalries between the two government units. Nevertheless, the consolidation of powers has made the Borough one of the State's strongest regional governments. An additional ingredient, is that the regional corporation's (Arctic Slope Regional Corporation) jurisdiction is the same as the Borough's. Although it is not controlled by the same individuals nor does it necessarily have the same goals and objectives, it does, by the mere virtue of its boundary, only operate in the same region and thereby avoids responsibilities and powers outside the Borough. There is undoubtedly still some overlapping of authority and simply too many boards and councils. However, the strong, centralized borough is one approach to regionalized government.

The incorporation of boroughs in the rural regions would obviously have an impact on the existing infrastructure. By way of reviewing the experiences of the Bristol Bay and North Slope Boroughs, along with the successes and failures of the second class cities, a number of general observations can be made about this possible impact:

1. The jurisdictional lines of boroughs should be that of the "natural" boundaries and should follow or be followed by other major groups and associations (profit and/or nonprofit corporations). This, at least would eliminate the problems of a group having power and responsibilities both inside and outside of the borough.
2. IRA and traditional councils would probably continue as viable entities in a borough because of their historical connection with the Federal Government. They probably, in most instances, would continue to work with other village groups and associations in providing certain services.

3. Nonprofit corporations would probably continue to function as they presently do, since they too, are interlocked with Federal monies specifically designed for Alaska Natives. Additionally, they may transfer some of their powers to a strong centralized borough structure. They probably, however, along with other groups within a new borough, would be forced to coordinate activities more often with that of the borough..
4. Local services would be available to the total population. There are currently restrictions on some of the quasi-governmental organizations which limit service only to the Native residents.

- (1) Case, David - The Special Relationship of Alaska Natives to the Federal Government - An Historical and Legal Analysis, Alaska Native Foundation, 1978.
- (2) Morgan, Lael - And the Land Provides: Alaska Natives in a Year of Transition, page 240. Garden City, New York: Anchor Press/Doubleday, 1974.
- (3) Case, Ibid, page 129.
- (4) Arnold, Robert - Alaska Native Land Claims, page 83, Alaska Native Foundation, 1978.
- (5) Composite Indian Reorganization Act for Alaska, 1936.
- (6) Jones, Dorothy - Aleutes in Transition, page 48, University of Washington Press, Seattle and London.
- (7) Case, Ibid, page 131.
- (8) Gorsuch, Lee - Impact of ANCSA on Federal, State, and Local Governmental Functions and Services, page 37, ISER 1979.
- (9) Ibid.
- (10) Ibid
- (11) Department of Community and Regional Affairs, 1979.
- (12) Case, Ibid, page 129.
- (13) Morehouse, Thomas and Fischer, Victor - Gorsuch Government in Alaska, page 73, ISGER 1971.

****PLEASE NOTE****

THE ORIGINAL FILE CONTAINS AN OVERSIZED DOCUMENT THAT
IS UNSUITABLE FOR FILMING. PLEASE REFER TO THE ALASKA
STATE ARCHIVES TO VIEW THE ORIGINAL.

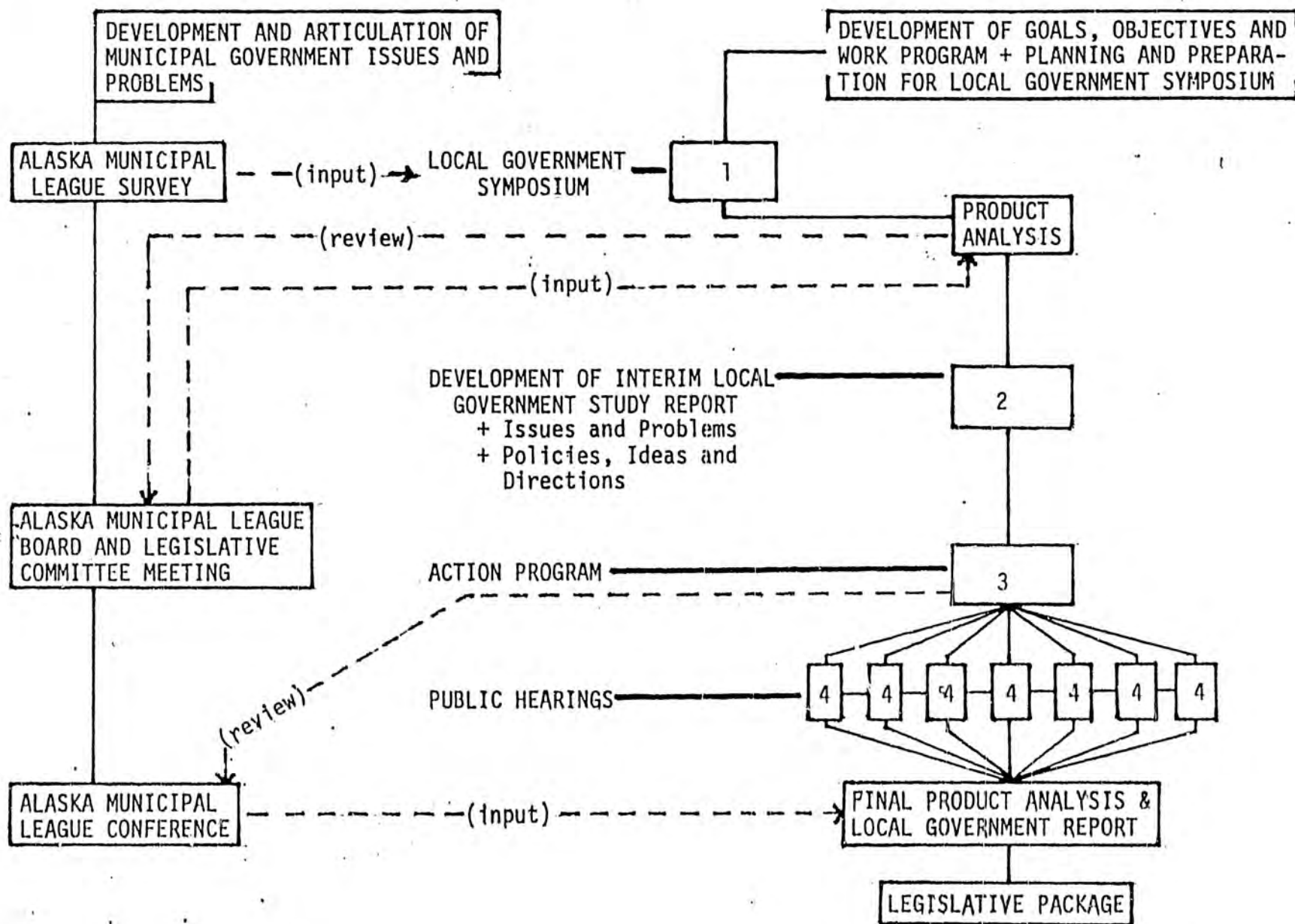
DESCRIPTION: POSTER SIZED REPORT

"LOCAL GOVERNMENT STUDY - 1979" FINAL REPORT

SCOMM

10:17

STUDY PROCESS CHART



4/23/79

Memo

TO: Senate: Sen. Arliss Sturgelewski, Gene Walsh
House: Rep. Bill Parker, Marjorie Gorsuch

FROM: Vic Fischer

RE: Interim committee study of unorganized borough.

I hope this is neither too little nor too late. Have rushed out attached notes and will try to get to you today via leg. info office.

Have not gotten into budget matters. A few thoughts on that:

- You should figure on one staff person in Juno, one in Anch.Format directed mostly to research and liason w/DC&RA; latter to help organize external effort, analysis, hearings, etc.
- Travel should include Upper ^{FT. YUKON KOT.} Yukon, NANA, Barrow, Bethel, Billingham, highway area (Delta, Tok, Glennallen, Valdex). Probably one legislator from each committee at the least; will then supplement with local legislators.
- Consultants: Ralph Darbyshire, Tom MOrhouse, Vic Fischer, Byron Mallottt. (I'm interested, of course; 2-3 months possible)

Must go now...Plps excuse missepellings...Good luck and best regards

Methodology and Approach

Committee work would entail the following components:

- A. Research and analysis. Much of the basic work would be done by committee and other legislative staffs in Juneau, work with support from DC&RA and others.
- B. Workshops and public meetings would be conducted to obtain participation by affected groups and persons. Organizations to be included are AFN, RuralCAP, ANF, Alaska Municipal LEague, and the like. Meetings will be held in rural areas to obtain testimony and views on self-governnance, administrative capabilities, fiscal conditions, atttitudes toward state vs. local performance of functions, etc.
- C. Analyses and formulation of resultant proposals will be carried out with the help of consultants and other specialists.

It is important to take action in the unorganized borough as quickly as possible. The longer nothor is done, the worse the situation will get. A few more areas may organize on an ad hoc basis. But the rest of rural Alaska may be subjected to some type of mandatory borough legislation, especially after reapportionment further shifts the balance toward urban areas particularly Anchorage.

Study Objectives

The principal purpose will be to examine the unorganized borough situation and initiate steps toward resolving problems and promoting maximum self government, as provided in the state constitution.

Specific Objectives are:

1. Review of legislative proposals and previous studies that have been directed toward dealing with the unorganized borough
2. Examination of existing borough statutes and their applicability to rural Alaska.
3. Analysis of existing alternatives under the constitution for dealing with the unorganized areas of the state, including elimination of disincentives and provision of incentives for local governance.
4. Assertaining of public attitudes and perceptions.
5. Formulation of proposals for legislative and administrative actions, and review of such proposals with representatives of rural organizations and the rural public.
6. Submission of recommendations for legislation and further steps to be taken.

Interim unorganized borough study

General Purpose

The study will examine the needs for self-government, study administrative and financial requirements and constraints, ascertain the wishes and concerns of the people, and evaluate alternative approaches to dealing with the unorganized borough. Appropriate recommendations will be made to the 1980 legislative session.

Background

Alaska's constitution provides that the entire state will be divided into boroughs, organized and unorganized. This idea was based on the concept that all regions of Alaska would have an opportunity to exercise the maximum amount of self-government. Constitution writers believed that the people within each of the more rural areas of Alaska could have their own regional unorganized boroughs, within which they could at least have advisory powers. Under this scheme, there could be a gradual transition to a self-governing, organized borough, the pace in each area depending on the wishes and capabilities of the region.

This approach was not taken when borough legislation was enacted upon statehood. Instead, provision was made for organized boroughs in urban areas, with an option for others to incorporate. The balance of the entire state, that is--the leftovers, was constituted into a single unorganized borough. This creature is, of course, ungovernable, and certainly does not lend itself to any duties of self-governance on the part of the people in diverse regions of Alaska.

The issue of creating organized boroughs from parts of the unorganized borough comes up repeatedly. Various legislative proposals have been made over a ten year period; none were enacted. The Norht Slope Borough was created by local initiative to take advantage of oil wealth in its area. Possible creation of petroleum pipelines has lead to the current borough study in the Yukon Flats area; the study was funded by the legislature last year. Other areas traversed by the oil pipeline have considered borough incorporation but have taken no action.

Discussions about establishing boroughs in rural Alaska have generally been frustrated by the rigidity of existing borough legislation and by uncertainties about what the new unit would do to and for the people and property owners. Lack of coherent state policy and state initiative has further frustrated previous attempts.

The need for action is not going to go away. Half-way measures, such as creation of REAA's may defuse some of the problems, but only for a while. Massive difficulties will yet come as a result of coastal management program implementation. Other state-sponsored programs will likewise be a difficulty due to lack of regional governmental entities in rural Alaska.

Current legislative dealing with borough formation is not appropriate for most of rural Alaska. It is too rigid, is too specific on organization, and is excessively complex with respect to functions that can and cannot be exercised. Taxation and fiscal burdens often loom oppressively. In fact, current law creates disincentives to organization and self-governance; e.g., school construction financing.



Official Business

Alaska State Legislature

JOINT SENATE AND HOUSE
COMMUNITY AND REGIONAL AFFAIRS COMMITTEE
LOCAL GOVERNMENT STUDY

Co-Chairmen
Senator Arliss Sturgulewski
Representative Bill Parker

Address all
correspondence to:

LOCAL GOVERNMENT STUDY

Pouch V
State Capitol
Juneau, Alaska 99811

DATE: June 14, 1979

TO: Senator George Hohman

FROM: Marjorie Gorsuch, A.A. House C&RA
Gene Walsh, A.A., Senate C&RA

RE: Local Government Study

Enclosed you will find the preliminary background material for the Senate & House Joint Community and Regional Affairs Committee Local Government Study as requested. We are pleased to learn that the Legislative Council plans to develop an information bank for this data.

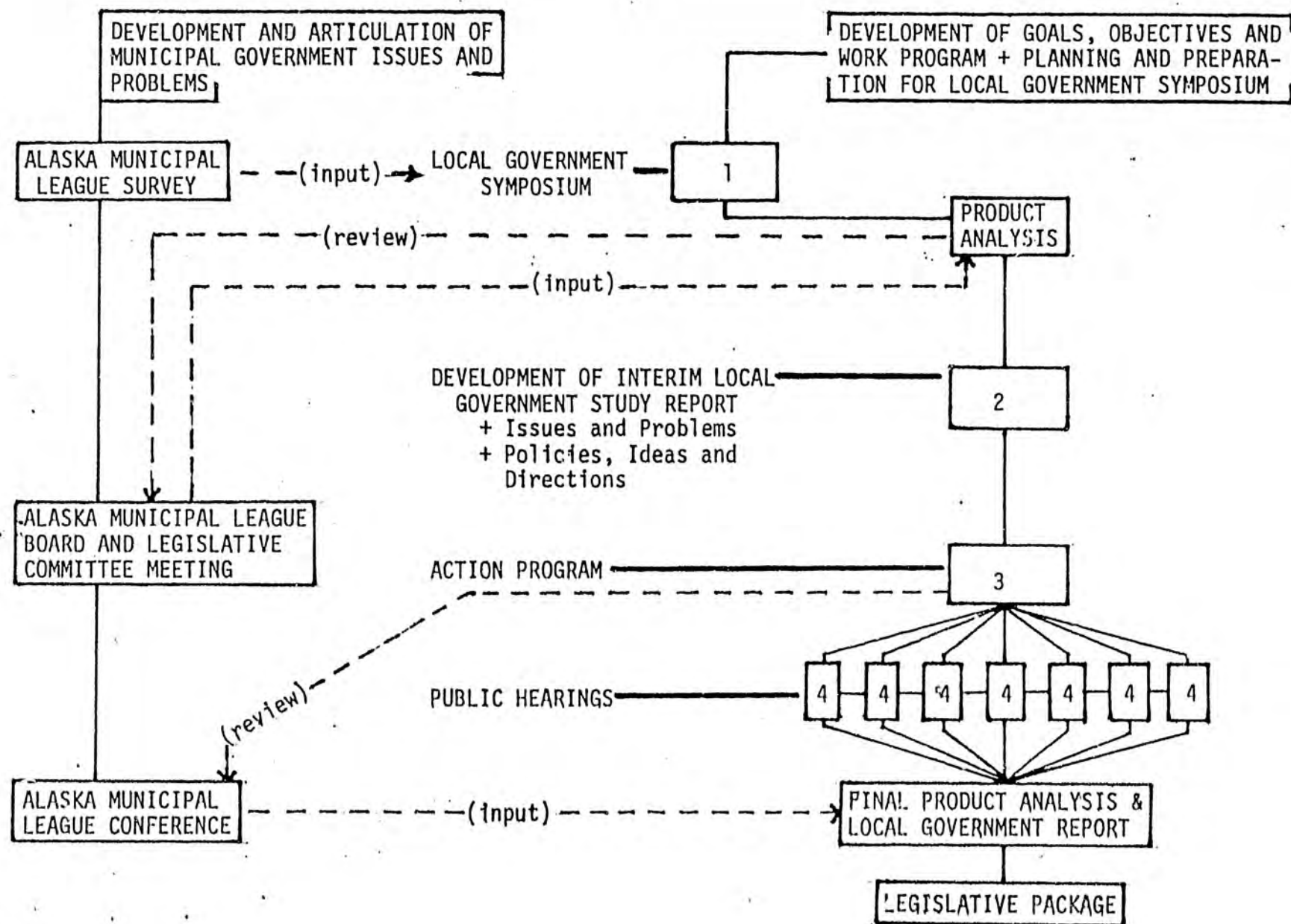
Reviewing the list of interim committees, we note that a number of them may interrelate with the Local Government Study and we would like to coordinate efforts. To this end, we would like to receive the monthly progress reports as well as the projected work program for the following committees:

House Resources - Subsistence
House Roads and Highways
Constitutional Convention
Senate Election Reform

A major component of our Study will be the public hearings to be held in rural Alaska. It would be helpful in our planning to have the travel schedules of the other interim committees so that we can coordinate itineraries.

Thank you for your assistance.

STUDY PROCESS CHART



From the Franchise

LOCAL GOVERNMENT INTERIM STUDY

Methodology and Approach

Committee work would entail the following components:

- A. Research and analysis. Much of the basic work would be done by committee and other legislative staffs in Juneau, work with support from DC&RA and others.
- B. Workshops and public meetings would be conducted to obtain participation by affected groups and persons. Organizations to be included are AFN, RuralCAP, ANF, Alaska Municipal LEague, and the like. Meetings will be held in rural areas to obtain testimony and views on self-governnance, administrative capabilities, fiscal conditions, atttitudes toward state vs. local performance of functions, etc.
- C. Analyses and formulation of resultant proposals will be carried out with the help of consultants and other specialists.

It is important to take action in the unorganized borough as quickly as possible. The longer nothing is done, the worse the situation will get. A few more areas may organize on an ad hoc basis. But the rest of rural Alaska may be subjected to some type of mandatory borough legislation, especially after reapportionment further shifts the balance toward urban areas particularly Anchorage.

Study Objectives

The principal purpose will be to examine the unorganized borough situation and initiate steps toward resolving problems and promoting maximum self government, as provided in the state constitution.

Specific Objectives are:

1. Review of legislative proposals and previous studies that have been directed toward dealing with the unorganized borough
2. Examination of existing borough statutes and their applicability to rural Alaska.
3. Analysis of existing alternatives under the constitution for dealing with the unorganized areas of the state, including elimination of disincentives and provision of incentives for local governance.
4. Ascertaining of public attitudes and perceptions.
5. Formulation of proposals for legislative and administrative actions, and review of such proposals with representatives of rural organizations and the rural public.
6. Submission of recommendations for legislation and further steps to be taken.

The issue of creating organized boroughs from parts of the unorganized borough comes up repeatedly. Various legislative proposals have been made over a ten year period; none were enacted. The North Slope Borough was created by local initiative to take advantage of oil wealth in its area. Possible creation of petroleum pipelines has led to the current borough study in the Yukon Flats area; the study was funded by the legislature last year. Other areas traversed by the oil pipeline have considered borough incorporation but have taken no action.

Discussions about establishing boroughs in rural Alaska have generally been frustrated by the rigidity of existing borough legislation and by uncertainties about what the new unit would do to and for the people and property owners. Lack of coherent state policy and state initiative has further frustrated previous attempts.

The need for action is not going to go away. Half-way measures, such as creation of REAA's may defuse some of the problems, but only for a while. Massive difficulties will yet come as a result of coastal management program implementation. Other state-sponsored programs will likewise be a difficulty due to lack of regional governmental entities in rural Alaska.

Current legislative dealing with borough formation is not appropriate for most of rural Alaska. It is too rigid, is too specific on organization, and is excessively complex with respect to functions that can and cannot be exercised. Taxation and fiscal burdens often loom oppressively. In fact, current law creates disincentives to organization and self-governance; e.g., school construction financing.

Interim unorganized borough study

General Purpose

The study will examine the needs for self-government, study administrative and financial requirements and constraints, ascertain the wishes and concerns of the people, and evaluate alternative approaches to dealing with the unorganized borough. Appropriate recommendations will be made to the 1980 legislative session.

Background

Alaska's constitution provides that the entire state will be divided into boroughs, organized and unorganized. This idea was based on the concept that all regions of Alaska would have an opportunity to exercise the maximum amount of self-government. Constitution writers believed that the people within each of the more rural areas of Alaska could have their own regional unorganized boroughs, within which they could at least have advisory powers. Under this scheme, there could be a gradual transition to a self-governing, organized borough, the pace in each area depending on the wishes and capabilities of the region.

This approach was not taken when borough legislation was enacted upon statehood. Instead, provision was made for organized boroughs in urban areas, with an option for others to incorporate. The balance of the entire state, that is--the leftovers, was constituted into a single unorganized borough. This creature is, of course, ungovernable, and certainly does not lend itself to any duties of self-governance on the part of the people in diverse regions of Alaska.

STUDY OBJECTIVE

1. Study and evaluate the sufficiency of available local government structures to meet the need for local government entities at the community and regional level. Study and evaluate alternatives.

<u>TASK</u>	<u>RESOURCE</u>
1. Research the historical and legal evolution of local government structure. Review proposed legislation related to organization of the unorganized borough and assess the viability of these proposals. Analyze the relationships between municipalities at the community and regional level and their relationship with state government.	
2. Investigate adequacy of existing local government structures, (i.e. three classes of boroughs, two classes of cities plus development cities), and their legally authorized sub-units (i.e., differential tax zones, service areas, and assessment districts), and modify existing or devise alternative forms of local government which could better provide the services.	
3. Research the local government structures and intergovernmental relationships of other states and areas which may be pertinent to the Alaska experience. Evaluate relevancy in both rural and urban situations.	
4. Review pertinent major studies (Tanana Chiefs Conference Proposal, Yukon Flats Borough Study, NANA Regional Strategies, etc.) and ascertain trends and implications related to local government formation.	
5. Review the role of the Local Boundary Commission. Analyze statutory provisions for alteration of local government boundaries. Study and evaluate alternative mechanisms for affecting local government boundary changes.	

STUDY OBJECTIVE

- II. Study and identify present public services provided by state, regional and municipal levels of government.

TASK

RESOURCE

1. Update previous studies relating to state and federal jurisdictional boundaries. Delineate boundaries, authority and functions.
2. Prepare an inventory of programs and services being provided by federal, state and municipal entities within the municipalities and unorganized area of the state.
3. Identify the allocation and level of service provided by federal, state and municipal entities within the municipalities and unorganized area of the state.
4. Review existing intergovernmental loan programs and grant procedures as they function as incentives or disincentives to the formation of local government.
5. Review the question of state vs. municipal responsibility for delivery of public services and the construction, maintenance and operation of public facilities.
6. Review the service area concept as it relates to service delivery, specifically in the unorganized borough (REAs, Coastal Resource Service Districts, etc.). Delineate the boundaries, authority, and function of these rural service areas and their relationship to state government.

STUDY OBJECTIVE

- III. Study and evaluate the economic base of the unorganized borough and its sufficiency in financing the basic local government functions.

TASK

RESOURCE

1. Review potential revenue sources in the unorganized borough including, but not limited to sales, real and personal property tax, income tax, and gross business receipts in addition to revenue associated with natural resource development.
2. Prepare a land status analysis including, but not limited to, a general identification of private, public and Native-owned land. Such analysis would include estimates of acreage by category of existing and anticipated real property.
3. Review statutory inducements and disincentives related to municipal government incorporation. Determine workable approaches for studying the feasibility of and funding new municipal incorporations.
4. Identify the local cost of providing the services which are mandatory functions of the basic local governmental unit and those administrative costs associated with the establishment of local government.

STUDY OBJECTIVE

- IV. Study and evaluate the social, political and cultural patterns in the unorganized borough and their relation to local government formation.

<u>TASK</u>	<u>RESOURCE</u>
1. Identify and analyze selected jurisdictional boundary schemes to determine how well these substate districts or regional boundaries conform to standards for borough incorporation.	
2. Identify and analyze community and regional attitudinal surveys and studies to determine thoughts and perceptions on various levels of government (federal, state, local, quasi-governmental) Determine the need for further investigation of public attitudes, perceptions and ideas on the need for local and regional government structure.	
3. Prepare an inventory of public services and programs provided by non-governmental organizations within the unorganized borough. Analyze the nature and level of services being provided.	
4. Analyze historical and non-traditional methods of organization for local and regional self determination in the state (i.e., IRA Villages, Native regional profit and Native non-profit corporations).	

Local Government Study Objectives

1. Study and evaluate the sufficiency of available local government structure and methods of financing to meet the needs of existing local government entities. Study and evaluate alternatives.
2. Study and evaluate the sufficiency of available local government structures and methods of financing to meet the need for local government entities at the community and regional level in the unorganized borough. Study and evaluate alternatives.
3. Study and evaluate the difference between the planning for and delivery of services in organized boroughs and the unorganized borough.
4. Review of the question of state vs. municipal responsibility for the delivery of public services and the construction, maintenance, and operation of public facilities.

Methodology

1. Review the available literature and update the available research addressing the study objectives.

2. Study and evaluate the delivery of service at the local, regional, and state level.
3. Review and study various geographic boundaries currently used by state, federal, and non-profit entities to meet the need for rationally constructed service delivery systems in Alaska. Determine the extent to which these boundaries are adaptable to the need for logically drawn regional government boundaries.

April 4, 1979

1. Study and evaluate the sufficiency of available local government structures to ^{methods of financing} meet the needs of existing local government entities. *Study 'evaluate alternatives'*
- X 2. Study and evaluate the sufficiency of available local government structures to ^{methods of financing} meet the need for local government entities at the community and regional level in the unorganized borough. *Study 'evaluate alternatives'*
- X 3. Study and evaluate the sufficiency of the present forms and methods of financing local and regional government and the adaptability of that system to financing local and regional government in the unorganized borough.
- X 4. Study and evaluate the ^{process for} difference between the planning for and delivery of services in organized boroughs and the unorganized borough.
5. Study and evaluate the ^{methodology} adaptability of ^{various} geographic boundaries currently used for planning, education, health delivery, transportation, delivery of state services, ^{and Federal Services} public safety, ^{Non Profit} political districting, etc., to meet the needs for ^{a regional goal} rational ^{service delivery for} local government boundaries in the unorganized borough. ^{in Alaska}
6. State vs. municipal responsibility - delivery of

Methodology

1. Review the available literature and update the available research addressing the study objectives.
2. Study and evaluate the delivery of services at the local, regional, and state level.
3. OTHERS??



Official Business

Alaska State Legislature

House of Representatives

Committee on

Community & Regional Affairs

Pouch V
State Capitol
Juneau, Alaska 99811

DATE: April 9, 1979

TO: Reps. Carney
Branson
O'Connell
Parr
Metcalf
Zharoff

FROM: Rep. Bill Parker, Chairman

RE: Interim Study on Local Government

The Chairmen of the House and Senate C&RA Committees have been meeting with representatives of the Departments of C&RA, DPDP, Natural Resources, the Office of the Governor, and the Municipal League as well as the Bush Caucus to discuss the possibilities of a cooperative interim local government study.

A working draft of possible objectives and methodology as well as problems which have been raised by the group is attached. Your input into the scope, objectives, details, etc. of this study is encouraged during this early development of the study.

Please contact my staff with your suggestions and recommendations.

Local Government Study Objectives

1. Study and evaluate the sufficiency of available local government structure and methods of financing to meet the needs of existing local government entities. Study and evaluate alternatives.
2. Study and evaluate the sufficiency of available local government structures and methods of financing to meet the need for local government entities at the community and regional level in the unorganized borough. Study and evaluate alternatives.
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1. Review the available literature and update the available research addressing the study objectives.

2. Study and evaluate the delivery of services at the local, regional, and state level.
3. Review and study various geographic boundaries currently used by state, federal, and non-profit entities to meet the need for rationally constructed service delivery systems in Alaska. Determine the extent to which these boundaries are adaptable to the need for logically drawn regional government boundaries.

PROBLEMS

1. CZM Implementation
2. D.N.R. State Resources Planning
(a) Involvement of public
3. Evaluation of Role of Local Boundary Commission
4. Applicability of Development Cities Act
5. Local Input into Needs Assessment
6. Funding for Borough (Planning) Study
7. Viability of Third Class Borough
8. Interim Governmental Forms (need for?)
9. Multiplicity of Jurisdictional Boundaries
10. Inadequacy of Funding for Second Class Cities
11. Inadequate delivery of services (Development
of Planning System)
12. Duplication of Planning Efforts
(a) Statutory/Programs
13. Lack of Local-Level Understanding of Local
Government Structures
14. Existence of Rural Policy

REVISED LOCAL GOVERNMENT
STUDY OBJECTIVES

Study Objectives

1. Study and evaluate the sufficiency of available local government structures to meet the need for local government entities at the community and regional level in the unorganized borough. Study and evaluate alternatives.
2. Study and evaluate the economic base of the unorganized borough and its sufficiency in financing the basic local government functions.
3. Study and evaluate the social, political and cultural patterns in the unorganized borough and their relation to local government formation.
4. Study and evaluate the difference between the planning for and delivery of services in the unorganized borough.

GOALS

1. Develop legislation which would provide a state policy related to the development of local government in the unorganized borough.
2. Develop a clearly enunciated state rural policy which would serve as a guideline in evaluating legislation in terms of its effect as an incentive or disincentive to local government formation in the unorganized borough.

State Program
1. 1964

LOCAL GOVERNMENT STUDY

STUDY OBJECTIVE

- I. Study and evaluate the sufficiency of available local government structures to meet the need for local government entities at the community and regional level in the unorganized borough. Study and evaluate alternatives.

TASK

RESOURCE

2. Research the local government structures of other states which may be pertinent to the Alaska experience (in particular, Maine and Hawaii) and examine Canada's system for handling local government in the remote areas within Canadian jurisdiction.
Evaluate relevancy of "outside" local gov't. system of financing and delivery of services.

Dept. of C&RA
(Veronica Clark)
Municipal Leagues
(Ginny Chitwood)

3. Review the history of the unorganized borough. Catalog existing inventories of proposed legislation related to the unorganized borough (see Fischer's works). Include any analytic material of proposed bills with legislative history.

Legislative Affairs
(Jack Chenoweth)

4. Review the implications the Yukon-Flats Study has for formation of local government in other areas of the unorganized borough, in particular for other areas along the pipeline corridor.

Contract - *James G. Sullivan*
Ralph Darbyshire

5. Study alternative mechanisms

(i.e. Ak. Local Boundary Com.

"Minnesota Plan", "Texas Plan" etc.

for affecting local government.

boundary changes.

also an alternative (i.e. alternative

city formation, etc.)

relationships, etc.

segmentation, etc.

Table

Table

Table

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Table

Table

Legal framework

Development Cities

Integration

Unification

Leg Affairs

C&RA (Palmer)

Chenoweth

Chenoweth

Chenoweth

Chenoweth

Chenoweth

Chenoweth

Chenoweth

Chenoweth

Chenoweth

Chenoweth

Chenoweth

LOCAL GOVERNMENT STUDY

STUDY OBJECTIVE

12. Study and evaluate the economic base of the unorganized borough and its sufficiency in financing the basic local government functions.

TASK

RESOURCE

1. Investigate alternatives to methods of generating local taxes in addition to sales and property tax and provide a more equitable distribution to local governments of state revenues generated by taxation of the State's resources.

2. Investigate disparity and differences among taxation practices of the state and local governments and standardize taxation of the State's resources.

3. Research other states' local government laws, specifically "Share-the-Wealth" taxation concepts to seek out models which could be appropriately used in Alaska.

4. Analyze the implications for the unorganized borough of the existing revenue sharing method and compare it with others which have been proposed.

5. Analyze the implication for the unorganized borough of the various Permanent Fund proposals which have been suggested in legislation.

6. Determine the best approach for funding and studying the feasibility of requested new municipal incorporations.

7. Review economic base information for the unorganized borough including sales tax, gross business receipts, etc.

8. Identify state and federal monies/programs and the extent of financial support in the unorganized borough.

9. Review existing loan programs and grant procedures as they function as incentives or disincentives to local government formation in the unorganized borough.

10. Look at the financing of existing REASS's, coastal resource districts, IRA councils, and native

Div. of Policy Development and Planning
(Dona Lehr)

Div. of Policy Development And Planning
(Dona Lehr)

Dept. of C&RA
(Doug Griffin)

Legislative Affairs
(Elke Kallab)

Commerce & Development
C & RA

regional and village non-profit organizations and determine their relationship to the role of state and local government.

4. Evaluate the sufficiency of the ec. base in the community & unorganized villages to accommodate regional & local joint analysis of positive or negative economic impact of creating regional/local government.

QUESTIONS FOR INTERIM LOCAL GOVERNMENT STUDY

1. Identify the types of governmental services and programs needed by different areas of the state, and identify what level of government could and should provide the service or program.
2. Investigate adequacy of existing local government structures, (i.e. 3 classes of boroughs, 2 classes of cities plus development cities, and merger, consolidation, and unification of these forms), and their legally authorized sub-units (i.e. differential tax zones, service areas, and assessment districts), and modify existing or devise alternative forms of local government which could better provide the services. ✓
3. Investigate alternatives to methods of generating local taxes in addition to sales and property tax, and provide a more equitable distribution to local governments of state revenues generated by taxation of the State's resources.
4. Investigate disparity and differences among taxation practices of the state and local governments, and standardize taxation policies and laws to provide uniformity, tax fairness, and equity to state residents.
5. Look at the role and financing of existing REAA's, coastal resource districts, IRA councils, and native regional and village non-profit organizations, and determine their relationship to the role of state and local government.
6. Research other states' local government laws (particularly "Share-the-Wealth" taxation concepts) to seek out models which could be appropriately used in Alaska.
7. Determine the best approach for funding and studying the feasibility of requested new municipal incorporations.
8. Study alternative mechanisms (i.e. Alaska Local Boundary Commission, "Minnesota plan", the "Texas plan", etc.) for affecting local government boundary changes.



Official Business

Alaska State Legislature

Senate Committee on Community & Regional Affairs

Pouch V
State Capitol
Juneau, Alaska 99811

April 28, 1979

MEMORANDUM

TO: Senator George Holman
Legislative Council, Chairman

FROM: Senator Arliss Sturgulewski, Chairman
Senate Community & Regional Affairs

SUBJECT: Interim Local Government Committee composed of the Senate and
House Community and Regional Affairs Committee

LOCAL GOVERNMENT STUDY OBJECTIVES

1. Study and evaluate the sufficiency of available local government structure and methods of financing to meet the needs of existing local government entities. Study and evaluate alternatives.
2. Study and evaluate the sufficiency of available local government structures and methods of financing to meet the need for local government entities at the community and regional level in the unorganized borough. Study and evaluate alternatives.
3. Study and evaluate the difference between the planning for and delivery of services in organized boroughs and the unorganized borough.
4. Review of the question of State vs. municipal responsibility for the delivery of public services and the construction, maintenance, and operation of public facilities.

METHODOLOGY

1. Basic research and analysis work would be accomplished by this Interim Legislative Committee. Assistance and cooperation of other legislative staffs (such as Legislative Division of Legal Services and Division of Research Services), and administrative staffs; i.e., Department of Community and Regional Affairs, would be sought.
 - A. Review the available literature and update the available research addressing the study objectives.

April 28, 1979

- B. Study and evaluate the delivery of services at the local, regional, and State level.
 - C. Review and study various geographic boundaries currently used by State, Federal, and non-profit entities to meet the need for rationally constructed service delivery systems in Alaska. Determine the extent to which these boundaries are adaptable to the need for logically drawn government boundaries.
2. Workshops and public meetings would be conducted to obtain participation by affected groups and persons. For example, organizations to be included would be AFN, RuralCAP, ANF, Alaska Municipal League, etc. Additionally, meetings will be held in rural areas to obtain testimony and views on self-governance, administrative capabilities, fiscal conditions, attitudes toward State vs. local performance of functions, delivery of services, etc.
3. Analysis and formulation of resultant proposals will be carried out in coordination with legislative staff and administrative staffs.

BUDGET

See attached memorandum.

Attachment



Official Business

Alaska State Legislature

Senate

Committee on Community & Regional Affairs

Pouch V
State Capitol
Juneau, Alaska 99811

April 28, 1979

MEMORANDUM

TO: Senator George Hohman
Legislative Council, Chairman

FROM: Senator Arliss Sturgulewski, Chairman
Senate Community & Regional Affairs

SUBJECT: Budget for Interim Local Government Study

The following estimated budget is provided for the Local Government Interim Study.

(100)	Personal Services	\$ 40.0
	1 1/2 Project Coordinators	
	12 mo., \$3,000 mo., plus	
	10.13% benefits	
(200)	Travel	18.0
	Committee Transportation (Juneau/ Anch.) Chairmen/Senate & House Community and Regional Affairs Committee plus staff travel	
	15 trips at \$200 = \$3,000	
	Committee per diem - 15 members + staff for individual meetings and conferences	
	3 days each at \$165 = \$2,475	
	Hearing Committee Transportation	
	5 members	
	5 trips at \$400 = \$10,000	
	Committee per diem - 5 meetings	
	2 days each at \$55 = \$2,750	

April 28, 1979

(300)	Contractual	16.0
	Professional Services=\$12,000	
	Postage	500
	Public Notices	500
	Telephone	2,000
	Final Report	1,000

(400)	Commodities	1.0
	Stationery and Office	
	Supplies=	1,000

\$ 75,000

House Community & Regional Affairs share -	\$31,600
(per Representative Bill Parker's discussion	
with House Leadership)	
Senate share -	43,000

WHAT ARE THE SERVICES THE STATE WOULD CONTINUE TO PERFORM IF THE ENTIRE STATE WERE ORGANIZED?

WHAT SERVICES DO THE ORGANIZED GOVERNMENTS ASSUME NOW? WHAT AUTHORITY DO THEY HAVE?

SOME SERVICES ARE STATEWIDE IN NATURE AND APPLY TO ALL RESIDENTS OR AREAS.

HOW DOES THE STATE PAY FOR ITS CAPITAL IMPROVEMENTS? WHAT FUNDS HAVE BEEN ESTABLISHED? HOW MUCH GENERAL FUND MONEY GO FOR CAPITAL IMPROVEMENTS? ARE ANY DIRECT GRANTS TO LOCAL GOVERNMENTS FOR CAPITAL IMPROVEMENTS FUNDED FROM SOURCES OTHER THAN THE GENERAL FUND? WHAT IMPROVEMENTS ARE FUNDED DIRECTLY FROM THE FEDERAL GOVERNMENT? HOW IS POSSIBLE TO IDENTIFY SUCH IMPROVEMENTS? DO COMMUNITIES HAVE THE AUTHORITY TO APPLY DIRECTLY TO THE FEDERAL GOVERNMENT FOR CAPITAL IMPROVEMENTS. IF YES, WHAT IMPROVEMENTS ARE CONSIDERING? IF SUCH IMPROVEMENTS ARE APPLIED FOR AND APPROVED, AT WHAT POINT IS THE A-95 CLEARINGHOUSE BROUGHT IN, IF IT IS INCLUDED AT ALL?

WHAT PROJECTS ARE ESCAPING THE EYES OF THE A-95 CLEARINGHOUSE? WHERE ARE THE PROBLEM AREAS?

IS THERE A SINGLE FEDERAL AGENCY ONE COULD GO TO FOR DETERMINING THE AMOUNT OF MONEY THEY PROVIDE PROGRAMS AND IMPROVEMENTS? WOULD THE OFFICE OF MANAGEMENT AND BUDGET?

IS THERE IS A SINGLE AGENCY THAT KEEPS TRACK OF THE AMOUNT OF MONEY RELATED TO INDIAN PROGRAMS?

WHAT PROGRAMS ARE FEDERALLY MANDATED? WHAT PROGRAMS ARE OPTIONAL?

SEVERAL SURVEYS HAVE BEEN DONE IN THE PAST FEW YEARS IN ATTEMPTING TO GAIN INSIGHT INTO THE PERCEPTIONS OF LOCAL ISSUES, PROBLEMS, NEEDED SERVICES, ECONOMIC QUESTIONS, ETC. WOULD IT BEHOLD OUR EFFORTS TO INVENTORY THESE SURVEYS THAT HAVE BEEN DONE? KEEPING IN MIND THEY WERE DONE FOR DIFFERENT PURPOSES AND DIFFERENT TIMES AND AT LOCAL AND REGIONAL LEVELS. *North Slope, NOME,*

IS THERE AN ADMINISTRATIVE AND SUPPORT FIGURE THAT COULD BE DEFINED CONSIDERING AN AGENCY PROVIDING DIRECT SERVICE TO THE RURAL AREA? THIS IS OPPOSED TO THE PROGRAM BEING LOCALLY ADMINISTERED AND OPERATED.

WHAT IS THE DISTRIBUTION OF STATE EMPLOYEES? WHAT IS THEIR YEARLY PAYROLL AND WHAT AGENCY DO THEY WORK FOR? WOULD IT BE POSSIBLE TO GET AN IDEA OF THE NUMBER OF FEDERAL EMPLOYEES?

WHAT DOES IT COST THE STATE (DEPT. OF ADMIN.) TO HOUSE AND PROVIDE OFFICE SPACE FOR EMPLOYEES IN THE RURAL AREAS OF THE STATE? WHAT FACILITIES ARE LEASED AND WHAT ARE OWNED AND OPERATED BY THE STATE?

IF WE NEED A PRESENT PICTURE OF THE ALASKAN ECONOMY, DON'T FORGET THE FOLLOWING. DIVISION OF MANPOWERS TITLE I PLAN, DEPARTMENT OF LABORS ANNUAL PLAN FOR THE STATE AND ANCHORAGE, AND THE QUARTERLY REPORTS OF DAVE REAUME IN COMMERCE AND ECONOMIC DEVELOPMENT, DIVISION OF ECONOMIC ENTERPRISE. IN ADDITION TO THE ANNUAL ECONOMIC REVIEW PUT OUT BY THE DEPT. OF COMMERCE AND ECONOMIC DEVELOPMENT. RESEARCH AND ANALYSIS IN THE DEPT. OF LABOR ALSO HAS INFORMATION ON A VARIETY OF ECONOMIC AND EMPLOYMENT RELATED SUBJECTS. ALSO KEEP TRACK OF REVENUES LATEST INFORMATION ON PETROLEUM REVENUE PROJECTIONS. ALSO CHECK WITH THE INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH TO FIND OUT THEY ARE DOING IN THIS AREA.

WE NEED A GOOD DESCRIPTION OF WHAT LANDS ARE AND WILL BE EXEMPT FROM PROPERTY TAXATION. IN ORGANIZED BOROUGH AND WITHIN THE UNORGANIZED BOROUGH.

UPDATE SUBSTATE DISTRICT MAPS. CHECK WITH DPDP TO SEE WHAT MATERIAL THEY MAY HAVE. USE KAE ALLREDS STUDY AS A GUIDE IN THIS AREA. THIS IS AN INTEGRAL PART OF THE SERVICE DELIVERY STUDY. UNDERSTAND WHAT THE DISTRICTS IS USED FOR, I.E. STATISTICAL GATHERING, ADMIN, REGULATORY, ETC. BY WHAT AUTHORITY HAVE THEY DIVIDED THE STATE FOR A PARTICULAR PURPOSE.

DO WE NEED SOMEONE TO OUTLINE TITLE 29 IN A FORM THAT CAN BE EASILY UNDERSTOOD. IN GRAPHIC FORM. SOMETHING THAT SHOW THE GRADUALLY INCREASE IN POWERS THAT CAN BE ASSUMED AND THOSE MANDATED. FOR CITIES AND BOROUGH. MAYBE JUST CERTAIN PORTIONS OF THE TITLE. HAS SOMETHING LIKE THIS BEEN DONE BY COMMUNITY AND REGIONAL AFFAIRS.

LOAN PROGRAMS ADMINISTERED BY DEPT OF COMMERCE AND ECONOMIC DEVELOPMENT

- A) TYPES OF LOAN PROGRAMS
- B) STATE STATUTORY AUTHORITY
- C) NUMBER OF LOANS OUTSTANDING PER PROGRAM
- D) AMOUNT OF LOANS OUTSTANDING PER PROGRAM
- E) TYPE OF LOAN I.E. REVOLVING
- F) DISTRIBUTION OF LOANS (GEOGRAPHIC) PER PROGRAM

REQUEST AN ORGANIZATION CHART FOR
EACH DEPT.

PICK UP LIST OF BOARDS & COMMISSIONS

STATE BOND COMMITTEE

BUDGET SUMMARY BY ELECTION DISTRICT
GET A DESCRIPTION OF METHODOLOGY

QUESTIONS FOR INTERIM LOCAL GOVERNMENT STUDY

- Service
Delivered* 1. Identify the types of governmental services and programs needed by different areas of the state, and identify what level of government could and should provide the service or program.
2. Investigate adequacy of existing local government structures, (i.e. 3 classes of boroughs, 2 classes of cities plus development cities, and merger, consolidation, and unification of these forms), and their legally authorized sub-units (i.e. differential tax zones, service areas, and assessment districts), and modify existing or devise alternative forms of local government which could better provide the services.
- E.S.* 3. Investigate alternatives to methods of generating local taxes in addition to sales and property tax, and provide a more equitable distribution to local governments of state revenues generated by taxation of the State's resources.
- E.S.* 4. Investigate disparity and differences among taxation practices of the state and local governments, and standardize taxation policies and laws to provide uniformity, tax fairness, and equity to state residents.
- X* 5. Look at the role and financing of existing REAA's, coastal resource districts, IRA Councils, and native regional and village non-profit organizations, and determine their relationship to the role of state and local government.
- X* 6. Research other states' (local government laws) (particularly "Share-the-Wealth" taxation concepts) to seek out models which could be appropriately used in Alaska.
- X* 7. Determine the best approach for funding and studying the feasibility of requested new municipal incorporations.
8. Study alternative mechanisms (i.e. Alaska Local Boundary Commission, "Minnesota plan", the "Texas plan", etc.) for affecting local government boundary changes.

The municipal land selection process is an incentive to borough incorporation to the extent that the boundaries proposed for a borough would probably include the maximum allowable vacant, unappropriated, and unrestricted lands from which to select its 10 percent. However the boundaries of a proposed borough must conform to natural geography and include all areas necessary for full development of local services.

Title 29 programs. There are no governmental loan programs or grant procedures described in Title 29 which could serve either as a statutory inducement or disincentive to borough incorporation.

State Revenue Sharing Program. (AS 43.18.010-.045) The State Revenue Sharing Program annually distributes grants to cities and boroughs based on the number of local residents in a municipality, the eligible powers exercised by each local government, the cost of living allowance used in computing total grant entitlements and the total appropriation approved for the grant program.

During each fiscal year, the Department of Community and Regional Affairs distributes State Revenue Sharing funds to eligible cities or organized boroughs which provide specific services, and exercise the powers as follows:

<u>Municipal Service</u>	<u>Rate of Entitlement</u>
Police Protection	\$12 per capita
Military	\$ 6 per capita
Fire Protection	\$7.50 per capita
Water or Air Pollution	\$ 2 per capita
Land Use Planning	\$ 2 per capita
Parks and Recreation	\$ 5 per capita
Military	\$1.25 per capita
Transportation Facilities	\$ 5 per capita
Military	\$2.50 per capita
Road Maintenance	
a. Public Roads	\$1,500 per mile
b. Ice Roads	\$ 900 per mile
Health Facilities	\$4,000 per fac. OR
	\$1,000 per bed
Health Services	\$ 2 per capita
Hospitals	\$75,000 per host. OR
	\$25,000 per hosp. OR
	\$ 1,000 per bed
State Construction Aid	\$2,500 per bed

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State Revenue Sharing has had an increasing impact on municipalities since its enactment in 1969. The program funding has increased from \$2.0 million in 1970 to \$18.6 million in FY 1979, and municipalities have become increasingly dependent on these grants. However, due to the limited amount of funding made available for the program each year, municipalities have not received 100 percent of their grant entitlements. Last fiscal year municipalities received only 88.7 percent of their total grant entitlements and next fiscal year the Department of Community and Regional Affairs expects the program to be funded at approximately 85 percent of all the grant entitlements.

The current formula is intended to encourage existing local governments to provide financial incentives to exercise powers, improve upon existing services provided and reduce any local taxes.

The current State Revenue Sharing Program does not provide a financial inducement to borough incorporations because the economy of a proposed borough would already possess the human and financial capability of providing local services. State Revenue Sharing grants to newly created boroughs would defray only a small portion of the overall costs of operating borough government. If the State Revenue Sharing Program is going to provide incentives for borough incorporation, then substantially more money must be distributed to all local governments each year.

Local Service Roads and Trail Program (LRS&T). (AS 19.30.111-.251) The Local Service Roads and Trail Program provides state assistance in the development of roads and trails on routes that are not eligible for federal-aid highway funds. These funds are intended to provide local service roads, year around foot trails, winter trail staking, bicycle paths, erosion control, foot bridges, boardwalks, etc.

This program is 100% state-funded through state bond issues. Under the program, funds are allocated to organized boroughs and home-rule cities according to a strict area/population formula. Each local government receives its allocation by submitting a three-year program with project priorities noted to the Regional Highway Engineer by October 1 of each year. A portion of the fund is also allocated to the unorganized boroughs; this money is administered by DOTPF. The communities within the unorganized boroughs receive funding based on priority and need. Each community selects its project and submits it to the department for consideration.

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The Department of Transportation and Public Facilities (DOTPF) is responsible for maintaining, causing to be maintained, or constructing any project under the LSR&T Program. However, a project constructed within the boundaries of a local government which exercises the power of streets and sidewalks may be transferred to a local government upon the approval of DOTPF and acceptance by the local government.

A road, street or highway transferred to a local government under this process can be eligible to receive State Revenue Sharing funding equal to \$1,500 a mile for each eligible mile for streets or highways maintained by the local government.

Although a borough stands a greater chance of being awarded local service roads and trails projects under the area/population formula, and although roads, streets and highways may be transferred to a municipality, the LSR&T Program has not been a sufficient incentive to encourage borough incorporation.

Regional Education Attendance Area (REAA's). REAA's were created with the passage of Chapter 124, Session Laws of Alaska, 1975 (popularly referred to as Senate Bill 35) thus transferring the major operational responsibilities for rural Alaska schools (Alaska Unorganized Borough School District) to regional school districts (REAA's). Although the REAA's created have provided a greater amount of local control over local municipal type services, strengthened the existing regional identification of these areas, and provided boundaries that are useful to establishing future boroughs, the state funding formula has been a disincentive to the formation of borough government, and it fails to properly address the extremely poor tax base for much of rural Alaska. In addition to receiving funding for 100 percent of the Public School Foundation Program and 100 percent of the cost for new school construction, REAA's receive from the State an amount equal to the average local contribution per pupil in municipal school districts multiplied by the number of students which will approximate \$710 per student this year. The Public Foundation Program will be funded approximately at 100 percent this year, and the state school construction cost will only be funded at approximately 80 percent this year. The advantageous funding schedule mentioned above for REAA's still remains a disincentive to the formation of organized boroughs unless the borough school districts can obtain additional funding to offset the increased level of funding for REAA's.

State-Share Taxes. State-Shared Taxes are specific taxes levied and collected by the State of Alaska (Department of Revenue) and are, in part, refunded to cities and boroughs

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providing municipal services. State Shared Taxes refunded to municipalities include the following:

Amusement and Gaming Taxes. (AS 43.35.010-.090) Fifty percent of the taxes collected under this program are refunded to the municipality in which the tax is collected. Payments are made automatically, on a semi-annual basis, to all cities and boroughs upon receipt of notice of incorporation.

Aviation Fuel Taxes. (AS 43.40.010-.040) Sixty percent of the taxes collected under this program are refunded to the municipality in which the tax is collected if that municipality owns and/or operates a public airport.

Corporate Income Taxes. (AS 43.20.010) Effective July 1, 1979, each municipality will receive a refund equal to the amount they received as a refund under the former Business License tax program. Refunds are mailed automatically to municipalities, once a year.

Liquor License Taxes. (AS 04.10.460) One hundred percent of the amount collected under this tax program is refunded to the municipality in which it was collected if the municipality has a police force and actively enforces State, Federal, and local liquor laws. Refunds are mailed automatically to municipalities semi-annually.

Punchboard Taxes. (AS 43.35.100-.150) Seventy-five percent of the amount collected under this tax program is refunded to the municipality in which it was collected. Refunds are mailed automatically to municipalities once a year.

Raw Fish Taxes. (AS 43.75.130-.135) Currently each borough receives twenty percent of the amount of tax revenues collected in the area outside cities and ten percent of the amount of tax revenues collected within cities. Refunds to eligible municipalities are mailed annually.

Telephone and Electric Cooperative Taxes. (AS 10.25.570) One hundred percent of the tax collected from telephone and electric cooperatives is refunded to the municipalities in which the cooperative does business. A municipality's entitlement is based upon the amount of gross revenue the cooperative received from operations within the municipality's boundaries. The tax is refunded annually.

With the exception of the raw fish tax refunds, all other state shared taxes contribute a relatively small amount of revenue to an organized borough and would not provide a

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statutory inducement to municipal incorporation. Depending on the amount of fish products processed within the boundaries of a proposed borough, the raw fish tax could provide an incentive to borough incorporation, i.e. the Aleutian Islands.