

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672

355 SCOM10: LOCAL GOVERNMENT STUDY 1979

1 (b) If a majority of the votes cast by the qualified voters of the
2 proposed borough favors incorporation of the borough under the proposed
3 home rule charter, the lieutenant governor shall declare that the un-
4 organized borough in which the election was held is incorporated as an
5 organized borough and a municipal corporation in accordance with the
6 provisions of the home rule charter. The lieutenant governor shall
7 provide for the election of the officers provided for in the charter.

8 (c) The election and qualification of officers under (b) of this
9 section shall be completed by the lieutenant governor in accordance with
10 AS 29.18.120 and the provisions of the home rule charter of the borough.

11 Sec. 29.19.060. VOTERS, ELECTIONS AND COSTS. (a) A person is
12 qualified to vote in an election authorized by AS 29.19.010 - 29.19.060
13 if he is qualified to vote in state elections and if he is a resident of
14 the unorganized borough proposed for incorporation as a home rule
15 borough.

16 (b) The lieutenant governor shall conduct elections authorized by
17 AS 29.19.010 - 29.19.050 substantially in the manner provided in the
18 Alaska Election Code (AS 15.05 - 15.60), and shall certify the results
19 of all elections under this chapter. Costs of elections under this
20 chapter shall be paid by the office of the lieutenant governor.

21 (c) Costs of charter preparation under this chapter shall
22 be paid by the Department of Community and Regional Affairs.

23 Sec. 29.19.070. APPLICABILITY OF GENERAL TRANSITIONAL PROVISIONS.
24 The provisions of AS 29.18.130 - 29.18.180 apply to home rule boroughs
25 incorporated under this chapter.

26 * Sec. 5. AS 29.03.010 and 29.03.020 are repealed.

27 * Sec. 6. This Act takes effect immediately in accordance with AS 01.10.-
28 070(c).

Introduced: 1/21/80
Referred: Community & Regional
Affairs

BY THE RULES COMMITTEE BY REQUEST
OF THE LEGISLATIVE COUNCIL (for
the Community and Regional Affairs
Committee Interim Joint Local
Government Study)

1 IN THE HOUSE

2 HOUSE BILL NO. 581

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the responsibilities of the divi-
7 sion of policy development and planning, Office of the
8 Governor; and providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. The division of policy development and planning shall study
11 and report to the legislature, not later than January 31, 1981, as to the
12 conformity by state agencies, boards and commissions with the program re-
13 quirements under AS 44.17.100 - 44.17.120, including but not limited to
14 recommendations which require legislation and for the development and im-
15 plementation of a master geographical coding system to report on the coordi-
16 nation of delivery of state services by districts.

17 * Sec. 2. This Act takes effect on the effective date of a version of a
18 bill entitled "An Act establishing unorganized boroughs, amending the respon-
19 sibilities of state agencies for state programs and services for residents of
20 organized and unorganized boroughs, and authorizing adoption of home rule
21 charters by unorganized boroughs; and providing for an effective date."

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Introduced: 1/21/80
Referred: Community & Regional
Affairs and Finance

BY THE RULES COMMITTEE BY REQUEST
OF THE LEGISLATIVE COUNCIL (for
the Community and Regional Affairs
Committee Interim Joint Local
Government Study)

1 IN THE HOUSE

2 HOUSE BILL NO. 582

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing a program of planning assistance
7 for unorganized boroughs; and providing for an effec-
8 tive date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 44.47 is amended by adding a new section to read:

11 Sec. 44.47.085. ASSISTANCE FOR DEVELOPMENT OF REGIONAL MANAGEMENT
12 PROGRAMS IN THE UNORGANIZED BOROUGH. (a) For the purpose of preparing
13 a management program for an unorganized borough, the commissioner may
14 contract as provided by this section with

15 (1) a municipality or group of municipalities; or

16 (2) a nonprofit corporation organized under the laws of the
17 state.

18 (b) The commissioner may contract for the preparation of only one
19 management program for each unorganized borough. The commissioner may
20 contract only if he is satisfied that the municipality, group of muni-
21 cipalities, or corporation with which he contracts is capable of pre-
22 paring a management program that considers the entire population of the
23 unorganized borough.

24 (c) A municipality, group of municipalities, or corporation in-
25 terested in preparing a management program for an unorganized borough
26 may ask the commissioner to request a proposal or the commissioner may
27 request a proposal on his own initiative. A request for proposal shall
28 be advertised. The advertisement of a request for a proposal for the
29 preparation of a management program for the unorganized borough shall

1 outline the work to be completed, and contain other information which
2 the commissioner believes necessary and which he requires to advise the
3 public of the work to be completed under the contract, and which will
4 assist him in evaluating proposals received. The commissioner shall
5 advertise for a period of not less than 45 days by any means which he
6 believes will provide adequate notice to interested parties and resi-
7 dents of the unorganized borough.

8 (d) After receiving the proposals the commissioner shall evaluate
9 them. The commissioner may refuse all proposals and readvertise, or may
10 accept a proposal and contract in accordance with (e) of this section.

11 (e) A contract entered into under this section shall

12 (1) require that the report to be completed under the con-
13 tract include an analysis and recommendations concerning incorporation
14 of a borough government for all or a portion of the unorganized borough;
15 and

16 (2) provide that

17 (A) the work to be performed shall be completed not
18 later than the June 30 following the third anniversary of the date
19 of the contract;

20 (B) payment for work performed under the contract is
21 subject to legislative appropriation to the account established in
22 (g) of this section; and

23 (C) payment for work performed under the contract during
24 each fiscal year in which the contract is in effect may not exceed
25 the limit established in (h) of this section.

26 (f) A contract entered into under this section may require the
27 contractor to consider additional topics, including but not limited to,

28 (1) evaluation of the economic development potential of the
29 unorganized borough;

1 (2) determination of housing and capital facility needs;
2 (3) examination of demographic, social and environmental
3 factors; and

4 (4) presentation of a process for developing the report and
5 implementing its recommendations.

6 (g) There is established in the Department of Community and Re-
7 gional Affairs the unorganized borough planning account. The account
8 shall be administered by the commissioner and shall be used to pay for
9 contracts entered into under this section.

10 (h) During each fiscal year, the commissioner may not pay to a
11 contractor under a contract authorized by this section more than \$25,000
12 plus \$25 per capita for each person residing within the unorganized
13 borough, as determined by the commissioner.

14 (i) In this section, "unorganized borough" means a subdivision
15 established under AS 29.03.011 - 29.03.021.

16 * Sec. 2. This Act takes effect on the effective date of a version of an
17 Act entitled, "An Act establishing unorganized boroughs, amending the respon-
18 sibilities of state agencies for state programs and services that benefit
19 residents of organized and unorganized boroughs, and authorizing adoption of
20 home rule charters by unorganized boroughs; and providing for an effective
21 date."

Original sponsor: Rules/Legislative Council

Offered: 2/22/80
Referred: Finance

1 IN THE HOUSE

BY THE COMMUNITY AND
REGIONAL AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 583

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to state aid to local governments; and
7 providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 43.18.010 is amended by adding a new subsection to read:

10 (m) A city or organized borough which is entitled to state aid
11 under this section shall receive each fiscal year a minimum amount under
12 this section of \$25,000 adjusted to include an area cost-of-living
13 differential determined in accordance with AS 43.18.012.

14 * Sec. 2. This Act takes effect July 1, 1980.
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Introduced: 1/21/80
Referred: Community & Regional
Affairs and Judiciary

BY THE RULES COMMITTEE BY REQUEST
OF THE LEGISLATIVE COUNCIL (for the
Community and Regional Affairs
Committee Interim Joint Local
Government Study)

1 IN THE HOUSE

2 HOUSE BILL NO. 584

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act eliminating third class boroughs."

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8 * Section 1. AS 29.08.030 is amended to read:

9 Sec. 29.08.030. CLASSES OF GENERAL LAW. General law municipali-
10 ties are of four [FIVE] classes:

- 11 (1) first class boroughs;
- 12 (2) second class boroughs;
- 13 (3) [THIRD CLASS BOROUGHs;]
- 14 (4) first class cities;
- 15 (5) second class cities.

16 * Sec. 2. AS 29.08.040(g) is amended to read:

17 (g) A second class borough may reclassify as a first class [OR
18 THIRD CLASS] borough [, AND A THIRD CLASS BOROUGH MAY RECLASSIFY AS A
19 FIRST CLASS OR SECOND CLASS BOROUGH,] in the manner provided by AS 29.-
20 33.270 - 29.33.290 for the addition of powers by boroughs, except the
21 petition or proposal requests reclassification instead of requesting
22 addition of powers.

23 * Sec. 3. AS 29.78.010(1) is amended to read:

24 (1) "borough" means a general law first or [,] second [OR
25 THIRD] class organized borough;

26 * Sec. 4. AS 02.15.260(10) is amended to read:

27 (10) "municipality" means a home rule or general law municipal
28 corporation and political subdivision, which is a first or second class
29 borough or city [, OR A THIRD CLASS BOROUGH,] incorporated under the

1 laws of the state;

2 * Sec. 5. AS 14.12.110 is amended to read:

3 Sec. 14.12.110. SINGLE BODY AS ASSEMBLY AND SCHOOL BOARD. Not-
4 withstanding the provisions of this chapter or other law, a single body
5 may serve as both the borough assembly and borough school board in the
6 manner provided for in this section [THIRD CLASS BOROUGHS UNDER AS 07.-
7 17.030], if a borough ordinance for that purpose is approved by the
8 assembly and ratified by a referendum of a majority of the qualified
9 borough voters voting on the question at a regular or special election,
10 and if the public school population within the borough is 500 pupils or
11 less. If a single body serves as both the borough assembly and school
12 board, the borough executive is the presiding officer of the borough
13 assembly and president of the school board and the borough executive
14 has all powers of a borough executive under AS 29.23 except for the
15 veto power.

16 * Sec. 6. AS 38.05.037(a) is amended to read:

17 (a) In areas of the state outside first and [,] second [OR THIRD]
18 class boroughs where there is no municipality with a zoning power, the
19 division of lands shall exercise the zoning power by adopting zoning
20 regulations.

21 * Sec. 7. AS 40.15.070 is amended to read:

22 Sec. 40.15.070. PLATTING AUTHORITY. If land proposed to be sub-
23 divided or dedicated is situated within a first or second class borough,
24 the proposed subdivision or dedication shall be submitted to the borough
25 planning commission for approval. If the land is situated within a city
26 in the unorganized borough, [OR THE THIRD CLASS BOROUGHS] the proposed
27 subdivision or dedication shall be submitted to the city planning com-
28 mission for approval. The borough planning commission is the platting
29 authority for the first or second class borough, the city planning

1 commission is the platting authority for the city, and the division of
2 lands is the platting authority in the remaining areas of the state [AND
3 THIRD CLASS BOROUGH] for the change or vacation of existing plats or a
4 portion of such plats, as provided in AS 40.15.075. If the borough or
5 the city does not have a planning commission, the borough assembly or
6 the city governing body, respectively, is the platting authority and the
7 proposed subdivision or dedication shall be submitted to it. No sub-
8 division may be filed for record until it is approved by the platting
9 authority.

10 * Sec. 8. AS 40.15.075 is amended to read:

11 Sec. 40.15.075. AUTHORITY IN THE UNORGANIZED BOROUGH [AND THIRD
12 CLASS BOROUGH]. The division of lands is the platting authority in the
13 area outside organized boroughs and outside cities in the unorganized
14 borough [AND IN THE THIRD CLASS BOROUGH] for only the purposes of
15 hearing and acting on petitions for the change or vacation of plats and
16 shall execute this function substantially in conformity with the provi-
17 sions of AS 29.33.210 - 29.33.240. Costs of publication and mailing as
18 well as other costs authorized in AS 29.33.210 shall be paid to the
19 division by the petitioner. The Department of Natural Resources shall
20 adopt reasonable regulations governing the exercise of the authority
21 conferred by this section upon the division of lands.

22 * Sec. 9. AS 43.35.130 is amended to read:

23 Sec. 43.35.130. REFUND TO LOCAL GOVERNMENTS. The department shall
24 refund 75 percent of the tax collected from sales of punchboards in an
25 organized borough or city of the first or [,] second [, OR THIRD] class
26 to the local government. The balance shall be deposited in the general
27 fund.

28 * Sec. 10. A municipality which is incorporated as a third class borough
29 on the effective date of this Act may continue to operate as such until

1 December 31, 1984 and shall retain all the rights, powers and privileges
2 which it possessed on the effective date of this Act. A third class borough
3 which has not reclassified itself in the manner provided by AS 29.33.270 -
4 29.33.290 before December 31, 1984, is reclassified as a second class borough
5 on that date.

6 * Sec. 11. The following laws are repealed: AS 29.08.040(h), (i), and
7 (j); AS 29.41; AS 29.43.040(b); and AS 38.05.037(b)(2).
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Introduced: 1/21/80
Referred: Community & Regional
Affairs

BY THE RULES COMMITTEE BY REQUEST
OF THE LEGISLATIVE COUNCIL (for
the Community and Regional Affairs
Committee Interim Joint Local
Government Study)

1 IN THE HOUSE

2 HOUSE BILL NO. 585

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the incorporation of second class
7 boroughs as home rule boroughs."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 29.13.010 is amended to read:

10 Sec. 29.13.010. MUNICIPAL CHARTER ADOPTION. A first class muni-
11 cipality or second class borough may adopt a charter for its own govern-
12 ment. A home rule municipality may amend its charter or adopt a new
13 one. A charter is framed by a charter commission of seven members
14 chosen by the municipal voters at a regular or special election. A
15 candidate for the commission must be a qualified voter of the munici-
16 pality and a resident of the municipality for three years immediately
17 preceding the election. A charter commission election is called by
18 filing a petition with the borough assembly or the city council, or by
19 resolution of the borough assembly or city council. The petition must
20 be signed by a number of municipal voters equal to 10 percent of the
21 votes cast in the last regular election of the municipality.

Introduced: 1/21/80
Referred: Community & Regional
Affairs

BY THE RULES COMMITTEE BY REQUEST
OF THE LEGISLATIVE COUNCIL (for
the Community and Regional Affairs
Committee Interim Joint Local
Government Study)

1 IN THE HOUSE

2 HOUSE BILL NO. 586

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act requiring fiscal notes for bills affecting a
7 municipality."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 24.30.035 is amended to read:

10 Sec. 24.30.035. FISCAL NOTES ON BILLS. Before a bill is reported
11 from the committee of first referral, there shall be attached to the
12 bill a fiscal note containing an estimate of the amount of the appropria-
13 tion increase or decrease which would result from enactment of the bill
14 for the ensuing fiscal year and at least two succeeding fiscal years.
15 If enactment of the bill would require an expenditure or appropriation
16 by any municipality, a fiscal note shall be attached to the bill con-
17 taining an estimate of the amount of the total expenditure or appropria-
18 tion which would be required during each of the first three fiscal
19 years by all affected municipalities. If [OR, IF] the bill has no
20 fiscal impact, a statement to that effect shall be attached. The fiscal
21 note or statement relating to a state program shall be prepared by the
22 department or departments affected. The fiscal note or statement relat-
23 ing to municipalities shall be prepared by the Department of Community
24 and Regional Affairs, but that department may obtain the assistance of
25 any other state agency in the preparation of the note or statement. If
26 the bill is presented by the governor for introduction in accordance
27 with AS 24.30.060(b) and the uniform rules of the legislature, the
28 fiscal note or statement shall be attached to the bill before the bill
29 is introduced. An amendment or a substitute bill proposed by a commit-

tee of referral that changes the fiscal impact of a bill shall be
explained in a revised fiscal note or statement attached to the bill.

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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

PRESS RELEASE
Monday, January 21, 1980

Senator Arliss Sturgulewski (R-Anch.) and Rep. Bill Parker (D-Anch.), Co-Chairmen of the Local Government Study held during the interim by the Joint Senate and House Community and Regional Affairs Committee, have announced the introduction of a legislative package designed to have major impact in the unorganized areas of the state.

The legislation provides for the division of the single unorganized borough into unorganized boroughs consisting of Regional Educational Attendance Areas (REAAs). These regions will provide the framework for planning and programming purposes: regional strategy studies, coordination of services and data collection.

"The present unorganized borough is an 'amorphous mass' and does not provide any basis for the delivery of state services or for fostering of local self determination," Senator Sturgulewski said. "SB 348 (HB 580) lays the foundation for further development of Alaska's system of local self government and decentralization of state decision making, of planning and coordination of services and other activities."

The legislative package was developed from studies and analyses sponsored by the Committee; a Symposium

designed to define issues and problems, and a series of public hearings held throughout rural parts of the state.

According to Rep. Bill Parker, "The final recommendations of the JOint Committee have been greatly affected by what the people had to say in the areas we visited-- Bethel, Delta Junction, Dillingham, Fort Yukon, Glennallen, Hooper Bay, Kotzebue, New Stuyahok, Noorvik and Venetie. Their views are reflected both in the substance of and approach to individual action proposals."

The legislation, introduced in both houses, includes:

*SB 348 (HB 580) Establishes unorganized boroughs and directs state agencies to use such unorganized boroughs and borough boundaries for data collection, program planning and coordination and budgetary information development. It also authorizes adoption of home rule charters by unorganized boroughs if they choose to organize.

*SB 350 (HB 581) Requires that the Division of Policy Development and Planning conduct a study and report back to the legislature no later than January 31, 1981 as to the conformity by state agencies, boards and commissions in using the boundaries established by the Dept. of Community and Regional Affairs under SB 348 (HB 580). It would also require the development and implementation of a master geographical coding system to report on the coordination of delivery of state services using the established boundaries.

*SB 349 (HB 582) Establishes a program of planning assistance for the development of management programs in the unorganized boroughs.

*SB 351 (HB 583) Provides for a base amount of \$25,000 adjusted to include an area cost of living differential to be added to the municipal revenue sharing entitlements.

*SB 354 (HB 584) Eliminates the third class borough while making provision for Haines, the only third class borough in the state, to reclassify by Dec. 31, 1984.

*SB 353 (HB 585)Allows second class boroughs to adopt home rule charters.

*SB 352 (HB 586)Requires a fiscal note for bills affecting a municipality. If enactment of the bill would require an expenditure or appropriation by any municipality, a fiscal note estimating that amount for a three year period would be developed.



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

TO: ALL PRESS PEOPLE
FROM: Senator Arliss Sturgulewski/Rep. Bill Parker
DATE: 1/21/80
RE: Senate/House C&RA Legislative Package

On Monday, January 21, a legislative package designed to have major impact in the unorganized areas of Alaska will be introduced in both houses for the Community and Regional Affairs Committee Interim Joint Local Government Study.

You are invited to meet with the Co-Chairmen of the Study, Senator Arliss Sturgulewski and Rep. Bill Parker, today at 1:00 P.M. (Assembly Apts. Room 100) to discuss the legislation.



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

Dear Participant:

The Senate and House Joint Local Government Study Committee has introduced a legislative package designed to have major impact in the unorganized areas of the state. As the bills were developed partially on the direction received at the Symposium at which you were a participant, we are especially eager to receive your comments on the final products.

You will notice that the legislative proposals as outlined in the enclosed Final Report differ in some instances from the action program contained in the earlier Report you received following the Symposium. These changes were made after extensive public hearings in rural Alaska and we feel they reflect the opinions voiced by those who attended the hearings.

The bills have been introduced in both houses (SB 348 - SB 354) (HB 580 - HB 586) and copies are available through the Legislative Information Office nearest you.

We look forward to receiving your expert testimony on the legislation when it is teleconferenced in your area. We also will appreciate your written remarks. You may also want to indicate your position on the bills to your representatives as the bills progress through the legislature.

All the Senate Bills have been referred to both Senate C&RA and Senate Finance - Senator John Sackett, Chairman.

All of the House Bills have been referred as follows:

HS C&RA and Finance - Representative Meekins, Chairman
HB 580 Unorganized Boroughs
HB 582 Planning Assistance
HB 583 State Aid to Local Governments

HS C&RA
HB 581 Responsibilities of DPDP
HB 585 Incorporation of Second Class Boroughs
HB 586 Fiscal Notes for Bills affecting a Municipality

HS C&RA and Judiciary - Representative Parr, Chairman
HB 584 Eliminating Third Class Boroughs

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#10:39

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.

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REGIONAL SELF-GOVERNMENT FOR RURAL ALASKA:

PENDING ISSUES AND STUDY NEEDS

prepared for

Senate Committee on Community and Regional Affairs
Senator Arliss Sturgulewski, Chairman
House Committee on Community and Regional Affairs
Representative Bill Parker, Chairman
Alaska State Legislature

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PREFACE

The Community and Regional Affairs Committees of the Senate and House joined together between legislative sessions to carry out the "Local Government Study - 1979." The Joint Committee sponsored a series of research papers, conducted a Local Government Symposium that brought participants from all parts of the state, and held meetings and discussions in many rural areas. These activities and their findings and conclusions are summarized in the Interim Report of 9/20/79 and the Final Report of 1/80; both are available from the CRA Committees and from Legislative Information Offices in Juneau.

The results of the joint interim local government study are incorporated in these bills before the Second Session of the Eleventh Legislature:

CSSB 348, CSHB 580	Establishing unorganized boroughs
CSSB 350, CSHB 581	Coordination of state government services, planning, data, etc.
CSSB 351, CSHB 583	State aid to local governments
CSSB 352, CSHB 586	Fiscal notes for bills affecting a municipality
CSSB 353, CSHB 585	Incorporation of second class as home rule boroughs
SB 354, HB 584	Eliminating the third class borough
CSSB 492, HB 482	Appropriation to DCRA for unorganized borough regional planning
SB 546, HB 1010	State aid for local capital projects

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

INTRODUCTION AND SUMMARY

The purpose of this paper is to review the issues that still need to be addressed if effective self-governing governmental structures are to develop in rural Alaska. Principal considerations relate to creation and financing of organized government in rural Alaska. The points of departure are the Community and Regional Affairs Committees' 1979 Interim Studies, the legislative package listed in the Preface and, to some extent, the pending revisions to the revenue sharing and school foundation programs.

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

A number of conclusions pertinent to developing a local government package for the 1981 legislative session emerge from the subsequent sections of this paper:

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

- Disparities in assessed property values of different regions are tremendous; they range from per capita values of over \$600,000 in the North Slope Borough to less than \$3,000 in southwest Alaska.
- Among unincorporated regions, those along the oil pipeline have the largest and most flexible tax base to support government in the foreseeable future; other regions do not.
- Achievement of some measure of equity among regions or areas of the state is justified by the accidental location of taxable resources-related properties and is made possible by the state's petroleum revenues.
- With large revenues from Prudhoe Bay oil production, and more to be expected from gas production, the state has the ability to provide assistance to all regions of the state. The principal policy question before state government and the public is how to allocate these revenues to provide direct and indirect benefits to the people. A major premise of this paper is that some of the money should be used to redistribute part of the state's wealth among all regions of the state for borough government purposes.
- Pertinent to consideration of interregional equity are these questions:
 - Should the level of services available to people in different areas depend on availability of taxable property?
 - Should areas with low per capita valuations have to tax themselves at higher rates than wealthy areas to raise the same revenues?

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

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

- Attention also needs to be given to assuring that fundamental services to the people are not so dependent on taxable wealth of local jurisdictions as to raise questions of constitutional legality.
- Decentralization and transfer of state services to regional and local governments may benefit both the state and local areas and should be explored.
- Title 29 of Alaska Statutes, containing laws pertaining to municipalities needs revision. Policy considerations in such a revision should address prospective boroughs in rural Alaska.
- Native lands need to be protected and potential opposition of Native corporations to borough organization needs to be dealt with; possible approaches include authorizing land banking and/or providing property tax exemption for undeveloped lands.

Principal study and analysis requirements to provide a foundation for future legislative action to deal with the above issues include these projects:

1. Base study of financial and institutional alternatives for financing services in rural areas, evaluation of such alternatives, and approaches toward improved allocations and sharing arrangements to achieve greater equity.
2. Analysis of means for eliminating existing statutory and program disincentives to establishment of self-governing boroughs

providing inducements and assistance for organizing boroughs in rural areas.

3. Exploration of alternative financing mechanisms, including a foundation approach to fund basic services in addition to education, including public safety, public assistance, and health and sanitation.
4. Exploration of alternative service delivery systems.

IMPLEMENTING THE GOAL OF MAXIMUM SELF-GOVERNMENT

Alaska's constitution establishes a goal of maximum self-government for the people of the state. To help achieve that end, the constitution requires that the entire state be divided into boroughs, both organized and unorganized. The single unorganized borough that now covers virtually all of rural Alaska is clearly counter to constitutional intent. Bills sponsored by the Community and Regional Affairs Committees of both houses, CS SB 348 and CS HB 580, would carry out constitutional objectives and lead to division of the state into regional unorganized boroughs.

There is no constitutional intent, and there certainly is no requirement, that all boroughs in Alaska be organized as municipal corporations. Rather, the unorganized borough concept was included in the constitution to provide people in all areas of the state with: (1) a voice in the provision of state services in their region; and (2) the opportunity to advance to self-governing status by establishing an organized borough. Both objectives would be furthered by the CRA Committees' legislative package.

Dividing the state into regions and allowing unorganized boroughs to move directly into home rule status provides a vehicle for moving toward organized status. Yet, the principal obstacles to creating organized governments remain: the lack of adequate tax or other financial base, and the existence of state program disincentives to incorporation. These problems are further discussed in the next part of this paper, but it needs to be pointed out.

here that, without their resolution, establishment of organized governments, and thereby achievement of maximal self-determination, is most unlikely throughout most of rural Alaska.

A basic step would be to remove penalties and disincentives to establishment of organized governments in rural Alaska, by identifying all existing disincentives and following up with legislative action. The next step is creating positive incentives to incorporate. Existing organizing grants have been made inadequate by inflation. Land grants to boroughs provide little benefit to rural areas with small amounts of state land or with land that has no near-term economic value. Incentives could be in the form of significantly larger transitional grants and initial state assessment of property in a new borough, as set out in SB 488.

Most important, as discussed below, is establishing a system under which allows all regions of the state to provide local government services, perhaps by sharing Alaska's natural resource wealth. Only then will all areas of the state have a true option of achieving maximum self-government, since an adequate financial base is critical to a region's ability to provide needed services and to carry on the functions of government.

FISCAL ISSUES AND EQUITY CONSIDERATIONS

Revenue Base for Rural Boroughs

If legislation is passed to establish regional unorganized boroughs throughout the state (CSSB 348, CSHB 580), and if coordinated delivery of services within regions is studied and baseline cost and financing information is gathered (CSSB 350, CSHB 581), the major obstacle to effective self-government will remain--absence of an adequate tax base in most rural areas. Alaska boroughs largely rely on real property taxes to sustain performance of municipal functions other than education. Current state distributions to boroughs, through revenue-sharing or otherwise, would not be adequate to support even the most basic general government functions in the absence of economic development or major oil and gas properties in most rural regions.

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

North Slope Borough

Incorporated as a borough in 1972 with the clear intent of taxing petroleum-related properties for the benefit of the local people, the North Slope Borough has a population of around 8,000. About 5,000 live in Barrow and other traditional communities, while some 3,000 are located in camps tied to oil and gas exploration, development, production and transportation. All are counted for purposes of revenue-sharing.

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

Revenues are derived principally from oil and gas property taxes -- \$52 million from this source alone. NSB's assessed value is around \$5 billion. The borough raises \$26.2 million for operating purposes, the maximum allowed under AS 29.53.045,** which is equivalent to 5.21 mills on full

*Comparable figures for Anchorage, Fairbanks and Juneau boroughs are roughly \$610, \$340, and \$1,730. It is important to keep in mind when looking at these figures: (1) that operating and construction costs on the North Slope are extremely high; and (2) that the NSB is providing facilities over a short period of time that in other communities have been developed over many decades.

**AS 29.53.045 limits borough taxation on oil and gas production and pipeline property to a maximum of: (1) the product of 225% of the average state per capita assessed value times the number of borough residents times .030 (30 mills), or (2) \$1,500 per capita, whichever is greater. NSB uses the former 30 mill calculation to arrive at its tax limit. The calculated rate is equivalent to 5.21 mills on full assessed value.

assessed value. Under AS 29.53.055, NSB collects another \$25.8 million for debt service, which is not subject to a property tax revenue limit.*

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

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

The statutory limit on property taxation for operations purposes is reportedly beginning to hamper the NSB. As authorized capital improvements are brought on-line, revenues derived under the property tax limit may not be sufficient to operate the facilities and still meet continuing expenditure needs. If and when that point is reached, NSB may have to find other revenue sources or look to legislative revision of tax limitations. The latter action could possibly affect benefits accruing to other regions in the state. By taking a greater share of the state's property tax revenue.

*This amounts to 29.6 mills according to the above calculated formula, or 5.14 mills on full assessed value.

Pipeline Boroughs

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

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

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

The 1979 study of Yukon Flats Borough feasibility concludes that minimum standards for borough incorporation could be met.¹ The key to that conclusion lies in the \$900 million in estimated pipeline-assessed valuation

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Darbyshire and Associates, "Yukon Flats Regional Government Study", prepared for Department of Community and Regional Affairs, 1979.

that would be convertible into property tax revenue for government operations of around \$6 million in FY 81, or approximately \$3,750 per capita. Since there is no limit on revenues raised for bonded debt retirement, tax income derived from pipeline property could go much higher. With projected construction of a gasline through the prospective borough, taxable values would increase further. Similar situations apply in other regions straddling the pipeline corridor.

Rest of Unorganized Borough

The estimated 1978 assessed value of property in the unorganized borough, exclusive of oil and gas property, averaged near \$6,000 per capita,² and many rural areas fall below this average. The comparable figures for organized boroughs, not including those with major oil and gas properties, range between \$20,000 and \$30,000 per capita.

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

² 11/15/79 memorandum on "Fiscal Disincentives to Borough Formation" by Milt Barker, Fiscal Analyst, Legislative Finance Division.

Thus, the rural borough dilemma: oil and gas riches to a few, poverty to the rest. Existing state laws and policies are inadequate to provide local government assistance to those who are in need. Other than in the area of education, we do not even know the level of funding for statewide services provided to regions of rural Alaska. While information will be gathered if CSSB 350/CSHB 581 passes, alternative solutions need to be studied.

Financial Disparities vs. Equity among Parts of State

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

There are two factors that both necessitate extending public (i.e., state) concern with interregional equity and provide a basis for dealing with the issue. First is the accidental location of and the tremendous disparity in the distribution of taxable property among different parts of Alaska. The location of valuable taxable property accords with the location of important natural resources and the facilities used in their exploitation. Because such locations bear no relationship to patterns of local government or to local fiscal needs, the result is a great difference in wealth and services among regions. The extremes this disparity can reach are illustrated by an estimated property value of less than \$3,000 per capita in southwest Alaska and a per capita value of over \$600,000 in the North Slope Borough. The North Slope Borough

raises about \$6,500 per capita from taxes on oil and gas properties; although authoritative property value data is lacking, it is estimated that a 30 mill tax rate in the southwest would probably raise less than \$100 per capita--certainly not enough to even carry out a tax assessment and collection program. The effect of such disparity on the level of services that can be supported by local tax resources is obvious.

The state has stepped in to limit the amount of tax that can be levied by local governments in position to tax oil and gas properties. In effect, the tax ceiling mainly provides protection for owners of such properties against what some would consider unreasonably high or exorbitant tax payments. But, the tax limitation results in no real redistribution or sharing of wealth or revenues, except insofar as the state's share of revenues is distributed by the budget process.

This situation leads to the second factor that makes concern for equity both appropriate and timely: the state's fiscal situation. Revenues from oil and gas put Alaska in a situation where no part of the state needs be left out of sharing the resource wealth belonging to all the people. While the principle of wealth sharing among individuals is embodied in tax and permanent fund legislation passed by the Second Session of the Eleventh Legislature, this principle has yet to be adopted in terms of regional government needs.

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

With large revenues from Prudhoe Bay oil production, the state has the ability to provide assistance to all regions of the state. Equitable sharing of state resources revenues with the regions would bring two important benefits. First, it would permit the state and rural regions to pursue the constitutional goal of achieving maximum local self-government. Second, it would establish a means of channeling a greater share of state wealth into the poorer areas of the state. Given appropriate formulas, such distribution could benefit the more needy areas to a greater extent than such vehicles as income tax elimination or per capita distribution of state wealth.

Several issues related to capital construction are also of concern for their equity implications. The state funds a variety of construction projects in organized and unorganized areas of the state. Equitable distribution of construction dollars has been largely at the discretion of legislative appropriations. Many rural communities do not have the ability to operate and maintain buildings in their communities, due to a lack of tax resources. Scheduling of projects and use of shared facilities are economies that have often been ignored in rural Alaska.

For these reasons, as well as other concerns, the House and Senate CRA Committees also introduced SB 546 and HB 1010. These bills provide for a Capital Foundation Fund which will, by appropriation, provide funds to all areas of the state for certain capital improvements. To expend funds, each area will need to develop an areawide capital improvement plan, approved by the local assembly when there is one, and by advisory groups assisted by the Department of Community and Regional Affairs when there is no local government.

Organized boroughs, unified home rule municipalities, and unorganized boroughs are encouraged to conduct regionwide planning to avoid costly duplications of capital projects and to prioritize, on the local level, needs among communities, rather than leaving this process to state level government.

Each area, so long as appropriations are made, is certain of a source of funding for local projects. Each area will receive a formula share of the appropriation. This stability will be advantageous to local governments for planning purposes. Additionally, unlike the current situation, areas may have greater ability to use capital projects for anti-cyclic economic benefits by being in control of fund expenditures. Annual funds do not lapse and may be accumulated for locally determined purposes. Home rule municipalities and organized boroughs expend funds themselves. In unorganized areas, the Department of Transportation and Public Facilities is responsible for fund expenditures. Local governments, under the Capital Foundation Fund program, will be assured of a steady supply of state funds for capital improvements that will be directed toward locally determined project needs and can be expended at a locally determined pace.

Capital Foundation Funds may be used as the local match required for certain state and federal projects. This will be particularly significant in rural areas which do not now have a source of local match.

Issues in Equity

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

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

In education the foundation program provides a basic, support level to all, though it does discriminate against organized boroughs.

The Local Government Symposium of August 1979 conducted by Joint CRA Committees recommended establishment of a new additional state-supported foundation program for a number of "basic services": health and sanitation, and public safety.

While tax reduction was a stated goal of the existing local government revenue-sharing program, tax equalization is one of the stated purposes of CSHB 192(Finance) am.

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

It is generally agreed that the poor should not be burdened with yet greater poverty to supply themselves with services. This philosophy is reflected in the proposed revenue-sharing provisions of CSHB 192 (Finance) am.

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

Revenue-sharing now applies only to organized municipal governments--cities and boroughs. However, legislation introduced as far back as 1970 and 1972 proposed programs

for state wealth-sharing with both organized and unorganized boroughs, with the funds for the latter managed through the Department of Community and Regional Affairs.

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

To date local governments tax properties in accordance with established limits, save for the exception covering bond repayment requirements. Previous legislative proposals for revenue equalization have preserved existing local taxing prerogatives.

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

These considerations, together with the basic issue of providing adequate support to permit effective regional governments to function, need to be

addressed if viable borough governments are to evolve in rural Alaska.

FINANCIAL AND INSTITUTIONAL ANALYSIS REQUIREMENTS

Decisions about state policy toward local governments, achievement of equity in state fund distribution, and design of appropriate service delivery systems require a base of knowledge of existing situations and dynamics that is largely absent today. CSSB 350 and CSHB 581 seek fundamental data.

A series of study projects is set out here to fill the void that now exists and to provide a foundation for policy making, program development, and evaluation of alternative institutional and financial schemes.

In view of the limited time available prior to the 1981 session, study tasks that would ideally be sequential will have to be carried out concurrently. Thus, a direct approach will need to be made to a number of practical issues while some of the underlying questions are also being examined. By the end of the study, the pieces should come together into an effective whole--a justifiable legislative program. This strategy can work, principally because the work accomplished during the 1979 study provides sufficient framework and direction for these concurrent activities.

The following is a brief description of the principal study components recommended for pursuit during the balance of 1980. Each project will, of course, require additional development. This, however, should be done once decisions have been made as to the overall study program and allocation of responsibilities for individual projects.

Base Study

A comprehensive approach to local government issues, service delivery, and state-local relations is proposed in this project. It is designed both to provide basic information for developing legislative policy and to establish a base for other studies that need to be undertaken. The aim is to provide necessary answers at an early date and thus speed implementation of ideas and programs that otherwise get hung up due to uncertainty and lack of data.

The study project will be directed toward the following objectives:

- identifying effective institutional alternatives for wealth distribution, services delivery, meeting individual needs
- evaluating costs, advantages, and disadvantages of alternative systems
- defining optimum approaches to establishing/authorizing institutional and financial vehicles to meet public policy objectives (these will need to be defined)
- suggesting additions to and changes in allocations and sharing arrangements that are necessary to achieve equity, i.e., how can existing gaps be closed

- establishing policies and criteria for evaluating institutional systems and wealth sharing arrangements
- testing alternative policies, institutional arrangements, and wealth distribution schemes to estimate effects on different regions or categories of regions'.

The study will synthesize information that has been previously collected and which will be provided for this project, examine institutional patterns of service delivery and wealth sharing, and analyze alternatives in terms of their equity and institutional implications.

Two components make up this study project:

Definition and analysis of the financial/economic situation has as its basic purpose determining existing resources and needs, and providing a basis for planning appropriate action to deal with equity and financial issues. Questions and topics include:

- how much does each region now receive from the state in money and in-kind for services, capital improvements, and other purposes? i.e., where is state money going and for what purposes, who is getting what share of state wealth?
- federal funding of regional/local services and facilities such as health, education, welfare, economic development, transportation, etc.
- aggregate and per capita distribution of money, facilities, and services
- specific services costs for different regions

- availability of local resources and economies to support local services and to cover local effort requirements
- special situations created by high value properties, e.g., oil development and related facilities, pipelines, fisheries installations
- operation of the oil and gas property tax.

Review and analysis of institutional arrangements to help define availability and effectiveness of institutional alternatives. Topics under this element include:

- basic patterns of institutional arrangements: state, local, non-profit, regional corporations, federal, boroughs, educational and coastal management service areas
- allocation of roles, functions, and relationship under different arrangements
- attributes of the different arrangements in terms of problems and inadequacies, strengths and effectiveness, relative costs, limitations and potentials
- changing patterns and trends in regional arrangements, including legislative and political history of previous proposals to deal with rural regional organization, wealth sharing, service delivery desires and needs.

Incentives and Disincentives to Borough Formation

In theory, state law should at least be neutral with respect to whether an area incorporates as a borough. This means that state legislation and

programs should, on balance, not discriminate against an area becoming incorporated. Beyond that, the legislature may want to actually provide inducement for establishment of organized boroughs, at least in areas deemed capable of significant levels of self-government.

Today, however, most rural areas would be penalized if they incorporated as a self-governing borough. The loss in state revenues that accrues to areas now unorganized is not compensated by increases that may come from municipal incorporation. Areas that cannot anticipate large tax revenues thus have a definite disincentive to advancement to organized status.

A major problem has existed in the area of educational funding. A regional educational attendance area receives 100 percent funding under the basic aid foundation formula as well as an "in lieu" contribution from the state equivalent to average local tax contributions in city and borough school districts and is guaranteed a minimum amount per pupil in average daily membership (ADM) for fiscal year 1981. Under the existing law, and until July 1981, an REAA, upon incorporation, would lose its "in lieu" payment and would be required to contribute a maximum local share of 3 percent of the basic need formula to achieve 100 percent funding. It has been estimated that total loss to all REAAs from status change would have cost rural areas \$8 million in FY '77: ³

A further cost to an area that changes from an REAA to an organized borough would come about from loss of partial state support for school construction. Under AS 43.18.100, the state pays 80 percent of borough school construction cost, whereas the state funds 100 percent of school facilities costs in unincorporated areas.

³ "Financial Disincentives to Borough Formation," Milt Barker, Fiscal Analyst, Legislative Finance Division, November 1978. The analysis was made as part of the Local Government Study 1979.

more than doubled costs since that time.⁵

A positive approach toward creating incentives is taken in SB 488 which includes the following provisions pertinent to this discussion: the state establishes the initial tax assessment roll for a new borough and funds the borough assessor and staff for three years after completion of the initial roll. It has been suggested that the organizational grant amounts authorized under AS 29.18.180(a) be increased to \$130 per capita for a minimum of \$125,000 for the first two years and \$75,000 for the third fiscal year.

Other provisions of existing law also affect potential incorporation decisions. For example, a borough is entitled to select 10 percent of the state lands within its boundaries, certainly an incentive. However, this selection right applies only to lands under state jurisdiction as of the time of borough incorporation. This puts a premium on delaying incorporation until the state has received ownership or tentative approval for lands within the contemplated borough.

In all, existing state laws and programs appear to work against borough incorporation except in areas that cover major taxable wealth, such as a pipeline extension or fish processing facilities. Accordingly, (1) existing disincentives should be eliminated to at least establish neutrality with respect to borough organization, and (2) incentives should be provided, assuming state government is interested in encouraging achievement of the constitutional goal of maximum local self-government.

⁵ Memorandum to Rep. Parker and Sen. Sturgulewski on "Incentives for Regional Government Formation and Local Service Delivery" from Jack Kreinheder, Issues Analyst, House Research Agency, April 9, 1980.

Although the school construction funding has not been altered, it appears that changes in the school foundation program passed this session (effective date July 1, 1981) will prove to have reduced the disincentive to borough formation which has existed in the funding of education. Starting FY '82, 100 percent funding of basic need will be accomplished for both incorporated and unincorporated areas and no minimum local contribution will be required of the organized areas. REAAs will be considered "districts" along with school districts in a city or borough and all districts will be eligible for supplemental equalization aid which will take into account the average local tax contributions in the city and borough school districts. A slight advantage for REAA districts will be a reduction from 100 percent to 80 percent of the amount of P.L. 81-874 federal financial assistance monies deducted from the amount of basic aid distributed to the REAAs. However, since the federal government has been reducing funding for categories within this program, the amount of financial gain actually experienced by the REAAs might prove to be small. Additional equalization will be effected by the inclusion of area differentials in the supplemental equalization aid.

Under AS 29.18.180, a newly-incorporated borough is eligible for an organizational grant of at least \$25,000, or \$10 for every voter participating in the borough incorporation election. It is widely recognized that a grant of this size would cover only a small part of the organizational costs of any new borough. The State Assessor's Office has estimated that it would cost at least \$200,000 just to prepare the initial tax assessment roll in any one of the current REAAs. New boroughs would also be faced with the cost of hiring municipal personnel, establishing new services, and other major expenses. In addition, the organizational grant amount has not been changed since 1968, although inflation has

Foundation Plan for Basic Services

Over the last several years, increasing attention has been paid to alternative ways to funding basic services throughout the state. One concept which has been discussed is a state foundation plan, similar to that used for education, to fund such "basic services" as public safety (including search and rescue, fire, police, and justice), public assistance and health and sanitation.

The "foundation" approach or any other approach would need to be concerned with the following aspects:

- any formula developed for state support should reflect local population, wealth, and need
- any approach should provide for a more equitable allocation of state financial resources
- a revenue redistribution system should create incentives for the transfer of service delivery responsibility from the state to municipalities and should recognize the need for local effort in the provision of such services (see next section)
- while the foundation approach would be available to organized municipalities, equitable formulas for the provision of services in unorganized areas should also be explored.

ALTERNATIVE SERVICE DELIVERY SYSTEMS

A structure and process for coordinating state functions on a region-by-region basis would be established under legislation sponsored by the CRA Committees. CSSB 350/CSHB 581 require that state agencies use unorganized boroughs as regional units to develop and implement plans for providing services. Agencies are to coordinate program planning and administration with other agencies, municipalities, and the federal government. Provision is also made for region-based collection, analysis, and reporting of program information. Further, the Division of Policy Development and Planning is to develop alternatives and recommendations for improving coordination of programs that provide direct services to the people. Regional planning funds are provided for unorganized boroughs by CSSB 348/CSHB 580; funding for such planning is authorized by CSSB 492/CSHB 886.

Study work developed for the 1979 CRA Committees suggested exploration of a system of contracting for delivery of state services and transfer of some service functions to regional and local governments as a means of facilitating unification of service efforts, providing local choices the types and levels of service to be provided, and generally strengthening regional and community self-determination.

Intergovernmental contracting was seen as one means of furthering decentralization of service delivery throughout Alaska. Such contracting could be not only with boroughs and cities, but also with nonprofit regional associations that presently contract with the federal government for performance of many social, health, and economic functions in rural areas.

Currently, the state government contracts with municipalities to perform some state functions such as road maintenance. The State Department of Health and Social Services is in process of contracting with a nonprofit regional corporation for delivery of a broad array of services within its region.

This whole approach of the state providing the funding, and regional or local entities performing the public functions, needs further study and evaluation as a state policy. Standards and procedures would need to be established by the state to assure that standards for levels of performance, short and long-term benefits and disadvantages to the people at the local level and to state government, need to be detailed for this approach and for all other alternatives.

Study Needs

To explore the policy implications of service delivery systems, some specific questions need to be addressed:

- What state agencies are currently contracting with whom for performance of what functions?
- What other services would be appropriate for an intergovernmental contracting program?
- What lessons can be learned from federal contracting for service delivery?
- What entities, other than municipal governments, are appropriate deliverers of local services?
- What alternatives exist?
- What costs would be incurred for each alternative?

Depending on what emerges during the study, recommendations may emerge as to what arrangements are appropriate for broad scale implementation, or whether selected demonstration projects would be appropriate to explore and develop an effective alternative service delivery program.

REVISION OF TITLE 29

The Final Report of the Local Government Study - 1979 includes the following among a series of action proposals:

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

Review and revision of Title 29 is covered in a memorandum from Senate CRA Committee Chairman Arliss Sturgulewski to Senate President Clem Tillion. The March 31, 1980 memo emphasizes agreement on the need for revision:

It is generally recognized, especially by those who work most closely with it, that AS 29 is in need of revision. Since the time of original enactment, changes in the title, problems in its application, and policy questions of importance have been noted by municipal attorneys, city managers and clerks, and such other municipal officials as assessors. The Legislative Revisor has indicated that AS 29 should be next approached in terms of needed revision.

SCR 66 proposes just such a study and revision take place prior to the start of the Twelfth Legislative Session.