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CHAPTER 62. STATE PROGRAMS

(CHAPTER 88. MUNICIPAL TAX RESOURCE EQUALIZATION)

ARTICLE 1. MUNICIPAL TAX RESOURCE EQUALIZATION

1  
2  
3 Sec. 29.62.010. (Sec. 29.88.010.) STATE EQUALIZATION OF TAX RESOURCES  
4 FOR LOCAL GOVERNMENT SERVICES. (a) During each fiscal year the department  
5 shall compute an equalization entitlement for local government services  
6 provided by a taxing unit.

7  
8 (b) The equalization entitlement computed for a taxing unit is  
9 based on the population, relative ability to generate revenue, and local tax  
10 burden of the taxing unit and is determined by the application of the  
11 formula

12 Entitlement =  $P \times R$  where  $P$  = population, and  $R$  = millage  
13 rate equivalent, determined by dividing the  
14 sum of the locally generated revenue of the taxing unit by one-tenth of one  
15 percent (0.1) of the full and true value of assessed property of the taxing  
16 unit determined under AS 29.88.020(d); however, the property value used  
17 under this subsection may not be less than 15 percent of the statewide  
18 average per capita full and true assessed property value.

19 (c) For purposes of this section, locally generated revenue

20 (1) includes

21 (A) the actual revenue derived from the levy and collec-  
22 tion of local taxes in the taxing unit for local government ser-  
23 vices during the preceding fiscal year of the taxing unit;

24 (B) motor vehicle payments received by the municipality  
25 during the preceding fiscal year under AS 28.10.431;

26 (C) revenue from fees, rentals, leases, penalties,  
27 licenses or permits received during the preceding fiscal year by  
28 the municipality for a function or service over which it has con-  
29 trol, including revenues derived from parks and recreation ser-

1 vices, mass transit, offstreet parking, and garbage and solid  
2 waste disposal services;

3 (D) special assessments received during the preceding  
4 fiscal year; and

5 (E) payments received by a municipality from a utility  
6 which are in place of taxes levied and collected by the munici-  
7 pality;

8 (2) excludes

9 (A) revenue derived from the levy and collection of  
10 municipal taxes and appropriated for the operating expenses and  
11 debt service of utilities;

12 (B) revenue from interest earned on investments and  
13 from  
14 the sale and lease of land or equipment; and

15 (C) all other revenue from whatever service derived.

16 Sec. 29.62.020. (Sec. 29.88.015.) DETERMINATION OF POPULATION. (a)  
17 For purposes of this chapter, the population of a taxing unit shall be  
18 determined annually by the latest figures of the United States Bureau of the  
19 Censis or other population data which, in the judgment of the department, is  
20 reliable.

21 (b) The population of the taxing unit includes the population of  
22 any military reservation which is a part of the taxing unit.

23 Sec. 29.62.030. (Sec. 29.88.020.) DETERMINATION OF MILLAGE RATE  
24 EQUIVALENT. (a) The department may require a municipality to return a  
25 certification, signed by the municipal treasurer or manager and the mayor,  
26 which provides an estimate of the locally generated revenue received by the  
27 municipality during the preceding fiscal year.

28 (b) By October 15 of each year, the department shall make an initial  
29 determination of the millage rate equivalent of each taxing unit to be used

1 for computing and distributing equalization entitlements for the current  
2 fiscal year under this chapter. The department shall base the initial  
3 determination on the estimates in the certification returned by a  
4 municipality under (a) of this section.

5 (c) As early as possible, but not later than December 15 of each  
6 year, the department shall make a final determination of the millage rate  
7 equivalent of each taxing unit to use to compute and distribute equalization  
8 entitlements under this chapter. The department shall base the  
9 determination on audits, financial statements and other financial reports  
10 prepared and submitted by a municipality. The department shall adjust the  
11 locally generated revenue reported by a municipality to exclude the  
12 municipal revenue claimed by the municipality which does not qualify for  
13 inclusion in or recognition as locally generated revenue for local  
14 government purposes under AS 29.88.010(c)(1). The adjustment shall be made  
15 by deducting from total revenue claimed by the municipality the amount of  
16 the department's estimate of revenue which is not recognized for local  
17 government purposes.

18 (d) The full and true assessed property value shall be determined  
19 by the department in the manner provided for the computation of state aid to  
20 education under AS 14.17.140. When the determination of locally generated  
21 revenue includes revenue of a utility received under AS 29.88.010(c)(1)(E),  
22 the full and true assessed property value shall include the computed  
23 assessed value of the utility, determined by dividing the amount of the  
24 payment in place of taxes made by the utility by the millage rate which  
25 would apply to the utility if the utility were subject to levy and  
26 collection of taxes under AS 29.53.

27 (e) In addition to the computation for municipalities which levy  
28 and collect a property tax, the department shall determine an estimated full  
29 and true assessed property value under (d) of this section for

1 (1) each municipality which is a school district and which  
2 does not levy and collect a property tax;

3 (2) each second class city with a population of 750 or more  
4 persons; however, a computation is not required under this paragraph more  
5 often than once during a period of three successive calendar years; and

6 (3) all other second class cities, by determining the  
7 average per capita full and true assessed property value of all cities  
8 having a population of less than 750 persons in which an assessment has been  
9 completed by a municipality or for which a determination is not made under  
10 (1) or (2) of this subsection.

11 (f) The department shall annually compute a statewide average per  
12 capita full and true assessed property value.

13 Sec. 29.62.040. (Sec. AS 29.88.025.) REPORTS. A payment of an  
14 equalization entitlement may not be made to a municipality under this  
15 chapter until the municipality has submitted its certificate of estimated  
16 revenue and its financial report to the department for the fiscal year  
17 preceding the year for which the equalization entitlement is sought,  
18 together with a budget for the municipality's current fiscal year. The  
19 financial report shall include a listing of general revenue collected from  
20 taxes levied and assessed by the municipality and any other revenue which,  
21 in the opinion of the municipal officials, is eligible for inclusion in  
22 computations of the locally generated revenue of the taxing unit.

23 Sec. 29.62.050. (Sec. 29.88.030.) LIMITATION ON COMPUTATION AND USE  
24 OF PAYMENTS. (a) An equalization entitlement generated by the general tax  
25 levy of a taxing unit may be used only for authorized expenditures of that  
26 taxing unit, but up to 15 percent of the payment of an equalization  
27 entitlement generated by areawide revenue of a municipality may be used by  
28 the municipality for areawide or nonareawide purposes at the discretion of  
29 its assembly or council.

1 (b) An equalization entitlement determined with reference to  
2 revenue other than revenue obtained from the levy and collection of taxes  
3 may be used for areawide or nonareawide purposes, at the discretion of the  
4 assembly or council.

5 Sec. 29.62.060. (Sec. 29.88.035.) TAX EQUALIZATION ACCOUNT. The tax  
6 equalization account is established. Money to carry out the provisions of  
7 this chapter shall be allocated by the department to the account. The  
8 amount allocated to the account shall be fully distributed by the department  
9 as payments to municipalities to fulfill each municipality's share  
10 authorized under AS 29.62.010. (AS 29.88.010.). The amount allocated to the  
11 account shall be distributed by the department pro rata among eligible  
12 municipalities.

13 Sec. 29.62.070. (Sec. 29.88.040.) ADMINISTRATION. (a) The  
14 department may adopt regulations necessary to implement this chapter. The  
15 regulations shall include, among other provisions,

16 (1) procedures and filing dates for submitting certification  
17 and financial reports;

18 (2) procedures for obtaining information required to compute  
19 and determine the municipality's millage rate equivalent; and

20 (3) procedures by which the department shall notify a  
21 municipality in writing of the reasons for a proposed disallowance or  
22 adjustment of any factor bearing upon the determination of the  
23 municipality's entitlement and by which the municipality will be provided  
24 reasonable time in which to respond or to challenge the department's  
25 determination.

26 (b) The department shall make reasonable efforts to advise and  
27 assist municipalities in collecting information and completing reports  
28 necessary for the determination of entitlements under this chapter.  
29

1 (c) The department shall, by regulation, classify for inclusion  
2 or exclusion as a component of a municipality's millage rate equivalent  
3 under AS 29.62.010 (AS 29.88.010) any tax revenue appropriated for a utility  
4 not included in the definition set out in AS 29.62.080(4) [(AS  
5 29.88.045(4)].

6 Sec. 29.62.080. (Sec. 29.88.045.) DEFINITIONS. In this chapter

7 (1) "department" means the department of Community and  
8 Regional Affairs;

9 (2) "municipality" means a city, borough or unified municipi-  
10 pality incorporated under the laws of the state;

11 (3) "taxing unit" means a municipality and

12 (A) in a borough or unified municipality, a service  
13 area or the entire area outside cities;

14 (B) in a city, a differential tax zone;

15 (4) "utilities" means electricty, water, sewer, gas heat, or  
16 telephone services, and refuse and garbage collection services.

17 Article 2. STATE AID FOR MISCELLANEOUS MUNICIPAL PURPOSES

18 (CHAPTER 89. STATE AID FOR MISCELLANEOUS MUNICIPAL PURPOSES.)

19 Sec. 29.62.110. (Sec. 29.89.010.) REVENUE SHARING PAYABLE. In  
20 addition to the equalization entitlements paid under AS 29.62 (AS 29.88),  
21 during each fiscal year the department shall pay aid

22 (1) to a municipality or other eligible recipient which has  
23 the power to provide the services described in AS 29.62.030 - AS 29.62.070  
24 (AS 29.88.020 - AS 29.88.040) and exercises the power in the manner required  
25 by this chapter;

26 (2) to a Native village government under AS 29.62.150 (AS  
27 29.89.050).

28 Sec. 29.62.120. (Sec. 29.89.020.) STATE AID TO MUNICIPALITES FOR  
29 ROADS. (a) The department shall pay to a municipality which has power to

1 provide for road maintenance and exercises that power, \$2,500 a mile for  
2 each mile of road, street or highway maintained by the local government,  
3 excluding (1) the official state highway system, (2) roads, streets or  
4 highways not dedicated to public use, (3) roads, streets or highways  
5 maintained under the local service road program (AS 19.30.111 - 19.30.251),  
6 and (4) alleyways, in accordance with regulations adopted by the Department  
7 of Transportation and Public Facilities. A payment may not be made under  
8 this subsection for maintenance of a road which is not used by automotive  
9 equipment.

10 (b) A frozen waterway and a connection from an inhabited area to  
11 a waterway which may be safely used for public transportation by automotive  
12 equipment and is so used during a portion of a year is eligible for a  
13 payment of \$1,500 per mile if the waterway and connection are maintained  
14 during the period of use by a municipality or combination of municipalities.  
15 The department, after consultation with the Department of Transportation and  
16 Public Facilities, shall determine which waterways and connections qualify  
17 and, where the waterways or connections lie outside the corporate limits of  
18 a municipality, which municipalities shall receive the payments under this  
19 subsection, unless the municipalities involved have agreed in writing to a  
20 particular distribution.

21 Sec. 29.62.130. (Sec. 29.89.030.) STATE AID TO MUNICIPALITIES AND  
22 OTHER ELIGIBLE RECIPIENTS FOR HEALTH FACILITIES AND HOSPITALS. (a) The  
23 department shall pay

24 (1) to a municipality which has the power to provide  
25 hospital facilities and services and which exercises that power, \$1,000 per  
26 bed for each bed actually used for patient care, limited to the number of  
27 beds provided for in the construction design of the hospital, or \$75,000 a  
28 hospital for those hospitals with 10 or more beds, or \$25,000 a hospital for  
29 those hospitals with less than 10 beds, as the municipality may elect; money

1 received under this paragraph may be used only for hospitals and shall be  
2 apportioned among qualifying hospitals as the municipality determines;

3 (2) on the basis set out in (1) of this subsection to a  
4 municipality for a nonprofit hospital not operated by a municipality if the  
5 municipality first certifies to the department that the nonprofit hospital  
6 is in compliance with all standards for hospitals which have been adopted by  
7 the municipality; money may not be paid on behalf of a nonprofit hospital  
8 without this certification; payments to the municipality shall be  
9 transferred to the nonprofit hospital in accordance with the basis by which  
10 the payment was generated by the hospital, and shall be applied to the  
11 annual cost of operation and maintenance of the hospital or for the  
12 provision of health care service at the hospital as the directors of the  
13 hospital determine;

14 (3) to a municipality in which a health facility is  
15 operated, \$1,000 per bed for each bed actually used for patient care,  
16 limited to the number of beds provided for in the construction design of the  
17 health facility, or \$4,000 per health facility as the municipality  
18 determines.

19 (b) A hospital may not receive payment under both (a)(1) and  
20 (a)(2) of this section.

21 (c) Money received by a municipality under (a)(3) of this section  
22 shall be used for expenses of health services or operation and maintenance  
23 of health facilities as the municipality determines.

24 (d) Before money may be distributed under this section, the  
25 commissioner of health and social services shall certify to the commissioner  
26 of community and regional affairs that any accumulation of assets by  
27 nonprofit corporations or other recipients under this section is dedicated  
28 irrevocably to a public purpose.  
29

1           Sec. 29.62.140. (Sec. 29.89.040.) STATE AID TO VOLUNTEER FIRE  
2 DEPARTMENTS IN THE UNORGANIZED BOROUGH. (a) The department shall pay to a  
3 volunteer fire department registered with the state fire marshal and serving  
4 an area not in an organized borough or city a sum for protection purposes  
5 equal to \$10 per capita for the population served by the department, as  
6 determined by the state fire marshal.

7           (b) A grant shall be made under (a) of this section to facilitate  
8 the organization of a volunteer fire department in an area not in an  
9 organized borough or city, upon application of the proposed fire protection  
10 group to the state fire marshal and upon approval of applications according  
11 to standards of organization and service prescribed by regulations adopted  
12 by the state fire marshal.

13           Sec. 29.62.150. (Sec. 29.89.050.) STATE AID TO NATIVE VILLAGE  
14 GOVERNMENTS. The state shall pay \$25,000 to a Native village government for  
15 a village which is not incorporated as a city under this title. In this  
16 section, "Native village government" means

17           (1) a local governing body organized by authority of the Act  
18 of Congress of June 18, 1934 (25 U.S.C. sec. 476); or

19           (2) a traditional village council or, if there is no  
20 traditional village council, the paramount chief or other governing body of  
21 a Native village which meets the requirements of the Alaska Native Claims  
22 Settlement Act (43 U.S.C. sec 1601 - 1628).

23           Sec. 29.62.160. (Sec. 29.89.060.) POPULATION DETERMINATION. For  
24 purposes of this chapter, population shall be determined by the latest  
25 figures of the United States Bureau of the Census or other reliable pop-  
26 ulation data, including but not limited to public school enrollment figures,  
27 public utility connection, registered voters or certified employment  
28 payrolls.  
29

1       Sec. 29.62.170. (Sec. 29.89.070.) AREA COST-OF-LIVING DIFFERENTIAL.

2           (a) Payments to a municipality or other eligible recipient under  
3 AS 29.62.120 - 29.62.130 (AS 29.89.020 - 29.89.030) shall reflect area  
4 cost-of-living differentials. Payments shall be based upon the sum of per  
5 capita, per mile and per bed or facility grants due each municipality or  
6 other recipient multiplied by the appropriate area cost-of-living  
7 differential. The area cost-of-living differential for each recipient shall  
8 be determined annually by election district under the provisions of AS  
9 39.27.030. Application of the area cost-of-living differential may not  
10 result in distribution of an amount less than the amount of the payment  
11 determined without reference to application of this section.

12           (b) The election districts used to establish area cost-of-living  
13 differentials under (a) of this section are those designated by the  
14 proclamation of reapportionment and redistricting of December 7, 1961, and  
15 retained for the house of representatives by proclamation of the governor  
16 September 3, 1965.

17       Sec. 29.62.180. (Sec. 29.89.080.) MISCELLANEOUS SERVICES ACCOUNT. The  
18 miscellaneous services account is established. Money to carry out the  
19 provisions of this chapter shall be allocated by the department to the  
20 account in accordance with AS 29.95.010. If amounts in the account are  
21 insufficient to pay each municipality's or other recipient's share  
22 authorized under this chapter, the amounts which are available shall be  
23 distributed pro rata among eligible municipalities and other recipients.

24       Sec. 29.62.190. (Sec. 29.89.090.) REGULATIONS. The department shall  
25 adopt regulations necessary to carry out the purposes of this chapter. The  
26 regulations shall include minimum standards required to qualify a  
27 municipality or other recipient for payments for each service. The  
28 department may require a municipality or other recipient to submit a  
29 performance report adequate to demonstrate to the department that a service

1 for which payment is requested under this chapter was performed by the  
2 municipality or other recipient and meets minimum standards of service  
3 prescribed by regulation.

4 Sec. 29.62.200. (Sec. 29.89.100.) DEFINITIONS. In this chapter

5 (1) "department" means the Department of Community and  
6 Regional Affairs;

7 (2) "health facility"

8 (A) means a facility which is licensed, when required,  
9 by the state under AS 18.20.010-18.20.130 and which is owned  
10 or operated or both by a municipality or by a nonprofit  
11 corporation or other nonprofit sponsor;

12 (B) includes a public health center, maternity home,  
13 community mental health center, facility for the mentally or  
14 physically handicapped, nursing home or convalescent center;

15 (C) excludes a facility operated or wholly supported by  
16 the state or the federal government;

17 (3) "hospital" means a licensed hospital determined by the  
18 Department of Health and Social Services to be a general hospital; the term  
19 excludes a facility operated or wholly supported by the state or the federal  
20 government.

21 Article 3. STATE AID FOR HOSPITAL CONSTRUCTION

22 (CHAPTER 90. STATE AID FOR HOSPITAL CONSTRUCTION)

23 Sec. 29.62.230. (Sec. 29.90.010.) STATE AID FOR HOSPITAL  
24 CONSTRUCTION. If construction of a hospital began after January 1, 1968, and  
25 state matching aid for construction approved for payment to the municipality  
26 or other hospital sponsor constitutes less than 25 percent of the total  
27 project cost, the department shall pay to the municipality or other hospital  
28 sponsor each fiscal year \$2,500 a bed for the maximum number of beds  
29 provided for in the construction design of the facility or five percent of

1 the total project cost, whichever is greater. State aid provided for in  
2 this section shall continue until the municipality or other hospital sponsor  
3 has received an amount which, combined with state matching money for  
4 construction of the hospital, equals 25 percent of the total project cost.  
5 Money received for construction may not be used for any other purpose.

6 Sec. 29.62.240. (Sec. 29.90.020.) HOSPITAL CONSTRUCTION ASSISTANCE  
7 ACCOUNT. The hospital construction assistance account is established. Money  
8 to carry out the provisions of this chapter shall be allocated by the  
9 department to the account in accordance with AS 29.62.280 (AS 29.95.010). If  
10 amounts in the account are insufficient to pay each recipient's share  
11 authorized under this chapter, the amounts which are available shall be  
12 distributed pro rata among eligible recipients.

13 Sec. 29.62.250. (Sec. 29.90.030.) DEFINITIONS. In this chapter

14 (1) "department" means the Department of Community and  
15 Regional Affairs;

16 (2) "hospital" means a licensed hospital determined by the  
17 Department of Health and Social Services to be a general hospital; the term  
18 excludes a facility operated or wholly supported by the state or the federal  
19 government;

20 (3) "total project cost" means

21 (A) costs directly related to the project; and

22 (B) the total of all costs of financing and carrying  
23 out the project, including but not limited to,

24 (i) the costs of all necessary studies, surveys,  
25 plans and specifications, architectural, engineering or other  
26 special services, acquisition of real property, site pre-  
27 paration and development, purchase, construction,  
28 reconstruction and improvement of real property, and the  
29 acquisition of machinery and equipment as may be necessary in  
connection with the project;

1 (ii) an allocable portion of the administrative and  
2 operating expenses of the municipality or other hospital  
3 sponsor;

4 (iii) the cost of financing the project, including  
5 interest on bonds issued to finance the project; and

6 (iv) the cost of other items, including any  
7 indemnity and surety bonds and premiums on insurance, legal  
8 fees, fees and expenses of trustees, depositaries, financial  
9 advisors, and paying agents for the bonds issued as the  
10 issuer considers necessary.

11 Article 4. ADMINISTRATION OF MUNICIPAL FINANCIAL PROGRAMS

12 (CHAPTER 95. ADMINISTRATION OF MUNICIPAL FINANCIAL ASSISTANCE PROGRAMS)

13 Sec. 29.62.280. (Sec. 29.95.010.) ALLOCATION AND DISTRIBUTION. (a)

14 Each year, the Department of Community and Regional Affairs shall allocate  
15 money appropriated to the accounts established in AS 29.62 (AS 29.88, AS  
16 29.89, and AS 29.90) in the amounts determined by the legislature.

17 (b) Money in the miscellaneous services account established in AS  
18 29.62.180 (AS 29.89.080) which exceeds the amount required to fully fund  
19 distributions authorized by AS 29.62 (AS 29.89) shall be reallocated to the  
20 tax equalization account established in AS 29.62.060 (AS 29.88.035) and  
21 distributed according to the provisions of AS 29.62 (AS 29.88).

22 (c) Money in the hospital construction assistance account  
23 established in AS 29.62.240 (AS 29.89.020) which exceeds the amount required  
24 to fully fund distributions authorized by AS 29.62 (AS 29.90) shall be  
25 reallocated to the tax equalization account established in AS 29.62.060 (AS  
26 29.88.035) and distributed according to the provisions of AS 29.62 (AS  
27 29.88).

28 Sec. 29.62.290. (Sec. 29.95.020.) QUALIFICATION FOR MINIMUM PAYMENT.

29 (a) A municipality qualifying for an entitlement under AS 29.62 (AS 29.88

1 or AS 29.89) shall receive a minimum payment of \$25,000 plus an area  
2 cost-of-living differential for each fiscal year if:

3 (1) the municipality has conducted a regular election under  
4 AS 29.30.010 - 29.30.060 (AS 29.28.010 - 29.28.050) during the fiscal year  
5 preceding the year for which payment of an entitlement is authorized by AS  
6 29.62 (AS 29.88 or AS 29.89) and has reported the results of the election to  
7 the commissioner of the Department of Community and Regional Affairs;

8 (2) regular council meetings are held in the municipality in  
9 accordance with the requirements of AS 29.24.290 (AS 29.23.210) during the  
10 fiscal year preceding the year for which payment of an entitlement is  
11 authorized by AS 29.62 (AS 29.88 or AS 29.89) and a record of the  
12 proceedings is maintained;

13 (3) a municipal budget has been adopted for the fiscal year  
14 during which payment of an entitlement is authorized by AS 29.62 (AS 29.88  
15 or AS 29.89) and an audit or financial statement for the preceding fiscal  
16 year has been prepared and furnished to the Department of Community and  
17 Regional Affairs in accordance with AS 29.24.700(a) [AS 29.23.560(a)]; and

18 (4) local ordinances adopted by the governing body of the  
19 municipality have been codified in accordance with AS 29.27.060 (AS  
20 29.48.180).

21 (b) The area cost-of-living differential payable to each  
22 municipality under this section shall be determined annually by election  
23 district under the provisions of AS 39.27.030. Except as provided in AS  
24 29.62.300 (AS 29.95.030), application of the area cost-of-living  
25 differential may not result in a payment which is less than the minimum  
26 payment determined under (a) of this section. For purposes of this  
27 subsection, the election districts used are those designated by the  
28 proclamation of reapportionment and redistricting of December 7, 1961, and  
29 retained for the house of representatives by proclamation of the governor

1 (c) The Department of Community and Regional Affairs shall pay to  
2 each municipality eligible to receive a minimum payment under this section  
3 an amount equal to the difference between the minimum payment determined  
4 under (a) and (b) of this section and the sum of the amounts payable for the  
5 same fiscal year under AS 29.62 (AS 29.88 and AS 29.89).

6 (d) A payment under this section may be prorated and reduced  
7 under AS 29.62.300 (AS 29.95.030).

8 (e) Payments under this section shall be made from the money  
9 allocated to the tax equalization account established in AS 29.62.060 (AS  
10 29.88.035).

11 Sec. 29.62.300. (Sec. 29.95.030.) PRORATION OF PAYMENTS. (a)  
12 Payments under AS 29.62.290 (AS 29.95.020) and AS 29.62. art.4., (AS 29.88)  
13 shall equal the amount allocated to the tax equalization account AS  
14 29.62.060 (AS 29.88.035), adjusted in accordance with AS 29.62.80 (AS  
15 29.95.010).

16 (b) Adjustments of payments shall be determined by prorating  
17 amounts payable under AS 29.62.290 (AS 29.95.020) and amounts payable under  
18 article 1 of this chapter (AS 29.88) by a factor which, when applied,  
19 reduces all payments in equal proportion so that payment under AS 29.95.020  
20 and payments under AS 29.88 equal the amount allocated to the tax  
21 equalization account established in AS 29.88.035.