



[Redacted]

ICMA
ID 043 (A. SMITH)

[Redacted]

Phone: (907) 424-3237
or 424-3238

CITY OF CORDOVA

Box 1210

CORDOVA, ALASKA 99574

"The Friendly City"

Reply to:

MAR 16 1978

March 14, 1978

Representative Hugh Malone
Pouch V
Juneau, Alaska 99811

Dear Representative ^{Hugh}~~Malone~~

The Cordova City Council at the regular meeting of March 13, 1978 voted unanimously to support House Bill 843. The City of Cordova presently has one of the highest tax rates in the state with a 22 mill property tax plus 4% sales tax. The additional revenue generated by House Bill 843 would be a significant step in the reduction of local taxes.

We appreciate and encourage your efforts to reduce the local tax burden.

Very truly yours,


Perry D. Lovett
City Manager

cc Pete Loveseth
Jim Role

copy to C & R A

JAY S. HAMMOND
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 20, 1978

The Honorable Lisa Rudd
Chairman
Community and Regional Affairs
Committee
House
Pouch V
Juneau, Alaska 99811

Dear Representative *Lisa* Rudd:

In my November 5, 1977, speech to the Alaska Municipal League, I suggested that the State look for means by which to reward localities which make good faith efforts to tax themselves. In that talk, I sketched a plan whereby shared revenue would vary inversely to a municipality's per capita property values. This suggestion was made in recognition of the disparity of wealth among the communities in our State. I feel the proposed formula is a useful step toward implementation of the concepts contained in that speech.

I have been briefed on legislative proposals (SB 502, HB 843) to redesign the Municipal Revenue Sharing Program. Under these proposals, a municipality's entitlement would be determined by a formula to include as key elements both population and local effort. The latter would, as I understand it, incorporate local property and sales tax rates adjusted by a factor to account for local differences in property tax base and income.

I commend the Legislature for the careful study and deliberation which has gone into preparation of the proposals. I also support the philosophy of State and local government relationships and responsibilities which is expressed in the proposals. I would like to briefly mention several reasons for my support.

First, I believe that the most responsive government is that which is closest to the people it serves. Under the present categorical approach to Revenue Sharing, the State exerts considerable influence on the direction and type of local

The Honorable Lisa Rudd
March 20, 1978

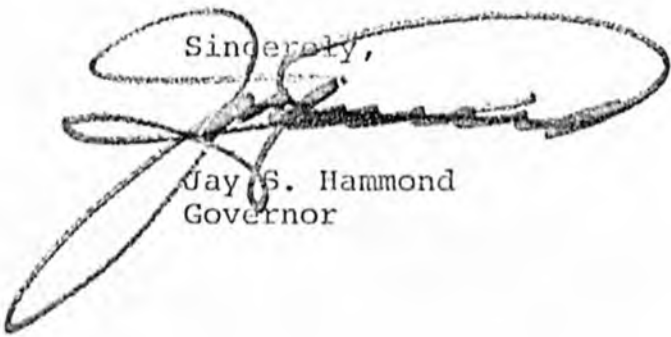
Page Two

services to be provided. I believe the proposed formula approach will give localities more desirable flexibility to determine service priorities at the local level.

Second, I have been an advocate for some time for the formation of local governments in the unorganized borough. At the November 10, 1977, Convention of the Alaska Federation of Natives, I expressed the view that a major obstacle to local government formation was an inadequate tax base which made it difficult for many rural areas to adequately meet the costs of local government services. I indicated then that Revenue Sharing adjusted for variations in per capita property values would help alleviate these problems. I believe the proposed legislation provides a useful tool for encouraging action in this regard.

My staff and that of the Department of Community and Regional Affairs have studied the legislation and have suggested refinements which we feel would facilitate administration of a formula based program. My position on funding of the proposal will have to await review of the fiscal impact of this legislation and the action the Legislature takes in the budget act itself.

Sincerely,



Jay S. Hammond
Governor

PRESENT REVENUE SHARING FUNDING

Local Government hi-lites

Police Protection	12.00 each person
Fire Protection	7.50 each person
Air/Water Pollution	2.00 each person
Land Use Planning	2.00 each person
Parks and Recreation	5.00 each person
Transportation Facilities	5.00 each person
Road Maintenance	
a. Public Roads	1500.00 each mile
b. Ice Roads	900.00 each mile
Health Service	2.00 each person
Health Facilities	1000.00 each bed 4000.00 each facility
Hospitals	1000.00 each bed 25000.00 each hospital 75000.00 each hospital
Construction Aid (Hospitals)	2500.00 each bed

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3333

March 8, 1978

MEMORANDUM

SUBJECT: Revenue Sharing (W.O. #14/R)
TO: The Honorable Terry Gardiner
FROM: John Williams *JW*
Research Analyst

You have asked that we determine the additional revenues the Municipality of Anchorage would be entitled under HB 843 should they implement a 1% sales tax and the actual tax revenues they would receive. The attached printout was run using the same information and programming that we utilized in developing the printout entitled "HOUSE BILL 843 \$25 MILLION" with the exception of crediting Anchorage with a 1% sales tax and adjusting the proration accordingly. The additional revenues for Anchorage total \$959,003.

We also estimated the amount of revenue that a 1% municipal sales tax would generate in Anchorage. We utilized Department of Revenue data from gross business receipts and attempted to isolate generally taxed retail business (the codes included were the same codes we used in comparing sales tax to property tax revenue generation). Our estimate suggests that a 1% sales tax on retail transactions in Anchorage would generate at least \$12.6 million in revenue.

Comparing the increase in tax revenues attributable to a 1% sales tax to the increase in Anchorage's revenue sharing entitlement under HB 843 because of the 1% sales tax suggests that for each additional revenue sharing dollar Anchorage would receive, the municipality would generate more than \$13 in direct tax revenues.

Please let us know if we may be of further assistance.

Attachment
JW:dh

STATE OF ALASKA

JAY S. HAZARD, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

DIVISION OF LOCAL GOVERNMENT ASSISTANCE

POUCH B - JUNEAU 1971

April 5, 1978

The Honorable Lisa Rudd, Chair
House Community and Regional
Affairs Committee
Pouch V
Juneau, Alaska 99811

Dear Representative Rudd:

Re: HB 843

You have asked for our opinion concerning the ways in which a Municipality may unduly benefit from the proposed revenue sharing bill (HB 843). The Department analysis of the bill (contained in the 14 March 1978 letter to you) explains very briefly some of the problem areas of the bill. In addition to that letter, Local Government Specialist Bruce Aronson of the Department offers the following comments concerning the ways in which municipalities may manipulate the proposed statute to their own best interest.

1. Enterprise activities (utilities, small boat harbors, etc.) should not be included in the formula. In other words, any sales and/or property taxes levied to support enterprise activities should be excluded from the tax rates. If this is not done, the tax rates might be unfairly inflated, and utility fees would be reduced. The State of Alaska would, in effect, support an activity that should be self-supporting.

2. Since the categories of roads, ice roads, and health services and facilities are retained in the legislation, it hardly seems appropriate to include any locally generated taxes, used to fund these services, under Ch. 88 of the bill. A gross example of this type of situation would be a single purpose service area created for road maintenance being eligible under Ch. 88 of the bill for the basic local tax effort formula funds, and also receiving \$1,500 per mile for roads maintained. This dual eligibility would seem to be necessary.

3. A simple and rational approach to establish assessed valuations per capita for second class cities in the unorganized borough would

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The Honorable Lisa Rudd
April 5, 1978

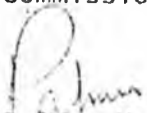
benefit by a low assessed value per capita number. Our earlier suggestion of averaging the per capita assessed value of municipalities of population less than 750 located in the unorganized borough is still one available alternative.

4. HB 843 arbitrarily multiplies the sales tax rate times 2.3 and adds in the property tax rate (in mills). It would be to any municipality's advantage to analyze the "rate of return" to the municipality under its current tax rates. By altering the sales and property tax rates (and assuming total local revenue is constant) a municipality may be able to gain slightly. A "cure-all" to this problem would be to add all locally collected taxes and divide by the revenue generated from one mill property tax. This new number would be the "millage equivalent". By doing the above, a municipality would not tinker with local tax rates to gain some additional State shared wealth.

5. If a municipality has no local retail stores, and/or property that could be taxed (utilizing a property tax) it would be to the municipality's advantage to "raise" local "taxes" until the maximum local effort factor has reached (25). One estimate by Legislative Affairs indicates that in a small rural city, the local effort factor is reached when a 1 $\frac{1}{2}$ % sales tax is levied. No additional benefit occurs when the number 25 is reached.

Sincerely,

Lee McAnerney
Commissioner


by: Palmer McCarter
Director

PMc:pc

FISCAL NOTE

I. REQUEST

Bill/Resolution No. House Bill No. 843/Senate Bill No. 502
 Title An Act providing for equalization of the tax resources of municipalities "
 Requested by House Community & Regional Affairs/Senate Date 2/28/78
Community & Regional Affairs

II. FISCAL DETAIL

Agency Affected Department of Community and Regional Affairs
 Program Category Affected Development
 Budget Request Unit(s) Affected Municipal Revenue Sharing

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.			0	0	0	0
TOTAL			0	0	0	0

FUNDING (Thousands of Dollars)

GENERAL FUND			0	0	0	0
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Assumptions

1. The Department would not estimate the local per capita assessed valuations for second class cities in the unorganized borough not currently collecting a property tax.
2. In fiscal year 1978 approximately \$18,340,000 will be distributed under the existing program. Section nine of the bill would require for only the next 3 years a minimum annual appropriation of at least \$18,340,000. It should be noted, that the FY'79 budget request for grants under the existing program is over \$20,400,000.

IV. DATE 3/13/78 PREPARED BY Bruce Aronson
 AGENCY Community & Regional Affairs
 PHONE 465-4707
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

Fairbanks Memorial Hospital

1650 Cowles St.

FAIRBANKS, ALASKA 99701

OPERATED BY
LUTHERAN HOSPITALS AND HOMES SOCIETY
FARGO, NORTH DAKOTA 58102

March 20, 1978

The Honorable Lisa Rudd
President, House Community and
Regional Affairs Committee
2827 Lore Road
Anchorage, AK 99507

Dear Representative Rudd:

Fairbanks Memorial Hospital is very interested in House Bill 343 dealing with revenue sharing and hospital construction money. We were wondering whether you had any ideas as to whether this bill has potential for passage during this session.

We do have some comments in regards to this bill if it will be presented in your committee. I might state that Sally Smith, from Fairbanks, has also been apprised of these comments and suggested that we contact your office to determine whether the bill would be acted upon. We encourage you to bring this issue to your committee since there are several sections of the bill which we feel need clarification and restatement, and we feel that since the bill is in the workings, that the current bill should be amended to include our ideas of concern.

Hoping to hear from you.

Sincerely,


Tom Mingen *ed*
Administrator

TM/ed



CITY of BETHEL

P. O. Box 388 • Bethel, Alaska 99559

543-2297 — Area Code 907

PC
4-3-78

March 29, 1978

Representative Lisa Rudd
Chairperson House Community and Regional Affairs Committee
Pouch V
Juneau, Alaska 99811

Dear Representative Rudd:

At the regular City Council Meeting of March 27, 1978, Council passed and approved Resolution No. 231, endorsing House Bill No. 843, "AN ACT PROVIDING FOR EQUALIZATION OF TAX RESOURCES OF MUNICIPALITIES AND CONTINUING A PORTION OF THE PROGRAM OF STATE AND FOR MUNICIPAL PURPOSES; AND PROVIDING FOR AN EFFECTIVE DATE."

Although the present systems for distributing State Revenue Sharing funds does assist municipalities in providing services there exists an incentive in the revenue sharing program for municipalities to increase or improve the service by increasing local taxes. Under the provision of House Bill No. 843, however, this would all change the proposed formula allocation system, increase the amount of revenue sharing if the Community increases its sales tax or property tax.

If your office should have any questions in regard to Bethel's position on the piece of legislation do not hesitate to contact me.

Sincerely,

Lyman Hoffman
City Manager

LH:lf

"Deep Sea Port and Transportation Center of the Kuskokwim"

CITY OF BETHEL
RESOLUTION NO. 231

A RESOLUTION OF THE CITY OF BETHEL, ALASKA ENDORSING "AN ACT PROVIDING FOR EQUALIZATION OF TAX RESOURCES OF MUNICIPALITIES AND CONTINUING A PORTION OF THE PROGRAM OF STATE AID FOR MUNICIPAL PURPOSES; AND PROVIDING FOR AN EFFECTIVE DATE." IN THE FORM OF HOUSE BILL NO. 843.

WHEREAS, House Bill No. 843, would not distribute State Revenue Sharing strictly on a per capita basis with the remaining 25% allocated according to miles of road maintained and number of health facilities and hospitals, but would improve the allocation system and revenue raising for the benefit of home rule and general law municipalities by providing a more equitable allocation of financial resources among municipalities, and to assure no municipality would suffer impoverishment of necessary public services because of chance location of taxable wealth in the State, and

WHEREAS, this bill would accomplish this by implementing an equalization formula that would base entitlement due each municipality on its population, relative to general revenue and local tax efforts, and

WHEREAS, Bethel City Council believes that the passage of this bill would distribute State Revenue Sharing dollars on a much more equitable basis than the system presently utilized.

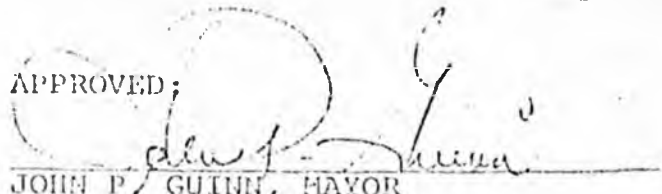
NOW THEREFORE, be it resolved that the City of Bethel, Alaska endorses House Bill No. 843, "AN ACT PROVIDING FOR EQUALIZATION OF THE TAX RESOURCES OF MUNICIPLITIES AND CONTIUNG A PORTION OF THE PROGRAM OF STATE AID FOR MUNICIPAL PURPOSES; AND PROVIDING FOR A EFFECTIVE DATE.", and would support simular legislation if introduced in the Senate, and

BE IT FURTHER RESOLVED that the City of Bethel encourages the State Legislature to pass and approve this legislation.

PASSED AND APPROVED by the Bethel City Council this 27 day
of *March*, 1978.

ATTEST:

APPROVED:


JOHN P. GUINN, MAYOR


LAURA FRANKE, CITY CLERK