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HCRA

HB

846

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HB

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HB

846

TELEGRAM

ALASKA COMMUNICATIONS, INC.
PHONE: 586-6440
JUNEAU, ALASKA 99801

1978 FEB 15 PM 4 47

02092 NL ANCHORAGE AK 50 02-15 155P AST

PMS REPRESENTATIVE LISA RUDD

JUN

THE ALASKA MENTAL HEALTH ASSOCIATION IS ADAMANTLY OPPOSED
TO DOING AWAY WITH THE MENTAL HEALTH LAND BOARDS.
WE WISH TO BE NOTIFIED WHEN HEARINGS ON HOUSE BILL 846 ARE
SCHEDULED.

DONNA BRADY, PRESIDENT ELECT

ALASKA MENTAL HEALTH ASSOCIATION

5531 ARCTIC BLVD.

99501



HOUSE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

LISA RUDD

ALASKA HOUSE OF REPRESENTATIVES, POUCH V, JUNEAU 99811

17 February 1978

Dear Ms. Brady,

Thank you for your telegram regarding
Mental Health Land Boards.

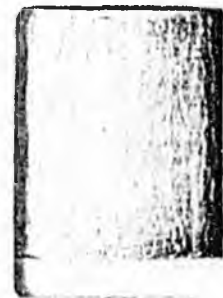
I will see that each committee member
receives a copy and we will be sure to notify
you when hearings on HB 846 are scheduled.

Yours sincerely,

Lisa Rudd, Chair

LR/vb

REPRESENTATIVE - DISTRICT 11 - ANCHORAGE



HB

855

COMMITTEE REPORT

HOUSE

2/21/78

FURTHER: _____

Date: 4-14-78

Mr. Speaker:

The Committee on C&RA has had HB 855
"An Act relating to public corporations or other municipal
instrumentalities; eff. date."

under consideration and (a majority of the committee) (the committee
reports it back as follows)

- recommends it do pass recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for _____
- and _____ new title same title
- AND attaches a Letter of Intent New Fiscal Note
- reports it back without recommendation
- and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

Chairman

A M E N D M E N T

OFFERED IN THE HOUSE:

BY: H. C. S. A. COMMITTEE

TO: _____ HOUSE BILL No. 255

SENATE BILL No. _____

PAGE: 1

LINE: 10

Deleted: the period and add. which the municipality
has the power to provide.

AMENDMENT # 1

H C & R A COMMITTEE

OFFERED IN THE HOUSE:

By: _____

To: _____ HOUSE BILL No. 855

SENATE BILL No. _____

PAGE: 1

LINE: 19

Delete: the period and add, "which the municipality
has the power to provide."

FAIRBANKS NORTH STAR BOROUGH

Box 1257, Fairbanks, Alaska 99707

January 26, 1978

Repr. Sally Smith
Pouch V
Juneau, Alaska 99811

Re: House Bill 483

Dear Sally:

This is to follow up my telephone conversation January 24th with your secretary concerning HB 483. You inquired concerning the bill generally, and particularly Sections 1 and 13. As you know, HB 483 was submitted strictly as a clarification or cleanup bill. Section 1, however, does add something new to the first class borough incorporation process. The addition is, however, designed only to eliminate what is now a cumbersome process. Since neither second or third class boroughs are now authorized to adopt home rule charters, this amendment is not and should not be applicable to them. There seems to be little reason why, if the residents of the area desire it, that the incorporation and home rule charter process should not be initiated at the same election. To require two elections simply adds to the time lag and cost. Since the incorporation process itself requires petition, review by Department of C&RA, and a hearing in the area by the Local Boundary Commission with its report prior to the election, it would seem highly unlikely that any resident would be unaware of the issues at the time of the election. I think that Section 1 is very worthwhile and in keeping with a policy of avoiding needless frustration and cost without jeopardizing adequate notice and communication to citizens.

HB 483

As to Section 13, this simply extends to municipalities a device which the State has used considerably. It is included in HB 483 only because of the apparent violation of the one subject rule caused by its inclusion in Chapter 56 SLA 1976. This provision is of some interest in Fairbanks because of the possibility of its use for funding of the Fairbanks Memorial Hospital. Without going into the discussion as to whether Section 13 could be better written to better serve its goals, since this is a curative bill I do not see any particular problem with including it. The mechanism of public corporations for financing is not uncommon throughout the United States and provides a desirable flexibility. To delete this section from the bill might indicate an intent of the Legislature not to permit the utilization of public corporations for community facilities and have a chilling effect on plans which might be in the evolution process. It would seem to me that there is little likelihood of a massive rush to make use of this provision and certainly if there were foreseeable problems, the Legislature could deal with them at a later time.

I hope that this has been of some assistance to you.

Very truly yours,
A. D. Nordale
A. D. Nordale

Borough Attorney
JDN:ds

cc: Repr. Lisa Rudd ✓



KETCHIKAN GATEWAY BOROUGH

344 FRONT STREET
KETCHIKAN, ALASKA 99901

March 23, 1978

Ms. Lisa Rudd
Chairman
House Community Regional
Affairs Committee
Pouch Y
Juneau, Alaska 99811

Dear Mrs. Rudd:

On behalf of the Ketchikan Gateway Borough I would like to express our interest in passage of HB 855 relating to public corporations or other municipal instrumentalities.

The provisions of this bill were incorporated in another bill which was passed in the last session and as I understand there is a question of legality of these provisions because the bill passed covered two subjects.

The City of Ketchikan and the Ketchikan Gateway Borough have been discussing a joint Transportation Authority for the City ports and the Borough airport which is possible, as I understand, for a home rule municipality such as our City, however, the limitations of a second class borough do not enable us to create such an authority. Therefore, we would like to encourage re-passage of this enabling legislation in order that the legal avenues are available to us should we choose.

Thank you.

Sincerely,

KETCHIKAN GATEWAY BOROUGH

Judith A. Slajer
Borough Manager

JAS:jw

cc: Senator Robert Ziegler
Representative Oral Freeman
Representative Terry Gardiner
Jim Rolle, Exec. Director
Alaska Municipal League

MEMORANDUM

February 16, 1978

SUBJECT: Brief history of AS 29.59

TO: Representative Nels A. Anderson, Jr.

FROM: John B. Chenoweth
Legislative Counsel

My recollection of the circumstances relating to the adoption and taking effect of the bill embodying this provision is this:

In mid-session of 1976, Bob Dupere called to the attention of the Senate Community and Regional Affairs Committee the proposal by the IRS to tighten regulations defining the tax-exempt status of public corporations. Dupere has, of course, a working knowledge of municipal finance with respect to Alaska's local governments, and appreciated the potential problems that would have been presented under the particular changes then under consideration by the IRS. His suggestion to meet the problems was to make clear that municipalities had the authority to establish public corporations for carrying out specific municipal purposes, to protect the tax-exempt status (insofar as that was possible) of these creatures in the event local governments determined to make use of public corporations to meet public purposes or needs. At the time, as I recall, the possibility of establishment of a public corporation for hospital care was under active consideration, as, I think, was the proposal to use municipal authority to provide public services to major industrial users.

At any rate, the bill was drafted and presented. Committee members endorsed the attachment of the provision to a bill offered by the governor making technical amendments to the existing authority of the Alaska Municipal Bond Bank Authority. I do not recall whether the provision was added on to the governor's bill in anticipation of possible veto of the same provision standing alone, or whether it was added because, on that day, the governor's bill happened to present itself as a handy vehicle. That is where it was put -- but in redrafting the bill to carry the amendment, the draftsman neglected to conform the title.

Representative Nels A. Anderson, Jr.
Page 2
February 16, 1978

The governor signed the bill into law. However, in a most unusual move, his transmittal letter to the Legislature pointed out the problem posed by the failure to limit the bill to one subject and to conform the title to the substantive provisions of the amended bill:

"I have signed the following bill and am transmitting the enrolled and engrossed copies to the Lieutenant Governor's Office for permanent filing:

SENATE COMMITTEE SUBSTITUTE FOR
COMMITTEE SUBSTITUTE FOR
HOUSE BILL NO. 674
amended Senate (Chapter 56, SLA 1976)

Even though I have signed this bill into law, I have been advised by the Attorney General that the inclusion of Sec. 4 in the bill violates Article II, Section 13 of the Alaska Constitution. This provision requires that bills are to be confined to one subject and that the subject be expressed in the title. Accordingly, the Attorney General has advised that Sec. 4 of the bill is void and of no effect.

I am bringing this matter of the Attorney General's advise (sic) to your attention so that those legislators who were relying on Sec. 4 to accomplish some objective may be notified as to its probable effect. Those legislators may then want to take appropriate action such as introducing new legislation to cover the subject set forth in Sec. 4 of the bill."

1976 House Journal, at p. 1280.

I have to question why the Attorney General determined that only section 4 of the legislation, that section adding what is now AS 29.59, was "void and of no effect" -- why, in fact, the entire bill was not tainted with the same objection -- and whether, for that reason, the opinion rendered to the governor is correct. Nevertheless, it is the closing paragraph of the governor's transmittal letter which the provision designated "*Sec. 13" in the original version of HB 483 is intended to address.

Assuming that the governor's statement, based on the attorney general's advice, is correct, then it seems that you have two courses open: Repeal AS 29.59 or re-enact it, with or without substantive amendment. At least as to any municipality which may have acted in reliance on the section, or which may in the future, I think it desirable, in response to the governor's invitation, that the legislature act, for inaction only maintains the "cloud" on AS 29.59 first pointed out in the above-cited transmittal letter.

JEC:jpd

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Pouch V
Juneau, Alaska 99811

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Very truly yours,

J.D. Nordale
J.D. Nordale
Borough Attorney

JDN:ds

cc: Repr. Lisa Rudd ✓

STATE OF ALASKA
THE LEGISLATURE

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

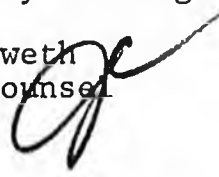
LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 17, 1978

SUBJECT: HB 855: relating to public corporations
and other instrumentalities of municipal
government. (Work Order No. 5187)

TO: Representative Lisa Rudd, Chairperson
House Community and Regional Affairs Committee

FROM: John B. Chenoweth
Legislative Counsel 

You have posed four questions with reference to HB 855 which bear upon the use by local governments of public agencies as a means by which to issue obligations on a tax-exempt basis. HB 855 would re-enact provisions of AS 29.59, specifically authorizing public corporations or like instrumentalities established by municipal governments to issue obligations in order to fund the costs of construction of public facilities. The reasons favoring re-enactment of AS 29.59 are alluded to in my memorandum to Representative Nels Anderson of February 16, attached to this memorandum.

The statutory provision which eventually was enacted into law as AS 29.59 was first drafted during the 1976 session in response to proposed additions to and amendments of regulations by the US Treasury. The changes proposed, incorporated into regulations relating to definition and administration of the Internal Revenue Code, would have defined limits which public agencies established by local governments would have been required to satisfy in order to gain or retain the benefit of tax-exempt interest on the agent's obligations to the extent enjoyed by the obligations of the municipality which were directly issued. The purpose of the proposed rule change was, at least in the view of the Treasury, that public agencies which were issuing the obligations be in actual fact substantially controlled and directed by the local government unit or units in whose behalf they were issuing obligations. In the language of the Treasury-prepared synopsis of the regulations

In general, the proposed amendments [to IRS regulations] provide that only a constituted authority of a state or local government unit may issue obligations on behalf of the unit. The authority must be specifically authorized pursuant to state law to issue obligations on behalf of the unit to accomplish a public purpose of the unit. The authorization must specify the public purpose of the governmental unit on behalf of which the authority is authorized to issue obligations and also must create the authority or provide that the governmental unit may create the authority. The authority must be created and operated solely to accomplish a public purpose of the governmental unit.

The proposed amendment requires a closer connection between the authority and the governmental unit including control of the authority's board and organizational or supervisory control over the authority of the governmental unit.

AS 29.59 was drafted to respond to the threshold requirements of the then-proposed federal regulation changes, namely, the requirement that the public agencies be specifically authorized in applicable state law, that they be authorized to undertake or fulfill a public purpose, that the public purpose for which authorized be specified, and that the grant of authority represent a grant for only the accomplishment of that public purpose.

The stringent requirements of the regulations proposed by the Treasury were not adopted. Rather, former provisions of the Code of Federal Regulations relating to tax-exempt interest paying obligations were substantially continued.

The current law on the subject appears to be this --

The applicable statute is 26 USC 103(a):

(a) GENERAL RULE. Gross income does not include interest on --

(1) the obligations of a State, a Territory, or a possession of the United States, or any political subdivision of any of the foregoing, or of the District of Columbia; . . .

Representative Lisa Rudd
Page 3
March 17, 1978

The statutory exemption embraces debt obligations of local governments, whether issued "directly" or "indirectly," that is, through the use of a public corporation as agent:

Obligations issued by or on behalf of any State or local governmental unit by constituted authorities empowered to issue such obligations are the obligations of such a unit. . . .

and

The term "political subdivision", for purposes of this section [26 CFR §1.103-1], denotes any division of any State or local governmental unit which is a municipal corporation or which has been delegated the right to exercise part of the sovereign power of the unit. . . .

26 CFR §1.103-1(b).

I

Your first question -- whether the same concerns which prompted introduction and enactment of the legislation in 1976 are still of concern -- is probably better answered in the negative. The stringent requirements which the Treasury was suggesting in the amendments and changes mentioned earlier in this monograph have not been adopted and are not now under active consideration. Assuming that the principal factor motivating HB 674's introduction in the 1976 session was to obviate anticipated challenges to the authority of agencies or corporations established by local governments in Alaska to issue tax-exempt obligations for the benefit of the local government -- and I think it is a fairly good assumption -- the apparent urgency of the situation then does not control or affect events now.

II

The answer to the first part of your second question, insofar as it applies to tax-exempt obligations in general (exclusive of the problems of the use of industrial development bonds), is likewise "no." The Treasury, in 1976, did not adopt the regulations as contemplated at that time; the existing body of regulation -- including, of course, revenue rulings and the body of case law -- has been continued forward with few substantive changes.

III

Your third question departs from further examination of applicable regulations of the IRS. It presents the question of whether there is a state constitutional "check" on the establishment of public corporations or agencies by Alaska municipalities to undertake public purposes. Your question cites the general statement of policy contained in Article X, sec. 1 of the state constitution, which recounts the philosophy underlying the existing local government article:

The purpose of this article is to provide for maximum local self-government with a minimum of local government units, and to prevent duplication of tax-levying jurisdictions. A liberal construction shall be given to the powers of local government units.

The reference to "units" in this section is unusual -- the term appears nowhere else in the article. The next following section, section 2, describes the requirement that "all local government powers . . . be vested in boroughs and cities," to the exclusion of any other kind or species of local authority having the very important power of taxation. By virtue of the interposition of the phrase "powers of local government units" in section 1 and the requirement imposed by section 2 that full local government powers devolve only upon boroughs and cities, and based upon the transcript and record of proceedings of the constitutional convention, I conclude that the use of the word "units" in the first section was intended to embrace only the two general types of local government authorized. It was not thought that the limitation would apply to the establishment of mechanisms by the local government units themselves after they were incorporated. Quite the contrary: the powers of local government units were intended to be liberally construed (Art. X, sec. 1), and the authority of a political subdivision to establish a public enterprise or public corporation in furtherance of legitimate public purposes is at least alluded to in Article IX, sec. 11, and appears there and in commentary in the record of the constitutional convention without restriction as to number or kind of agency. In short, I believe that the state constitutional provision enunciating a policy of a "minimum of local government units" may not be understood to be a limitation on the use of public enterprises or corporations -- public agencies, generally -- to supplement direct provision of public services by local governments. Other circumstances or conditions may compel that conclusion: the constitutional provision cited, in my opinion, does not.

IV

Your concluding query requires examination of tax-levying authority under AS 29.59 and existing limitations on the authority of local governments to levy property taxes. The tax limitations of AS 29.53.050 appear to be inapplicable to taxes of a public corporation or similar public agency established by a municipality under authority granted by AS 29.59. There is no direct relationship between the two statutory provisions mentioned such that the limitations section of AS 29.53.050 need be extended and made applicable to public agencies. The grant of authority set out in AS 29.59 does not extend to the public corporation or similar instrumentality the right to levy taxes. That right is limited, by the state constitution, to the levy and collection by cities and boroughs only. Thus, the right of the public corporation to issue obligations on behalf of the municipality for public purposes, if understood as having the effect of using the public corporation as a "front" for the municipality, cannot circumvent the limitation on delegation of taxing authority only to cities and boroughs, requiring the municipality to raise necessary revenues to pay off obligations of the corporation within the general limitation of AS 29.53. Similarly, if the right granted be seen as one by which a public corporation is authorized to issue its obligations for public purposes in furtherance of the responsibilities of municipalities, the grant of authority does not carry with it the right to levy and collect taxes for the purpose, and concern about conflict with AS 29.53 is unfounded. (The latter is analogous, at the local level, to the relationship between the State and ASHA, a public corporation: ASHA bonds are strictly revenue bonds; ASHA is not authorized to offer obligations on the strength of the full faith and credit of the people of Alaska, nor is the State legally obliged to bail ASHA out of any financial embarrassments.) In summary, in no instance can I conceive of a public corporation established under AS 29.59 having a valid argument on which to enforce a levy in excess of that provided for generally in statute.

V

I do not want to leave points 1 and 2 of this paper without mentioning two other matters:

While it is true, of course, that the failure of the IRS to adopt the regulations proposed in early 1976 constitutes a change of circumstance over the intervening two-year period,

Representative Lisa Rudd
Page 6
March 17, 1978

it is equally true that, apart from AS 29.59, there is no generally applicable provision by which a city or borough is granted authority to establish a corporation or instrumentality to use as an agent in the issuance of debt obligations on its behalf. I am not aware that any Alaska municipality has placed reliance on the provision in the two years it has appeared in the statutes. Repeal of the provision, or even non-alteration, probably poses no problem. However, though AS 29.59 was drafted and enacted under circumstances quite different than those presently known, to the extent that a clear statement of authority for the establishment of a corporation for the purposes indicated is desirable, the provision does serve that purpose. The committee will, of course, enunciate the policy: I did not want to leave the impression that, because circumstances have changed, the statute no longer serves a useful role.

Secondly, I want to caution that this memo is not intended to address or suggest disposition of the issues which surround the very complicated subject of tax treatment of the interest earned on industrial development bonds. (In requesting your questions in writing, I wanted to try to assure that the questions could be answered in a manner which did not require extended treatment of the handling of industrial development bonds, a relatively more common means of involving public purpose financing through the intermediary of a public corporation, but one which is, in terms of tax-exempt eligibility, far more complicated.) The tax-exempt status of industrial development bonds -- defined, generally, as bonds whose proceeds are used in an activity engaged in for profit by other than a governmental unit or other than an organization exempt from tax (i.e. corporations with nonprofit status under §501(c)(3)) and on which either the payment of the principal and interest is secured in whole or in part by property to the payments received from the property are pledged for the payment of principal and interest -- is subject to far more extended and extensive limitations than those of bonds which would be issued by public corporations or instrumentalities whose existence is authorized under AS 29.59.

I trust that this fully responds to your questions.

JBC:jpd

Attachment

MEMORANDUM

February 16, 1978

SUBJECT: Brief history of AS 29.59

TO: Representative Nels A. Anderson, Jr.

FROM: John B. Chenoweth
Legislative Counsel

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Representative Nels A. Anderson, Jr.

Page 2

February 16, 1978

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JEC:jpd

STATE OF ALASKA
THE LEGISLATURE

FOUCHY - STATE CAPITOL
JUNEAU, ALASKA 99811
907-455 3800

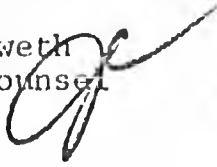
LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 17, 1978

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and other instrumentalities of municipal
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Page 2
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The proposed amendment requires a closer connection between the authority and the governmental unit including control of the authority's board and organizational or supervisory control over the authority of the governmental unit.

AS 29.59 was drafted to respond to the threshold requirements of the then-proposed federal regulation changes, namely, the requirement that the public agencies be specifically authorized in applicable state law; that they be authorized to undertake or fulfill a public purpose, that the public purpose for which authorized be specified, and that the grant of authority represent a grant for only the accomplishment of that public purpose.

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Page 3
March 17, 1978

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26 CFR §1.103-1(b).

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Your first question -- whether the same concerns which prompted introduction and enactment of the legislation in 1976 are still of concern -- is probably better answered in the negative. The stringent requirements which the Treasury was suggesting in the amendments and changes mentioned earlier in this monograph have not been adopted and are not now under active consideration. Assuming that the principal factor motivating HB 674's introduction in the 1976 session was to obviate anticipated challenges to the authority of agencies or corporations established by local governments in Alaska to issue tax-exempt obligations for the benefit of the local government -- and I think it is a fairly good assumption -- the apparent urgency of the situation then does not control or affect events now.

II

The answer to the first part of your second question, insofar as it applies to tax-exempt obligations in general (exclusive of the problems of the use of industrial development bonds), is likewise "no." The Treasury, in 1976, did not adopt the regulations as contemplated at that time; the existing body of regulation -- including, of course, revenue rulings and the body of case law -- has been continued forward with few substantive changes.

III

Your third question departs from further examination of applicable regulations of the IRS. It presents the question of whether there is a state constitutional "check" on the establishment of public corporations or agencies by Alaska municipalities to undertake public purposes. Your question cites the general statement of policy contained in Article X, sec. 1 of the state constitution, which recounts the philosophy underlying the existing local government article:

The purpose of this article is to provide for maximum local self-government with a minimum of local government units, and to prevent duplication of tax-levying jurisdictions. A liberal construction shall be given to the powers of local government units.

The reference to "units" in this section is unusual -- the term appears nowhere else in the article. The next following section, section 2, describes the requirement that "all local government powers . . . be vested in boroughs and cities," to the exclusion of any other kind or species of local authority having the very important power of taxation. By virtue of the interposition of the phrase "powers of local government units" in section 1 and the requirement imposed by section 2 that full local government powers devolve only upon boroughs and cities, and based upon the transcript and record of proceedings of the constitutional convention, I conclude that the use of the word "units" in the first section was intended to embrace only the two general types of local government authorized. It was not thought that the limitation would apply to the establishment of mechanisms by the local government units themselves after they were incorporated. Quite the contrary: the powers of local government units were intended to be liberally construed (Art. X, sec. 1), and the authority of a political subdivision to establish a public enterprise or public corporation in furtherance of legitimate public purposes is at least alluded to in Article IX, sec. 11, and appears there and in commentary in the record of the constitutional convention without restriction as to number or kind of agency. In short, I believe that the state constitutional provision enunciating a policy of a "minimum of local government units" may not be understood to be a limitation on the use of public enterprises or corporations -- public agencies, generally -- to supplement direct provision of public services by local governments. Other circumstances or conditions may compel that conclusion: the constitutional provision cited, in my opinion, does not.

IV

Your concluding query requires examination of tax-levying authority under AS 29.59 and existing limitations on the authority of local governments to levy property taxes. The tax limitations of AS 29.53.050 appear to be inapplicable to taxes of a public corporation or similar public agency established by a municipality under authority granted by AS 29.59. There is no direct relationship between the two statutory provisions mentioned such that the limitations section of AS 29.53.050 need be extended and made applicable to public agencies. The grant of authority set out in AS 29.59 does not extend to the public corporation or similar instrumentality the right to levy taxes. That right is limited, by the state constitution, to the levy and collection by cities and boroughs only. Thus, the right of the public corporation to issue obligations on behalf of the municipality for public purposes, if understood as having the effect of using the public corporation as a "front" for the municipality, cannot circumvent the limitation on delegation of taxing authority only to cities and boroughs, requiring the municipality to raise necessary revenues to pay off obligations of the corporation within the general limitation of AS 29.53. Similarly, if the right granted be seen as one by which a public corporation is authorized to issue its obligations for public purposes in furtherance of the responsibilities of municipalities, the grant of authority does not carry with it the right to levy and collect taxes for the purpose, and concern about conflict with AS 29.53 is unfounded. (The latter is analogous, at the local level, to the relationship between the State and ASHA, a public corporation: ASHA bonds are strictly revenue bonds; ASHA is not authorized to offer obligations on the strength of the full faith and credit of the people of Alaska, nor is the State legally obliged to bail ASHA out of any financial embarrassments.) In summary, in no instance can I conceive of a public corporation established under AS 29.59 having a valid argument on which to enforce a levy in excess of that provided for generally in statute.

V

I do not want to leave points 1 and 2 of this paper without mentioning two other matters:

While it is true, of course, that the failure of the IRS to adopt the regulations proposed in early 1976 constitutes a change of circumstance over the intervening two-year period,

Representative Lisa Rudd
Page 6
March 17, 1978

it is equally true that, apart from AS 29.59, there is no generally applicable provision by which a city or borough is granted authority to establish a corporation or instrumentality to use as an agent in the issuance of debt obligations on its behalf. I am not aware that any Alaska municipality has placed reliance on the provision in the two years it has appeared in the statutes. Repeal of the provision, or even non-alteration, probably poses no problem. However, though AS 29.59 was drafted and enacted under circumstances quite different than those presently known, to the extent that a clear statement of authority for the establishment of a corporation for the purposes indicated is desirable, the provision does serve that purpose. The committee will, of course, enunciate the policy: I did not want to leave the impression that, because circumstances have changed, the statute no longer serves a useful role.

Secondly, I want to caution that this memo is not intended to address or suggest disposition of the issues which surround the very complicated subject of tax treatment of the interest earned on industrial development bonds. (In requesting your questions in writing, I wanted to try to assure that the questions could be answered in a manner which did not require extended treatment of the handling of industrial development bonds, a relatively more common means of involving public purpose financing through the intermediary of a public corporation, but one which is, in terms of tax-exempt eligibility, far more complicated.) The tax-exempt status of industrial development bonds -- defined, generally, as bonds whose proceeds are used in an activity engaged in for profit by other than a governmental unit or other than an organization exempt from tax (i.e. corporations with nonprofit status under §501(c)(3)) and on which either the payment of the principal and interest is secured in whole or in part by property to the payments received from the property are pledged for the payment of principal and interest -- is subject to far more extended and extensive limitations than those of bonds which would be issued by public corporations or instrumentalities whose existence is authorized under AS 29.59.

I trust that this fully responds to your questions.

JBC:jpd

Attachment

MEMORANDUM

February 16, 1978

SUBJECT: Brief history of AS 29.59

TO: Representative Nels A. Anderson, Jr.

FROM: John B. Chenoweth
Legislative Counsel

My recollection of the circumstances relating to the adoption and taking effect of the bill embodying this provision is this:

In mid-session of 1976, Bob Dupere called to the attention of the Senate Community and Regional Affairs Committee the proposal by the IRS to tighten regulations defining the tax-exempt status of public corporations. Dupere has, of course, a working knowledge of municipal finance with respect to Alaska's local governments, and appreciated the potential problems that would have been presented under the particular changes then under consideration by the IRS. His suggestion to meet the problems was to make clear that municipalities had the authority to establish public corporations for carrying out specific municipal purposes, to protect the tax-exempt status (insofar as that was possible) of these creatures in the event local governments determined to make use of public corporations to meet public purposes or needs. At the time, as I recall, the possibility of establishment of a public corporation for hospital care was under active consideration, as, I think, was the proposal to use municipal authority to provide public services to major industrial users.

At any rate, the bill was drafted and presented. Committee members endorsed the attachment of the provision to a bill offered by the governor making technical amendments to the existing authority of the Alaska Municipal Bond Bank Authority. I do not recall whether the provision was added on to the governor's bill in anticipation of possible veto of the same provision standing alone, or whether it was added because, on that day, the governor's bill happened to present itself as a handy vehicle. That is where it was put -- but in redrafting the bill to carry the amendment, the draftsman neglected to conform the title.

Representative Nels A. Anderson, Jr.

Page 2

February 16, 1978

The governor signed the bill into law. However, in a most unusual move, his transmittal letter to the Legislature pointed out the problem posed by the failure to limit the bill to one subject and to conform the title to the substantive provisions of the amended bill:

"I have signed the following bill and am transmitting the enrolled and engrossed copies to the Lieutenant Governor's Office for permanent filing:

SENATE COMMITTEE SUBSTITUTE FOR
COMMITTEE SUBSTITUTE FOR
HOUSE BILL NO. 674
amended Senate (Chapter 56, SLA 1976)

Even though I have signed this bill into law, I have been advised by the Attorney General that the inclusion of Sec. 4 in the bill violates Article II, Section 13 of the Alaska Constitution. This provision requires that bills are to be confined to one subject and that the subject be expressed in the title. Accordingly, the Attorney General has advised that Sec. 4 of the bill is void and of no effect.

I am bringing this matter of the Attorney General's advise (sic) to your attention so that those legislators who were relying on Sec. 4 to accomplish some objective may be notified as to its probable effect. Those legislators may then want to take appropriate action such as introducing new legislation to cover the subject set forth in Sec. 4 of the bill."

1976 House Journal, at p. 1280.

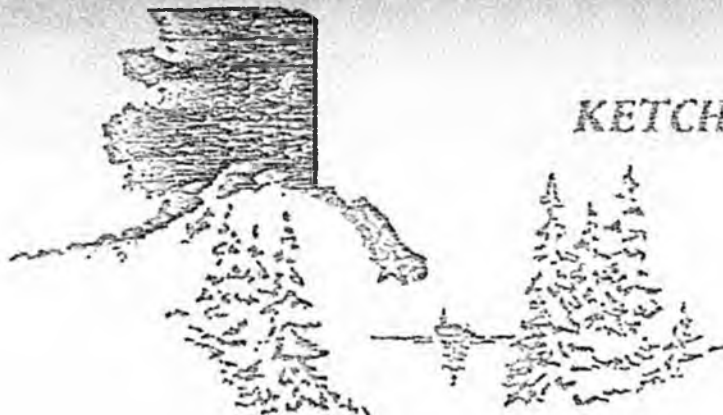
I have to question why the Attorney General determined that only section 4 of the legislation, that section adding what is now AS 29.59, was "void and of no effect" -- why, in fact, the entire bill was not tainted with the same objection -- and whether, for that reason, the opinion rendered to the governor is correct. Nevertheless, it is the closing paragraph of the governor's transmittal letter which the provision designated "*Sec. 13" in the original version of HB 483 is intended to address.

Assuming that the governor's statement, based on the attorney general's advice, is correct, then it seems that you have two courses open: Repeal AS 29.59 or re-enact it, with or without substantive amendment. At least as to any municipality which may have acted in reliance on the section, or which may in the future, I think it desirable, in response to the governor's invitation, that the legislature act, for inaction only maintains the "cloud" on AS 29.59 first pointed out in the above-cited transmittal letter.

JEC:jpd

HB

873



KETCHIKAN GATEWAY BOROUGH

344 FRONT STREET
KETCHIKAN, ALASKA 99901

March 27, 1978

Re: EB 873

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

Dear Chairman Rudd:

In our borough, a second-class borough, there are twelve (12) elected officials: mayor, elected-at-large; four (4) assemblymen, elected-at-large from the area outside the City of Ketchikan; a seven (7) assemblymen appointed from the City Council. As a second-class borough the provisions of AS 29.23.530 apply. All our twelve (12) elected officials have 3-year staggered terms. Under the existing provisions of AS 29.23.530 in order to effect an entire salary change for all elected official positions, three elections must take place before all members are receiving the same salary.

A Ketchikan Gateway Borough Assembly salary change (from \$100 to \$150) commenced with the October, 1976 election and will be completed when those elected in October, 1978 take office at which time all eleven will again be receiving the same compensation.

Having observed this transition from \$100 to 150 per month, it is apparent that among the elected officials, the procedure involved is a point of irritation as all have the same responsibilities.

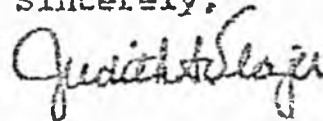
I believe there are sufficient checks in our local government structures to preclude the actions of elected officials from becoming actions directed toward overt personal

The Honorable Lisa Rudd
March 27, 1978
Page two

gain at the expense of the local taxpayers. Those local governments to which the existing requirements apply are those smaller municipalities where actions of the elected officials are constantly subject to very close public scrutiny. Elected officials salaries must be set by ordinance on which public hearings are held, these salaries are included in the annual budget on which public hearings are held, and the appropriations needed to pay these salaries are made by ordinance on which public hearing are held.

Therefore, I am of the opinion that the present provisions of AS 29.23.530 are unduly restrictive and I support Bd 873 as proposed.

Sincerely,



Judith A. Slajer
Borough Manager

JAS:jw

cc: KGB Assenby and Mayor
Jim Rolle, Ex. Director, AML

FAIRBANKS NORTH STAR BOROUGH

Box 1267, Fairbanks, Alaska 99707

April 3, 1978

Ms. Lisa Rudd
Alaska House of Representatives
Pouch V
Juneau, Alaska 99811

RE: HB 873 "An act relating to the salaries of elected municipal officials"

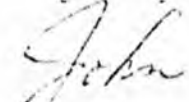
Dear Ms. Rudd:

I wish to present testimony in favor of passage of HB 873.

Having had the privilege of being elected a full time Borough Chairman in October of 1968, when the budget was set in June of 1968 for a part time Borough Chairman, I found that compensation could not be increased because of the wording in the statute. I am very happy to see HB 873 introduced as this would amend this restriction.

I concur that wages should not be decreased, as a person running for that office naturally would expect to receive the compensation shown in the budget, but should, on the other hand, not be restricted from receiving just compensation for his efforts.

Very truly yours,


JOHN A. CARLSON
Borough Mayor

JAC:mkr

*Acknowledged by phone
4/6/78 A.E.*

HB

874

LOCAL BOUNDARY COMMISSION

Powers:

1. To consider any local government boundary change
(12, art. X, Alaska Constitution)
2. To present proposed changes to the legislature
(12, art. X, Alaska Constitution; 7, ch. 64, SLA 1959)
3. (subject to law) to establish procedures whereby boundaries
may be adjusted by local action
(12, art X, Alaska Constitution)
4. To make studies of local government boundary problems
(7, ch. 64, SLA 1959)
5. To develop proposed standards and procedures for changing
local boundary lines
(7, ch. 64, SLA 1959)
6. To hold hearings on proposed boundary changes
(7, ch. 64, SLA 1959)

Sec. 44.19.260

LOCAL BOUNDARY COMMISSION MEETING WITH
COMMUNITY AND REGIONAL AFFAIRS COMMITTEE OF THE HOUSE

SUBJECTS:

1. HB 874 Local Boundary Commission Local Government Study
2. HB 585 Local Government Study Commission
3. Boundary Commission's Functions
(will probably come up under the above)
4. Letter from C&RA Committee
(Gallagher may wish to discuss this.)
5. Staff Support from C&RA; is it satisfactory?
(Optional discussion item)

Members have time?
Advisory Committee - ?
fiscal

Introduced: 3/7/78
Referred: Community & Regional
Affairs and Finance

1 IN THE HOUSE

BY THE COMMUNITY AND REGIONAL
AFFAIRS COMMITTEE

2 HOUSE BILL NO. 874

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to a study of provision of local
7 government services in the unorganized borough."

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

9 * Section 1. FINDINGS. (a) Article X of the Constitution of the State
10 of Alaska provides for local government in the state. It states: "The
11 purpose of this article is to provide for maximum local government with a
12 minimum of local government units, and to prevent duplication of tax-levying
13 jurisdictions." It also establishes a local boundary commission and requires
14 establishment in the executive branch of the state government of an agency to
15 advise and assist local government.

16 (b) The constitution became operative on January 3, 1959. Although
17 boroughs have been established in certain areas of the state and cities exist
18 in the unorganized borough, the purpose of the local government article has
19 not otherwise been implemented, leaving large areas of the state without
20 functioning local governments. As a result of the need for services and
21 desirability for local control of provision of these services, single purpose
22 agencies funded entirely by the state have been created to fill the vacuum.
23 These agencies sometimes have overlapping boundaries thereby diluting
24 responsiveness to the public.

25 (c) The factual basis for more fully implementing the constitutional
26 mandate is not available. A study by the Local Boundary Commission, aided by
27 the Department of Community and Regional Affairs and an advisory committee
28 with public participation, would provide needed data.

29 * Sec. 2. STUDY. The Local Boundary Commission shall conduct a study on

1 provision of local government services in the unorganized borough. The study
2 shall consider

3 (1) whether there are areas which should be incorporated as local
4 government units;

5 (2) whether there are areas that should be annexed to existing
6 local government unit

7 (3) whether there are areas which should be established by the
8 legislature as service areas, and, if so, what services should be provided to
9 each area;

10 (4) whether the legislature should consider establishing new
11 classes of local government in the state, or should make changes in existing
12 forms;

13 (5) methods of financing newly created local government units from
14 both state and local finances;

15 (6) other matters the commission considers relevant.

16 * Sec. 3. STAFF SUPPORT. The Department of Community and Regional
17 Affairs shall provide staff services to the Local Boundary Commission for
18 performance of the study, but the commission may, within appropriations
19 available for the purpose, contract with other persons for development of
20 data or recommendations on specific matters.

21 * Sec. 4. ADVISORY COMMITTEE. An advisory committee to the Local Bound-
22 ary Commission for the study is established. The committee is composed of
23 the chairmen of the senate and house community and regional affairs commit-
24 tees, three members who reside in the unorganized borough outside cities, two
25 members representing municipalities in the unorganized borough, one member
26 representing school boards in borough or city school districts in the unor-
27 ganized borough, and one member representing school boards in regional edu-
28 cational attendance areas. The committee shall elect its own chairman. The
29 committee shall review recommendations proposed by the commission, comment to

1 the commission on each proposed recommendation, and perform other duties as
2 assigned by the Local Boundary Commission.

3 * Sec. 5. PUBLIC HEARING. The Local Boundary Commission in conjunction
4 with the advisory committee shall hold public hearings within the unorganized
5 borough. At least one hearing shall be held in each judicial district of the
6 state and other hearings may be held at the discretion of the commission.

7 * Sec. 6. REPORT. The Local Boundary Commission shall prepare a final
8 report with findings and recommendations and submit the report and recommen-
9 dations to the governor and, through the Legislative Council, to the legis-
10 lature on or before September 1, 1979.

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HB

875

118 815

	<u>Acres</u>	<u>%</u>	<u>\$</u>
Valley	256,000	55.54	4,985 4,990
Coconino	4,064	0.88 .09	79
Yukon	12,800	.28	252

Craig	6,080	.04	986
Heena	340	.002	49
Hydaburg	189	.001	25
Kake	640	.004	99
Klawock	100	.001	25
Pelican	113	.001	25
Vetersburg	32,000	.02	4,930
Skagway	6,400	.04	986
Wrangell	32,000	.20	4,930
Total			<u>\$17,376</u>

Tongass National Forest

Acreage 15,997,447
 FY 1977 Receipts \$2,465,222

Chugach National Forest

Acreage 4,624,567
 FY 1977 Receipts \$90,066

TO; Lisa FROM: Annette
April 13, 1978

HB 875 Payments to 1st class and home rule municipalities
from National Forest revenues.

This bill adds a new section to extend to first class and home rule cities in the unorganized borough a portion of the revenues received from National Forest lands. The law presently shares these revenues with boroughs for support of schools and roads. Payments are based on national forest acreage within the municipalities.

The Federal law, 16 U.S.C. 500, as cited in the statute, gives a portion of the national forest stumpage revenues to states for distribution to "counties" for the support of schools and roads. When Alaska became a state, it was thought that boroughs were Alaska's answer to counties and so the revenue was shared with boroughs.

Obviously, boroughs are not the only municipalities which support schools and roads, but since the federal law specifies counties, and it is felt that the federal government will not accept cities in the unorganized borough as a special form of county, HB 875 is worded so as to get around the specifics of the federal law. In HB 875 the cities will receive a share of the national forest revenues from the general fund.

The general fund contains the remainder of the national forest shared revenues after some have been dispursed to boroughs. In other words, it is not going directly to the cities, but is appropriated at a later date to them from the general fund.

DC&RA handles the disbursement of funds (which they receive from the Forest Service) to boroughs. They will give us a fiscal note on the impact of this legislation. An estimate is about 8 cities.

HB

886

THESE INVESTIGATIONS WOULD BE OF THE STATE TO BECOME THE CAPITAL INVESTMENT BANK

SECTION ONE SHOULD BE REPEALED

THESE INVESTIGATIONS WOULD BE OF THE STATE TO BECOME THE CAPITAL INVESTMENT BANK
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SECTION TWO SHOULD BE REPEALED

THESE INVESTIGATIONS WOULD BE OF THE STATE TO BECOME THE CAPITAL INVESTMENT BANK
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SECTION THREE SHOULD BE REPEALED

END

455-4267

SECTION FOUR SHOULD BE REPEALED

THESE INVESTIGATIONS WOULD BE OF THE STATE TO BECOME THE CAPITAL INVESTMENT BANK

THESE INVESTIGATIONS WOULD BE OF THE STATE TO BECOME THE CAPITAL INVESTMENT BANK

SECTION FIVE SHOULD BE REPEALED

SECTION SIX SHOULD BE REPEALED

SECTION SEVEN SHOULD BE REPEALED

SECTION EIGHT SHOULD BE REPEALED

AT RATES SUBSTANTIALLY BELOW THOSE AVAILABLE TO LOCAL GOVERNMENT, AND THE INCREASING REVENUE BEING MADE AVAILABLE FROM RESOURCE DEVELOPMENT, THE TIME IS PARTICULARLY RIPE FOR A COMMITMENT BY THE STATE TO ASSIST LOCAL GOVERNMENT TAXPAYERS IN MAKING THEIR COMMUNITIES, SAFE, PLEASANT AND ATTRACTIVE PLACES. IN ANCHORAGE, BREAKTHROUGH IS RESPONSIBLE FOR URGING THE ASSEMBLY TO PLACE BEFORE THE VOTERS SEVERAL BOND PROPOSITIONS WHICH, IF ENACTED, WOULD BE USED TO MATCH STATE FUNDS PROVIDED UNDER HB886 TO PROVIDE NEEDED COMMUNITY IMPROVEMENTS.

MANY OF THE PROJECTED IMPROVEMENTS SUCH AS CULTURAL AND SPORTS CENTERS, ROAD IMPROVEMENT, AND LIBRARIES AND MUSEUMS WILL BENEFIT THOSE RESIDENTS OF THE STATE WHO VISIT OR TRAVEL THROUGH ANCHORAGE, IN ADDITION TO PERMANENT RESIDENTS OF THE MUNICIPALITY. PERHAPS MORE IMPORTANTLY, PASSAGE OF HB 886 WILL, AS NOTED ABOVE, EFFECTIVELY PROVIDE INCENTIVE IN OTHER COMMUNITIES FOR GROUPS SIMILAR TO BREAKTHROUGH TO TRY TO OVERCOME THE DILEMMA BETWEEN TAX BURDEN AND COMMUNITY NEEDS AND TO MAKE ALASKAN COMMUNITIES EQUAL IN QUALITY TO THOSE OUTSIDE IN PROVIDING ADEQUATE SERVICES AND FACILITIES FOR THEIR RESIDENTS.

IF I CAN BE OF ANY ASSISTANCE TO THE COMMITTEE, PLEASE DO NOT HESITATE TO CALL MY OFFICE AT 264-4451, OR CONTACT MR. JED PEREIRA, MUNICIPAL ATTORNEY, AT 264-4017. THANK YOU FOR THE OPPORTUNITY TO COMMENT ON THIS LEGISLATION. (LETTER FORTHCOMING).

WALTER GEORGE W. SULLIVAN

Municipality
of
Anchorage



POUCH 6 650
ANCHORAGE, ALASKA 99502
(907) 274-2525

GEORGE M. SULLIVAN
MAYOR

OFFICE OF THE MAYOR

April 4, 1978

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

Re: House Bill 886

Dear Representative Rudd:

The purpose of this letter is to inform you that the Municipality of Anchorage strongly supports House Bill 886 and urges its favorable consideration by your Committee. This legislation would implement the "Operation Breakthrough" program in Anchorage as well as providing impetus for similar projects in other communities throughout the state.

I am certain I do not need to remind you of the ever present dilemma posed for local government by demands for services and capital improvements on the one hand and the need to minimize local tax burdens on the other. Programs such as Breakthrough represent an effort by concerned citizens to overcome this dilemma and to place responsibility for a decision on major community improvements before the voters.

Given the ability of the state to borrow capital improvement funds at rates substantially below those available to local government, and the increasing revenue being made available from resource development, the time is particularly ripe for a commitment by the state to assist local government taxpayers in making their communities safe, pleasant and attractive places. In Anchorage, Breakthrough is responsible for urging the Assembly to place before the voters several bond propositions which, if enacted, would be used to match state funds provided under HB 886 to provide needed community improvements.

Many of the projected improvements such as cultural and sports centers, road improvement, libraries and museums will benefit those residents of the state who visit or travel through



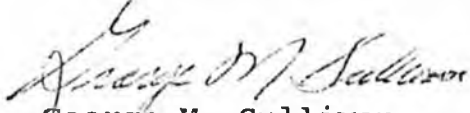
Rep. Lisa Rudd
April 4, 1978
Page 2

Anchorage, in addition to permanent residents of the Municipality. Perhaps more importantly, passage of HB 886 will, as noted above, hopefully provide incentive in other communities for groups similar to Breakthrough to try to overcome the dilemma between tax burdens and community needs and to make Alaskan communities equal or superior to those outside in providing adequate services and facilities for their residents.

If I or my staff can be of any assistance to the Committee, please do not hesitate to call my office at 264-4431, or contact Mr. Ted Berns, Municipal Attorney, at 264-4237. Thank you for the opportunity to comment on this legislation.

Sincerely,

MUNICIPALITY OF ANCHORAGE


George M. Sullivan
Mayor

CMS:TDB:gml

Municipality of Anchorage



POUCH 6-650
ANCHORAGE, ALASKA 99502
(907) 274-2525

GEORGE M. SULLIVAN,
MAYOR

OFFICE OF THE MUNICIPAL MANAGER

June 6, 1978

Honorable Lisa Rudd
Alaska House of Representatives
Pouch V
State Capitol Building
Juneau, Alaska 99811

Dear Lisa:

As indicated, I brought some of our staff together to review the allocation problems you are having with HB 886. As a result, we came up with the following:

1. Question: Although there seems to be support for the presently proposed method of determining local shares under HB 886, the application of the formula results in a \$650 million package. The proposed method includes a heavier weighting for smaller, less populated communities. For example, communities with populations of less than 10,000 would receive \$3,000 per capita vs. \$1,000 per capita for Anchorage. How can we accommodate the originally proposed methodology and stay within \$400 million?

Suggestion: Calculate the relative shares under the proposed methodology. Distribute the \$400 million amount pro-rata using the percentages derived from the \$650 million allocations. This approach will continue the heavier weightings for small communities. It also has the advantage of being relatively straight forward.

2. Question: The State is concerned about being able to predict the required funding under HB 886 for each fiscal year. How can this be accomplished?

Suggestion: Establish a ceiling amount for each fiscal year and distribute the \$400 million over a eight to ten year period, including one to two years for closing out the program. This would result in something less than \$400 million given the present value of an annual allocation over an eight to ten year period.

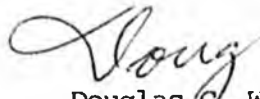


Page 2
Letter to Honorable Lisa Rudd
Re: HB 886

Suggestion: Each community would be required to present a Capital Improvement Program requesting the funds. The State should have some flexibility in allocating the funds during each fiscal year so that communities who are prepared to proceed can receive available funds. Over the eight to ten year period, no community would receive more than its maximum amount allowable under the formula.

I trust these comments will be of some value to you.

Sincerely,



Douglas C. Weiford
Municipal Manager

/jlc

Municipality of Anchorage
5/78

HB 886: AN ACT RELATING TO STATE AID FOR MUNICIPAL CAPITAL IMPROVEMENT;
AND PROVIDING FOR AN EFFECTIVE DATE.

HB 886 would facilitate the "Operation Breakthrough" program in Anchorage and provide impetus for similar projects in other communities throughout the state. The Municipality of Anchorage supports this bill.

Local government faces an ever present dilemma posed by demands for services and capital improvements and the need to minimize local tax burdens. Programs such as Breakthrough represent an effort by concerned citizens to overcome this dilemma by placing responsibility for decisions on major community improvements before the voters. Breakthrough is responsible for urging the Anchorage Assembly to place before the voters several bond propositions which would be used to match state funds under HB 886 to provide needed community improvements.

The State can borrow capital improvement funds at rates substantially below those available to local government, and resource development is making increased revenue available to the State. Thus, the time is particularly ripe for a commitment by the State to assist local government taxpayers in making their communities safe, pleasant, and attractive places to live.

Many of Breakthrough's projected improvements such as cultural and sports centers, road improvement, and libraries and museums will benefit those residents of the State who visit or travel through Anchorage as well as the permanent residents of the Municipality.

Perhaps more importantly, HB 886 will provide incentive in other communities for groups similar to Breakthrough to try to overcome the dilemma between tax burdens and community needs. We hope that such groups will make Alaskan communities equal or superior to those Outside in providing adequate services and facilities for their residents.

*60 mil.
Thurlow - cut up per*

Original sponsor: Community and Regional Affairs Committee

1 IN THE HOUSE

BY THE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 886

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to state aid for municipal capital im-
7 provements; and providing for an effective date."

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

9 * Section 1. AS 43.18 is amended by adding new sections to read:

10 Sec. 43.18.200. INTENT. It is the intent of the legislature that,
11 so long as the state general fund is augmented by a substantial dollar
12 contribution from the development of Alaska's petroleum resources,
13 appropriations be made annually under secs. 200 - 255 of this chapter to
14 share a portion of that resource revenue with municipalities for their
15 capital improvement projects.

16 Sec. 43.18.205. MUNICIPAL CAPITAL IMPROVEMENT ACCOUNT. The muni-
17 cipal capital improvement account is established. The account consists
18 of appropriations for distribution under secs. 200 - 255 of this chapter
19 to municipalities to assist in paying the costs of eligible municipal
20 capital improvement projects for which no bonding, notes, or other
21 indebtedness was incurred before July 1, 1978.

22 Sec. 43.18.210. GRANTS TO MUNICIPALITIES. (a) During each fiscal
23 year, the state shall allocate to each municipality in the state an
24 amount equal to 50 per cent of the annual principal and interest owing
25 by that municipality on its general obligation bonded indebtedness for
26 an eligible capital improvement for which bonding, notes or other in-
27 debtedness was incurred on or after July 1, 1978, or, if funds are
28 available, make a grant to the municipality of 50 per cent of the costs
29 of the capital improvement which the municipality seeks to construct or

1 acquire.

2 (b) The estimated cost of an eligible capital improvement project
3 may not exceed costs developed in accordance with the standards and
4 criteria adopted by the commissioner of the Department of Transportation
5 and Public Facilities under AS 35.10.160 - 35.10.200. State funds may
6 not be committed to nor expended for construction cost overruns or other
7 costs in excess of the original project estimated cost.

8 (c) Subject to (a) of this section, a municipality may, for a
9 proposed municipal capital improvement eligible for state assistance
10 under this section, obtain from the state a grant for the capital im-
11 provement in an amount equal to 50 per cent of the cost of the project
12 or 50 per cent of the amount that would be the local share not financed
13 by other state or federal assistance programs or private grants, which-
14 ever is the lesser. The municipal share of the funding of the eligible
15 capital improvement may be obtained by the municipality from any source
16 lawfully available to it, including but not limited to the sale of
17 general obligation bonds.

18 Sec. 43.18.215. LIMITATION ON GRANTS. (a) No more may be allo-
19 cated to a municipality from the municipal capital improvement account
20 than

- 21 (1) \$3,000 per capita on the first 1,000 population;
22 (2) \$2,000 per capita on population over 1,000 but less than
23 10,000;
24 (3) \$1,000 per capita on population of 10,000 and more.

25 (b) When a municipality has been allocated the maximum amount
26 provided in (a) of this section for that municipality, it is no longer
27 eligible to obtain grants from the municipal capital improvement account
28 regardless of population changes within the municipality after that
29 time.

1 (c) For purposes of this section,

2 (1) the population used for computing the entitlement is the
3 population of the municipality on July 1, 1978, as determined by the
4 department;

5 (2) the limitation on allocations in (a) of this section
6 applicable to a borough shall be based upon the population of the
7 borough with respect to an eligible capital improvement which the
8 borough has authority to provide on an areawide basis;

9 (3) the limitation on allocations in (a) of this section
10 applicable to a city or service area of a borough shall be based upon
11 the population of the city or service area of the borough with respect
12 to an eligible capital improvement which the city has authority to
13 provide or which the borough has authority to provide on a service area
14 basis.

15 Sec. 43.18.220. APPLICATION FOR AID. (a) The commissioner shall
16 prescribe the necessary forms and procedures to be used in applying for
17 grants under secs. 200 - 255 of this chapter.

18 (b) A municipality seeking aid under secs. 200 - 255 of this
19 chapter must apply to the department by September 15 of the prior fiscal
20 year.

21 (c) The department

22 (1) may not administer secs. 200 - 255 of this chapter in a
23 manner that diminishes the authority of a municipality [] to determine
24 what types, priorities or design of capital improvements are appropriate
25 for its community.

26 (2) may make no determination of eligibility based upon its
27 evaluation of the desirability or priority of a project.

28 Sec. 43.18.225. CONDITIONS OF GRANTS. (a) Funds distributed to a
29 municipality under secs. 200 - 255 of this chapter must be received,

1 held, and expended by the municipality in accordance with the applicable
2 provisions of law and of regulations adopted by the department. Funds
3 provided under secs. 200 - 255 of this chapter, but which are not re-
4 quired for the project for which they were granted or which are in
5 excess of that municipality's entitlement for grants as that entitlement
6 is limited by sec. 215 of this chapter, shall be returned to the depart-
7 ment and deposited in the general fund.

8 (b) Each municipality shall maintain financial records of the
9 receipt and disbursement of state funds received under secs. 200 - 255
10 of this chapter and money provided toward local effort. The records
11 must be in the form prescribed by the department and are subject to
12 audit by it at any time.

13 (c) Before funds are distributed to a municipality by the depart-
14 ment, the commissioner shall require municipal officers to demonstrate
15 that the municipality has secured financial assistance from other
16 federal and state programs to the maximum possible extent.

17 Sec. 43.18.230. RESPONSIBILITY TO MAINTAIN AND OPERATE CAPITAL
18 IMPROVEMENT. Every municipality obtaining funds under secs. 200 - 255
19 of this chapter shall be solely responsible for the maintenance and
20 operation of the capital improvement. Nothing in secs. 200 - 255 of
21 this chapter obligates the state to participate in or contribute to the
22 cost of operation and maintenance of the capital improvement.

23 Sec. 43.18.235. SUBMISSION OF CAPITAL IMPROVEMENT PLAN REQUIRED.
24 No funds may be made available under secs. 200 - 255 of this chapter
25 unless the municipality submits to the department a five-year capital
26 improvement plan showing the capital improvements planned for the muni-
27 cipality during the next five years, the planned sources of revenues to
28 pay for the capital improvements, and operational costs of the capital
29 improvements.

1 Sec. 43.18.240. NOTICE OF GRANTS. The municipality shall furnish
2 a notice with tax statements mailed for the fiscal year for which state
3 grants for general obligation bonded indebtedness or cash grants for
4 capital improvements are received under secs. 200 - 255 of this chapter
5 setting out the amount made available by the state to the municipality
6 for that fiscal year. This information shall be incorporated in any
7 notice to the taxpayer required under sec. 30 of this chapter in connec-
8 tion with state aid to local governments.

9 Sec. 43.18.245. CONSTRUCTION AND IMPLEMENTATION. (a) Sections
10 200 - 255 of this chapter may not be construed so as to create a debt of
11 the state.

12 (b) Funds to carry out the provisions of secs. 200 - 255 of this
13 chapter may be appropriated annually by the legislature into the muni-
14 cipal capital improvement account. If amounts in the account are in-
15 sufficient to meet the allocations authorized by the commissioner under
16 secs. 200 - 255 of this chapter, the funds available shall be distribu-
17 ted pro rata among each municipality based upon its computed entitlement.

18 Sec. 43.18.250. REGULATIONS. The department shall adopt regula-
19 tions necessary to carry out the provisions of secs. 200 - 255 of this
20 chapter.

21 Sec. 43.18.255. DEFINITIONS. In secs. 200 - 255 of this chapter,
22 unless the context requires otherwise,

23 (1) "commissioner" means the commissioner of community and
24 regional affairs;

25 (2) "department" means the Department of Community and Re-
26 gional Affairs;

27 (3) "eligible capital improvement" means a public facility or
28 public work, funds for the construction of which may be secured by the
29 issuance of the municipality's general obligation bonds; the term ex-

1 cludes an elementary and secondary school and a medical facility;

2 (4) "municipality" means a unified municipality or a home
3 rule borough or a general law borough or city of any class incorporated
4 under the laws of the state.

5 * Sec. 2. This Act takes effect immediately in accordance with AS 01.10.
6 070(c).

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school prog - "legis. has never failed" - const. prob.

what priorities for bond issue?

Mon. after Easter

Introduced: 3/15/78
Referred: Community & Regional
Affairs and Finance

IN THE HOUSE

BY THE COMMUNITY AND REGIONAL
AFFAIRS COMMITTEE

more specific
"work on it -"

HOUSE BILL NO. 886

define cap. imp.

IN THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to state aid for municipal capital im-
provement; and providing for an effective date."

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

* Section 1. AS 43.18 is amended by adding new sections to read:

Sec. 43.18.200. MUNICIPAL CAPITAL IMPROVEMENT ACCOUNT. The muni-
cipal capital improvement account is established. The account consists
of appropriations for distribution under secs. 200 - 295 of this chapter
to municipalities to assist in paying the costs of municipal capital
improvement projects for which no bonding, notes, or other indebtedness
was incurred before July 1, 1978.

Sec. 43.18.210. GRANTS TO MUNICIPALITIES. (a) During each fiscal
year, the state shall allocate to each municipality in the state an
amount equal to 50 per cent of the annual principal and interest owing
by that municipality on its general obligation bonded indebtedness for
which bonding, notes or other indebtedness was incurred on or after
July 1, 1978, or, if funds are available, make a grant to the munici-
pality of 50 per cent of the costs of the capital improvement which the
municipality seeks to construct or acquire.

(b) State funds may not be committed to nor expended for construc-
tion cost overruns or other costs in excess of the original project
estimated cost. *application state project est. costs. To be
certified by commissioner*

(c) Subject to (a) of this section, a municipality may, for a
proposed municipal capital improvement eligible for state assistance
under this section, obtain from the state a grant for the capital

defeat -
share in
wealth
municipalities
long as it
is available.

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clarified

muni. has power -

state of federal assistance

1 improvement in an amount equal to 50 per cent of the cost of the project
2 or 50 per cent of the amount that would be the local share not financed
3 by other programs *or private grants,* whichever is the lesser. The municipal share of the
4 funding of the capital improvement may be obtained by the municipality
5 from any source lawfully available to it, including but not limited to
6 the sale of general obligation bonds.

7 Sec. 43.18.220. LIMITATION ON GRANTS. (a) No more may be allo-
8 cated to a municipality from the municipal capital improvement account
9 than

pop. as of 7/1/78

- 10 (1) \$3,000 per capita on the first 1,000 population;
- 11 (2) \$2,000 per capita on population over 1,000 but less than
- 12 10,000;
- 13 (3) \$1,000 per capita on population of 10,000 and more.

14 (b) When a municipality has been allocated the maximum amount
15 provided in (a) of this section for that municipality, it is no longer
16 eligible to obtain grants from the municipal capital improvement account
17 regardless of population changes within the municipality after ~~that~~ *7/1/78*
18 time.

19 Sec. 43.18.230. APPLICATION FOR AID. (a) The commissioner shall
20 prescribe the necessary forms and procedures to be used in applying for
21 grants under secs. 200 - 295 of this chapter.

22 (b) A municipality seeking aid under secs. 200 - 295 of this
23 chapter must apply to the department by September 15 of the prior fiscal
24 year.

25 (c) The department may not [adopt regulations, review applications
26 from municipalities, or otherwise] administer secs. 200 - 295 of this
27 chapter in a manner that diminishes the authority of a municipality [in
28 its sole discretion,] to determine what types, priorities or design of
29 capital improvements are appropriate for its community. [No state

with this, on p. 4, l. 2

1 judgment as to the appropriateness of a particular capital improvement
2 in a particular community is a factor in determining eligibility of
3 capital improvements for funding under secs. 200 - 295 of this chapter.]

4 Sec. 43.18.240. CONDITIONS OF GRANTS. (a) Funds distributed to a
5 municipality under secs. 200 - 295 of this chapter must be received,
6 held, and expended by the municipality in accordance with the applicable
7 provisions of law and of regulations adopted by the department. Funds
8 provided under secs. 200 - 295 of this chapter, but which are not re-
9 quired for the project for which they were granted or which are in
10 excess of that municipality's entitlement for grants under sec. 220 of
11 this chapter must be returned to the department and deposited in the
12 general fund.

13 (b) Each municipality shall maintain financial records of the
14 receipt and disbursement of state funds received under secs. 200 - 295
15 of this chapter and money provided toward local effort. The records
16 must be in the form prescribed by the department and are subject to
17 audit by it at any time.

18 Sec. 43.18.250. RESPONSIBILITY TO MAINTAIN AND OPERATE CAPITAL
19 IMPROVEMENT. Every municipality obtaining funds under secs. 200 - 295
20 of this chapter shall [by accepting such funds] be solely responsible
21 for the maintenance and operation of the capital improvement. Nothing
22 in secs. 200 - 295 of this chapter obligates the state to participate in
23 or contribute to the cost of operation and maintenance of the capital
24 improvement.

25 Sec. 43.18.260. SUBMISSION OF CAPITAL IMPROVEMENT PLAN REQUIRED.
26 (a) No funds may be made available under secs. 200 - 295 of this chap-
27 ter unless the municipality submits to the department a five-year capital
28 improvement plan showing the capital improvements planned for the muni-
29 cipality during the next five years, the planned sources of revenues to

*not this,
or p. 2 & 3*

1 pay for the capital improvements, and operational costs of the capital
2 improvements. [The department may make no determinations of eligibility
3 based upon its evaluation of the desirability or priority of a project.]

4 Sec. 43.18.270. NOTICE OF GRANTS. The municipality shall furnish
5 a notice with tax statements mailed for the fiscal year for which state
6 grants for general obligation bonded indebtedness or cash grants for
7 capital improvements are received under secs. 200 - 295 of this chapter
8 setting out the amount made available by the state to the municipality
9 for that fiscal year. This information shall be incorporated in any
10 notice to the taxpayer required under sec. 30 of this chapter in connec-
11 tion with state aid to local governments.

12 Sec. 43.18.280. CONSTRUCTION AND IMPLEMENTATION. (a) Sections
13 200 - 295 of this chapter may not be construed so as to create a debt of
14 the state.

15 (b) Funds to carry out the provisions of secs. 200 - 295 of this
16 chapter may be appropriated annually by the legislature into the muni-
17 cipal capital improvement account. If amounts in the account are in-
18 sufficient to meet the allocations authorized by the commissioner under
19 secs. 200 - 295 of this chapter, the funds available shall be distributed
20 pro rata among each municipality based upon its computed entitlement.

21 Sec. 43.18.290. REGULATIONS. The department shall adopt regula-
22 tions necessary to carry out the provisions of secs. 200 - 295 of this
23 chapter.

24 Sec. 43.18.295. DEFINITIONS. In secs. 200 - 295 of this chapter,
25 unless the context requires otherwise,

26 (1) "commissioner" means the commissioner of community and
27 regional affairs;

28 (2) "department" means the Department of Community and Re-
29 gional Affairs;

1 (3) "municipality" means a unified municipality or a home
2 rule borough or a general law borough or city of any class incorporated
3 under the laws of the state.

4 * Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-
5 070(c).

6 Hodiel

suggests:

7 Repeal convention center + sports
8 facilities legislation

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12 date for determination of population

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15 set yearly limit on amt. to be committed
16 by state - (Hodiel says it will not
17 exceed \$28 mil. annually)
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→ print out

(Anch. bond election

(\$1.4 bil. only 20 communities)

repeal conv. center & sports facil. ?

THE ANALYSIS ASSUMES MAXIMUM PAYMENTS TO ALL MUNICIPALITIES

LOCAL GOVERNMENT	POPULATION	ALLOWANCE

BOROUGH AND CITIES WITHIN BOROUGHS		
1 ANCHORAGE (AW)	180,653	\$191,653,000
2 BRISTOL BAY BOROUGH (AW)	1,311	\$3,622,000
3 FAIRBANKS BOROUGH (AW)	60,227	\$71,227,000
4 FAIRBANKS (CITY)	30,462	\$41,462,000
5 NORTH POLE (CITY)	451	\$1,383,000
6 HAINES BOROUGH	1,924	\$4,848,000
7 HAINES (CITY)	1,366	\$3,732,000
8 JUNEAU (AW)	20,465	\$31,465,000
9 KENAI BOROUGH (AW)	24,611	\$35,611,000
10 HOMER (CITY)	1,802	\$4,604,000
11 KACHEMAK (CITY)	151	\$453,000
12 KENAI (CITY)	5,364	\$11,728,000
13 SELDOVIA (CITY)	612	\$1,836,000
14 SEWARD (CITY)	2,279	\$5,558,000
15 SOLDOTNA (CITY)	2,586	\$6,172,000
16 KETCHIKAN BOROUGH (AW)	11,490	\$22,490,000
17 KETCHIKAN (CITY)	7,928	\$16,856,000
18 SAXMAN (CITY)	272	\$816,000
19 KODIAK BOROUGH (AW)	7,901	\$16,802,000
20 KODIAK (CITY)	4,960	\$10,920,000
21 AKHIK (CITY)	102	\$306,000
22 LARSEN BAY (CITY)	137	\$411,000
23 OLD HARBOR (CITY)	327	\$981,000
24 DUZINKIE (CITY)	170	\$510,000
25 PORT LIONS (CITY)	227	\$681,000
26 MAT SU BOROUGH (AW)	16,724	\$27,724,000
27 HOUSTON (CITY)	375	\$1,125,000
28 PALMER (CITY)	1,859	\$4,713,000
29 WASILLA (CITY)	1,566	\$4,132,000
30 NORTH SLOPE BOROUGH (AW)	9,139	\$19,278,000
31 ANAKTUVUK PASS (CITY)	150	\$450,000
32 BARRON (CITY)	2,306	\$5,612,000
33 KAKTOVIK (CITY)	123	\$369,000
34 NUIQSUT (CITY)	152	\$456,000
35 POINT HOPE (CITY)	384	\$1,152,000
36 WAINWRIGHT (CITY)	343	\$1,029,000
37 SITKA BOROUGH	7,550	\$16,300,000
FIRST CLASS CITIES		
38 CORDOVA	2,406	\$5,812,000
39 CRAIG	467	\$1,401,000
40 DILLINGHAM	1,269	\$3,538,000
41 GALENA	631	\$1,893,000
42 HOONAH	848	\$2,544,000
43 HYDABURG	390	\$1,140,000
44 KAKE	679	\$2,037,000
45 KING COVE	408	\$1,224,000
46 KLAWOCK	323	\$969,000
47 NENANA	521	\$1,563,000
48 NOME	2,585	\$6,170,000
49 PELICAN	169	\$507,000
50 PETERSBURG	2,126	\$5,252,000
51 SAINT MARY'S	415	\$1,245,000
52 SKAGWAY	854	\$2,562,000
53 UNALASKA	510	\$1,530,000
54 VALDEZ	7,483	\$15,966,000
55 WRANGELL	3,152	\$7,304,000
56 YAKUTAT	642	\$1,926,000

SECOND CLASS CITIES

57 AKIACHAK	354	\$1,062,000
58 AKIAK	165	\$495,000
59 AKOLMIUT	608	\$1,824,000
60 ALAKANLIK	527	\$1,581,000
61 ALEKNAGIK	227	\$681,000
62 ALLAKAKET	164	\$492,000
63 AMBLER	217	\$651,000
64 ANDERSON	470	\$1,410,000
65 ANGDON	287	\$861,000
66 ANIAK	323	\$969,000
67 ANVIK	87	\$261,000
68 ATMAUTLUAK	169	\$507,000
69 BETHEL	3,409	\$7,818,000
70 BREVIG MISSION	120	\$360,000
71 BUCKLAND	172	\$516,000
72 CHEFORNAK	192	\$576,000
73 CHEVAK	447	\$1,341,000
74 CHUATHBALLIK	118	\$354,000
75 CLARK'S POINT	98	\$294,000
76 DELING	100	\$300,000
77 DELTA JUNCTION	892	\$2,676,000
78 DIOMEDE	135	\$405,000
79 EAGLE	145	\$435,000
80 EEK	195	\$585,000
81 EKWOK	109	\$327,000
82 ELIM	205	\$615,000
83 EMMONAK	545	\$1,635,000
84 FORT YUKON	637	\$1,911,000
85 FORTUNA LEDGE	200	\$600,000
86 GAMBELL	412	\$1,236,000
87 GOLOVIN	118	\$354,000
88 GOODNEWS BAY	248	\$744,000
89 GRAYLING	167	\$501,000
90 HOLY CROSS	212	\$636,000
91 HOOPER BAY	590	\$1,770,000
92 HUGHES	98	\$294,000
93 HUSLIA	216	\$648,000
94 KALTAG	240	\$720,000
95 KASAAN	38	\$114,000
96 KIYANA	314	\$942,000
97 KIVALINA	208	\$624,000
98 KOBUK	60	\$180,000
99 KOTLIK	284	\$852,000
100 KOTZEBUE	2,526	\$6,052,000
101 KOYUK	160	\$480,000
102 KOYUKUK	124	\$372,000
103 KUPREANOF	42	\$126,000
104 KWETHLUK	444	\$1,332,000
105 LOWER KALISKAG	195	\$585,000
106 MANOKOTAK	225	\$675,000
107 MCGRATH	296	\$888,000
108 MEKORYUK	184	\$552,000
109 MOUNTAIN VILLAGE	513	\$1,539,000
110 NAPAKIAK	276	\$828,000
111 NAPASKIAK	210	\$630,000
112 NEWHALEN	89	\$267,000
113 NEW STUYAHOK	230	\$690,000
114 NEWTOK	124	\$372,000
115 NIGHTMUTE	123	\$369,000
116 NIKOLAI	85	\$255,000
117 NONDALTON	226	\$678,000
118 NOORVIK	527	\$1,581,000
119 NULATO	331	\$993,000
120 PILOT STATION	301	\$903,000
121 PLATINUM	50	\$150,000

122 PORT ALEXANDER	51	\$153,000
123 PORT HEIDEN	89	\$267,000
124 QUINHAGAK	395	\$1,185,000
125 RUBY	219	\$657,000
126 RUSSIAN MISSION	158	\$474,000
127 SAINT MICHAEL	206	\$612,000
128 SAINT PAUL	550	\$1,650,000
129 SAND POINT	544	\$1,632,000
130 SAVOONGA	409	\$1,227,000
131 SCAMMON BAY	193	\$579,000
132 SELAWIK	521	\$1,563,000
133 SHAGELUK	169	\$507,000
134 SHAKTOOLIK	160	\$480,000
135 SHELDON POINT	196	\$408,000
136 SHISHMAREF	326	\$978,000
137 SHUNGNAK	182	\$546,000
138 STEBBINS	298	\$894,000
139 TANANA	499	\$1,497,000
140 TELLER	219	\$657,000
141 TENAKEE SPRINGS	140	\$420,000
142 TOGTAK	419	\$1,257,000
143 TOKSOOK BAY	317	\$951,000
144 TULUKSAK	202	\$606,000
145 TUNLUNAK	299	\$897,000
146 UNALAKLEET	630	\$1,890,000
147 UPPER KALSYAG	164	\$492,000
148 WALES	109	\$327,000
149 WHITE MOUNTAIN	98	\$294,000
150 WHITTIER	292	\$876,000

	TOTAL	\$717,932,000

BERRIER'S QUESTIONS ON REWRITE OF HB 886

1. Intent

*2. Equitable distribution of funds.

Suggestion: Annual entitlement to any one city not to exceed an amount based on the city's % of total statewide population.

3. Definition of capital improvements

Perhaps define negatively by exclusion of capital improvements which already have grant programs.

SB 533

4. Clarify amount not financed by other programs.

Presently worded so that this program can match other state and federal programs.
50% of local share.

5. Statement that municipality must have power under AS 29.48

6. Commissioner to make a determination as to ~~appropriateness of~~ project costs *as determined by muni. are realistic.*

7. Repeal sports facilities and convention centers.

8. Deadline.

Definition of capital improvement.

--this program does not apply if state participation through this program plus another program is over 50%.

question of whether equipment such as road graders, etc, should be included as a capital improvement.

Finance costs not eligible

REF: HB 886

GRANTS PROGRAMS AVAILABLE TO MUNICIPALITIES

1. Small Boat Harbor Construction
Division of Waters & Harbors -- 100%
Bond issue
2. Port Facilities
Division of Waters & Harbors -- 90%
Bond Issue
3. Water and Sewer
Department of Environmental Conservation -- 50%
50% of total cost or 50% of non-Federal share
Bond issue -- 1976: \$29.5mil
1978: \$17.5mil
Can match EPA, PHS, EDA, RDA
1st come, 1st served
4. Airports
Division of Aviation -- 12.5% state, 75% Federal, 12.5% local
Bond issue
5. School Construction
Department of Education -- 100% bond retirement
Department of Transportation, Div. of Buildings
6. Electric Utility
CARD —
7. Street Improvements
EDA, LSRT (Local Service Roads & Trails)
State bond issue
8. Parks and Recreation
Division of Parks, LWCF, state bonds.
9. Solid Waste
PHS - *in Indian villages - 100%*
10. Fire, Rescue Operations
Various Federal programs
11. Libraries -- None
12. Parking -- None
13. Animal Control -- None
14. Convention Centers -- Statute not funded
Sports Facilities
Cultural Centers -- none

SB539 Sec. 15

*percentages?
limitations?*

TEN YEAR MUNICIPAL CAPITAL PROJECTIONS STUDY

1978 - 1987

In preparing this capital projects study, it immediately became apparent that municipal and borough officials face many difficulties when allocating public funds for capital projects. This conflict is best characterized by limited funds and an excess of needed or suggested projects. Further projection difficulties arise when it becomes necessary to determine the priority of projects, compliance with a Comprehensive Plan, coordination between various projects, public sentiment, and the impact on the present and future social, economic, physical, and environmental systems of the political subdivisions.

It must be recognized that these projections, developed with the best available information, are subject to the availability of funds. With permanent fund assistance, as well as various other grants, many of these could be realized. Conversely, many of these necessary projects may not be realized in the event of the non-availability of those funds.

Twenty municipalities responded and although they by no means represent all the projects, they do give an indication of the magnitude of the financial needs that face the municipalities of Alaska.

Attached are the results of the study. Requirements are shown (1) by municipality, (2) municipality and project, (3) size of project and, (4) sources of funds. Of the total \$1,499,753,000 in dollar costs only \$1,130,178,000 was recognized as coming from a specific source: either State, Federal, or local subject to availability of funds. Municipalities were not able to determine where the additional \$369,575,000 would come from if the projects were to be constructed.

Care was taken to differentiate between those projects one would like to see and those projects which were vital to general welfare of the community. These costs presently represent those projects which are vital to the community and which will have to be funded through whatever sources of capital is available or they may never be realized. The Permanent Fund may be a means to meet a portion of these requirements.

CAPITAL REQUIREMENTS BY CITY
000's Omitted

Anchorage	\$ 825,832
Brevig Mission	1,586
Fairbanks	192,075
Galena	6,127
Haines	13,791
Houston	10,806
Juneau	122,010
Kenai Peninsula Borough	65,785
Ketchikan	20,101
Kodiak	49,704
Kwethluk	832
McGrath	9,285
Nightmute	481
Savoonga	445
Sitka	99,310
Skagway	20,157
Tenakee Springs	1,050
Toksook Bay	1,190
Valdez	41,150
Wasilla	<u>18,036</u>
Total	<u>\$1,499,753</u>

CAPITAL NEEDS BY CITY AND PROJECTS
000's Omitted

City	Port Facilities	Small Boat Harbors	Airports	Public Transit	Water Utility	Sanitary Sewer	Electric Utility	Parking Facilities	Animal Control	School Construction	Convention Culture Center	Health	Street Improvements	Street Maintenance	Fire Rescue Operations	Library	Parks and Recreation	Solid Waste	Other Projects	Total
Anchorage	\$ 5,030	\$.	\$ 7,832	\$25,236	\$ 81,414	\$110,930	\$211,116	\$ 18,788	\$	\$ 88,500	\$	\$	\$163,496	\$ 2,146	\$ 2,393	\$16,085	\$ 75,435	\$ 9,390	\$ 7,991	\$ 825,832
Brevig Mission						200	1,130		6			100	100			30	20			1,586
Fairbanks					72,000	7,500	80,000						15,020	3,500	3,055		1,000		10,000	192,075
Galena		30			500			3	15					430	25	6	15	23	5,000	6,127
Haines	2,675	909			1,060	1,965		300	35		1,340	900	584	125	495	270	2,608	375	150	13,791
Houston				320	1,500	4,500			75		1,320	1,580	640	210	207		78	166	210	10,806
Juneau	7,277	4,755	12,813	90	28,420	16,339				1,600	15,592	125	8,100		7,535	5,000	14,364			122,010
Kenai Peninsula Borough										58,835		4,000			780			2,120		65,785
Ketchikan	25		7,325			5,500		51	75	2,925			14,100	1,303					4,200	20,101
Kodiak	1,000	11,950			5,700	7,660			29		4,000				487	1,770	1,684			49,704
Kwethluk			70									63			91	54	525			832
McGrath	1,020		400		2,329	2,754					275		1,450		350	255	400	21	31	9,285
Nightmute		6	88	50	27	140	17				14	30	15			12	70	12		481
Savoonga				6		175	20						10			4	5	225		445
Sitka		1,700	1,250		3,000	23,600	49,350	1,900		3,500		7,000	4,350	2,000	1,350					99,310
Skagway	3,780	1,300	700		1,500	750		100	25	1,000	1,000	200	3,500	750	377	300	825	437	3,613	20,157
Tenakee Springs					400	400						50			50				150	1,050
Toksook Bay			150		102	360	200			150		25	85		28					1,190
Valdez	30,000	350				100			50		6,300			1,300		1,000	70		2,000	41,150
Wasilla					4,096	10,680		25	65		430		1,700	560		375	105			18,036
Total	\$ 50,807	\$21,000	\$30,678	\$25,702	\$202,048	\$193,553	\$341,833	\$ 21,167	\$ 425	\$ 156,560	\$ 30,301	\$14,073	\$213,150	\$ 12,374	\$ 17,223	\$25,181	\$ 97,564	\$12,769	\$33,345	\$1,499,753

CAPITAL REQUIREMENTS IN ORDER OF SIZE
000's Omitted

Electric Utility	\$ 341,833
Street Improvements	213,150
Water Utility	202,048
Sanitary Sewer	193,553
School Construction	156,560
Parks and Recreation	97,564
Port Facilities	50,807
Other Projects	33,345
Airports	30,678
Conventions/Culture Centers	30,301
Public Transit	25,702
Library	25,181
Parking Facilities	21,167
Small Boat Harbors	21,000
Fire Rescue Operations	17,223
Health	14,073
Solid Waste	12,769
Street Maintenance	12,374
Animal Control	<u>425</u>
Total	<u>\$1,405,753</u>

SOURCES OF FUNDS
000's Omitted

	<u>Total</u> <u>Requirements</u>	<u>Federal</u>	<u>State</u>	<u>Local</u>
Anchorage	\$ 825,832	\$ 64,756	\$ 43,114	\$717,962
Haines	13,791	3,103	7,744	2,944
Juneau	122,010	35,833	33,843	52,334
Kodiak	49,704	21,400	17,245	11,059
Savoonga	445	51	319	75
Sitka	99,310	16,875	10,562	71,873
Tenakee Springs	1,050		800	250
Wasilla	<u>13,036</u>	<u>4,880</u>	<u>5,188</u>	<u>7,968</u>
Total	<u>\$1,130,178</u>	<u>\$146,898</u>	<u>\$118,815</u>	<u>\$864,465</u>
 Unidentified as to source	 <u>\$ 369,575</u>			

TO: Lisa Rudd
FROM: Annette Smith
RE: Summary of House Bill 886

Section 1 establishes the municipal capital improvement account to assist in paying the costs of municipal capital improvements. The account is funded by Legislative appropriation.

The bill provides for two types of grants:

(1) An annual grant in an amount equal to 50% of the annual principal and interest of the G.O. bonded debt of the municipality incurred on or after July 1, 1978. This is similar to the school construction program where the municipality bonds for the entire amount but the state participates in the debt retirement.

(2) 50% matching grants for construction or purchase costs of capital improvements depending on availability of funds. It is assumed that debt retirement is the first priority of this account.

Limitations in this section are: (1) the state does not participate in cost overruns; and (2) if the project includes funding from another program, the state's share under this Act may not be more than 50% of the local share.

A separate section places a limit on the total amount a municipality may receive from the capital improvement based on population. (Refer to the enclosed computer print-out for a list of maximums)

The DC&RA administers the program but can exercise no authority over the choice or appropriateness of capital improvements to be done by the municipality. However, the municipality must submit a 5 year capital improvement plan showing projects planned, financing plans and costs of operation of the capital improvement.

Conditions of the grants are: (1) grant funds must be handled according to applicable laws and regulations; (2) excess funds are to be returned to the department; (3) proper financial records are to be kept by the municipality; and (4) the municipality has sole responsibility for operation and maintenance costs.

Funds to the capital improvement account are appropriated annually by the Legislature. If the appropriations are insufficient to cover allocations, the department will distribute funds on a prorated basis.

Nothing in the bill can be construed so as to create a debt of the state (see B. Berrier's memo of March 9, 1978).



ALASKA HOUSE OF REPRESENTATIVES

Community and Regional Affairs Committee

LISA RUDD, Chair

NOTE: THIS IS A REVISED SCHEDULE
MARCH 21, 1978

Pouch V, State Capitol
Juneau, Alaska 99811
(907) 465-5570

The House Community and Regional Affairs Committee will consider the following bills during the week of March 20, 1978.

COMMUNITY & REGIONAL AFFAIRS-Room 647, Court Building, 9:00 a.m.

Monday - March 20

HB 781
(SSHB 769)

Authorizing state aid to municipalities for the construction and development of cultural facilities.

HB 782
HB 768

Providing for the issuance of bonds for the purpose of paying the cost of cultural facilities.

Wednesday - March 22

HB 202

Assessment, levy and collection of a tax on developed land in the unorganized borough.

Friday - March 24

HB 707
HB 667
HJR 58

*Relating to Sanitary Landfills
Spec. Approp. for Dillingham Landfill
Relating to the Bureau of Indian
Affairs and Bristol Bay.*

The committee will meet at 9:00 a.m. in room 647 of the Court Building in Juneau (directly across the street from the State Capitol).

We would be very happy to receive testimony from you on any of these bills. You may appear in person at the hearings or you may submit written testimony to the chair at pouch V, Juneau, Alaska 99811.

HIGHLIGHTS OF A PROPOSED ACT
RELATING TO COMMUNITY DEVELOPMENT AND
STATE FINANCIAL ASSISTANCE FOR
MUNICIPAL CAPITAL IMPROVEMENTS

The attached draft bill is presented for your consideration. It has been developed to provide a mechanism for State contribution to the financing of municipal capital improvements, while maintaining maximum autonomy of local governments in applying their own values and priorities in selection of capital improvements under this program.

The matching ratio is 50% State and 50% local funds for any project. The State would have the option of providing its share either from general obligation bond issues or (to avoid the cost of interest) from a direct grant funding 50% of the cost of the project.

Municipalities may, but are not required to, obtain their matching share from the proceeds of municipal bond issues. Thus, if a municipality cannot or chooses not to issue general obligation bonds, the municipality's share may come from other sources such as its treasury or proceeds of federal grants. The purpose is to provide flexibility to Alaska's smaller municipalities.

The bill contains a permanent ceiling on the total amount of State funding for individual municipalities under the Act. To take account of the larger per capita needs of smaller communities, especially where capital projects are involved, a graduated scale has been proposed, such that a progressively less restrictive per capita ceiling on State funding applies to medium-sized (between 1,000 and 10,000 population) and small (population up to 1,000) communities.

Administration would be by the Department of Community and Regional Affairs. The Department's role, however, would be strictly limited to such functions as confirming population data, fiscal capacity, and the existence of a municipal capital improvement plan. It is the intention of the bill's drafters that the State (thus, the Department) not become involved in value judgments concerning the desirability of a project for a particular community, the validity of the community's priorities for development, or the design of the project.

insert - fund same as for schools

A clause has been incorporated to protect the State against the burden of any cost overruns that might occur on construction of any capital improvement under the Act.

A definition for "capital improvements" has been purposely omitted, in order to give maximum flexibility to municipalities of various sizes and diverse needs in selecting capital improvements under this Act.

Examples of capital improvements which may be chosen by some municipalities include streets, sidewalks and trail systems; public transportation facilities, water transportation facilities such as harbors, wharves and port facilities; public buildings such as city or borough offices and maintenance shops; public sanitation facilities such as for solid waste collection and disposal; park and recreation facilities; libraries, museums, convention centers and performing arts centers; power generation and distribution facilities; improvements to publicly owned facilities for energy conservation or environmental protection purposes; facilities required to preserve subsistence life style; fire protection facilities; public safety facilities; and industrial park facilities such as for cold storage or warm storage.

This list is for illustrative purposes only. Any attempt to define "capital improvements" by a list in the Act will inevitably result in inadvertent omission of worthy projects needed by some municipalities.

The bill's drafters intended that this Act supplement, and not duplicate or replace, other legislation providing for State financial participation, such as for water, sewers and schools. Therefore, a subsection has been inserted to clarify that funds under this Act are to be available for such projects only to the extent that actual State plus federal funding of such project under other legislative authority falls short of the 50% State share provided herein.

The maximum cost to the State under a program of this kind over a period of thirty years is estimated to be approximately 29.8 million per year. This estimate is based on a total State commitment to fund one-half of \$800 million in capital improvements and assuming financing of the capital improvements with 30-year 6% municipal tax-free bonds.

anchorage *Frank Baker*
breakthrough
...helping shape tomorrow today

pouch 7-1977 anchorage, alaska 99510
telephone (907) 279-1977

February 21, 1978

Hon. Lisa Rudd, Chairperson
Committee on Community and Regional Affairs
Alaska State Legislature
Room 620, State Court Building
Juneau, Alaska 99801

Dear Ms. Rudd:

Thank you for agreeing to have your committee introduce our bill entitled "An Act Relating to Community Development and State Financial Assistance for Municipal Capital Improvements".

We were unable to get word to Ted Berns quickly enough to insert a change, on page two, to conform the actual language with the intentions of Breakthrough. Enclosed is a revised page two, which entirely replaces page two in the version you were given.

This correction provides that whenever there are federal funds (or a combination of federal funds and state funds under other programs) available for any given project, the balance of the project cost would be split equally between local and state funding under the program established by this bill.

We would appreciate if your Committee staff would give this revision to the Legislative Affairs Agency, so that the version which emerges is correct. For identification purposes we have also attached a copy of the first page of the bill.

Thank you very much.

Sincerely yours,

Elizabeth Cuadra
Elizabeth Cuadra

EC:meh
Enclosures
cc: Ted Berns
Gary Thurlow
Max Hodel
Jim Singleton

max hodel
general chairman

judge james singleton
vice chairman

frank reed, sr.
secretary-treasurer

steering committee

bob baer marnie brennan natalie brooks kit crittenden britt crosley betti cuddy bill darch chuck eddy
kay fanning lanie fleischer bill hall herbie hope ben humphries tom jansen dick kennard herb lang john lindauer
ken maynard don mclish ed moses conn murray don nelles gene roguska lorena showers howard slack
dale teal gary thurlow chuck webber eric wohlforth

New Draft

AN ACT RELATING TO COMMUNITY
DEVELOPMENT AND STATE FINANCIAL
ASSISTANCE FOR MUNICIPAL CAPITAL IMPROVEMENTS

✓

*new
draft*

SECTION 1. (a) During each fiscal year, ~~and in accordance~~ with agreements entered into by the State and the municipality, the State shall allocate to every incorporated municipality in the State of Alaska an amount equal to fifty percent (50%) of the annual principal and interest owing by the municipality on general obligation bonded indebtedness for capital improvements incurred by the municipality after 1977, or, if monies are available, make a grant to the municipality of fifty percent (50%) of the costs of the capital improvement which the municipality seeks to construct or acquire.

No monies under this act shall be applied to principal and interest which was due and owing before 1979 or for general obligation bond issues authorized before 1978.

(b) The Department of Community and Regional Affairs shall express its financial commitment to each municipality, concerning each capital improvement project to receive State monies under this act, in a written agreement, before the project is begun, binding the State to its share of the funding of the project; provided, however, that no State monies shall be committed to nor expended for construction

cost overruns or other costs in excess of the original project estimated cost, set forth in the agreement.

✓ SECTION 2. ^a ~~Any~~ municipality may, for ^a ~~any~~ proposed municipal capital improvement eligible for State assistance under this act, obtain from the State a grant for the capital improvement in an amount equal to fifty percent (50%) of the cost of the project or fifty percent (50%) of the amount that would be the local share not financed by other programs, whichever is the greater. The municipal share of the funding of the capital improvement may be obtained by the municipality from any source lawfully available to it ~~for such use~~, including but not limited to the sale of general obligation bonds.

✓ SECTION 3. No more in grants or for principal shall be allocated to any municipality under this act than:

\$3,000 general obligation bond indebtedness per capita or \$3,000 in cash per capita on the first 1,000 population;

\$2,000 general obligation bond indebtedness per capita or \$2,000 in cash per capita on population over 1,000 but less than 10,000;

\$1,000 general obligation bond indebtedness per capita or \$1,000 in cash per capita on population of 10,000 and more.

✓ SECTION 4. Every municipality obtaining monies under this act shall, by accepting such monies, be solely responsible for the maintenance and operation of the capital improvement. Nothing in this act shall obligate the State to participate in or contribute to the cost of operation and maintenance of such capital improvements.

✓ SECTION 5. (a) No monies shall be made available under this Act unless the municipality submits to the State of Alaska Department of Regional and Community Affairs a five-year capital improvement plan showing the capital improvements planned for the municipality during the next five years, and the planned sources of revenues to pay for the capital and