

731

HCRA

HB

1010

731

HB

1010



Alaska State Legislature

House of Representatives

Committee on

Community & Regional Affairs

Pouch V
State Capitol
Juneau, Alaska 99811

Official Business

BILL NUMBER AND TITLE: Capital Foundation Fund (Work draft)

ORIGINAL SPONSOR: House C&RA
RECEIVED FROM: _____

OTHER SPONSORS: _____
FURTHER REFERRALS: _____

HEARING DATE: 3/26/80

MEMBERS PRESENT:	Bill Parker	X	Pat Carney	X
	Margaret Branson	X	Charlie Parr	X
	Pat O'Connell	X	Fred Zharoff	X
			Ray Metcalfe	X

The Committee reviewed the work draft of the capital foundation fund bill. Rep. Parr suggests that "schools be added to those facilities eligible for entitlements.

COMMITTEE ACTION: No Action

TAPE # 6 SIDE 1 Footage 653-866



Alaska State Legislature

House of Representatives

Committee on

Community & Regional Affairs

Pouch V
State Capitol
Juneau, Alaska 99811

Official Business

BILL NUMBER AND TITLE: CSHB1010 Capital Foundation Fund

ORIGINAL SPONSOR: House C&RA
RECEIVED FROM: _____

OTHER SPONSORS: --
FURTHER REFERRALS: Finance

HEARING DATE: 5/9/80

MEMBERS PRESENT:	Bill Parker	X	Pat Carney	X
	Margaret Branson	X	Charlie Parr	X
	Pat O'Connell	X	Fred Zharoff	X
			Ray Metcalfe	X

The CS is circulated for review by the committee.

Branson - Cites the reference to "unorganized borough bill" and REAA boundaries and suggests that the reference to the unorganized borough bill be eliminated since use of those boundaries was contingent on the passage of HB580. She suggested that it appeared to be a poor way to write legislation.

O'Connell - Sees the bill as "flying in the face of the political process". It mandates a fair and equitable distribution of capital projects money even if the people don't want the distribution to be fair. Suggests that instead HB9, taxing the unorganized areas, be passed out of committee.

Metcalfe - Doesn't like the bill. Sees "need" as the willingness of a community to act together to put together a proposal and to tax themselves.

O'Connell - Concerned that the legislature would be establishing a level of support with capital projects which couldn't be maintained then the oil money runs out. Suggests that the needs of many communities couldn't be met for even one project with the accumulated money for 5 years.

Jim Rhode, Administrative Assistant, Rep. Hugh Malone
Distributes printouts with figures based on a formula giving a weight of 7-3, population/area for entitlement purposes under CSHB1010. The figures were discussed.

COMMITTEE ACTION: No Action

TAPE # 11 SIDE 1 Footage 484-1769



Alaska State Legislature

House of Representatives

Committee on

Community & Regional Affairs

Pouch V
State Capitol
Juneau, Alaska 99811

Official Business

BILL NUMBER AND TITLE: HB 1010 Capital Foundation Fund

ORIGINAL SPONSOR: House/Senate C&RA
RECEIVED FROM: _____

OTHER SPONSORS: _____
FURTHER REFERRALS: Finance

HEARING DATE: 5/2/80

MEMBERS PRESENT:	Bill Parker	X	Pat Carney	X
	Margaret Branson		Charlie Parr	X
	Pat O'Connell	X	Fred Zharoff	X
			Ray Metcalfe	X

Lee Sharp, Municipal Attorney, Juneau

Basically in favor of any form of revenue hearing and generally favors state assistance for capital projects however there are two basic defects in the bill as presently written:

- (1) Area is used as a major component in the formula
- (2) Bill contains a basic disincentive to organization in the sparsely populated, smaller communities.

Opposed to having population and area considered equally. It is people who generate the need for capital projects and it seems irrelevant to take into consideration the water within the borough of Juneau or the large land masses of the North Slope Borough.

Technical problems with the bill are:

- * Assistance is not going to first and second class cities, rather just those otherwise organized.
- * How would you could the population of a borough and the first class and home rule cities within it?
- * Why don't first and second class cities receive consideration for assistance?
- * If a borough doesn't exercise Parks and Recreation or another power for which money/facilities are being provided, how could they operate same?
- * Does the requirement for a 5 year Capital Plan create conflict for those communities which currently develop 6 or 7 year plans? (perhaps the mandate for annual updating solves this problem)
- * P. 5 line 1 Why is the plan of the organized municipality submitted to the regional council?
- * P. 5 General problem with the formula as contained in the bill. The amount of area taken into consideration should be reduced as it distorts the situation.
- * P. 6 l. 1 What does the term "agreement" mean? This requirement is a problem.
- * P. 7 lines 18-20 Questions whether the Dept. of Labor figures are updated annually and suggests that the municipality-determined population figures used in revenue sharing be considered instead.

COMMITTEE ACTION:

No action

TAPE # 10 SIDE 1 Footage 486-1785

Sharp reiterates that he likes the idea but not with the formula in the bill. It is people not area which creates "need". Further, if the stat is going to provide maintenance, there is no incentive for organization.

Dennis Dooley, SouthEastern Director of Programming for Dept. of Transportation and Public Facilities
Raises points in attached notes.

Parr- Suggests that cost of construction rather than cost of doing business be used as in the school formula.

Dooley - Responds that it would be difficult to sue school differential costs for other capital projects. Refers to p. 8 and asks how "costs" are going to be paid? Suggests that there needs to be clarification on how the service charge for required bond sales to implement the projects will be paid.

Parr - Asks for the distinction between major and minor maintenance costs.

Dooley - States that \$50,000 is usually considered the dividing line between costs associated with maintenance being considered those under \$50,000 (minor maintenance) and those above \$50,000 as major. Those considered minor are usually in the operating budget.

Jim Kohler, Manager, City of Yakutat

Supports strongly the concept embodied in the bill as a good and innovative as well as simple approach to funding capital projects. It allows the local political subdivision to determine its priorities and to execute those priorities. It requires locally based planning. Suggests that the basic concept and worth of the bill not be overlooked in dealing with some of the technical and formula problems. He agrees with some of the technical problems cited by Sharp but says that the formula is not improperly skewed toward sq. mile consideration. Some weight must be included for land to offset some fixed costs for such facilities. The mechanics of fund distribution needs some work. A helpful exercise might be to look at what local governments are statutorily authorized to do and to allow entitlements to go to municipalities which have power to plan and execute. City budgets address costs which must be included in such projects and these priorities should be set by local government.

Parr - Watershed decision needs to be made re local vs. state responsibility in each of the listed areas for funding.

Dooley - Local concerns might also be regional and statewide.

Ginny Chitwood - Ex. Director, Ak. Municipal League

The 50%/50% gives too much weight in the formula to area but it should be recognized that area is a factor. The mechanics of distribution presents some problems in that first class cities have the same powers basically as do home rule. The basic powers delegated are the same as home rule.

Composition of regional councils with "one" representative elected from each city may not be enough. There should be more flexibility in the composition.

There may be a problem when second class boroughs having adopted few powers and containing first class or second class cities which may have adopted more powers.

HB 2010

1. Perhaps a better definition of local capital project
- ② can a location agree to have their funds spent on a state responsibility project if it is of a higher priority
3. Can home rule cities agree to have their funds spent outside their boundaries
- ④ Can an ~~org~~ borough and a home rule city agree to combine their funds and build projects in each others areas
5. Can a home rule city petition for inclusion along with the unorganized area which encompasses it?

6. Regional Councils
 15 members
 → who perform these services from the organized & home rule cities
 44.42.120

7. 44.42.130 (1)
 (shall) ~~ensure~~ all
 list & effort to be required to identify all
 would require efforts that would be wasteful
 + - limit to quest total of funding available
 44.42.130

(4) ... of ...

who is to define this "need"?

(9) 44.42.130

(c) doesn't appear to tie to earlier definition of regional council

10 44.42.140 (see 44.42.150 (b))

distribution should not be immediate but should allow for the cash flow to match the cash needs

11 140 (b)

* feel that the ratios should be simplified to ~~drop area diff~~
* weighted in favor of area too highly →
should limit to a max per capita
either as a ratio to lowest per capita

12. what about the need for a project which was not on the list

~~mainline~~
(B) ~~improvement~~ definition needs to have a lower limit? when does it become operations -

could they buy heating oil -
repair pipes since they did not buy heat?

pg 2

In 12-14 Labor census? → annual

pg 3 confusion as to regular state ^{programs} roles

question of sufficient * to be CIP plan

pg 4 all capital projects state funded?
local?

parameters?
*) which are not eligible? rules

(5) concur } are these criteria
(6) concur } to be used in prioritization
(7) concur }
↳ state projects?

b)

pg 5 b) ~~say~~ directed for cited areas
how ratio of whole area varies

↳ In 22 is a priority required

pg 7 In 12 see 3 variables

a) too much to hold validity
by exogenous variables
b) to each one?

pg 8 \$ for potential bond sales

Lemmi Dorley - Sr Director Programming for
DOTPF

No position v bill.

Questions:

Definition of functions - which / state & local

- ① Does it replace roads / trails?
- ② What is a high priority, locally not by the state

Can home rule cities use funds out area?

Can they combine other cities?

Home rule petition with how

Regional councils?

* Parameters for inclusion

modification to word "all"

Distribution immediate or to meet need
project

~~that about road~~

Definition of "need" - limit

- Then does it become operational
- Heating oil
- Minor / major maint.
- Repairing pipes?
- Maint capital costs - to be clarified

P.2 - Labor census - annual update

Exceptions & merge re transient workers

(North Slope Borough ex) for what purpose do

Count what people?

Minimum \$ ^{could be considered} 0.5 Amt funding might not warrant 5-yr Plan ~~411~~

p. 4 Local, fed funded projects included -
Local capital

p. 4, 1, 8, 20 } Dept. trying to address

How are these considered - are (prioritized ^{basis} ~~the~~

p. 22

What about islands - harbor facilities?
Should be allowed - ?

p. 4 l 28

p. 5 l 15 Use - clear language?

p. 5 l 22 - Must priorities be followed?

p. 7 l 12, 24

"Construction cost differential" ? Definition
difficult. Complex statewide variance factors.
Kind project, availability of contractors
difficult to do, area

Local infrastructure large area. Formula similar
to Fed Highway formula. Small boat harbors are
people generators. Area can be l - reflect
construction cost.

SPECIAL APPROPRIATIONS, BONDS AND CAPITAL PROJECTS BY ELECTION DISTRICT
(\$ millions - all funds)

District	Name	FY 78		FY 79		FY 80		FY 78-80	
		Amount	%	Amount	%	Amount	%	Amount	%
01	Ketchikan/Prince of Wales	1.3	2.5	13.2	4.3	4.9	3.4	19.4	3.9
02	Wrangell/Petersburg	.6	1.1	7.0	2.3	4.6	3.2	12.2	2.4
03	Sitka	.9	1.7	8.7	2.9	.1	.1	9.7	1.9
04	Juneau/Lynn Canal	6.3	12.1	32.8	10.8	15.7	10.8	54.8	10.9
05	Cordova/Valdez/Seward	1.3	2.5	42.9	14.1	6.0	4.1	50.2	10.0
06	Palmer	.7	1.3	5.4 ^{1/}	1.8	2.6	1.8	8.7	1.7
07-12	Anchorage	19.8	37.9	95.9	31.5	42.9	29.6	158.6	31.6
13	Kenai/Cook Inlet	1.3	2.5	9.2	3.0	.5	.3	11.0	2.2
14	Kodiak	.1	.2	5.2	1.7	3.2	2.2	8.5	1.7
15	Aleutian Chain	1.7	3.3	3.9	1.3	1.2	.8	6.8	1.4
16	Bristol Bay	1.0	1.9	6.0	2.0	10.2	7.0	17.2	3.4
17	Bethel	2.0	3.8	11.2	3.7	4.2	2.9	17.4	3.5
18	Wade Hampton	1.2	2.3	3.1	1.0	7.4	5.1	11.7	2.3
19	Yukon/Tanana	1.1	2.1	9.7 ^{2/}	3.2	19.4	13.4	30.2	6.0
20	Fairbanks	9.5	18.2	21.5 ^{2/}	7.1	15.4	10.6	46.4	9.2
21	Barrow/Kobuk	3.0	5.7	15.8 ^{2/}	5.2	2.0	1.4	20.8	4.1
22	Nome	.4	.8	13.3	4.4	4.5	3.1	18.2	3.6
TOTAL		52.2	100.0	304.8	100.0	144.8	100.0	501.8	100.0

Source: "Free Conference Committee Report, Operating and Capital Budget, Election District", FY 78-FY 80.

- NOTES: 1. Excludes new capital city bonds
2. Excludes North Slope Haul Road maintenance

PREPARED BY:
LEGISLATIVE FINANCE DIVISION
May 7, 1980

Alaska State Legislature

House of Representatives

Committee on

Community & Regional Affairs

Pouch V

State Capitol

Juneau, Alaska 99811

Official Business

BILL NUMBER AND TITLE: Capital Foundation Fund Workshop (on draft HB1010)ORIGINAL SPONSOR: House C&RA
RECEIVED FROM: _____OTHER SPONSORS: _____
FURTHER REFERRALS: FinanceHEARING DATE: 4/16/80MEMBERS PRESENT: Bill Parker
Margaret Branson
Pat O'ConnellPat Carney
Charlie Parr
Fred Zharoff
Ray MetcalfeJim Rhode, A.A. Rep. Hugh Malone

Formula developed for the bill reflects capital spending patterns. Relative population as well as relative area are included. Refers to and reviews material with figure breakdown for various boroughs and REAAs.

Strict "need" could have been recognized but that has been associated with property value and the cost of a property value review has been placed at \$200,000 per REAA by the Assessor's Office. An update would be necessary every three years. Tax effort would be difficult to use in the bill because of the limited tax base in the unorganized borough.

It appears that there is a need to look at the "Six Year Capital Improvement Plan" concept as it has not been implemented as intended. The Administration is supposed to do a needs assessment statewide. This is an invitation to prepare a "wish list" as a prioritization of cost/benefit not necessary. Local contractors could be involved if things are planned in advance.

An idea is currently under consideration by the Finance Committee to authorize language requiring capital projects be proposed during the first legislative session and the executive branch would do cost estimates and other analyses for the 2nd Session.

Carney - Questions inclusion of total sq. miles in the formula and states that he does not see the relevancy to capital projects. Also, wants figures for Mat-Su and Kodiak Boroughs.

Rhode - In response to question, states that proposal does not include state facilities which would be planned for by the state.

Parr - It appears difficult to justify square miles in the formula.

Rhode - Anchorage and Fairbanks are getting 20x what's necessary to maintain existing standards.

COMMITTEE ACTION:

Information session only/No action taken

TAPE # 8 SIDE 2 Footage 424-1562

Parr - His perception is that even the cities don't all have a minimum level of service in all the areas covered by the Capital Foundation.

There should be some provision for the fact that some rural areas don't want roads. Maybe there should be a separate formula for each category (roads, trails, recreational facilities, etc)

How will state facilities be accommodated? Community schools are often used for recreation centers. Allowance would have to be made for this kind of situation when local money had gone into the construction of such facilities. How would existing inequities be dealt with which already exist in the appropriation system (such as the Cultural Facilities Act). There should be some provision for a cultural facility which has been given money in the past. There needs to be a tie in with the existing programs which disperse money. Should be an "across the board" approach if it is going to be done.

Steve VanSant-- Dept. of C&RA

Suggests changing membership of the Regional Councils to 11 members. These might play the role of transitional bodies for eventual boroughs and there should be consideration of this by making the maximum number 11 on p. 3 line 21.



Alaska State Legislature

House of Representatives

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Community & Regional Affairs

Pouch V
State Capitol
Juneau, Alaska 99811

Official Business

BILL NUMBER AND TITLE: SB 546/HB 1010 Capital Foundation Fund

ORIGINAL SPONSOR: Senate/House C&RA
RECEIVED FROM: Committee

OTHER SPONSORS: _____
FURTHER REFERRALS: Finance

HEARING DATE: 4/16/80 Statewide Teleconference

MEMBERS PRESENT:	Bill Parker	X	Pat Carney	X
	Margaret Branscomb	X	Charlie Parr	X
	Pat O'Connell		Fred Zharoff	X
			Ray Metcalfe	

Senate Members: Sturgulewski, Kelly

Ted Berns, Municipal Attorney, Anchorage

Objects to the bill and opposes for philosophical and technical reasons. Objects to the manner in which the resource wealth is proposed to be distributed statewide. The benefits of resource development are part of the public domain and yet the formula shews the benefits to the underpopulated areas of the state. Sees the bill as an encroachment into the local affairs of the municipalities.

Technically, the allocation formula is a problem. In fact, geographic area and population will have little to do with relative need and ability to fund those needs. Cited unacceptability of language on p. 5 lines 9,10 which allow that the entitlement be "disbursed in accordance with the terms of an agreement between the commissioner and the recipient."

Basically, Anchorage municipality is opposed to the legislation as "the Municipality of Anchorage can do a better job of getting the money out in the streets."

Elsie O'Brien, Mat Su, City Clerk, City of Houston

Agrees with the testimony given by Anchorage. Objects that there is no provision that the money be disbursed in a particular district after it goes to the borough. What provision is there for redistribution to second and first class cities?

Jeff Smith, Mauneluk Association, Planning Division Director

Opposed to SB 546. Each area would be tied to a certain amount of funding for capital projects. It is unclear who would make the final determination in the use of the funds. Once you establish a limit to your funding, you limit development.

Ginny Chitwood, Executive Director, Municipal League

Endorses the bill and the concept of a rational approach to capital expenditures. Specific areas which need to be addressed include:

COMMITTEE ACTION: No Action

TAPE # _____ SIDE _____ Footage _____

1. Makeup of Regional Councils (should be more than 1 representative from the first class cities in some areas)
2. Role of first and second class cities
3. Formula

Expanding on these points, perhaps the makeup of the Councils should be more flexible. Some boroughs have limited powers and the political subdivision should be the city. (home rule and first class cities have school powers) Undeveloped areas need more funding. But the formula is over skewed for area.

Jerry McCutcheon, Anchorage

Poor bill. Haven't considered the people you are trying to do something for. With the Governor appointing, he can pack the Councils.

Re Project '80 being funded for Anchorage--the years of Anchorage's history will be wiped out with the replacement of the block of buildings now standing.

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 1010
 Title Capital Projects Foundation Fund
 Requested by Parker Date 5-2-80

II. FISCAL DETAIL

Agency Affected DOTPF
 Program Category Affected Transportation/Public Facilities
 BRU, Program, or Subprogram(s) Affected Planning and Programming
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES		2,950	3,250	3,575	3,950	4,350
200 TRAVEL		1,500	1,650	1,785	1,965	2,165
300 CONTRACTUAL		570	630	700	770	850
400 COMMODITIES		100	110	120	135	150
500 EQUIPMENT		100	10	10		
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		5,220	5,650	6,190	6,820	7,515

FUNDING (Thousands of Dollars)

GENERAL FUND		5,220	5,650	6,190	6,820	7,515
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME		45	45	45	45	45
PART TIME						
TEMPORARY						

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

IV. DATE 5-2-80 PREPARED BY Robinson
 AGENCY Southeast Planning and Programming
 PHONE 465-2475
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

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ELEVENTH LEGISLATURE

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ELEVENTH LEGISLATURE

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SPECIAL APPROPRIATIONS, BONDS AND CAPITAL PROJECTS BY ELECTION DISTRICT
(\$ millions - all funds)

District	Name	FY 78		FY 79		FY 80		FY 78-80	
		Amount	%	Amount	%	Amount	%	Amount	%
01	Ketchikan/Prince of Wales	1.3	2.5	13.2	4.3	4.9	3.4	19.4	3.9
02	Wrangell/Petersburg	.6	1.1	7.0	2.3	4.6	3.2	12.2	2.4
03	Sitka	.9	1.7	8.7	2.9	.1	.1	9.7	1.9
04	Juneau/Lynn Canal	6.3	12.1	32.8	10.8	15.7	10.8	54.8	10.9
05	Cordova/Valdez/Seward	1.3	2.5	42.9	14.1	6.0	4.1	50.2	10.0
06	Palmer	.7	1.3	5.4 ^{1/}	1.8	2.6	1.8	8.7	1.7
07-12	Anchorage	19.8	37.9	95.9	31.5	42.9	29.6	158.6	31.6
13	Kenai/Cook Inlet	1.3	2.5	9.2	3.0	.5	.3	11.0	2.2
14	Kodiak	.1	.2	5.2	1.7	3.2	2.2	8.5	1.7
15	Aleutian Chain	1.7	3.3	3.9	1.3	1.2	.8	6.8	1.4
16	Bristol Bay	1.0	1.9	6.0	2.0	10.2	7.0	17.2	3.4
17	Bethel	2.0	3.8	11.2	3.7	4.2	2.9	17.4	3.5
18	Wade Hampton	1.2	2.3	3.1	1.0	7.4	5.1	11.7	2.3
19	Yukon/Tanana	1.1	2.1	9.7 ^{2/}	3.2	19.4	13.4	30.2	6.0
20	Fairbanks	9.5	18.2	21.5 ^{2/}	7.1	15.4	10.6	46.4	9.2
21	Barrow/Kobuk	3.0	5.7	15.8 ^{2/}	5.2	2.0	1.4	20.8	4.1
22	Nome	.4	.8	13.3	4.4	4.5	3.1	18.2	3.6
TOTAL		52.2	100.0	304.8	100.0	144.8	100.0	501.8	100.0

Source: "Free Conference Committee Report, Operating and Capital Budget, Election District", FY 78-FY 80.

- NOTES: 1. Excludes new capital city bonds
2. Excludes North Slope Haul Road maintenance

PREPARED BY:
LEGISLATIVE FINANCE DIVISION
May 7, 1980

ILLUSTRATIONS, CAPITAL FOUNDATION ENTITLEMENTS

Appropriation: 429,000 X \$400 = \$171,600,000

<u>Recipient</u>	<u>Pop./Area 6/4</u>	<u>Pop./Area 7/3</u>
Municipality of Anchorage	48,219,600	56,164,680
Matanuska-Susitna	7,962,240	8,288,280
Kodiak	2,779,920	2,985,840
Fairbanks North Star	15,323,280	17,520,360
City & Borough of Juneau	5,903,040	6,743,880
Ketchikan Gateway	3,380,520	3,878,160
North Slope	12,252,240	9,987,120
N.W. Arctic	4,821,960	3,981,120
Bering Straights	3,483,480	3,020,160
Lower Yukon	2,728,440	2,299,440
Lower Kuskokwim	4,238,520	3,929,640
Upper Kuskokwim	1,578,720	1,269,840
Nushagak-Bristol Bay	3,088,800	2,574,000
Lake & Peninsula-Bristol Bay	3,517,800	2,728,440
Aleutian Chain	1,287,000	1,201,200
Pribilofs	240,240	274,560
Adak	789,360	909,480
McGrath (Iditarod)	5,577,000	4,255,680
Middle Yukon	7,962,240	6,246,240
Upper Yukon	7,052,760	5,388,240
Upper Railbelt	1,338,480	1,115,400
Upper Tanana West	1,424,280	1,372,800
Upper Tanana East	2,350,920	1,836,120
Copper River	3,329,040	2,694,120
Northern Panhandle	2,368,080	2,093,520
Southern Panhandle	3,963,960	3,912,480
Metlakatla-Annette	257,400	291,720
Chugach	3,397,680	3,294,720

Introduced: 4/16/80
Referred: Community & Regional
Affairs and Finance

1 IN THE HOUSE

BY THE COMMUNITY AND REGIONAL
AFFAIRS COMMITTEE

2 HOUSE BILL NO. 1010

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to state aid for local capital pro-
7 jects; establishing the capital projects foundation
8 fund; and providing for an effective date."

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

10 * Section 1. AS 44.42.020 is amended by adding a new paragraph to read:

11 (14) adopt regulations for management of the capital projects
12 foundation fund established under AS 44.42.100 and administer that fund.

13 * Sec. 2. AS 44.42 is amended by adding new sections to read:

14 ARTICLE 2. CAPITAL PROJECTS FOUNDATION ENTITLEMENTS.

15 Sec. 44.42.100. CAPITAL PROJECTS FOUNDATION FUND. (a) There is
16 established in the department a capital projects foundation fund for the
17 purpose of providing state assistance for improvement, maintenance and
18 new construction costs of local capital projects. Within the limits of
19 appropriations for the purpose, the department shall make entitlements
20 for capital projects to organized boroughs, to home rule municipalities
21 as defined in AS 29.08.010, and to municipalities unified under AS 29.-
22 68, which have capital improvement plans.

23 (b) Within the limits of appropriations for the purpose, the
24 department shall make and manage entitlements for capital projects for
25 unorganized boroughs if a version of an Act entitled "An Act relating to
26 unorganized boroughs, establishing unorganized boroughs, establishing a
27 program of financial assistance for the preparation of regional plans by
28 unorganized boroughs, permitting adoption of home rule charters by
29 unorganized boroughs, and directing submission of recommendations con-

cerning adjustment of the boundaries of service areas of the unorganized borough; and providing for an effective date" is enacted. If that bill is not enacted, the department shall make and manage entitlements for capital projects for each regional educational attendance area organized under AS 14.08.031.

(c) A first class city which has not adopted a home rule charter and which is outside of an organized borough and outside of a regional educational attendance area shall be included in the capital improvement plan and shall be represented on the regional council of a regional educational attendance area or an unorganized borough which borders the city.

(d) The amount of appropriations authorized for the capital improvements foundation fund for each fiscal year is equal to \$200 times the state population as annually determined by the Department of Labor.

Sec. 44.42.110. ELIGIBLE FACILITIES. An entitlement from the capital projects foundation fund may be used for improvement, maintenance, or new construction costs of the following type of facility if the project is identified in a capital improvement plan under AS 44.42.-130:

- (1) libraries;
- (2) community and emergency detention facilities;
- (3) fire halls, including the purchase of fire vehicles;
- (4) parks;
- (5) recreational facilities;
- (6) water and sewer facilities;
- (7) health facilities;
- (8) community centers;
- (9) cultural facilities;
- (10) transportation facilities which do not duplicate state

1 facilities and which are not inconsistent with the state transportation
2 plan under AS 44.42.050 as determined by the department, including

- 3 (A) service roads;
- 4 (B) trails;
- 5 (C) harbors and docks for small boats;
- 6 (D) seaplane floats;
- 7 (E) public transit facilities, including the purchase of
8 transit vehicles;
- 9 (F) emergency and recreational airstrips for small
10 aircraft.

11 Sec. 44.42.120. REGIONAL COUNCILS. (a) A regional council shall
12 be established for each unorganized borough if a version of an Act
13 entitled "An Act relating to unorganized boroughs, establishing un-
14 organized boroughs, establishing a program of financial assistance for
15 the preparation of regional plans by unorganized boroughs, permitting
16 adoption of home rule charters by unorganized boroughs, and directing
17 submission of recommendations concerning adjustment of the boundaries of
18 service areas of the unorganized borough and providing for an effect
19 date." is enacted. If that bill is not enacted, a regional council
20 shall be established for each regional educational attendance area. A
21 regional council shall be composed of 15 members as follows:

22 (1) one elected official who is selected by the city council
23 of each first class city located within an unorganized borough or re-
24 gional educational attendance area, or which is included in an unor-
25 ganized borough's capital improvement plan or a regional educational
26 attendance area's capital improvement plan under AS 44.42.100(c);

27 (2) additional members selected by the governor from persons
28 nominated by the Department of Community and Regional Affairs who are
29 from second class cities and unincorporated communities within an unor-

1 ganized borough or regional educational attendance area; members from
2 second class cities shall be elected officials.

3 Sec. 44.42.130. CAPITAL IMPROVEMENT PLANS. (a) With assistance
4 from the department, each regional council established under AS 44.42.-
5 120 shall formulate a capital improvement plan. To qualify to receive
6 an entitlement from the capital projects foundation fund, each organized
7 borough, home rule municipality, and unified municipality shall formu-
8 late a capital improvement plan. A capital improvement plan formulated
9 in accordance with this section shall be a five-year plan updated an-
10 nually, and shall

11 (1) identify all capital projects needed in the borough,
12 municipality, or regional educational attendance area;
13 (2) assign a priority to each capital project identified;
14 (3) include cost estimates for each capital project;
15 (4) include a list of needed capital projects which are not
16 eligible for an entitlement from the capital improvement foundation
17 fund;

18 (5) identify possibilities for projects involving facilities
19 having more than one use;

20 (6) consider the feasibility of waste heat utilization and
21 other energy-saving measures for capital projects;

22 (7) provide for site acquisition for capital projects; and

23 (8) provide for needed public access and utilities.

24 (b) A capital improvement plan and revisions to a capital improve-
25 ment plan for an unorganized borough or regional educational attendance
26 area shall be adopted by the regional council after a public hearing and
27 submitted to the department.

28 (c) A capital improvement plan and revisions to a capital improve-
29 ment plan for an organized borough, home rule municipality, or unified

1 municipality shall be submitted by the regional council to the city
2 council or borough assembly. After a public hearing, and after approval
3 by the council or assembly, a capital improvement plan shall be sub-
4 mitted to the department.

5 * Sec. 3. AS 44.42 is amended by adding a new section to read:

6 Sec. 44.42.140. DISTRIBUTION OF ENTITLEMENTS. (a) Entitlements
7 from the capital projects foundation fund shall be distributed annually
8 by the department to each organized borough, home rule municipality, and
9 unified municipality which has submitted a capital improvement plan as
10 required by AS 44.42.130. Entitlements from the capital projects
11 foundation fund shall be distributed annually to accounts established by
12 the department for each unorganized borough or for each regional
13 educational attendance area which has submitted a capital improvement
14 plan as required by AS 44.42.130.

15 (b) The amount of an entitlement shall be allocated one-half on
16 the basis of adjusted population and one-half on the basis of adjusted
17 area. An entitlement shall be the ratio of the adjusted population to
18 the total adjusted population plus the ratio of the adjusted area to the
19 total adjusted area, times one-half the amount of an appropriation to
20 the capital projects foundation fund.

21 * Sec. 4. AS 44.42 is amended by adding new sections to read:

22 Sec. 44.42.150. USE OF ENTITLEMENTS. (a) An entitlement from the
23 capital projects foundation fund distributed to an organized borough,
24 home rule municipality, or unified municipality may be used only for
25 projects identified in a capital improvement plan submitted to the
26 department. Each recipient shall determine which project or projects to
27 finance with the entitlement received each year under AS 44.42.140.

28 (b) An entitlement from the capital projects foundation fund to an
29 organized borough, home rule municipality, or unified municipality shall

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how much
authority?
Lee's group

be disbursed in accordance with an agreement between the commissioner and the recipient.

(c) An entitlement from the capital projects foundation fund for a project located in a first or second class city as part of the capital improvement plan of an unorganized borough or a regional educational attendance area may be disbursed, with the concurrence of the city council of the first or second class city, subject to the following terms:

(1) that the first or second class city will secure, retain and protect title to the site of an existing facility or on which a new facility is to be constructed; for purposes of this paragraph it is sufficient that title is obtained in fee or by a lease which provides that the city enjoys exclusive use of the site and any improvements for the estimated life of the facility;

(2) that the first or second class city will assume responsibility for the operation of the facility to be financed with the entitlement, and the feasibility of the discharge of this obligation shall be demonstrated to the satisfaction of the commissioner before the payment of the entitlement.

(d) If it appears that the cost of a capital project financed by an entitlement from the capital projects foundation fund to an organized borough, home rule municipality, or unified municipality will vary substantially from the cost estimated at the time the entitlement was made for the project, the recipient is responsible for obtaining the additional money needed to complete the project. This additional money may be obtained from other entitlements made from the capital projects foundation fund. If a project financed by an entitlement from the capital projects foundation fund to an organized borough, home rule municipality, or unified municipality costs less to complete than esti-

1 mated at the time the entitlement was made, the recipient may use the
2 excess money on other projects in its capital improvement plan.

3 (e) In an unorganized borough or regional educational attendance
4 area each regional council shall annually determine which projects in
5 its capital improvement plan to finance with entitlements from the
6 capital projects foundation fund. The department is responsible for the
7 design and construction of the projects selected by a regional council
8 under this subsection and shall carry out the projects in accordance
9 with AS 36.

10 (f) An entitlement from the capital projects foundation fund may
11 be used to match state or federal grants.

12 Sec. 44.42.160. DEFINITIONS. In AS 44.42.100 - 44.42.160

13 (1) "adjusted area" means the area in square miles of a home
14 rule municipality, unified municipality, organized borough, or unor-
15 ganized borough or regional educational attendance area which has a
16 capital improvement plan, multiplied by the construction cost differen-
17 tial;

18 (2) "adjusted population" means the population, as determined
19 by the Department of Labor using the latest figures of the United States
20 Bureau of the Census, of a home rule municipality, unified municipality,
21 organized borough, or unorganized borough or regional educational attend-
22 ance area which has a capital improvement plan multiplied by the con-
23 struction cost differential;

24 (3) "construction cost differential" means one plus the
25 percentage by which average construction costs in a home rule municipal-
26 ity, unified municipality, organized borough, or unorganized borough or
27 regional educational attendance area are greater than or less than the
28 average construction costs in Anchorage as determined by the department
29 using the latest available figures;

*updated?
how about rev. sharing figures.*

1 (4) "improvement" means renovations and additions to an
2 existing facility which allow for better service than the facility
3 provided in its original condition,

4 (5) "improvement, maintenance or new construction costs"
5 includes, in addition to costs directly related to the project, the
6 total of all costs of financing and carrying out the project; these
7 include, but are not limited to, the costs of surveys, plans and speci-
8 fications, architectural, engineering or other special services, acquisi-
9 tion of real property, site preparation and development, purchase,
10 construction, reconstruction and improvement of real property;

11 (6) "maintenance" means restoration and repair needed to keep
12 a facility as close as possible to its original condition.

13 * Sec. 5. Sections 1, 2, 4 and 5 of this Act take effect July 1, 1980.

14 * Sec. 6. Sections 3 and 6 of this Act take effect July 1, 1981.

*10/21/80
bond service?*



Official Business

Alaska State Legislature

Senate

Committee on

Community & Regional Affairs

Pouch V
State Capitol
Juneau, Alaska 99811

March 24, 1980

Senator Arliss Sturgulewski

Information Sheet

CAPITAL FOUNDATION FUND

The Capital Foundation Fund will, by appropriation, provide funds to all areas of the State for certain capital improvements. To expend funds, each area will need to develop an areawide capital improvement plan, approved by the local assembly when there is one, and developed with the Department of Transportation and Public Facilities when there is no local government.

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

Each area, so long as appropriations are made, is certain of a source of funding for local projects. Each area will receive a formula share of the appropriation. This stability will be advantageous to local governments for planning purposes. Additionally, unlike the current situation, areas may have greater ability to use capital projects for anti-cyclic economic benefits by being in control of fund expenditures. Annual funds do not lapse and may be accumulated for locally determined purposes.

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

Funds are eligible for both construction and maintenance costs. This means that local governments will be encouraged to consider life-cycle costs and encouraged to maintain buildings and other improvements in order to maximize the efficiency of their capital dollars.

Local governments, under the Capital Foundation Fund program, will be assured of a steady supply of state funds for capital improvements that will be directed toward locally determined project needs and can be expended at a locally determined pace.

Capital Needs Assessment

*Unsuccessful
Capital Outlay
Account*

(6) any additional information which will facilitate understanding of the governor's proposed programs and financial plans by the legislature and the public. (§ 1 ch 188 SLA 1970; am § 7 ch 168 SLA 1978)

Effect of amendment. — The 1978 amendment rewrote this section.

Sec. 37.07.062. Capital budget. (a) The general appropriation bill required to be submitted to the legislature in § 20(a), of this chapter shall contain a separate section for capital outlays which is divided into subsections for each of the capital projects funds (AS 44.42.080) which lists, for each project, the (1) project identification number; (2) project title; (3) source of funding; (4) amount expended on the project during the preceding fiscal year, the amount authorized for the current fiscal year, and the amount proposed to be expended during the succeeding fiscal year; (5) estimated start for construction; (6) schedule of bond elections pertaining to the appropriation, including elections previously held. The total appropriation to each capital projects fund shall be reflected in the balance sheet of each fund as of June 30 of each fiscal year.

(b) Upon the effective date of the general appropriation bill, the amounts appropriated by the bill for capital outlay shall be paid into the appropriate capital project funds established under AS 44.42.080.

(c) The balance sheet of each capital projects fund (AS 44.42.080) shall, at the end of each fiscal year, contain the following items so as to reflect the status of each fund and that the appropriations to each fund are not based upon a fiscal year:

- (1) cash with treasury — shows a normal debit balance;
- (2) bonds authorized and unissued — shows a normal debit balance; these are assets of each fund and shall be sold in accordance with the election date of each authorization; the proceeds are expended on a first-in, first-out basis;
- (3) bonds to be authorized — shows a normal debit balance; these shall be reflected in general obligation bond or revenue bond act proposals accompanying each year's capital improvements program revision; the general obligation bond act proposals are to provide funding for the three fiscal years following the general election date;
- (4) general fund; reserve for capital outlay — shows a normal debit balance; this is the amount required by AS 37.05.157 to be included in the general appropriation bill as the reserve for capital outlay to cover the succeeding six-year planning period;
- (5) general fund; other — shows a normal debit balance; additional appropriations from the general fund above those required by law for capital outlay;
- (6) other funds — shows a normal debit balance; appropriations from other state funds for capital outlay;

- (7) federal aid — shows a normal debit balance; includes funds expected to be received from federal sources for capital projects;
 - (8) expenditures, prior fiscal year — shows a normal credit balance;
 - (9) encumbrances — shows a normal debit balance;
 - (10) reserve for encumbrances — shows a normal credit balance;
 - (11) fund balance — shows a normal zero balance.
- (d) The annual financial report of the state shall contain the following statements for each capital projects fund:

- (1) balance sheet;
- (2) analysis of changes in bonds authorized and unissued;
- (3) analysis of changes in bonds to be authorized;
- (4) analysis of changes in funds to be provided by others;
- (5) statement of expenditures and encumbrances compared to appropriations. (§ 8 ch 168 SLA 1978)

Sec. 37.07.070. Legislative review. The legislature shall consider the governor's proposed comprehensive operating and capital improvements programs and financial plans, evaluate alternatives to the plans, make program selections among the various alternatives and determine, subject to available revenues, the level of funding required to support authorized state services. During each regular session of the legislature, legislative review of the plans shall be accomplished according to the following schedule:

(1) By the 45th legislative day, the legislature shall have established by concurrent resolution the total amount of state general funds that shall be available for appropriation for the budget year and the tentative allocation of the funds among program categories in both the operating and capital budgets. The resolution shall be introduced by the finance committee of the house in which the general appropriations bill was introduced.

(2) By the 90th legislative day, the house in which the general appropriations bill was introduced by the governor shall have calendared for second reading a version of the general appropriations bill. The bill shall be supported with documentation to explain the proposed appropriations and related statements of intent. In addition, a list of other appropriations or measures with fiscal implications pending before the legislature shall be included with the documentation for the calendared bill. (§ 1 ch 188 SLA 1970; am § 1 ch 66 SLA 1977; am § 9 ch 168 SLA 1978)

Effect of amendments. — The 1977 amendment added the second sentence of the introductory paragraph and paragraphs (1) and (2).

The 1978 amendment, in the introductory paragraph, substituted "operating and

capital improvements programs and financial plans" for "program and financial plan" in the first sentence and "the plans" for "the plan" in the first and second sentences.

Title 31
 Title 32
 Title 33
 Title 34
 Title 35
 Public Buildings, Works,
 and Improvements
 Title 37
 Public Finance



Official Business

Alaska State Legislature

House of Representatives

Committee on

Community & Regional Affairs

Pouch V
State Capitol
Juneau, Alaska 99811

TO: Tamara Cook
FROM: Marjorie Gorsuch
DATE: 4/7/80
RE: Capital Projects Foundation Fund Bill

We have reviewed SB 546 and would like the House version of the bill drafted as a companion to SB 546 but with the following changes:

- p. 3 lines 8 and following should read:
- (1) one representative from each first class city selected by their city councils who are elected officials from first class cities located within the unorganized borough or regional educational attendance area;
 - (2) additional members selected by the governor from persons nominated by the Department of Community and Regional Affairs who are from second class cities and unincorporated communities within the unorganized borough or regional educational attendance area. Second class city representatives shall be elected officials.

- p. 4 line 1
- (5) identify shared facility opportunities

- p. 5 lines 10 and following:
- Delete wording following "recipient"
Draft a new (c) to read as follows:
- (c) For projects built in first or second class cities in the unorganized boroughs, upon concurrence by the Council, the commissioner may make an agreement including any provision agreed upon by the parties, including the following:
(continue with line 13)

Bill would like the bill ready for our 8:30 A.M. Committee meeting on 4/9 and for introduction that day. Many thanks.

GENERAL APPROPRIATIONS ACT
 FY 80 CAPITAL PROJECTS BY ELECTION DISTRICT
 (\$ millions - All Funds)

<u>District</u>	<u>Name</u>	<u>Total</u>	<u>%</u>
01	Ketchikan	1,671.4	1.34
02	Wrangell/Petersburg	2,605.0	2.09
03	Sitka	91.0	.07
04	Juneau	15,632.8	12.58
05	Cordova/Valdez/Seward	5,610.0	4.51
06	Palmer/Wasilla/Matanuska	2,475.0	1.99
07-12	Anchorage	42,735.2	34.41
13	Kenai/Soldotna/Homer	546.2	.43
14	Kodiak	1,222.0	.98
15	Aleutian Islands/Kodiak	1,030.0	.82
16	Dillingham/Bristol Bay	10,136.4	8.16
17	Bethel/Lower Kuskokwim	4,150.6	3.34
18	Galena/McGrath/Hooper Bay	5,761.7	4.63
19	Nenana/Ft. Yukon/Tok	18,426.9	14.83
20	Fairbanks	5,660.7	4.55
21	Barrow/Kotzebue	1,986.3	1.59
22	Nome/Seward Peninsula	<u>4,445.6</u>	<u>3.57</u>
	Total	\$124,187.4	99.89

THIS PROGRAM CORRECTLY CALCULATES FACTORS FOR THE FULL APPROPRIATION AND USES RAW POPULATION AND LAND AREA FROM THE HANDOUT BY DIVIDING BY 1.25

Construction differentiated not included

DRAFT

CALCULATED FOUNDATION CAPITAL PROGRAM FACTORS FOR VARIOUS STATE RECIPIENTS WITH THE WEIGHTS FOR ADJUSTED POPULATION AND ADJUSTED LAND AREA VARIED FROM A ZERO-ONE WEIGHT (POP TO LAND) TO A ONE-ZERO WEIGHT (POP TO LAND).

RECIPIENT	<i>Pop Area</i> 0./1.	.1/.9	.2/.8	.3/.7	.4/.6	.5/.5	.6/.4	.7/.3	.8/.2	.9/.1	1./0.
MUNICIPALITY OF ANCHORAGE	.0032	.0495	.0958	.1421	.1884	.2347	.2810	.3273	.3736	.4199	.4662
MATANUSKA-SUSITNA	.0350	.0369	.0388	.0407	.0426	.0445	.0464	.0483	.0502	.0521	.0540
KODIAK	.0093	.0104	.0116	.0127	.0139	.0150	.0162	.0174	.0185	.0197	.0208
FAIRBANKS NORTH STAR	.0128	.0255	.0383	.0511	.0638	.0766	.0893	.1021	.1149	.1276	.1404
CITY AND BOROUGH OF JUNEAU	.0053	.0101	.0150	.0199	.0247	.0296	.0344	.0393	.0442	.0490	.0539
KETCHIKAN GATEWAY	.0021	.0051	.0080	.0109	.0138	.0168	.0197	.0226	.0255	.0285	.0314
NORTH SLOPE	.1505	.1373	.1242	.1110	.0978	.0846	.0714	.0582	.0450	.0318	.0186
N.W. ARCTIC	.0575	.0526	.0477	.0428	.0379	.0330	.0281	.0232	.0183	.0134	.0085
BERING STRAIGHTS	.0367	.0339	.0312	.0285	.0258	.0230	.0203	.0176	.0149	.0121	.0094
LOWER YUKON	.0305	.0281	.0256	.0232	.0207	.0183	.0159	.0134	.0110	.0085	.0061
LOWER KUSKOKWIM	.0359	.0341	.0322	.0303	.0285	.0266	.0247	.0229	.0210	.0192	.0173
UPPER KUSKOKWIM	.0198	.0181	.0163	.0145	.0127	.0109	.0092	.0074	.0056	.0038	.0021
NUSHAGAK-BRISTOL BAY	.0358	.0328	.0298	.0269	.0239	.0209	.0180	.0150	.0120	.0091	.0061
LAKE & PENINSULA-BRISTOL BAY	.0479	.0434	.0388	.0342	.0296	.0250	.0205	.0159	.0113	.0067	.0022
ALEUTIAN CHAIN	.0104	.0099	.0094	.0089	.0085	.0080	.0075	.0070	.0065	.0060	.0055
FRIDLOFS	.0002	.0004	.0005	.0008	.0010	.0012	.0014	.0016	.0018	.0021	.0023
ADAK	.0004	.0011	.0018	.0025	.0032	.0039	.0046	.0053	.0060	.0067	.0075
MCGRATH(IDITAROD)	.0788	.0711	.0634	.0557	.0479	.0402	.0325	.0248	.0171	.0094	.0017
MIDDLE YUKON	.1061	.0962	.0862	.0763	.0663	.0564	.0464	.0364	.0265	.0165	.0066
UPPER YUKON	.0992	.0895	.0798	.0701	.0604	.0508	.0411	.0314	.0217	.0120	.0023
UPPER RAILBELT	.0155	.0142	.0130	.0117	.0104	.0091	.0078	.0065	.0052	.0039	.0026
UPPER TANANA WEST	.0101	.0098	.0095	.0092	.0089	.0086	.0083	.0080	.0077	.0074	.0071
UPPER TANANA EAST	.0315	.0286	.0256	.0226	.0196	.0167	.0137	.0107	.0078	.0048	.0018
COPPER RIVER	.0417	.0380	.0343	.0305	.0268	.0231	.0194	.0157	.0119	.0082	.0045
NORTHERN PANHANDLE	.0233	.0217	.0201	.0185	.0169	.0153	.0138	.0122	.0106	.0090	.0074
SOUTHERN PANHANDLE	.0249	.0246	.0243	.0240	.0237	.0234	.0231	.0228	.0225	.0222	.0219
METLAKATLA-ANNETTE	.0003	.0005	.0007	.0009	.0011	.0013	.0015	.0017	.0019	.0021	.0022
CHUGACH	.0236	.0229	.0223	.0217	.0211	.0204	.0198	.0192	.0186	.0180	.0173

CAPITAL FOUNDATION PROGRAM
(Construction and Maintenance)

FORMULA

Appropriations. The amount of appropriations authorized to be made to the capital foundation program for a fiscal year is equal to two hundred dollars times the state population.

Distribution. Amounts in the capital foundation program shall be distributed annually to municipalities and unorganized boroughs by the department by (a) allocating one-half of the amounts on the basis of population and one-half on the basis of area; and (b) determining the share of an individual municipality or unorganized borough by multiplying its population and area by the construction cost differential for that region. The minimum grant shall be five per cent of the largest distribution made to any municipality or unorganized borough.

Construction Cost Increases. The Department of Transportation and Public Facilities shall submit to the legislature on or before February 15 of each year an estimate of the average percentage increase in construction costs in the state during the previous year.

DEFINITIONS

(1) "population" means the population of the state, municipality, or an unorganized borough as determined by the department using the latest figures of the U.S. Bureau of the Census or other reliable population data, including but not limited to school enrollments, public utility connections, registered voters, or certified employment payrolls.

(2) "construction cost differential" means one plus the percentage by which average construction costs in a region are greater than or less than the average construction costs in Anchorage as determined by the Department of Transportation and Public Facilities using the latest figures.

(3) "department" means the Department of Community and Regional Affairs.

ILLUSTRATION OF FORMULA (in round terms)

Base:	<u>Population</u>	X	<u>Construction Cost Differential</u>	=		<u>Area (Sq. Mi.)</u>	X	<u>Construction Cost Differential</u>	=	
Organized Areas	349,000		1.0	=	349,000	149,376		1.0	=	149,376
Unorganized Boroughs	80,000		1.25	=	100,000	437,036		1.25	=	546,295
	<u>429,000</u>				<u>449,000</u>					<u>695,671</u>

Appropriation: 429,000 X \$200 = \$85,800,000

Grant:

Adjusted Per Cent of Population X \$200
 Adjusted Per Cent of Area X \$200

Organized Areas

$\frac{349,000}{449,000} = .78 \times \$42,900,000 = \$33,462,000$
 $\frac{149,376}{695,671} = .215 \times \$42,900,000 = \frac{9,223,500}{\$42,685,500}$
 \$42,685,500

Unorganized Boroughs

$\frac{100,000}{449,000} = .22 \times \$42,900,000 = \$9,438,000$
 $\frac{546,295}{695,671} = .785 \times \$42,900,000 = \frac{33,676,500}{\$43,114,500}$
 Total 43,114,500
 \$85,800,000

ILLUSTRATIONS, CAPITAL FOUNDATION ENTITLEMENTS

Appropriation: 429,000 X \$400 = \$171,600,000

<u>Recipient</u>	<u>Pop./Area 6/4</u>	<u>Pop./Area 7/3</u>
Municipality of Anchorage	48,219,600	56,164,680
Matanuska-Susitna	7,962,240	8,288,280
Kodiak	2,779,920	2,985,840
Fairbanks North Star	15,323,880	17,520,360
City & Borough of Juneau	5,903,040	6,743,880
Ketchikan Gateway	3,380,520	3,878,160
North Slope	12,252,240	9,987,120
N.W. Arctic	4,821,960	3,981,120
Bering Straights	3,483,480	3,020,160
Lower Yukon	2,728,440	2,299,440
Lower Kuskokwim	4,238,520	3,929,640
Upper Kuskokwim	1,578,720	1,269,840
Nushagak-Bristol Bay	3,088,800	2,574,000
Lake & Peninsula-Bristol Bay	3,517,800	2,728,440
Aleutian Chain	1,287,000	1,201,200
Pribilofs	240,240	274,560
Adak	789,360	909,480
McGrath (Iditarod)	5,577,000	4,255,680
Middle Yukon	7,962,240	6,246,240
Upper Yukon	7,052,760	5,388,240
Upper Railbelt	1,338,480	1,115,400
Upper Tanana West	1,424,280	1,372,800
Upper Tanana East	2,350,920	1,836,120
Copper River	3,329,040	2,694,120
Northern Panhandle	2,368,080	2,093,520
Southern Panhandle	3,963,960	3,912,480
Metlakatla-Annette	257,400	291,720
Chugach	3,397,680	3,294,720

ARLISS
FROM MARGO
RE CAPITAL FOUNDATION FUND

I attended the H CRA Committee hearing on this bill on Friday May 2.

Comments were generally supportive of the legislation, with suggested "technical" changes. Some of those suggestions were indeed technical. However, there were some major policy suggestions made regarding the legislation that I thought you should be aware of.

The most significant one is a desire on the part of some folks (Kohler and Sharp in particular) to give greater power to local city governments rather than to boros. Both of these people would like to see an entitlement go to the city. From Kohler, I suspect it comes from fear of being overwhelmed by others in one's boro. Kohler also makes the point that cities are the strong part of local government in Alaska and, therefore should be given what they have the power to do and handle. He sees the regional government folks being a planning body, not a construction or whatever body.

Chitwood presented a position that was mid-way between the Sharp/Kohler position and the position presented in the bill. As I understand it, she was advocating for cities to do their own planning, but bring it to the council and to let cities in our unorganized boros do their own building/ownership.

To accept the Kohler/Sharp position would be to move away from the philosophy behind the bill as written and move much more into the revenue sharing model.

Some aspects of the Chitwood approach could easily be incorporated and some might be highly advisable (ex. cities in unorganized boro to do their own handling of funds, when the regional council approves to DOT that the priority projects (s) is within the city.

Marge and I will be working on this soon. Changes suggested of the technical sort will be incorporated. Do you have any thoughts to share re the policy questions? Please let me know?

Daily News
4/8/80

forum

Funding of capital projects for the state: a legislator's view

By SEN. ARLISS STURGULUSKI

It looks likely that by the end of this session of the legislature, legislators will have appropriated about \$500 million for capital projects throughout the state. This wish list — translated by the budget process into concrete, stone, and many new construction jobs — comes from a variety of sources — state agency requests, the governor's additions, legislators' responses to citizen requests and legislators' desires to "do something for the folks back home."

Not all these projects are equally needed. Past experience indicates that some percentage will include projects no one wants to see built, other projects whose operation costs will be so high that local people will reject them, others for which maintenance funds are not available. Some of these projects will duplicate facilities that exist; some will be a source of community conflict if they are only desired by some special interest group. Many have been proposed because communities want to get their economies moving; but they will be frustrated by their inability to get the project on the line in time to have any effect on their current economic condition. On the other hand, some communities will have more projects than they can reasonably handle without overheating their economies. Some of these projects are "unknowns" — no preliminary design or cost estimates have been made, and no one is sure they should be built.

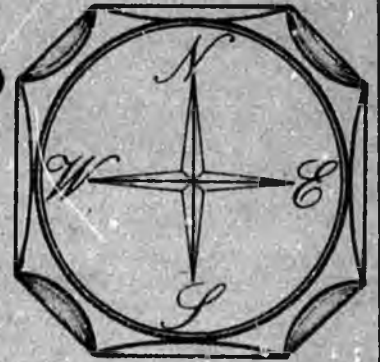
While this year's capital budget is the largest in Alaska's history, we all recognize that the state has long been in the local construction business. And the state will continue in this role because state government has greater revenues than local governments, because legislators "bring home the bacon," and because there is a need throughout the state for facilities of all sorts and for public works projects to affect economic goals.

Recognizing this reality, through the Senate Community and Regional Affairs Committee, I have introduced legislation (SB 546) which seeks to systematize the capital construction process by providing for local capital improvements planning and local determination of construction priorities. Identical legislation has been introduced by Rep. Bill Parker through the House Community and Regional Affairs Committee. Equity concerns have led us to propose a system that is similar to revenue sharing entitlements, except that, in addition to organized areas receiving funds, unorganized areas also receive entitlements. Let me briefly describe the scope of SB 546.

The Capital Foundation Fund will, by appropriation, provide funds to all areas of the state for certain capital improvements. To expend funds, each area will need to develop an areawide capital improvement plan, approved by the local assembly when there is one, and by advisory groups assisted by the Department of Community and Regional Affairs when there is no local government.

Compass

Points of view
from our
community



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

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

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

Capital Foundation Fund entitlements may be used for any priority established by the capital improvement plan in the following classes: libraries, cultural recreation, health and community facilities; neighborhood parks; emergency detention facilities; water, sewer, solid waste, and resource recovery facilities; and a variety of transportation facilities, such as local transit facilities and equipment.

Sturguluski is a Republican senator from Anchorage.

the back page

Gorsuch says 400 jobs on the line

Assembly: State must boost

By JULIE ANNE GOLD
Daily News reporter

The Anchorage Assembly telegraphed a "hard and distinct" message to the Anchorage School Board Monday night — either the state legislature produces an extra \$16 million needed to finance next year's proposed school budget, or severe cuts will be made across the board in city school programs.

"That's where it is," said assemblyman Dave Rose at a special joint session of the assembly and school board. The assembly is "hard pressed this year" to meet diverse fiscal demands of various city groups, he said, and "would be reluctant to levy" any additional taxes to increase local school budget funding.

Board member Lee Gorsuch warned that

more than 400 administrative and teaching positions would be cut if the assembly insisted on trimming the budget.

The city finances about \$25 million of the present school budget; the rest comes from state and federal taxes. Next year's proposed \$139.8 million budget represents a 5.1 percent increase over last year's combined \$130 million spending for public and military base schools.

"This year we have absolutely got to rely on the legislature of Alaska to give us the rest," Rose said. "If they do not act with dispatch the budget will be much less than what the board recommended."

The legislature is considering amended Senate Bill 199, which proposes to increase state school foundations funds. Those funds now fi-

nance almost 75 percent of Alaska's school funding, anywhere from \$30 million.

Rose estimates at least \$16 million is earmarked for Anchorage.

Three or four assemblymen are expected to go to Juneau Wednesday to vote on a bill now snagged in the House.

If the legislature still has not acted by April 15, Rose said, a "gobblin" motion likely will be made.

Gorsuch said most additional money is traced to fixed instructional and optional programs, and a "gobblin" motion likely will be made.

Superintendent of schools John Rose said Anchorage students consist-



Remaining funds m

By BOB SHALLIT
Daily News business reporter

The state may be stopped from using over half of its federal road construction allocation until well into the construction season unless the Federal Highway Administration revises its funding guidelines, officials said Monday.

Bob Ward, director of the state Department of Transportation and Public Facilities, said he has asked the FHA to reconsider the guidelines, which are part of a massive funding cut announced last week by the government.

Under that program, which was inspired by President Carter's budget balancing plans,

Daily News
4/8/80

forum

Funding of capital projects for the state: a legislator's view

by SEN. ARLISS STURGULUSKI

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Not all these projects are equally needed. Past experience indicates that some percentage will include projects no one wants to see built, other projects whose operation costs will be so high that local people will reject them, others for which maintenance funds are not available. Some of these projects will duplicate facilities that exist; some will be a source of community conflict as they are only desired by some special interest group. Many have been proposed because communities want to get their economies moving; but they will be frustrated by their inability to get the project on the line in time to have any effect on their current economic condition. On the other hand, some communities will have more projects than they can reasonably handle without overheating their economies. Some of these projects are "unknowns" — no preliminary design or cost estimates have been done, and no one is sure they should be built.

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Sturgulski is a Republican senator from Anchorage.

Playing the game of legislative end-around

James Rhodes

by Tom Fink



THE LEGISLATURE is much like a football game. You don't win or lose until the game ends. Being an armchair quarterback, however, I am very disturbed by some of our plays and lack of success. It is as if the TV announcer is telling me that our team is running when I can in fact see that it is passing.

Our legislature and governor have resisted any tax repeals on the basis that we would be aiding non-residents. Yet they turn around and pass a new permanent fund law which unequivocally dedicates our permanent fund for investments for non-residents. The permanent fund law among other items specifically provides that not more than 15 percent of the fund can be invested in real estate mortgages in Alaska and in any case must have a yield equal to mortgages outside the state.

The permanent fund law is a non-resident law. It has many interesting provisions. After February of this year 50 percent of the oil monies shall go into the fund rather than 25. The fund is not designed for the benefit of Alaskans. It specifically demands that the state seek the highest possible return. It lists a series of permissible investments. Most of the investments are in federal government securities or securities backed by federal guarantees. However, the fund can invest in corporate bonds, short term corporate notes, and bankers acceptances.

Investments in corporate bonds are limited to 25 percent of the permanent fund and investments in Alaska real estate mortgages are limited to 15 percent of the fund. There is no limit on the other investments.

The bill further provides that the interest income only is considered income and goes to the general fund each year with two exceptions. Losses on the sale of any securities are deducted from the income and gains from the sales of securities are left in the permanent fund. Further, the income of the fund which is transferred to the general fund is the lesser of the actual income of the fund or the five year average of income.

THE HOUSE also has passed a bill taking \$900 million out of the general fund and transferring it into the permanent fund. If making the permanent fund larger than the constitution requires and investing substantially all of the money outside is aiding the residents, someone will have to point out some new logic.

At the same time the legislature dawdles in its consideration of any tax repeal. Since 10 percent of the recipients of the income tax repeal would be non-residents, the other 90 percent of us must continue to pay taxes even though everyone acknowledges the state treasury does not need our tax money. There is only one conclusion. The issue of resident or non-resident is a red herring. The governor and the legisla-

ture don't want to give up the power which is created by the retention and control of large sums of money.

Recently Sen. Sturgulski introduced a bill which is supposed to make state aid available to local government for capital improvement projects. That's not what the bill does. The bill makes state money available for capital improvement projects primarily in the areas of the state where there is no local government.

It would be quite simple to set up a local government capital improvement fund and allow each local government to draw on that fund based upon its population. Sen. Sturgulski's bill, SB546, however, has an intricate formula of entitlement. It is safe to say that with Anchorage having nearly 50 percent of the population, it will only be able to draw about 5 percent of the money.

HER BILL DIVIDES half of the fund based on population plus a cost differential factor. The effect of the cost differential factor is that each Anchorage citizen is counted as one-fifth of a citizen or each remote area citizen is counted as five citizens. The other half of the fund is to be divided based upon area. Now what in the world does area have to do with capital improvements? Capital improvements are designed for the use of people. The size of the area is further bent by the application of the construction cost factor, which results in the urban areas being cut by five or the rural areas being multiplied by five.

Her bill provides that the state shall put \$200 per citizen into the fund and under her complicated formulas, Anchorage will receive about \$10 per citizen. The other \$190 per citizen

will go to the other areas of the state where there is not any local government. All of the urban areas of the state are dramatically penalized.

Our state government should be doing everything that it can to promote the rural areas of the state to form local governments. By forming local governments they can accept some of the tax burden of government and can resume the responsibility for providing the necessary local government services. This legislation is a disincentive to form a local government.

Also in Sen. Sturgulski's bill the urban area with the local government must assume the cost of maintenance and operation, which is appropriate. However, the vast areas of the state with little population can draw on the account for maintenance and operation.

Everyone, including a governor and a legislator, is entitled to his own opinion. However, our elected representatives ought not to tell us one thing while doing another.

We can still win, but it is now the fourth quarter and we, the Alaskans Citizens, are behind 49-7.

Tom Fink, an Anchorage insurance man, is a former speaker of the Alaska House of Representatives.

Editorial Opinion and Comment of



Daily News - Miner

"Independent in All Things . . . Neutral in None"

Other opinions expressed on this page do not necessarily reflect those of the Daily News-Miner.

3/20/80

Program for pork

It wasn't long ago when Alaskan communities grubbed about in hot competition for a few million dollars a year in state budget appropriations. We cheered heartily when we got a new office building or a new highway out of the tight state budgets to boost our local economy.

Now the state is basking in new wealth, and we find our civic pork barrel specialists dressing their wish lists up like the nouveau riche strutting to their first society affair. It's no longer called "pork" or even "local capital improvements projects"—now it's a grand plan for remaking our cities in some future image.

Down in Anchorage the municipality is pressing the Legislature with a "Program for the 80s" to pour hundreds of millions of state dollars into civic centers, theaters and other projects. Many of the same projects are also advanced again under the cover of a world fair proposal in the "Expo 84" movement.

Up here we have the "Program for Progress," unveiled last week as a joint lobbying effort by the borough and the cities of Fairbanks and North Pole. The legislators who will get this pitch are all smart politicians who know the taste of pork even when it's cooked and served like veal. It's important, however, that the rest of us also understand this program for what it is before we get fooled into throwing a lot of popular support behind some local political hat trick.

First off, let's make it clear that there are some very valuable civic projects in the "Program for Progress" that do genuinely deserve our support. Most are relatively cheap, and they stand out like nuggets in the bottom of a pan:

- A long-overdue extension and rebuilding of the city's steam heat system;
 - A community beautification program;
 - A comprehensive geologic mapping of the Fairbanks area with a feasibility study of whether an ore processing plant should be built here;
 - Renovation of the Fairbanks Recreation Center;
 - A program of city utility system improvements;
- and
- Some modest capital projects from the University of Alaska added to give the grandiose "wish list" some credibility.

But the largest pieces of the local program deserve nothing but spirited opposition. Most are just examples of a government planner's dreams gone wild. They are things that would be added to our local government burden without even a vote of the people.

For instance, the proposal for a rebuilt downtown area notes that in the land ownership, "Many parcels are small and owned by different individuals, hindering consolidation of land for larger developments." Fairbanks's oldest families must be selfish individuals, one concludes, to let their lifetime investments stand in the way of a bureaucratic utopia.

The justifications for the big government projects are thin. For instance, four large public parking garages are proposed downtown at \$10 million to \$13 million each, because "traffic congestion and parking shortages are contributing to air quality problems." In truth, traffic is less congested, the air is cleaner and there are far more parking places downtown than was the case 10 years ago.

Other proposals are things that have been rejected by Fairbanks voters in the past. The Blue Line Club's hockey rink is back, with the cost up to \$7.7 million. The major focus of public opposition in the old East Side Neighborhood urban renewal plan is also back in the form of a \$2 million request for Third and Seventh avenue access roads from downtown to the Steese Expressway.

This last point was specifically rejected by voters in the urban renewal repeal initiative in 1972. It has cropped up several times since then but former city mayor Harold Gillam, who was elected in 1972 while running on the initiative platform, kept shooting it down. Now he's no longer mayor, and it's surfaced again. The proposal would require condemnation of homes and widening of two streets through our oldest neighborhood just to save busy drivers a fraction of a minute in zooming downtown on their urgent business. Of course the time saved would be lost by two new traffic signals on the "expressway."

As for the \$13.4 million borough office building, even a Juneau waste basket is too good a place for that proposal.

While there are some good points added in the confusion, the "Program for Progress" is mainly a program for bankruptcy for local taxpayers.

Fink: Pay off state debts

By ROSEMARY SHINOHARA

Daily News reporter

A breeding ground for corruption and fraud would be created.

Alaska would have "social programs coming out our ears....They could lower the student/teacher ratio to one to one."

The state will pay people not to work.

State employees will reap much higher salaries.

And the state will be into all sorts of businesses, from banking to fishing.

That's Tom Fink's view of what will happen if the state decides to keep, rather than spend, its huge revenue surplus.

Fink, a conservative Republican leader who served several years in the state House including a term as speaker, said he thinks whether the legislature attempts to keep the money, return it to the people or spend it, the state's going to end up spending it.

Given that, he's in favor of

holding down the state operating budget, and using the money for two major purposes:

- Paying off its \$750 million in bonded debt;
- And, paying for "a very expanded capital improvements program."

The state has so much money it could build a capital, build the \$3 billion to \$4 billion Susitna dams, pay for crossings on Tarnagain and Knik arms, build roads, bridges and docks, he said.

Besides all of that, the state set aside a fund for local governments to draw on for their own capital improvement projects.

The important thing is to see that government does not have a surplus, he said. "We have to find a wise way to take it out of state hands. We ought to eliminate personal, corporate and the special oil and gas income tax. We can easily do that and still have a huge surplus."

Severance taxes on oil pumped out of the ground ought to be lowered until they're the same rate as other states



Tom Fink

charge, he said.

And he suggested the state could pay off some of the na-

tional debt with money left over. "Wouldn't that be wonderful?"

While he favors eliminating various taxes, Fink indicated he doesn't like the idea of the state giving \$350 to each resident, a proposal passed by the state House.

"I think it would attract a lot of people to Alaska just to get \$350." The type of person who would come for that probably wouldn't be a very good type for Alaska to have, he said.

What he thinks will happen, Fink said, is that state income taxes will be suspended. "There'll be 146 people we don't need to collect income tax. But we'll need 500 people to pass it out," he joked.

While he doesn't want the government to stockpile surpluses, Fink noted projections are that by the year 2,000, the state will have a \$200 billion surplus. "That's one-half million for every man, woman, and child. If you have a wife and 11 kids, that \$6.5 million," he noted.

Fink has a wife and 11 kids.

Study in magnificent new edifices

If, a few months ago, anyone would have suggested that I would be advocating the need for another impact statement, my reaction would have been to suggest a sobriety test.

It does seem, however, that another impact statement is in order and should relate to property taxes. With all the people showing up in Juneau, hats in hands, and all chorusing a syncopated version of, "How about a free lunch," we really need to take a look at whether Alaska property owners can afford to lay out the birdseed required to satisfy the warblings of these insatiable songbirds. We may find that those tempting free lunches are accompanied by a sizable bill for the fancy fiddle music that renders their theme song.

Just suppose that the folks in Juneau do decide to part with the big bucks for a whole slew of public buildings for Anchorage. In the midst of all the jubilation and mutual backslapping over having managed to get our fair share of the pie, let's don't neglect a look at that day in the not so



hayden green

distant future when all the fanfare has subsided and the dust has settled and we are left sitting in the shadows of all these new and magnificent edifices.

Do you imagine Juneau will continue to fork over the means to maintain and operate these buildings? I really don't think so. My guess is that the property owners will be called on to dig a little deeper and come up with the money to

feed this extra drain on the public expense burden.

Doubtless, about this time, someone will decide that the roads servicing all these sparkling new structures are simply inadequate and demand improvements. No sooner has this situation been corrected when, lo and behold, we will discover that the parking downtown just will not meet the needs of all those people using all those roads to get to all those buildings, and we will be faced with the construction of parking garages to meet those needs. Who do you think will be allowed to pay for all this?

A lot has been written recently about the salary increases that the Legislature voted themselves. I want to go on record as stating that I think these people aren't being paid enough. Because, as my old daddy used to say, "If all you pay is peanuts, you're liable to attract nothing but monkeys," and judging from the chattering that continues to emanate from the capital, we in Alaska have managed to attract our own circus.

3/22/80

Legislature gets 'anti-pork' proposal

By ROXINNE ERVASTI
Associated Press Writer

JUNEAU—A formula for allocating construction money throughout the state based on population and area has been proposed in the Legislature. One lawmaker said the idea might be looked upon as an "anti-pork barrel" bill.

The proposal was presented to the Senate and House Community and Regional Affairs committees Wednesday. The House panel did not discuss it but there was some debate over it in the Senate committee, which plans to introduce it soon.

The bill, yet to be drafted, would set up a "capital foundation fund" which the Legislature would appropriate to on an annual basis, starting with about \$86 million this year. Advisory committees in unorganized boroughs would set their own spending priorities.

The idea is to get more public input in unorganized boroughs, which now primarily rely on individual legislators to "bring home the bacon."

Sen. Artiss Sturgulewski, R-Anchorage, and chairman of the Senate panel, said the legislation would have been "an anathema" in the days before the state's oil wealth.

"But now we're seeing \$500 million proposed for capital improvements... what we're doing, by the Legislature being the sugar daddy, is throwing the burden on many municipalities for operational costs."

She said if a detailed study was made of the long-range results of current spending proposals on local entities, "the fiscal note would be staggering beyond belief."

In summary, the intent and provisions of the proposal are:

- Where there is local government,

capital improvement plans would be developed much as they are now;

- In unorganized boroughs, advisory groups would set spending priorities;
- The allocations could be accumulated over several years for large projects, and they could be used as match for state and federal grants—thus assisting areas that have no way of raising match money now;

- Funds could be used for maintenance and operation as well as construction, thus getting around what Mrs. Sturgulewski said is a situation where communities are indirectly encouraged not to maintain structures so that they can eventually get "construction" appropriations for repairs.

A suggested formula is that the fund total the equivalent of \$200 per capita in the state.

Allocation would be based on one-half the population of a municipality or unorganized borough, and one-half its area. Allocations would be determined by multiplying area and population times a construction cost differential. Each entity gets a minimum of 5 percent of the largest distribution made.

Sen. Bob Mulcahy, R Kodiak, joked

that the intent appeared to be to wipe out the "pork barrel" process. "The legislative process, while it may not be all that good, is a heck of a lot better," he said. "I'm accountable back there. This would just create another layer of government."

Sen. Tim Kelly, R-Anchorage, said he could not support the concept.

"You're saying you would give \$42 million to the organized boroughs, which have a population of 349,000, and twice as much, \$85 million, to the unorganized boroughs, which only have 80,000 people," he said.

Mrs. Sturgulewski said nothing would preclude the Legislature from making additional appropriations.

A related measure that has already been passed by her committee (CSSB348) would establish a system of planning grants for unorganized boroughs.

The grants, a minimum of \$25,000 plus \$25 per capita each year for up to three years, would allow the unorganized boroughs to study whether they want to organize.

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City/State

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Spending formula proposed

by Roxanne Ervasti
Associated Press

JUNE 24 — A formula for allocating construction money throughout the state based on population and area has been proposed in the Legislature. One lawmaker said the idea might be looked upon as an "anti-pork barrel" bill.

The proposal was presented to the Senate and House Community and Regional Affairs committees Wednesday. The House panel did not discuss it but there was some debate over it in the Senate committee, which plans to introduce it soon.

The bill, yet to be drafted, would set up a "capital foundation fund" which the Legislature would appropriate to on an annual basis, starting with about \$36 million this year. Advisory committees in unorganized boroughs would set their own spending priorities.

The idea is to get more public input in unorganized boroughs, which now primarily rely on individual legislators to "bring home the bacon."

Sen. Arliss Sturgulewski, R-Anchorage, and chairman of the Senate panel, said the legislation would have been "an anathema" in the days before the state's oil wealth.

"But now we're seeing \$300 million proposed for capital improvements . . . what we're doing, by the Legislature being the sugar daddy, is throwing the burden on many municipalities for operational costs."

She said if a detailed study was made of the long-range results of current spending proposals on local entities, "the fiscal note would be staggering beyond belief."

In summary, the intent and provisions of the proposal are:

— Where there is local government, capital improvement plans would be developed much as they are now.

— In unorganized boroughs, advisory groups would set spending priorities.

— The allocations could be accumulated over several years for large projects, and they could be used as match for state and federal grants — thus assisting areas that have no way of raising match money now.

— Funds could be used for maintenance and operation as well as construction, thus getting around what Sturgulewski said is a situation where communities are indirectly encouraged not to maintain structures so that they can eventually get "construction" appropriations for repairs.

A suggested formula is that the fund total the equivalent of \$200 per capita in the state.

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Sen. Bob Mulcahy, R-Kodiak, joked that the intent appeared to be to wipe out the "pork barrel" process.

"The legislative process, while it may not be all that good, is a heck of a lot better," he said. "I'm accountable back there. This would just create another layer of government."

Sen. Tim Kelly, R-Anchorage, said he could not support the concept.

"You're saying you would give \$42 million to the organized boroughs, which have a population of 349,000, and twice as much, \$85 million, to the unorganized boroughs,

which only have 80,000 people," he said.

Sen. Pat Rodey, D-Anchorage, said he saw the concept as a "reform" and said it would get money out to local areas immediately, in contrast to the backlog of bond projects approved by voters.

"It would have an important impact on the legislative process by making the local voice stronger," said Rodey. "I see it as having a leavening effect on the ups and downs of a change in legislative leadership."

Sen. Terry Stinson, D-Anchorage, supported it. "I see it causing a legislator to come down here with a list of priorities from the people back home who had an opportunity to set them," he said.

Sturgulewski said nothing would preclude the Legislature from making additional appropriations, but that her idea would guarantee a minimum kind of revenue sharing for capital construction.

ILLUSTRATION OF FORMULA (in round terms)

Base:	<u>Population</u>	X	<u>Construction Cost Differential</u>	=		<u>Area (Sq. Mi.)</u>	X	<u>Construction Cost Differential</u>	=	
Organized Areas	349,000		1.0	=	349,000	149,376		1.0	=	149,376
Unorganized Boroughs	80,000		1.25	=	100,000	437,036		1.25	=	546,295
	<u>429,000</u>				<u>449,000</u>					<u>695,671</u>

Appropriation: 429,000 X \$200 = \$85,800,000

Grant:

Adjusted Per Cent of Population X \$200
Adjusted Per Cent of Area X \$200

Organized Areas

$\frac{349,000}{449,000} = .78 \text{ X } \$42,900,000 = \$33,462,000$

$\frac{149,376}{695,671} = .215 \text{ X } \$42,900,000 = \frac{9,223,500}{\$42,685,500}$

\$42,685,500

Unorganized Boroughs

$\frac{100,000}{449,000} = .22 \text{ X } \$42,900,000 = \$ 9,438,000$

$\frac{546,295}{695,671} = .785 \text{ X } \$42,900,000 = \frac{33,676,500}{\$43,114,500}$

Total $\frac{43,114,500}{\$85,800,000}$



Alaska State Legislature

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

Address all
correspondence to:

LOCAL GOVERNMENT STUDY

Co-Chairmen
Senator Arliss Sturgulewski
Representative Bill Parker

Pouch V
State Capitol
Juneau, Alaska 99811

Official Business

April 3, 1980

Dear Alaskan:

This package of material is about SB 546, proposing a Capital Foundation Fund for construction of capital projects throughout Alaska. This bill is a further result of the work conducted by the Joint House and Senate Community and Regional Affairs Committees during the summer of 1979. During the course of the Committees' work, many people identified problems regarding planning for and funding capital projects. We feel that SB 546 proposes a viable solution to difficulties experienced throughout the state. We hope that you will read the enclosed descriptive materials and the bill itself.

Senate Bill 546 proposes a systematic approach to construction of capital projects. Every area of the state would receive a formula entitlement, much like revenue sharing. Expenditure of the entitlement requires only the development of a capital improvement plan. In organized boroughs and home rule municipalities, local governments plan for and expend these funds themselves for eligible projects. In unorganized boroughs (as defined in SB 348 and HB 580), an advisory group plans for the capital projects, though the funds are expended by the Department of Transportation and Public Facilities, as their fiscally responsible agent.

Funds may be used for a variety of capital projects. Priorities are annually established on the borough level. Maintenance costs are also eligible for use of these Capital Foundation Funds. There are many other significant considerations in SB 546. Please read the descriptive material and the bill itself. Contact us regarding any suggestions for changes, comments, etc.

We look forward to hearing from you about the Capital Foundation Fund.

Sincerely,

Senator Arliss Sturgulewski
Chairman, Senate C/RA

Representative Bill Parker
Chairman, House C/RA

Enclosure



Official Business

Alaska State Legislature

Senate

Committee on
Community & Regional Affairs

Pouch V
State Capitol
Juneau, Alaska 99811

March 24, 1980

Senator Arliss Sturgulewski

Information Sheet

CAPITAL FOUNDATION FUND

The Capital Foundation Fund will, by appropriation, provide funds to all areas of the State for certain capital improvements. To expend funds, each area will need to develop an areawide capital improvement plan, approved by the local assembly when there is one, and developed with the Department of Transportation and Public Facilities when there is no local government.

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

Each area, so long as appropriations are made, is certain of a source of funding for local projects. Each area will receive a formula share of the appropriation. This stability will be advantageous to local governments for planning purposes. Additionally, unlike the current situation, areas may have greater ability to use capital projects for anti-cyclic economic benefits by being in control of fund expenditures. Annual funds do not lapse and may be accumulated for locally determined purposes.

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

Funds are eligible for both construction and maintenance costs. This means that local governments will be encouraged to consider life-cycle costs and encouraged to maintain buildings and other improvements in order to maximize the efficiency of their capital dollars.

Local governments, under the Capital Foundation Fund program, will be assured of a steady supply of state funds for capital improvements that will be directed toward locally determined project needs and can be expended at a locally determined pace.

A JT. SENATE/HOUSE C/RA TELECONFERENCE WILL BE HELD
APRIL 16, 1980 -- 1:30 P.M. JUNEAU TIME. PLEASE GO TO YOUR
NEAREST LEGISLATIVE INFORMATION OFFICE LISTED BELOW:
RE: SB 546 DIVISION OF PUBLIC SERVICES

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Judy D. Hopkins, Asst. to Director
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CAPITAL FOUNDATION PROGRAM
(Construction and Maintenance)

FORMULA

Appropriations. The amount of appropriations authorized to be made to the capital foundation program for a fiscal year is equal to two hundred dollars times the state population.

Distribution. Amounts in the capital foundation program shall be distributed annually to municipalities and unorganized boroughs by the department by (a) allocating one-half of the amounts on the basis of population and one-half on the basis of area; and (b) determining the share of an individual municipality or unorganized borough by multiplying its population and area by the construction cost differential for that region. The minimum grant shall be five per cent of the largest distribution made to any municipality or unorganized borough.

Construction Cost Increases. The Department of Transportation and Public Facilities shall submit to the legislature on or before February 15 of each year an estimate of the average percentage increase in construction costs in the state during the previous year.

DEFINITIONS

(1) "population" means the population of the state, municipality, or an unorganized borough as determined by the department using the latest figures of the U.S. Bureau of the Census or other reliable population data, including but not limited to school enrollments, public utility connections, registered voters, or certified employment payrolls.

(2) "construction cost differential" means one plus the percentage by which average construction costs in a region are greater than or less than the average construction costs in Anchorage as determined by the Department of Transportation and Public Facilities using the latest figures.

(3) "department" means the Department of Community and Regional Affairs.

ILLUSTRATION OF FORMULA (in round terms)

Base:	<u>Population</u>	X	<u>Construction Cost Differential</u>	=		<u>Area (Sq. Mi.)</u>	X	<u>Construction Cost Differential</u>	=	
Organized Areas	349,000		1.0	=	349,000	149,376		1.0	=	149,376
Unorganized Boroughs	80,000		1.25	=	100,000	437,036		1.25	=	546,295
	<u>429,000</u>				<u>449,000</u>					<u>695,671</u>

Appropriation: 429,000 X \$200 = \$85,800,000

Grant:

Adjusted Per Cent of Population X \$200
Adjusted Per Cent of Area X \$200

Organized Areas

$$\frac{349,000}{449,000} = .78 \text{ X } \$42,900,000 = \$33,462,000$$

$$\frac{149,376}{695,671} = .215 \text{ X } \$42,900,000 = \frac{9,223,500}{\$42,685,500}$$

\$42,685,500

Unorganized Boroughs

$$\frac{100,000}{449,000} = .22 \text{ X } \$42,900,000 = \$ 9,438,000$$

$$\frac{546,295}{695,671} = .785 \text{ X } \$42,900,000 = \frac{33,676,500}{\$43,114,500}$$

Total $\frac{43,114,500}{\$85,800,000}$



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5/6/80

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State Capitol
Juneau, Alaska 99811

TO: Tam Cook
FROM: Marjorie Gorsuch & Margo Waring
RE: CS 1010 and CS546 Work Draft

- P. 1 Please develop an "intent" section based on the memo attached. Include those items you feel are relevant for such a section.
- p. 2 Line 19 Add: An entitlement for a project identified in the capital improvement plan of an organized borough, home rule municipalities as defined in AS 29.08.010, or municipalities unified under AS 29.-68 shall be made if the municipality has assumed the relevant powers. (or "and if the units of government identified in 44.42.100 (a) have assumed the relevant powers.")
- p. 2 Line 23 Consolidate with line 24 to read: "(4) community parks and recreational facilities;" and renumber accordingly
- p. 3 Line 21 "regional council shall be composed of no more than 11 members as follows:"
- p. 3 Line 22 Change to read: "(1) at least one representative of each first class city located within an unorganized borough etc.
- add
- p. 3 Line 26/"Representatives of first class cities shall be elected officials selected by the city council."
- p. 4 Line 3 and following rewrite as follows:
(a) With assistance from the department, each regional council established under AS 44.42.120 shall formulate an annually updated capital improvement plan for at least a five year period. Such plan shall:
(1) identify(continue with line 11-27)
- Line 28 Add a new (c) to read:
"(c) To qualify to receive an entitlement from the capital projects foundation fund, each organized borough, home rule municipality and unified municipality shall formulate an annually updated capital improvement plan for at least a five year period. The capital improvement plan and revisions to such plan shall be submitted to the city council or borough assembly. After a public hearing, and after approval by the council or assembly, a capital improvement plan shall be submitted to the department."

The above replaces the existing (c).

p. 5 line 14 See additional wording on attached blue sheet.

p. 5 lines 28 and following: (Eliminate current (b))

"A project built with capital foundation fund entitlement within an organized borough outside a city shall be operated and maintained by the borough. A project built with capital foundation fund entitlements in a city within an organized borough shall be owned, maintained and operated by the unit of government exercising the relevant power. In a case where the power is jointly exercised, ownership, maintenance and operation shall be determined by agreement."

p. 5 lines 15 and following: Rewording to be supplied by Jim Rhode.

p. 6 lines 25,26 Eliminate "This additional money may be obtained from other entitlements made from the capital projects foundation fund".

p. 7 line 18 Add " as annually determined"

(a source of funding in addition to such other funding sources as bonding.) Nothing restricts the legislative prerogative to appropriate capital funds. *Nothing in this legislation*

CAPITAL FOUNDATION

FUND

Intent

It is the intent of this legislation to establish a capital foundation program which will equitably provide funds for the orderly development of capital improvements throughout the state. It is intended that the planning for such developments reflect regional and local needs and priorities and that, whenever possible, borough governments have complete responsibility for the expenditure of the capital foundation program funds.

This legislation recognizes that most capital development projects have greater than local significance and should, therefore, be planned and prioritized on the regional level. Further, the legislation acknowledges that the cost of construction and the cost of maintenance are closely related and that maximally efficient use of funds is encouraged by combining maintenance and construction funds.

Formula Please see attached pages.

Funds may be used for either capital construction, betterment or maintenance, but not operation of the facilities. Funds allocated to either organized or unorganized boroughs do not lapse and may be accumulated for large projects or for growth management purposes.

Question: Should there be a ceiling on the amount which may be accumulated by any one borough?

Eligible Facilities

- libraries
- public protection facilities including fire service and holding facilities
- neighborhood parks and other recreation facilities
- water/sewer
- solid waste and resource recovery facilities
- health facilities
- community facilities
- Transportation facilities such as local service roads & trails, small boat harbors, seaplane floats, local transit facilities and equipment, upgrading and improvements in existing air transport facilities such as aviation aides and improvements and associated field improvements, emergency and/or recreational airstrips, so long as no transportation facilities jeopardize or are inconsistent with the state system as defined in the regional transportation plans and the State Facilities Plan.

However, only projects identified in the capital improvement plan are eligible for Capital Foundation Program expenditures.

Distribution

Capital Foundation Program funds will be distributed by formula to boroughs and to unified home rule municipalities, provided each has developed a capital improvement plan which includes a priority listing of capital improvement projects. In organized boroughs the cip will need assembly approval, after a public hearing.

In third class boroughs and for the unorganized borough, the following measures are taken to provide for planned regional development of capital improvements, as there is no regional government responsible for planning and expending funds.

Funds will be distributed to unorganized boroughs (SB 348). If this legislation is not passed, funds will be distributed to those areas identified as REAA's.

However, expenditure of the funds for unorganized boroughs is the responsibility of DOTPF. In order to properly plan for and prioritize capital improvements in the unorganized boroughs, advisory groups are established to assist DOTPF. (Amend Chap. 168 SLA 78).

Regional Advisory Councils

Advisory Council members are appointed by the Governor.

Membership of the advisory groups will consist of one elected official from each first class city or municipality, selected by the city. Additional representation from elected officials of second class cities and representatives of unincorporated communities shall be selected from nominations made by the Division of Community Planning, DCRA and DOTPF. Each regional advisory council shall consist of fifteen members.

The regional advisory councils will assist DOTPF in the development of a regional capital improvement plan, in prioritization among projects, in decision making regarding trade-offs between maintenance and new construction, and in project scheduling.

If an unorganized borough opts to become organized, the borough government will assume the capital improvement planning responsibility, responsibility for foundation program funds and may take title to existing capital improvement projects.

Definitions

Maintenance means preservation, upkeep and repair to keep a facility as close as possible to original condition.

Betterment means improvements, adjustments, additions which more than restore to a former condition for better service without major changes in original construction.

Operation means all costs attributable to utilization of the facility, such as heat, light, janitorial services.