

ALASKA LEGISLATURE COMMITTEE FILES 1985-1986 86/2

3880 SCRA SB 369 - SB 411 256

Tracking of Bills

Bill tracking would be done by the range 13 position. As new bills are introduced and others amended, this position would update the status of the bills and provide copies of amended bills to fiscal note personnel. This position would also hand deliver and receive fiscal impact information to and from members of the Legislature and various State agencies.

Clerical Activities

Two clerk typist II positions would be employed to operate the personal computer update and tracking system and type fiscal notes and correspondence for all the activities noted above.

*J. H. Smith* 2/20/86



Official Business

# Alaska State Legislature

## Senate

Pouch V  
State Capitol  
Juneau, Alaska 99811

Feb 13, 1986

Received telephone call from Linda Anderson, representing the North Star Borough at 2:35p today, Feb 13. Ms. Anderson advised that the North Star Borough supports both SB 369 and SB 376. Representative unable to attend hearing due to dental appointment for child.

yma/2/13/86

cc: Linda Anderson

CATHERINE H. LOVELL and HANRIA R. EGAN

## Fiscal Notes and Mandate Reimbursement in the Fifty States

During the last week of December 1981, Congress passed and President Reagan signed a bill requiring Congress to attach cost estimates to legislation affecting state and local governments. The new law, the State and Local Government Cost Estimate Act of 1981, which amends Section 403 of the Budget Act of 1974, was passed unanimously in both houses. Scheduled to take effect October 1, 1982, it calls for the Congressional Budget Office to prepare a cost estimate on any bill reported out of committee which the CBO director estimates: (1) is expected to have an aggregate cost to states or local governments or more than \$200 million, or (2) is likely to have exceptional fiscal consequences for a geographic region or particular level of government. The new law, which also allows state and local government officials to verify the accuracy of the CBO figures, was actively supported by the National League of Cities, the National Association of Counties, the Council of State Governments, and other public interest groups representing state and local governments. CBO staff have estimated that they will need to review briefly some 850 bills annually to ascertain whether they need further study; of these, 140 will require limited review, and roughly 25 per year will require a thorough and detailed analysis.<sup>1</sup>

The new federal fiscal note legislation is modeled after processes, now more or less implemented in 35 states, that have been established to estimate the fiscal impact of proposed state legislation on local governments.<sup>2</sup> Attaching fiscal notes to measures affecting local governments has been one of the key methods advocated vigorously by local governments to attempt to curtail state and federal mandating of costly programs and procedures. Local governments do not object to all mandated programs, but as resources tighten they attempt to reduce imposed requirements. The fiscal note approach is based on the assumptions that: (1) if federal or state legislators know what their ac-

---

Catherine H. Lovell is professor of management in the Graduate School of Management, University of California-Riverside. Hanria R. Egan is M.S. health services administration, Harvard University. The authors wish to thank the Academic Senate of the University of California, which provided funds for this research.

TABLE 1  
Number of Federal and State Mandates (in Five States) by Estimated Year of Imposition,  
by Direct Orders and Conditions of Aid (DO and COA)\*

Years	Federal		State	
	COA	DO	COA	DO
1941-1945	0	0	1	77
1946-1950	0	8	0	276
1951-1955	2	0	0	99
1956-1960	2	2	1	79
1961-1965	24	5	2	250
1966-1970	92	43	38	365
1971-1975	559	109	53	1040
1976-1978	354	57	30	625

\*Direct orders are those mandates imposed by law or administrative order without being related to aid. Conditions of aid mandates are those requirements imposed as conditions of grants in aid.

Source: Catherine Lovell, Max Neiman, Robert Kneisel, Adam Rose, and Charles Tobin. *Federal and State Mandating on Local Governments: Report to the National Science Foundation* (Riverside, Calif.: University of California, June 1979). Federal mandates were obtained from the *Code of Federal Regulations*. State mandate numbers were obtained from inventories developed in five states: California, New Jersey, North Carolina, Washington, and Wisconsin.

1979, Missouri a constitutional amendment and Washington a law in 1980. As of the spring of 1983, mandate reimbursement legislation is pending in Congress and in a number of state legislatures, although none of the proposals are likely to pass this year due to prevailing budget-cutting atmospheres.

### OVERVIEW OF FISCAL NOTE PROCESSES

Table 2 summarizes the major research findings from the 35 states reporting fiscal note processes either on their books, in developmental stages, or actually in effect. Although the 35 states vary widely as to political and administrative relationships between the states and their local governments, no positive relationship was found between the amount of freedom of cities and counties from state control and the existence of fiscal note processes.<sup>5</sup>

Column 2 indicates the legal authority for the note process in each state—in 27 states the process is based on laws, in 6 states the note process is authorized by a legislative rule, and, in one state each, it is based on a house rule only, and a joint concurrent resolution. In most instances where authority for the note process is other than legislation, the respondents indicated that legislation has been proposed but has not yet passed.

The first superscript (a or b) distinguishes between states where the process is or is not implemented to some reasonable degree. In several states the law or implementation plan is so new that the details of implementation are still being worked out.

The second superscript (c or d) indicates the organizational unit responsible for the preparation of the notes. In just under a third of the states, the notes are prepared by units in the executive branch; in just over two-thirds, the note preparation is done in

tions will cost their local governments, they will be more careful about taking such actions, and (2) alerting the "mandated on" governments to potential costs of proposed legislation affecting them and furnishing them with data to substantiate their concerns will make their lobbying efforts more effective.

A second strategy advocated by local governments to protect themselves from costs mandated by their states or the federal government is the enactment of mandate reimbursement laws. Such laws, which have now been passed in eight states, require the states to reimburse local governments for costs incurred from any new programs they are ordered by the states to institute. Mandate reimbursement laws are considered the logical next step beyond fiscal note laws. Both local impact fiscal notes and mandate reimbursement laws are almost entirely phenomena of the last decade and are evidence of reactive strategies now utilized by local governments to attempt to cope with increased mandating and new roles expected of them in the intergovernmental system.

The research discussed here traces the growth of fiscal note and mandate reimbursement processes in the states over the last decade, and describes how processes within the states operate and how they are perceived by selected state and local officials in those states. The data were collected during the summer and fall of 1981, and results were compiled and analyzed during the winter and spring of 1982.

Questionnaires were administered by telephone to between two and five state and local government officials in each state where either a local impact fiscal note or mandate reimbursement process exists. Those interviewed were staff persons directly responsible for preparing or administering fiscal notes and officials of city or county statewide associations with jurisdiction of the states. In states with mandate reimbursement, additional state and local officials with special knowledge about mandate reimbursement processes were interviewed. Data were also obtained from written reports and examination of samples of fiscal notes.<sup>3</sup>

### GROWTH OF FISCAL NOTE AND MANDATE REIMBURSEMENT PROCESSES

Thirty-four of the thirty-five states with fiscal note processes have adopted them since 1971 and nearly two-thirds of these, 23 states, have adopted them in the last six years. The surge of interest in fiscal notes by the states and stepped-up lobbying for a federal fiscal note law has been closely related to the proliferation of mandating on local governments by the states and the federal government over the last decade.<sup>4</sup> As Table 1 indicates, mandating on local governments began to increase in the late 1960s and grew rapidly in the 1970s. Comparing the dates of fiscal note enactments with the data in Table 1, we see the enactment of fiscal note processes closely following the rapid increase in number of mandates imposed.

By the late 1970s and early 1980s mandate reimbursement measures had been adopted in eight states. California enacted both a reimbursement law in 1972 and a constitutional amendment in 1979, Florida and Rhode Island enacted laws in 1978, Michigan and Tennessee passed constitutional amendments in 1978, Illinois adopted a law in

Number of

Ye

1941

1946

1951

1956

1961

1966

1971

1976

\*Direct orders a:  
Conditions of a

Source: Cather  
State Mandating  
University of Cal  
tations. State manc  
Jersey, North Ca

1979, Missouri  
spring of 1982  
number of stat  
due to prevaili

Table 2 summ:  
processes eithe  
the 35 states v  
states and thei  
amount of free  
note processes.

Column 2 in  
the process is b  
rule, and, in on  
olution. In mos  
the respondents

The first sup  
not implemente  
tion plan is so r

The second s  
preparation of t  
units in the exe.

TABLE 2  
 Overview of State Fiscal Note Processes  
 (states not included had no fiscal notes process as of December 1981)

1	2	3	4	5	6		
State	Year Enacted	Form	Methodology	Quality of Notes	Notes Redone After Amendment (Yes, No, or Sometimes)	Process Considered Effective by:	
						(a) State	(b) Locals
Arizona	1979	Law <sup>a,d</sup>	Sampling	Low/Med	No	Medium	Medium
Arkansas	1977	Law <sup>b,d</sup>					
California	1973	Law <sup>a,c</sup>	Sampling Statistical Analysis	High	Yes	High	High
Colorado	1978	Law <sup>a,c</sup>	Sampling	Medium	Sometimes	Medium	Medium
Connecticut	1977	Law <sup>a,d</sup>	Loose Sampling	High	Sometimes	Med/High	Medium
Florida	1977	Law <sup>a,d</sup>		High	No	Med/High	Med/High
Georgia	1981	Law <sup>b,c</sup>					
Idaho	1977	Legislative Rule <sup>a,d</sup>			None Received		
Illinois	1979	Law <sup>a,c</sup>	Rigorous Sampling	High	Sometimes	Med/High	Med/High
Indiana	1972	Legislative Rule <sup>b,d</sup>					
Iowa	1974	Law <sup>a,d</sup>	Loose Sampling	Medium	Sometimes	Medium	Low/Med
Kansas	1971	Law <sup>a,c</sup>	Ad Hoc	Medium	Sometimes	Low	Low
Kentucky	1982	Law <sup>b,d</sup>					
Louisiana	1979	Law <sup>a,d</sup>	Loose Sampling	Medium	Yes	Medium	Medium
Maine	1980	Law <sup>a,d</sup>	Loose Sampling	Medium	No	Medium	Medium
Maryland	1968	Law <sup>a,d</sup>	Sampling and Statistical Analysis	Medium	Yes	Medium	Medium
Massachusetts	1980	Law <sup>b,c</sup>					
Michigan	1978	Law <sup>a,d</sup>	Sampling and Statistical Analysis	High	Yes	High/Med	Medium
Mississippi	1976	Joint Con- current Res- olution <sup>a,d</sup>	Ad Hoc	None Received	Sometimes	Medium	Low/Med
Missouri	1979	Law <sup>a,d</sup>	Loose Sampling	High	Sometimes	Medium	Medium
Montana	1979	Legislative Rule <sup>a,c</sup>	Loose Sampling	Medium	Yes	Medium	Medium
Nebraska	1976	Legislative Rule <sup>a,d</sup>	Loose Sampling	Medium	Sometimes	Medium	Low/Med

Nevada	1981
New Hampshire	1981
North Carolina	1981
Ohio	1981
Oregon	1981
Pennsylvania	1981
Rhode Island	1981
Tennessee	1981
Texas	1981
Virginia	1981
Washington	1981
West Virginia	1981
Wisconsin	1981

a = Process is imple  
 b = Process is not ir  
 c = Agency respons  
 d = Agency respons

legislative office  
 search offices. I:  
 preparation.

1) Considerative by:

(b) Locals

Medium

High

Medium

Medium

Med/High

Med/High

Low/Med

Low

Medium

Medium

Medium

Medium

Low/Med

Medium

Medium

Low/Med

TABLE 2 (continued)

Nevada	1975	Law <sup>a,d</sup>	Ad Hoc and Surveys	Medium	No	Low	Low
New Hampshire	1981	Law <sup>a,d</sup>	Contact Agencies	Med/High	Yes	Medium	Low/Med
North Carolina	1981	Law <sup>b,d</sup>					
Ohio	1977	Law <sup>a,d</sup>	Sampling and Statistical Analysis	High	Yes	High	High
Oregon	1975	Law <sup>a,c,d</sup>	Loose Sampling	Low	Sometimes	Med/High	Medium
Pennsylvania	1974 House 1980 Senate	Legislative Rule <sup>a,d</sup>	Ad Hoc	Low	Sometimes	Medium	Medium
Rhode Island	1978	Law <sup>a,c</sup>	Consult Directly with Cities and Towns	High	Sometimes	High	High
Tennessee	1974	Law <sup>a,c</sup>	Sampling and Statistical Analysis	High	Sometimes	Med/High	Medium
Texas	1977	Procedural Rule <sup>a,d</sup> (Both Houses)	Systematic Sampling	None Received	Yes	Med/High	High
Virginia	1980	Law <sup>a,c</sup>	Loose Sampling	None Received	Yes	Medium	Low/Med
Washington	1977	Law <sup>a,c</sup>	Rigorous Sampling and Statistical Analysis	High	Sometimes	Med/High	Medium
West Virginia	1973	House Rule Only <sup>a,d</sup>	Loose Sampling	Medium	Sometimes	Med/High	Medium
Wisconsin	1971	Law <sup>a,c</sup>	Sampling and Statistical Analysis	High	Yes	High	High

a = Process is implemented.  
 b = Process is not implemented.  
 c = Agency responsible is in executive branch.  
 d = Agency responsible is in legislative branch.

legislative offices—either by budget and finance committee staffs or in legislative research offices. In some cases both legislative and executive units participate in the note preparation.

Of special interest are the methodologies used to prepare the notes, i.e., how cost estimates and projected overall fiscal impacts are derived. As column 3 indicates, techniques utilized in preparing the notes vary significantly from state to state, although almost all of the states utilize some form of sampling of local governments to estimate costs. Sampling techniques vary greatly from extremely loose to rigorous sampling accompanied by statistical analysis. The designation of loose sampling in the table means that usually data is requested from some cities, towns, or agencies, but there is no formal set of rules or guidelines stipulating what local governments are to be sampled. Rigorous sampling, on the other hand, suggests that there is a formally established network of contacts in a representative sample of localities who are routinely asked to calculate the estimated fiscal impacts of proposed bills. In the smallest states, sampling is not necessary because cost estimates for all local governments can be obtained. A designation of ad hoc means that methodology varies from bill to bill, sometimes including sampling.

At least seven states use techniques in addition to, or instead of, sampling. Some base their analysis on past cost data for similar programs, others query the state agencies who would be administering the proposed programs statewide and accept their estimates. The most sophisticated analyses utilize unit cost formulas based on historical data or budget projection techniques combined with sampling designed to involve selected local governments in verifying statistical projections.

An examination of the relationship between the last three columns in the table, which display estimates of the quality of notes and perceptions about the effectiveness of the note process [columns 4, 5, and 6 (a) and (b)], and column 3, the methodology used, reveals that there is a strong positive correlation (.67 and .64) between the sophistication of the methodology for compiling the notes and the extent to which the notes are considered to be of high quality and the process effective.<sup>6</sup> There is a very weak correlation (.22 and .23) between the perceptions of the effectiveness of the note process and its location in either the executive or legislative branch.<sup>7</sup> The quality of the notes (column 4) is the author's assessments based on direct examination of samples.

---

*"The surge of interest in fiscal notes by the states and stepped-up lobbying for a federal fiscal note law has been closely related to the proliferation of mandating on local governments by the states and the federal government over the last decade."*

---

Column 5 shows whether or not notes were rewritten or amended to reflect revisions or amendments made to proposed bills in committee or before being voted on the floor. Ten of the 35 states reported rewriting fiscal notes routinely after bill amendments or revisions; another 14 reported that the notes were sometimes rewritten depending on

circumstances or extent of revisions. Only four reported that notes were never redone or redone only in very rare instances.

Columns 6 (a) and (b) show the perceptions of state and local government officials about the "effectiveness" of the process. In the 29 states where both state and local officials were interviewed, state and local respondents had similar responses as to the effectiveness of their state's fiscal note operations. Among the 16 matched responses there were an almost equal number of highs, mediums, and lows. In nearly all the remaining cases, the responses within a state varied only by one degree (medium/high vs. medium, for example).

### FISCAL NOTE PROCESSES IN FIVE STATES

The following sections describe the fiscal note process in five states where methodologies differ considerably but are deemed effective by both state and local officials, and where the quality of the notes was evaluated as high. Notes appear in very different forms in the different states.<sup>8</sup>

#### *Wisconsin*

Wisconsin's fiscal note process is an example of an extensive, consistently implemented system. Preparation of notes on local government impacts is the responsibility of the director of development. Notes are required on every single piece of legislation proposed; if there is absolutely no fiscal impact, a narrative explanation documenting this must be attached instead of a fiscal note. In addition, notes are redone with each amendment, often six or seven times per bill. Each bill is carefully read and a statutory search is made to determine if provisions in other bills might be affected by it. Next, if information is available in-house (local fiscal data in certain subject areas have been accumulated), all or parts of the note are prepared there first. If more information is needed, work sheets are sent to a carefully developed sample of local communities.

A problem with Wisconsin's rigorous approach is that requiring fiscal notes on even those bills which will clearly never be heard is time- and resource-consuming. A provision has been proposed recently whereby only those bills under serious consideration would require fiscal notes.

Mandate reimbursement legislation has not been adopted in Wisconsin, although it has been introduced in several recent sessions. The state does substantial revenue sharing with its local governments, which might explain why this is the case.

#### *Washington*

The fiscal note process in Washington is housed in the Office of Planning and Community Affairs in the executive branch, where it is under the direction of a fiscal analyst. Although one analyst prepares all notes on bills affecting local governments, his methodology involves routinely seeking input from other appropriate agencies on a

fiscal note contact list. In addition, county auditors are routinely asked for data on their assessments of potential costs. The Association of Washington Cities works closely with the fiscal analyst, furnishing statistical and financial data. To a large extent the actual analysis is done by the cities and towns and by the statewide county and city organizations, although the analyst's office assimilates the data and presents it to the legislators as its own estimate. Respondents suggested that were the notes to come directly from the counties, cities, and town to the legislature, they might be viewed as biased and thus unreliable.

Notes are not done on every bill but are prepared only upon specific request by the legislative author or by a committee reviewing the bill. The city and county organizations cannot directly require that a note be prepared on a given bill even if they feel there would be substantial cost implications. The quality of Washington notes is particularly good. The notes are thorough and detailed.

Washington has a mandate reimbursement law which prohibits the passage of cost-incurring mandate legislation without providing for compensation to localities. However, to date, no implementation process has been adopted so there is no effective mandate reimbursement system.

#### *Rhode Island*

Fiscal notes in Rhode Island are prepared under the auspices of the State Department of Community Affairs, where the equivalent of two full-time people work on local notes. Because of its size (there are only 39 municipalities in R.I.), fiscal impact estimates are not derived via a sample; all 39 localities supply the data. In addition, the state maintains, for other reasons, an extensive file of municipal data and, therefore, often has on hand sufficient information to make accurate impact estimates. A fiscal note is prepared upon the request of the chairman of a committee, a bill sponsor, or the League of Cities. There is regular working communication between the League of Cities and the state office responsible for fiscal note preparation, which helps to coordinate the process and make the notes accurate. Rhode Island also has mandate reimbursement legislation and a partially established, uncomplicated process for reimbursement of localities.

#### *Ohio*

Ohio is a "home rule" state; mandates are infrequent, and there is local revenue sharing to encourage compliance with permissive legislation encouraging new local programs. Fiscal note administration is under the director of the Legislative Budget Committee, who has a staff of 12 people to work on fiscal notes (for both state and local impacts) by subject area and do other financial analyses. Notes must be attached to all bills before they are reported out of committee; failure to prepare a note virtually defeats a bill, since it cannot be reported. There is no set methodology for preparing fiscal analyses; each bill is handled individually, depending on its subject matter. Politics

clearly at  
legislation;  
sources u  
partment

#### *California*

The fis  
elaborate,  
Unit of the  
aration. Ti  
there are lo  
bill goes b  
The metho  
other state  
local agenc  
ernments in  
these data,  
report is pr  
reimburse  
Cities and/c  
affected), an  
comment, q  
note will be  
cal note is re  
in California  
scribed below

Evaluating in  
single criteria  
tremely diffic  
menting the d  
pact costs of  
tracking indiv  
legislators or,  
agencies.

Surrogate  
cials is not sci  
evidence about  
effectiveness.

Objective fa

clearly affect the nature and extent of the fiscal analysis performed on a given piece of legislation. Analysis methods include surveys and statistical projections. Major data sources used by the committee include the Ohio Municipal League and the State Department of Taxation.

### *California*

The fiscal note process in California is undoubtedly the most highly developed, elaborate, and systematic of any state. The process is located within the Local Mandate Unit of the State Department of Finance, and a staff of seven is assigned to note preparation. The Legislative Counsel is responsible for deciding, for each bill, whether there are local cost implications, and often its staff also prepares its own notes. Before a bill goes before any fiscal committee in either house, a fiscal note must be attached. The methodology requires, first, that all code references be searched to determine other state or federal laws on which the proposal in question might have bearing. Next, local agencies from an established information-gathering network (which includes governments in the four population centers of the state) are asked to supply data. From these data, a statewide dollar amount is developed, and a two to three page narrative report is prepared substantiating the costs and discussing relevant assumptions and reimbursement implications. Copies are then distributed to the League of California Cities and/or the County Supervisors Association of California (depending on which is affected), and any relevant state agencies. Each of these groups has the opportunity to comment, question, or challenge the figures. If significant changes are indicated, the note will be rewritten and the process repeated. With each amendment to a bill the fiscal note is revised accordingly. Fiscal notes, which are called mandated cost estimates in California, are an integral part of the mandate reimbursement process, which is described below.

### EFFECTIVENESS OF FISCAL NOTE PROCESSES

Evaluating in a rigorous way the "effectiveness" of fiscal note processes on even the single criteria of reducing cost-producing mandates on local governments would be extremely difficult and costly. Such analysis would require a methodology for documenting the direct and indirect effects that the notes have on preventing or reducing impact costs of legislation or administrative regulations. Such a study would require tracking individual bills to prove that the fiscal note actually influenced the votes of legislators or, in the case of administrative mandates, the actions of state administrative agencies.

Surrogate "evidence" based on the perceptions of local and state government officials is not scientifically valid but is useful for estimating effectiveness. Also, surrogate evidence about the quality of the process is also useful as a beginning in estimating effectiveness.

Objective factors such as the number and percentage of bills for which notes are pre-

**TABLE 3**  
Evaluations About Positive Impacts of Fiscal Note Process on Decision Making\*

YES, STRONG IMPACT		YES, SOMEWHAT	TOO NEW TO TELL
Examples Provided	No Specific Examples Provided		
Arkansas	Connecticut	Arizona	Georgia
California	Florida	Idaho	Kentucky
Colorado	Kansas	Maine	Massachusetts
Illinois	Louisiana	Nebraska	New Hampshire
Indiana	Maryland	Nevada	North Carolina
Iowa	Michigan	Oregon	
Missouri	Mississippi	Pennsylvania	
Tennessee	Montana		
West Virginia	Ohio		
Wisconsin	Rhode Island		
	Texas		
	Washington		

\*Compiled from telephone survey of state and local government officials, summer 1981. Officials interviewed were state officials responsible for fiscal note processes and representatives of state organizations of cities and counties.

pared, the number of personnel assigned to prepare notes, and the extensiveness, accuracy, and quality of the notes produced are indications of note quality and should also be partial indicators of effectiveness. It was anticipated that those states with the most elaborate processes and the most detailed, comprehensive notes would clearly be perceived as the most successful at curbing costly mandate legislation, and that states still experimenting with partially conceived and loosely defined processes would be making little or no headway toward combatting what many local governments see as the "mandate problem."

A major finding of this research is, however, that the fiscal note processes now operating in states, regardless of the form, are perceived by state and local government officials as effective instruments in deterring or mitigating the impact of mandates on local government.

Table 3 presents the interview findings which suggest that, in fact, even in those states with poorly implemented processes, the mere existence of a rule, resolution, or law requiring identification of the costs to local governments associated with proposed mandates has had significant impact on decision making. State and local respondents reported the following positive effects of notes:

- Inform legislators.
- Deter legislators from introducing certain bills.
- Serve as the basis for discussion in committees.
- Delay bills on floor.
- Aid in converting provisions of bills from mandatory to permissive.
- Defeat bills.
- Cause substantial amendments to bills.
- Cause funding allocations to cover indicated local government costs.

Since passage of legislative decision-making Table 3. those states of legislative outcome. the fiscal of a given states representative process: majority ( pact.

The following defeated c

- *Arkansas*: eligible govern
- *California*: employee expenses bill wa
- *Colorado*: of the
- *Illinois*: was kil
- *Indiana*: fiscal n and cle.
- *Iowa*: V gued we bill was the men the two.

In most of the implementation partially implementation is still implementation all mandate re

Since the purpose of requiring fiscal notes is to put pressure on legislators to prevent passage of legislation which would be costly to local governments, or at least to force legislators to consider these costs in their deliberations, the verdict to date appears positive.<sup>9</sup> In response to the question, "Have fiscal notes had any impact on the decision-making process?" the responses divided into the four categories shown in Table 3. The first "yes" category was divided into two groups. In the first category are those states where respondents immediately volunteered one or more recent examples of legislation for which the estimated local cost data substantially contributed to the outcome. States in the other "yes" group reported that it was universally accepted that the fiscal estimates frequently play an important role in determining the content or fate of a given bill, but they did not cite specific cases. As the table indicates, none of the states reported that there was no impact or negative impact, although in five states the process had been enacted so recently that evaluation was not yet possible. A substantial majority (22 out of 35, or 63 percent) felt strongly that there was a marked positive impact.

The following provided by the officials interviewed, are examples of bills that were defeated or amended due to fiscal notes.

- *Arkansas*: A proposed police and fire pension law which would have reduced required eligibility hours was withdrawn after the fiscal note showed unreasonable costs to local governments.
- *California*: A bill making collective bargaining mandatory for local government employees was estimated to cost several million dollars for procedural expenses alone (i.e., expenses not due to increases in wages or benefits resulting from the unionization). The bill was modified to cover only school employees, still projected to cost \$8 million.
- *Colorado*: A bill exempting mobile homes from property taxes was defeated when the size of the loss in local tax revenues was illustrated.
- *Illinois*: Pension legislation which was estimated to cost local governments \$296 million was killed.
- *Indiana*: A bill levying fees for the dumping of hazardous wastes was proposed. When the fiscal note established that the fees charged would not be sufficient to cover the treatment and clean-up costs, the bill was revised to increase required fees.
- *Iowa*: When a fiscal note found that a proposed land use bill, which some legislators argued would incur no costs to local governments, would cost them at least \$3 million, the bill was defeated. In another case, two possible approaches were presented to reorganize the mental health delivery system. The fiscal note clearly pointed up the less expensive of the two, which was adopted.

#### MANDATE REIMBURSEMENT AS A FURTHER STEP

In most of the eight states where mandate reimbursement legislation has been enacted, implementation has been slow, ill-defined, and inadequate. In the other five either (1) a partially implemented system is in effect; (2) the legislation is new and thus implementation is still in process; (3) there is a law in existence, but there has been virtually no implementation; or (4) most legislation falls into "exclusionary categories." (Virtually all mandate reimbursement legislation includes a listing of mandate categories or types

of bills for which state reimbursement is not required; these are called exclusionary categories.)

Florida passed a law in 1978, but the law has not yet been implemented because shortly after it was adopted the State Supreme Court ruled that one legislative session could not bind subsequent sessions. Unless that constraint in the law can be settled, reimbursement will be difficult. Tennessee also passed a law in 1978 calling for reimbursement of costs above \$50,000, but the law has not yet been implemented. Local governments there are considering going to court to force implementation. The 1980-1981 budget included approximately \$1 million to be distributed to local governments to help pay for mandatory programs. Missouri amended its constitution in 1980 to require mandate reimbursement but the amendment has not yet been implemented. Local governments there lost a test case due to a technicality, but several additional cases sponsored by local governments are now pending.

In California, Michigan, and Rhode Island, policies and procedures have been developed for administering and reimbursing cost-incurring mandates, and reimbursement systems are currently in effect.

In Rhode Island claims are submitted to the State Department of Community Affairs, which administers the process. A series of steps follows the passage of legislation with local cost implications: hearings; issuing of allowable cost categories; record keeping by communities; submission of claim forms; and selective audits based on claim contents. Finally, payments are made roughly two years later. An appeals process has been established, although it has seldom, if ever, been used. To date, good working relationships prevail between the local entities and the state fiscal note and mandate reimbursement offices.

In Michigan procedures are still being negotiated for final implementation of the 1978 constitutional amendment requiring that the state reimburse local governments for state-imposed costs. An appeals board has been established to resolve potential differences over what are necessary or approved costs. For a long time no bills were passed that fell into a reimbursement category, but the Local Claims Review Board has recently raised questions about several bills, so the law and procedures will be tested.

The California mandate reimbursement system, although it has come under fire, particularly from counties, over the years, is clearly the most extensive and most serious effort to reimburse local government entities for state mandated expenditures. Mandate reimbursement was first enacted by the legislature (as Senate Bill 90) in 1972; it became a section of the state constitution in November 1979 as a part of the Gann initiative setting expenditure rate limitations on local governments. Since January 1, 1981 administrative regulations with significant local cost implications have been considered reimbursable mandates also.

Mandate reimbursement in California is actually two separate processes—one for those mandates which are funded from the outset (i.e., as soon as they are passed), and another for those mandate bills which are passed unfunded and are then brought before the Board of Control (an appeals body) for review.

In  
amount  
minist  
then s  
lishes  
and, if  
bill is  
already  
ally rec  
submit

The fi  
bills pas  
tended se  
quests ar  
funding f  
of two st  
member a  
sides, and  
estimates  
legislature  
defeat the

At prese  
local claim  
ments non  
cumberson  
reimbursen

The Cou  
lobbies on  
county aud  
lems. Senat  
California's  
local govern

In the first case, the Department of Finance decides approximate reimbursement amounts, and the process is straightforward. The State Controller's Office, which administers the claims, prepares instructions for the local government claimants, who then submit claims for costs incurred. After aggregating these, the controller establishes whether there are sufficient monies available to reimburse at the requested levels, and, if not, the deficiency is reported to the Department of Finance, where a deficiency bill is prepared and submitted. While the bill for the deficiency funds is pending, the already appropriated money is disbursed on a pro rata basis. Local governments generally receive reimbursement within a year of incurring costs and within three months of submitting their claims forms.

---

*“Even in those states with poorly implemented processes, the mere existence of a rule, resolution, or law requiring identification of the costs to local governments associated with proposed mandates has had significant impact on decision making.”*

---

The funded category, however, accounts for only about 10 percent of the mandate bills passed each year. Securing funding for the remaining 90 percent involves an extended series of steps and, in some cases, reimbursement is never approved. Formal requests are made by local governments to the Board of Control to review and consider funding for bills local governments contend impose local costs. The board is composed of two state statutory officials, two local government representatives, and one public member appointed by the governor. Hearings are held, testimony is presented on both sides, and, for those bills on which the board takes favorable action, statewide dollar estimates are determined. Finally, a separate appropriations bill is brought before the legislature for consideration. Passage is not automatic, however. The legislature can defeat the bill or delete cost items, and the governor can also blue-pencil specific items.

At present about 75 percent of the appeals brought before the board are won by the local claimants. This high success rate on claims is due to the fact that local governments normally bring only claims they expect to win. Because the entire process is cumbersome and time-consuming, it takes about three years for localities to receive reimbursement for initially unfunded bills.

The County Supervisor's Association of California, which evaluates legislation and lobbies on behalf of county governments, has an active subcommittee comprised of county auditors and analysts who work intensively on mandate reimbursement problems. Senate Bill 90 is reserved every session to introduce amendments and revisions to California's mandate reimbursement law to make it more responsive to and useable by local governments.

In practice, the process, although the most advanced among the states, is less effective than would appear. Since the law was first passed, and continuing after the constitutional amendment, the legislature has often attached what have come to be called "disclaimers" on bills. A disclaimer is a statement saying that the bill will not have significant fiscal impacts on local governments or the legislature (the law notwithstanding) will not fund any costs. Local governments have, of course, been fighting the disclaimer usage through negotiations with legislative leaders and, more recently, through court actions. Although disclaiming has reduced in frequency in the last few years, the counties, in particular, were disturbed enough about the practice to have filed a major suit last year in the California courts. The suit was dismissed until all administrative remedies are exhausted, but the counties are expected to do so and return to the courts.

### CONCLUSIONS

The fiscal note process, estimating the fiscal impact of proposed legislation on local governments, is now at least partially established in over half of the states and is gradually being implemented in more states each year. The federal government began its note process late last year. The preliminary research reported here has found that although methodology for estimating fiscal impacts varies a great deal in its rigor from state to state, even in those states with the least rigorous processes, the officials interviewed perceive positive effects. The research also suggests that although methodology for accurate estimating is not simple, it can be developed if the governments are willing to invest resources in the process.<sup>10</sup>

The Advisory Commission on Intergovernmental Relations has been advocating the note process for many years, as have municipal leagues and organizations of counties, although little data has been collected and analyzed to support their claims that notes help prevent unwise mandating of activities on local governments without reimbursement. The preliminary survey reported here supports their contentions.

Although the fiscal note process is well established, improvements in coverage and methodology are needed. Improvements recommended by the officials interviewed included extending the amount of lead time for note preparation, upgrading the existing data base and/or methodology, increasing and improving analytic personnel, and giving more emphasis to substantive issues. Several respondents also urged that fiscal notes be prepared, as in California, on proposed major agency regulations as well as on proposed legislation.

As the Congressional Budget Office develops its fiscal note methodology, it is examining methods used by the states, particularly those states where the methodology is considered the most rigorous. The analytic techniques developed by the CBO will be used as models for many of the states who wish to improve their processes. There is current discussion of cooperative agreements between the CBO and the states to work together in preparing estimates.

The step beyond fiscal notes is mandate reimbursement. The requirement for fiscal

notes relative to a data base states with that process officials in (state or local) when they govern:

In the context of reimbursement funding and by declining expected to be losing both their own resources more than they

1. Conversation with 5th District
2. Many states will cost the to be imposed well. For a budget itself. Vol. 1, No.
3. Survey instrument and evaluation process was giving them to tell about the use improvements in
4. For further information see Catherine Lovell 1981, pp. 31.
5. The existence of government control. His *Government Management*.
6. To obtain the surveys, loose surveys were given

is less effective. After the conference, it is to be called. It will not have any legal force, notwithstanding the fact that it was recently, in the last few years, to have filed all administrative returns to the

ation on local government and is gradually being implemented. It began its note that although it is from state to state, it is interviewed methodology for accuracy and willing to

advocating the interests of counties, it notes that notes about reimbursement

coverage and interviewed including the existing methodology, and giving fiscal notes based on proposed

methodology, it is exacting methodology is CBO will be used. There is a states to work

ment for fiscal

notes relates directly to mandate reimbursement since fiscal notes provide the central data base on which reimbursement figures build. It is clear from experience in the eight states with mandate reimbursement legislation on the books that the extent to which that process is implemented depends largely on the posture taken by local government officials in demanding implementation. All other things being equal, elected officials (state or local) will attempt to push costs (and, therefore, taxes) to other jurisdictions when they can. Even in the states where reimbursement laws have been enacted, local governments have had to work hard to force implementation.<sup>11</sup>

In the coming period, economic pressures will make fiscal notes and mandate reimbursement even more important issues. As the federal government decreases grant funding and attempts to devolve programs to the states, the state governments—spurred by declining revenues due to recession, rising costs, and taxpayer revolts—can be expected to try to pass costs on to local governments. Local governments, in turn, are losing both federal and state grants and, for the same reason as the states, are losing their own tax revenues. They can be expected to resist costs mandated from external sources more strongly than ever. Since fiscal note and mandate reimbursement processes are the strongest weapons designed to date, local government efforts to implement them are likely to increase.

## NOTES

1. Conversations between CBO Staff and Peter Slone, assistant to William R. Ratchford, Congressman, 5th District, Connecticut, April 1982.
2. Many states have had for some years requirements for "fiscal notes" about what proposed legislation will cost themselves as states. In this article we are discussing those fiscal notes which estimate costs to be imposed on local governments, and in the case of proposed federal legislation, on the states as well. For a 1979 list of states that had note requirements on state bills as they affected either the state budget itself or local governments, see *The Fiscal Letter*, National Conference of State Legislatures, Vol. 1, No. 4, June 1979.
3. Survey instruments for both fiscal note and mandate reimbursement programs consisted of descriptive and evaluative components. The descriptive section sought information on when, how, and why the process was initiated, how it currently functions, and the logistics of preparing the notes and conveying them to the legislators. The evaluative sections sought to determine the perceptions of the officials about the usefulness, effectiveness, and appropriateness of the processes to date and what, if any, improvements might be made.
4. For further discussion of the growth in federal and state mandating on local governments, see Catherine Lovell and Charles Tobin, "The Mandate Issue," *Public Administration Review*, May/June 1981, pp. 318-331.
5. The existence or nonexistence of fiscal note processes was tested against Zimmerman's index of local government discretionary authority which shows the relative freedom of cities and counties from state control. His evaluation may be found in Joseph F. Zimmerman, *The Discretionary Authority of Local Governments*, Urban Data Service Reports, Vol. 13, No. 11. (Washington D.C.: International City Management Association, November 1981).
6. To obtain the correlations, the methodology types were given numerical equivalents: 1 = ad hoc, surveys, loose sampling, 2 = sampling, rigorous sampling, and 3 = statistical analysis. The note quality types were given numerical equivalents: 1 = low, 2 = low/medium, 3 = medium, 4 = medium/high,

and 5 = high. The two sets of numbers were correlated using Spearman's Rho. The first number represents the correlation coefficient between methodology and state officials' perceptions, and the second number represents correlation with local perceptions.

7. To obtain the correlation, the locations were given the numerical equivalents (1 = executive; 0 = legislative) and correlated with numbers on note quality using Spearman's Rho. The numbers represent correlation coefficients between location of process and the perception of state and local officials.
8. Samples of notes from the various states are available from the authors.
9. One can argue that preventing passage of legislation which imposes costs is not always positive. One might wish the legislature to pass legislation to accomplish a worthwhile purpose even at the expense of costs imposed on local governments. The positive effect desired is not necessarily to "prevent passage" but, rather, to force legislators to consider local costs in their deliberations. Legislators may decide that the provision of access to handicapped citizens (for example) is a valued purpose even where it may impose costs on local governments. Attention to the extent of such costs may lead to consideration of more innovative means than simply mandating elevators on all buses, however. This situation is one where fiscal notes appear useful even where the main intent is to "force" local programs.
10. Accurate assignment of costs, particularly where reimbursement is involved, has certain methodological problems. Particularly difficult is the question of marginal costs between mandate requirements and what the jurisdiction would have done on its own volition in the absence of a mandate. For discussion of these issues, see Lovell, et al., op. cit., and Christy Ann Jensen, *Anticipating the Impacts of State Mandates, An Examination of an Intergovernmental Effort to Develop a Mandate Analysis Form and Process for Use by State and Local Governments in California*. Ph.D. diss., University of Southern California, December 1981.
11. The issue of full implementation is complicated by the very real circumstance that reimbursement is not always the most appropriate action. There can be cases, as suggested in note 9 above, where local governments should pay program costs even though they dislike being forced to do so by state government.

---

If there is half a decade. Proposition limits on the of fiscal con third of the s have gone be on their loca adopted or e 1977). And t in calls for ei In short, a nu not reverse, t

While it is limitation, the adopted since balance budge the proposed luster may ha being turned i 1980; Stubble government es personal incon been adopted b imposed on m: ment.

---

David Lowery is a

CAFA Mtg - 2/13/86

SB 369 ---

SB 376 - Get bill out so that Finance can determine total of supplementals needed

Estimate program needs \$7.4 mil  
Gov has \_\_\_\_\_ in his budget

Burgess - Supports bill -- this is a state program; therefore state should take responsibility for it - also want to warn legislature that the shortfall next yr will be worst.

Jeff Smith \$2 mil covers amt taken out of homeowners exemption to fund renters exemption - so both programs covered



Coghill - What about \$50,000 for Bettles.

Smith - Came on line Dec 26, bill went into effect Jan 1st.

Coghill add approximately \$50,000  
on line 11  
on line 27  
new incorporation

Sturg amend ~~46,800~~ added to FY '85 program  
\$46,857.00  
Anc - Homer - left holding bag

Coghill Have problem w/ North Slope / NANA  
as no problem, then Ferguson  
- B/ a bill to give \$385,000  
to North Slope

Sturg - Don't introduce until Ferguson returns

369 is a #1 priority for local gov. -  
need to hold over and have serious  
discussion w/ Dept and with Muni League

Schedule ~~370~~<sup>369</sup> for next Thurs.

NOT BUDGETS - OK  
1 IN THE SENATE

CRA?  
BY STURGULEWSKI

2 SENATE BILL NO.  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to fiscal notes for legislation  
7 affecting a municipality."

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

9 \* Section 1. AS 24.08.035(a) is amended to read:

10 (a) Before a bill or resolution, except an appropriation bill,  
11 is reported from the committee of first referral, there shall be  
12 attached to the bill a fiscal note containing an estimate of the  
13 amount of the appropriation increase or decrease that [WHICH] would  
14 result from enactment of the bill for the current fiscal year and five  
15 succeeding fiscal years. If enactment of the bill would require an  
16 expenditure or appropriation by a municipality, a fiscal note shall be  
17 attached to the bill containing an estimate of the amount of the total  
18 expenditure or appropriation that would be required during the current  
19 fiscal year and five succeeding fiscal years by all affected munic-  
20 ipalities. If [OR, IF] the bill has no fiscal impact, a statement to  
21 that effect shall be attached. A [THE] fiscal note or statement  
22 relating to a state expenditure shall be prepared in conformity with  
23 the requirements of this section by the department or departments  
24 affected and may be reviewed by the office of management and budget.  
25 A fiscal note or statement relating to municipal expenditures shall be  
26 prepared by the Department of Community and Regional Affairs, which  
27 may obtain the assistance of another state agency <sup>or the affected mu</sup> in the preparation  
28 of the note or statement. The fiscal note or statement shall be  
29 delivered to the committee requesting it within five days of the

1 request or within two days if the request is made after the 90th day  
2 of a regular session, or during a special session of the legislature.  
3 If the bill is presented by the governor for introduction in accor-  
4 dance with AS 24.08.060(b) and the uniform rules of the legislature,  
5 the fiscal note or statement shall be attached to the bill before the  
6 bill is introduced. An amendment or a substitute bill proposed by a  
7 committee of referral that changes the fiscal impact of a bill shall  
8 be explained in a revised fiscal note or statement attached to the  
9 bill.

NOT RECORDED - OK  
1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

CRA?  
BY STURGULEWSKI

IN THE SENATE

SENATE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to fiscal notes for legislation affecting a municipality."

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

\* Section 1. AS 24.08.035(a) is amended to read:

(a) Before a bill or resolution, except an appropriation bill, is reported from the committee of first referral, there shall be attached to the bill a fiscal note containing an estimate of the amount of the appropriation increase or decrease that [WHICH] would result from enactment of the bill for the current fiscal year and five succeeding fiscal years. If enactment of the bill would require an expenditure or appropriation by a municipality, a fiscal note shall be attached to the bill containing an estimate of the amount of the total expenditure or appropriation that would be required during the current fiscal year and five succeeding fiscal years by all affected municipalities. If [OR, IF] the bill has no fiscal impact, a statement to that effect shall be attached. A [THE] fiscal note or statement relating to a state expenditure shall be prepared in conformity with the requirements of this section by the department or departments affected and may be reviewed by the office of management and budget. A fiscal note or statement relating to municipal expenditures shall be prepared by the Department of Community and Regional Affairs, which may obtain the assistance of another state agency, or the affected municipality, in the preparation of the note or statement. The fiscal note or statement shall be delivered to the committee requesting it within five days of the

1 request or within two days if the request is made after the 90th day  
2 of a regular session, or during a special session of the legislature.  
3 If the bill is presented by the governor for introduction in accor-  
4 dance with AS 24.08.060(b) and the uniform rules of the legislature,  
5 the fiscal note or statement shall be attached to the bill before the  
6 bill is introduced. An amendment or a substitute bill proposed by a  
7 committee of referral that changes the fiscal impact of a bill shall  
8 be explained in a revised fiscal note or statement attached to the  
9 bill.  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29



# RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

*James O. Smith*  
Signature of Camera Operator

*10/31/89*  
Date

S B

3 7 6

STATE OF ALASKA  
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY  
LEGISLATIVE REFERENCE LIBRARY

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

May, 1986

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS date base CM 14. In order to save space copies of minutes have not been left in the files.

Jeanie Henry

*Sen. Community and Regional Aff;*  
*2/13/86, 3:45 pm.*

COMMITTEE REPORT  
SENATE

FURTHER: FINANCE

1/30/86

Date Feb 25, 1986

Mr. President

The Committee on C&RA considered SB 376  
making appropriations to the Department of Community and Regional  
Affairs to reimburse municipalities under certain programs; efd.

and (a majority of the committee) ~~(the committee)~~ reports it back with  
the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/~~or adopt~~ CS for SB 376 (C&RA)
- new title
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

William Stangulinski  
[Signature]  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

MEMBERS HAVING  
OTHER RECOMMENDATIONS

[Signature]  
[Signature]  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Edna DeVine  
 Chairman  
[Signature]  
 Chairman recommendation

Original sponsor: Community and Regional  
Affairs Committee

Funding Information

General Fund \$2,321,857  
Other Funds - 0 -  
\$2,321,857

BY THE COMMUNITY AND  
REGIONAL AFFAIRS COMMITTEE

1 IN THE SENATE

2 CS FOR SENATE BILL NO. 376 (C&RA)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making appropriations to the Department of  
7 Community and Regional Affairs to reimburse municipi-  
8 palities under certain programs and to provide an  
9 organization grant; and providing for an effective  
10 date."

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

12 \* Section 1. The sum of \$2,225,000 is appropriated from the general  
13 fund to the Department of Community and Regional Affairs to reimburse  
14 municipalities under the following programs for costs incurred in fiscal  
15 year 1986:

16 Program	17 Appropriation
18 Homeowners' Property Tax Exempt on	\$2,000,000
19 (AS 29.45.030(e) - (i) and former	
20 AS 29.53.020(e) - (i))	
21 Motor Vehicle Exemption	10,000
22 (AS 29.45.030(j) and former	
23 AS 29.53.030(j))	
24 Water and Sewer Assessments	65,000
25 (AS 29.46.090 and former	
26 AS 29.63.065)	
27 Farm use	150,000
28 (AS 29.45.060 and former	
29 AS 29.53.035)	

\* Sec. 2. The sum of \$46,857 is appropriated from the general fund to

1 the Department of Community and Regional Affairs to reimburse municipali-  
2 ties under the water and sewer assessment program (former AS 29.63.065) for  
3 costs incurred in fiscal year 1985.

4 \* Sec. 3. The sum of \$50,000 is appropriated from the general fund to  
5 the Department of Community and Regional Affairs for payment as a grant to  
6 the City of Bettles to defray its costs of transition to city government  
7 and to provide for interim government operations.

8 \* Sec. 4. The appropriation made by sec. 3 of this Act shall be dis-  
9 bursed in the same manner as an organization grant made under AS 29.05.180.

10 \* Sec. 5. This Act takes effect immediately in accordance with AS 01.-  
11 10.070(c).

MEMORANDUM

04 February 1986

TO: Senator Arliss Sturgulewski  
 FROM: Melissa Aber Fouse  
 RE: Funding for Municipal Tax Relief Programs

You have asked about the funding levels for the Tax Relief programs for FY 1986 and FY 1987.

The following are the estimated FY 1986 shortfalls for:

Farm Use Land Assessments Payments	\$150,000
Senior Citizen/Disabled Veteran Homeowner Payments	2,177,300
Senior Citizen/Disabled Veteran Renters Payments	96,600
Senior Citizen Special Assessments-Water/Sewer	60,000

The following are the fiscal year 1987 funding levels estimated by the Department of Community and Regional Affairs, the Governor's budget request and the estimated shortfalls for:

<u>Senior Citizens/Disabled Veterans Homeowners Property Tax Exemption</u>	
Department Estimate	\$7,842,300
Governor's Budget Request	4,008,600
Estimated Shortfall	3,833,700

<u>Senior Citizens/Disabled Veterans Renter "rebates"</u>	
Department Estimate	390,000
Governor's Budget Request	258,700
Estimated Shortfall	131,700

<u>Senior Citizens Special Assessments-Water/Sewer Deferment</u>	
Department Estimate	120,000
Governor's Budget Request	30,000
Estimated Shortfall	90,000

Senior Citizen Motor Vehicle Tax Exemption

Department Estimate	\$164,800
Governor's Budget Request	<u>117,900</u>
Estimated Shortfall	\$46,900

Senior Citizen/Disabled Veteran Rental Sales Tax

Department Estimate	\$10,000
Governors Budget Request	<u>10,000</u>
Estimated Shortfall	0

Farm Use Land Assessment

Department Estimate	\$350,000
Governor's Budget Request	<u>150,000</u>
Estimated Shortfall	200,000

Total Estimated Shortfall	\$4,302,300
---------------------------	-------------

The Fiscal Year 1986 budget appropriated \$81,306,800 for Municipal Assistance. The proposed FY 87 budget request is \$79,674,000. Since the language in the statute authorizing municipal assistance is permissive (may appropriate up to 30% of the prior years corporate tax receipts) and revenues are declining, it can be argued that this program is fully funded.

The FY 86 funding level for Revenue Sharing was \$59,632.2, the current request for FY 87 is \$57,459,600. \$1 million of the reduction was from the hospital construction account. This amount will be about 90% pro rata.

The school construction debt reimbursement entitlement for FY 1986 was \$109,665,909. Actual state aid was \$105,345,000 for a funding level of 96.06%. The latest figures for FY 87 from the Department of Education are:

Entitlement	\$144,485,898
Governor's Request	<u>106,315,600</u>
Estimated Shortfall	42,472,598

# WORK ORDER REQUEST FORM

N14 - 1889

KEYWORDS: n: municipalities

ASSIGNED TO Laurerbach

REQUEST FOR: BILL  RESOLUTION  RESEARCH  OTHER

SUBJECT A. CGRA-Municipal Programs

REQUESTED FOR Sen. DeVries BY Yvonne 4 EXT. 4989

\* DELIVER TO Sen. DeVries Cap. 427 TAKEN BY Cook

INSTRUCTIONS, EXPLANATIONS \_\_\_\_\_

Special Appropriation to CGRA for the following municipal programs:

- 1) Homeowners program (AS 29.45.030(e)-(1) and 29.53.020(e)-(1))-\$2,000,000
- 2) Motor vehicle reimbursements (AS 29.45.030)-\$10,000
- 3) Senior Citizens Sewer and Water (AS 29.46.090)-\$65,000
- 4) Farm use (AS 29.33.035, AS 29.45.060)-\$150,000

OBTAIN

SPECIAL DRAFTING INSTRUCTIONS ATTACHED

AUTHORIZED TO CONFER WITH \_\_\_\_\_

RETURN \_\_\_\_\_

TO REQUESTER

APPROVED: TBC Director, Legal Services

REVIEWED \_\_\_\_\_

SPECIAL INSTRUCTIONS TO TYPIST/PROOFREADER

IN 1/24/86 DUE \_\_\_\_\_

TYPED - Draft \_\_\_\_\_ DATE \_\_\_\_\_

Final \_\_\_\_\_ DATE \_\_\_\_\_

PROOFED \_\_\_\_\_ DELIVERED \_\_\_\_\_

DRAFT

FINAL

Introduced: 1/30/86  
 Referred: Community and Regional  
 Affairs and Finance

Funding Information  
 General Fund \$2,225,000  
 Other Funds - 0 -  
 \$2,225,000

BY THE COMMUNITY AND  
 REGIONAL AFFAIRS COMMITTEE

1 IN THE SENATE

2 SENATE BILL NO. 376

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making appropriations to the Department of  
 7 Community and Regional Affairs to reimburse municipi-  
 8 palities under certain programs; and providing for an  
 9 effective date."

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

11 \* Section 1. The sum of \$2,225,000 is appropriated from the general  
 12 fund to the Department of Community and Regional Affairs to reimburse  
 13 municipalities under the following programs:

Program	Appropriation
Homeowners' Property Tax Exemption (AS 29.45.030(e) - (i) and former AS 29.53.020(e) - (i))	\$2,000,000
Motor Vehicle Exemption (AS 29.45.030(j) and former AS 29.53.030(j))	10,000
Water and Sewer Assessments (AS 29.46.090 and former AS 29.63.065)	65,000
Farm use (AS 29.45.060 and former AS 29.53.035)	150,000

27 \* Sec. 2. This Act takes effect immediately in accordance with AS 01.-  
 28 10.070(c).

C&RA Mtg - 2/13/86

SB 369 ---

SB 376 - Get bill out so that Finance can determine total of supplementals needed

Estimate program needs \$7.4 mil  
Gov Inds \_\_\_\_\_ in his budget

Burgess - Supports bill -- this is a state program; therefore state should take responsibility for it - also want to warn legislature that the shortfall next yr will be worst.

Jeff  
Smith

\$2 mil covers amt taken out of homeowners exemption to fund renters exemption - so both programs covered

Coghill - What about \$50,000 for Bettles.

Smiths - Came on line Dec 26, bill went into effect Jan 1st.

Coghill  
add approximately \$50,000  
on line 11  
on line 27  
new incorporation

Sturg

amend

~~46,857~~ added to

FY '85 program  
\$46,857.00  
Anc - Homer - left holding bag

Coghill

Have problem w/ North Slope / NANA  
as no problem, then Ferguson  
- B/ a bill to give \$385,000  
to North Slope

Sturg

- Don't introduce until Ferguson returns

369 is a #1 priority for local gov. -  
need to hold over and have serious  
discussion w/ Dept and with Muni League

Schedule ~~370~~<sup>369</sup> for next Thurs.

# STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

## DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

February 12, 1986

- POUCH B  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-4700
- 949 E. 36TH AVENUE, SUITE 400  
ANCHORAGE, ALASKA 99508  
PHONE: (907) 563-1073

### POSITION PAPER

RE: Senate Bill 376

SPONSOR:

Program Effects of Bill

Comments:

Senate Bill 376 provides for a supplemental appropriation which would fully fund the municipal property tax relief programs administered by the Department for fiscal year 1985/1986. The Department supports the passage of this bill.

With the decline in State revenues, the Department recognizes that the fiscal growth of these tax relief programs is likely to be curtailed in the future. We believe however, that a shortfall in the programs for the current year could cause undue hardships for some municipalities. Several municipalities have voiced concerns that they would not have adequate time to prepare for such shortfalls during the current fiscal year. We understand those concerns and are in favor of fully funding the shortfalls for this year.

Senate Bill 113, which is now in House Finance Committee, would curb the growth of the largest of these programs, and provide language to allow the Department to proration available funding in the only exemption program where that authority does not presently exist. We believe the adoption of that bill will resolve many of the problems associated with these programs and, at the same time, allow municipalities adequate time to prepare for possible shortfalls in the upcoming fiscal year.

  
Emil Notti, Commissioner

# STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : 2/11/86

**REQUEST**

Bill/Resolution No. : SB 376  
 Title : An Act...C&RA reimburse municipalities  
under certain programs & providing  
for an effective date  
 Sponsor : Senator D'Vries/Senate C&RA  
 Requestor : \_\_\_\_\_  
 Date of Request : \_\_\_\_\_

**FISCAL DETAIL**

Agency Affected : \_\_\_\_\_  
BRU: Senior Citizen/Disabled Vets Tax Relief  
& Aq Lands Exemption  
 Components : Tax Relief

**EXP' NDITURES/REVENUES : (Thousands of Dollars)**

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

**FUNDING : (Thousands of Dollars)**

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

**POSITIONS :**

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

**ANALYSIS :** Attach a separate page if necessary

This appropriation will not increase our administrative costs for these programs.

Prepared by : Michael W. Worley *Michael Worley*  
 Division : Municipal & Regional Assistance

Phone : 465-4750  
 Date : 2/11/86

Approved by Commissioner : Jess Smott  
 Agency : Community & Regional Affairs

Date : 2/12/86

Distribution (by Agency preparing fiscal note) :

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Introduced: 1/30/86  
Referred: Community and Regional  
Affairs and Finance

Funding Information  
General Fund \$2,225,000  
Other Funds - 0 -  
\$2,225,000

BY THE COMMUNITY AND  
REGIONAL AFFAIRS COMMITTEE

1 IN THE SENATE

2 SENATE BILL NO. 376

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making appropriations to the Department of  
7 Community and Regional Affairs to reimburse munici-  
8 palities under certain programs; and providing for an  
9 effective date."

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

11 \* Section 1. The sum of \$2,225,000 is appropriated from the general  
12 fund to the Department of Community and Regional Affairs to reimburse  
13 municipalities under the following programs:

14	Program	Appropriation
15	Homeowners' Property Tax Exemption	\$2,000,000
16	(AS 29.45.030(e) - (i) and former	
17	AS 29.53.020(e) - (i))	
18	Motor Vehicle Exemption	10,000
19	(AS 29.45.030(j) and former	
20	AS 29.53.030(j))	
21	Water and Sewer Assessments	65,000
22	(AS 29.46.090 and former	
23	AS 29.63.065)	
24	Farm use	150,000
25	(AS 29.45.060 and former	
26	AS 29.53.035)	

27 \* Sec. 2. This Act takes effect immediately in accordance with AS 01.-  
28 10.070(c).



Official Business

# Alaska State Legislature

## Senate

Pouch V  
State Capitol  
Juneau, Alaska 99811

Feb 13, 1986

Received telephone call from Linda Anderson, representing the North Star Borough at 2:35p today, Feb 13. Ms. Anderson advised that the North Star Borough supports both SB 369 and SB 376. Representative unable to attend hearing due to dental appointment for child.

yma/2/13/86

cc: Linda Anderson

Lauterbach  
2/14/86 ✓

Original sponsor: Community and Regional  
Affairs Committee

Funding Information

General Fund	\$2,321,857
Other Funds	- 0 -
	<u>\$2,321,857</u>

1 IN THE SENATE

BY THE COMMUNITY AND  
REGIONAL AFFAIRS COMMITTEE

2 CS FOR SENATE BILL NO. 376 (C&RA)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making appropriations to the Department of  
7 Community and Regional Affairs to reimburse municipi-  
8 palities under certain programs and to provide an  
9 organization grant; and providing for an effective  
10 date."

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

12 \* Section 1. The sum of \$2,225,000 is appropriated from the general  
13 fund to the Department of Community and Regional Affairs to reimburse  
14 municipalities under the following programs for costs incurred in fiscal  
15 year 1986:

Program	Appropriation
17 Homeowners' Property Tax Exemption	\$2,000,000
18 (AS 29.45.030(e) - (i) and former	
19 AS 29.53.020(e) - (i))	
20 Motor Vehicle Exemption	10,000
21 (AS 29.45.030(j) and former	
22 AS 29.53.030(j))	
23 Water and Sewer Assessments	65,000
24 (AS 29.46.090 and former	
25 AS 29.63.065)	
26 Farm use	150,000
27 (AS 29.45.060 and former	
28 AS 29.53.035)	

29 \* Sec. 2. The sum of \$46,857 is appropriated from the general fund to

1 the Department of Community and Regional Affairs to reimburse municipali-  
2 ties under the water and sewer assessment program (former AS 29.63.065) for  
3 costs incurred in fiscal year 1985.

4 \* Sec. 3. The sum of \$50,000 is appropriated from the general fund to  
5 the Department of Community and Regional Affairs for payment as a grant to  
6 the City of Bettles to defray its costs of transition to city government  
7 and to provide for interim government operations.

8 \* Sec. 4. The appropriation made by sec. 3 of this Act shall be dis-  
9 bursed in the same manner as an organization grant made under AS 29.05.180.

10 \* Sec. 5. This Act takes effect immediately in accordance with AS 01.-  
11 10.070(c).

12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29



# RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

*James O. Smith*  
Signature of Camera Operator

*10/31/89*  
Date

S B

4 0 7

STATE OF ALASKA  
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY  
LEGISLATIVE REFERENCE LIBRARY

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

May, 1986

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS date base CM 14. In order to save space copies of minutes have not been left in the files.

Jeanie Henry

*Senate Community & Regional Affairs:*  
*March 11, 1986 : 3:35 pm*  
*March 25, 1986 : 3:43 pm*

COMMITTEE REPORT  
SENATE

FURTHER: FINANCE

2/13/86

Date 3-25-86

Mr. President

The Committee on C&RA considered SB 407  
making a special appropriation to the Department of Community and  
Regional Affairs for a grant to the North Slope Borough; efd.

and (a majority of the committee) (the committee) reports it back with  
the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for \_\_\_\_\_
- new title \_\_\_\_\_
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

V. Fischer  
J. [unclear]  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

MEMBERS HAVING  
OTHER RECOMMENDATIONS

1/5/ [unclear] No Rec  
1/5/ J.B. Coghill No Rec  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

1/5/ Edna DeWitt  
Chairman

No Rec  
Chairman recommendation

*Staff Cy*

Senator Edna DeVries, Chairman

Members:

Senator Ferguson, Vice Chairman

Senator Coghill

Senator Sturgulewski

Senator V. Fischer

Pouch V

Juneau, Alaska 99811



Official Business

# Alaska State Legislature

## Senate

### Committee on Community and Regional Affairs

COMMITTEE MEETING -- March 25, 1986

SB 407 -- An Act making a special appropriation to the Dept. of C&RA  
for a grant to the North Slope Borough

\*SS for SB 414 -- An Act relating to municipal land entitlements

SB 448 -- An Act relating to home rule municipalities

---

SB 407 was considered on March 11 and continued until explanatory data on the bill was received from Avrum Gross.

SS for SB 414 was heard on March 11 and continued until preparation of a sectional analysis by DNR had been received.

SB 448 was also heard on March 11th. The Dept. of C&RA was requested to furnish the Committee an analysis on the effects of the bill.

---

Material attached:

- (1) Sectional analysis prepared by LAA Legal Services on SSSB 414.
- (2) Letter attaching sectional analysis and charts on SSSB 414 from DNR.\*
- (3) Sectional analysis prepared by LAA Legal Services on SB 448.
- (4) Letter from Commissioner Emil Notti, DC&RA on SB 448.
- (5) Letter from Jeanine Kennedy, Rural Alaska Community Action Program, Inc. on SB 448.

P.S. Mr. Avrum Gross' Office has informed Committee staff they will furnish the data requested on SB 407. This information will be delivered for inclusion in this packet for the 3/25/86 Committee Meeting as soon as it is received.

\* Also attached is the Alaska Municipal League position paper w/atch on SB 414.

*\* 2nd person sub SB 414 attached*

Introduced: 2/13/86  
Referred: Community and Regional  
Affairs and Finance

Funding Information  
General Fund \$ 385,000  
Other Funds -0-  
\$ 385,000

1 IN THE SENATE

BY FERGUSON

2

SENATE BILL NO. 407

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act making a special appropriation to the Department of Community and Regional Affairs for a grant to the North Slope Borough; and providing for an effective date."

7

8

9

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

11 \* Section 1. The sum of \$385,000 is appropriated from the general fund  
12 to the Department of Community and Regional Affairs for payment as a grant  
13 under AS 37.05.315 to the North Slope Borough for general governmental  
14 purposes, to offset loss of revenue due to a boundary change.

15 \* Sec. 2. This Act takes effect on the effective date of the incorporation  
16 of a municipality named Northwest Arctic Borough.

LAW OFFICES  
**GROSS & BURKE**  
A PROFESSIONAL CORPORATION  
424 NORTH FRANKLIN STREET  
JUNEAU, ALASKA 99801

AVRUM M. GROSS  
SUSAN A. BURKE

(907) 586-2777

March 24, 1986

MAR 24 1986

The Honorable Edna B. DeVries  
Chairperson, Senate Community and  
Regional Affairs Committee  
Alaska State Legislature  
Box V  
Juneau, Alaska 99811

Re: SB 407 - Special Appropriation to the Department  
of Community and Regional Affairs for a Grant to  
the North Slope Borough

Dear Senator DeVries:

You have asked us to provide a written explanation of Senate Bill 407, which would appropriate \$385,000 to the Department of Community and Regional Affairs for a grant to the North Slope Borough. As we testified previously to your committee, the purpose of the appropriation is to offset the anticipated loss of property tax revenues to the North Slope Borough resulting from the creation of a new Northwest Arctic Borough from lands now contained within the North Slope Borough. The appropriation represents an approximation of the proportionate share of the North Slope Borough's current outstanding bonded indebtedness that would have been paid from taxes on property that will now be located within the boundaries of the new borough.

The proportionate share of the North Slope Borough's repayments on current bonded indebtedness that is

attributable to property taxes from the area to be detached from the North Slope Borough -- approximately \$385,000 -- was calculated first by determining the ratio of the total assessed valuation of property in the area to be detached in relation to the total assessed property values in the entire North Slope Borough before detachment:

Total 1986 estimated assessed value  
in the entire North Slope Borough: \$13,100,000,000

Total 1986 estimated assessed value  
in the area to be detached: \$ 2,500,000

Ratio of detached area values to  
total NSB values:

$$\frac{\$2,500,000}{\$13,100,000,000} = 0.01908\%$$

The percentage of the detached area property values was then multiplied by the total current North Slope Borough bonded indebtedness of \$2,002,244,843:

$$\$2,002,244,843 \times 0.0001908 = \underline{\$382,028}$$

The theory underlying the necessity for this compensation is that at the time the North Slope Borough sold its current bonds both the Borough and the bondholders were able to look to the \$2,500,000 in property values located in the area to be detached for repayment of the bonds. At the time these bonds were sold, it could not have been foreseen that a substantial area of land would be detached from the North Slope Borough, particularly since detachment of lands from an existing municipality had at

The Honorable Edna B. DeVries  
March 24, 1986  
Page 3

that time never been attempted or approved in Alaska. It would therefore be unfair to the taxpayers owning property in the areas remaining in the North Slope Borough after detachment to have to pick up the additional amounts of property taxes required to pay the current bonded indebtedness that the North Slope Borough will now not be receiving from property located in the area to be detached. This is particularly true in light of the fact that the detachment was approved by the state Local Boundary Commission over the North Slope Borough's objections.

The \$385,000 in the appropriation bill is, of course, only a rough approximation of the loss of tax revenues to the North Slope Borough resulting from the detachment. The calculation of the compensation figure, for instance, includes only the current assessed values in the area to be detached, and does not include any estimates of increases in those values -- increases that are certain to occur when the zinc deposits located in the detached area begin to be developed. While it may be argued that it is the new Northwest Arctic Borough and not the state that should provide the necessary compensation to the North Slope Borough, a number of factors militate in favor of a state appropriation. First, the new borough will undoubtedly have many initial expenses attributable simply to starting up a new municipality and may also have its own bonding program

The Honorable Edna B. DeVries  
March 24, 1986  
Page 4

that it wishes to pursue. Given the fact that the new borough could not have been established without the approval of both the Local Boundary Commission and the Legislature, it seems fairer for the state to take responsibility for ensuring that the North Slope Borough is not financially injured by the decision to permit the detachment than to impose yet another financial liability on the new Northwest Arctic Borough at the outset of its existence.

Please let us know if the committee would like any further information concerning this appropriation. We believe that this appropriation represents the fairest way to redress the financial injury to the North Slope Borough caused by the detachment, and we urge the committee to take favorable action on the bill.

Sincerely,

GROSS & BURKE

By   
Susan A. Burke

SAB:yw

cc: Sen. Frank Ferguson  
Sponsor of SB 407

March 11, 1986

SB 407

5

Ferguson - B this on behalf of NS Borough  
and their mayor -

Gross - Not a lobbyist - attorney for NS Borough  
Testified at request of committee  
If you do detach land from a boro that has  
bonded indebtedness - shouldn't you compensate  
that Boro - this figure arrived at based on  
~~tax~~ present assessed value of land removed,  
and as it relates to total bonded indebtedness  
(as a percentage thereof).

Coghull - Why the State -- loss of land from  
one should be liability of other who gained?

Gross - It's the State that has removed the land --  
that's why the State is responsible --

Coghull - That's what I was afraid of --  
LBC said that just because the State  
is the petitioner it would not be liable

Gross - NS Boro faces a very difficult problem --  
Suppose Prudhoe Bay was detached

from NS Boro - problem w/ detachment you are beginning to change assets -

Fisher

background analysis - as well as economic analysis - money to retire bonds paid 15 to 20 yrs hence.

Gross to figure figures in equation -

Fischer

How much real estate as opposed to ~~oil~~ oil revenues, etc pledged for bonds?

Gross

full faith & credit of the Borough -

~~Loggell~~  
Coghlan

I have a problem w/ people in my area having to pay for an action between 2 Boroughs reduces gen. gov. revenues -

Gross

It was a state action that removed land from the NS Boro - one boro has given up something to affect a larger state policy.

Ferguson

amt of money small compared to NS Boro Budget - State can draft legislation that says we will not do this again.

# Alaska State Legislature

## Senate

### Committee on Community and Regional Affairs

Senator Edna DeVries, Chairman

Members:

Senator Ferguson, Vice Chairman

Senator Coghill

Senator Sturgulewski

Senator V. Fischer

Pouch V

Juneau, Alaska 99811



Official Business

Committee Meeting -- March 11, 1986

SB 407 An Act making a special appropriation to the Dept. of C&RA for a grant to the North Slope Borough

SS for SB 414 An Act relating to municipal land entitlements

SB 448 An Act relating to home rule municipalities

Committee work session with DC&RA on municipal dissolution

---

SB 407 makes an appropriation to the DC&RA for a grant to the North Slope Borough to offset loss of revenue due to a boundary change.

SB 414 would allow boroughs the right to select a certain amount of vacant unappropriated and unreserved State land within their boundaries.

SB 448 would allow second class cities to go to Home Rule without assuming certain powers.

Material attached:

- a) Letter dated 2/21/86 to Sen. Ferguson from George N. Ahmaogak, Sr., Mayor of the North Slope Borough on SB 407.
- b) On SB 414 position papers and fiscal notes from DC&RA and DNR.
- c) On SB 448 memo dtd 2/18/86 from Sen. Vic Fischer; position paper & fiscal note from DC&RA.
- d) Re. municipal dissolution - Statement with applicable law from DC&RA.

# NORTH SLOPE BOROUGH

OFFICE OF THE MAYOR

P.O. Box 69  
Barrow, Alaska 99723

Phone: 907-852-2611

George N. Ahmaogak, Sr., Mayor



February 21, 1986

Senator Frank Ferguson  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

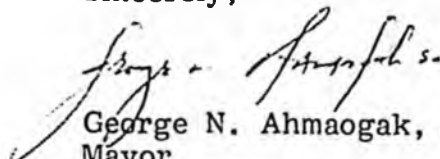
Dear Senator Ferguson:

Thank you for your continued support in reference to the Detachment compensation question and in providing time to visit with my representatives.

Your audience with Dennis Roper and his group was most appreciated as was the legislation you introduced allowing for an equitable solution to the concerns surrounding the detachment issue.

Thank you and I look forward to seeing you in the near future.

Sincerely,

  
George N. Ahmaogak, Sr.  
Mayor



# Senate Finance Committee

Senator Jan Falks. Co-Chairman    Senator John Sackett. Co-Chairman

---

FEB 27 1980

Senator DeVries  
attn: Evonne

Attached is a letter from the North  
Slope Borough. Please put a copy  
into everyone's SB 407 file.

Thank you.

A handwritten signature in cursive script that reads "Frank".

Frank R. Ferguson  
Alaska State Senate

FRF/mjs



Official Business

# Alaska State Legislature

## Senate

Pouch V  
State Capitol  
Juneau, Alaska 99811

### MEMORANDUM

TO: Senator Edna DeVries, Chairman  
Senate Community & Regional Affairs

FROM: Frank R. Ferguson *FRF*  
Alaska State Senate

DATE: February 28, 1986

SUBJ: March 4 Committee Meeting

Due to unavoidable circumstances, I will be unable to attend the above mentioned meeting. I would still like to have Senate Bill 407 and Senate Bill 414 heard in this committee hearing. If you have any concerns with these bills, please contact Mike Scott of my staff.

FRF/mjs



# Alaska State Legislature

## Senate

Official Business

Pouch V  
State Capitol  
Juneau, Alaska 99811

FEB 25 RECD

### MEMORANDUM

TO: Senator Edna DeVries, Chairman  
Senate Community and Regional Affairs  
Committee

FROM: Frank R. Ferguson *FR*  
Alaska State Senate

DATE: February 25, 1986

SUBJ: North Slope Detachment

Attached for your information is an article which was in the Northland News (Fairbanks). I thought this would be of interest to your committee.

Thank you.

FRF/mjs

Attachment

*Forwarded w/atch to members  
of Senate C&RA 3/3/86  
-y-*

# Preparations for borough vote begin

By DAN JOLING

**News-Miner Bureau**  
**JUNEAU**—It's been nearly 14 years since a new borough formed in Alaska, so the state Department of Community and Regional Affairs may be a little rusty in the routine as it oversees a possible new borough in the Northwest corner of the state.

"Needless to say, we're pretty excited about all this," said Deputy Commissioner Jeff Smith of the proposed Northwest Arctic Borough.

The last borough to form was the vast North Slope Borough, which came into being July 1, 1972. The Northwest Arctic Borough would contain 2.1 million acres, including a portion of what's now in the North Slope Borough.

The new political unit would match the boundaries of NANA Inc., the Northwest Arctic Native Association, as well as the Northwest Arctic School Board.

The proposed detachment was hotly contested by officials of the North Slope Borough. Although approved by the Local Boundary Commission, the Legislature has until midnight March 8 to overturn detachment. If it's not overturned, the Local Boundary Commission must next decide if the area has met the standards set by law for incorporation.

Assuming an affirmative decision, the commission will inform the lieutenant governor, who has 30 days to choose a date for an election for voters to approve incorporation. The election has to be at least 30 days and no more than 120 days after his announcement of the election.

"We're working toward a May 20 election," Smith said.

Residents of the proposed borough would pick a mayor and 11 assembly members on the same ballot as their decision about forming the new borough, said Dan Bockhorst, a grants supervisor in the department's Division of Municipal and Regional Assistance.

Candidates must be registered to vote, at least 18 years old, residents of the state and the area for at least 30 days, and in agreement to serve if elected. To get on the ballot, they must turn in a petition with 50 signatures of residents.

The 11-member assembly would represent districts but be elected at large. That means candidates must be residents within the district they seek to represent and all residents will vote on all candidates.

That matches how members of the Northwest Arctic School Board are elected now.

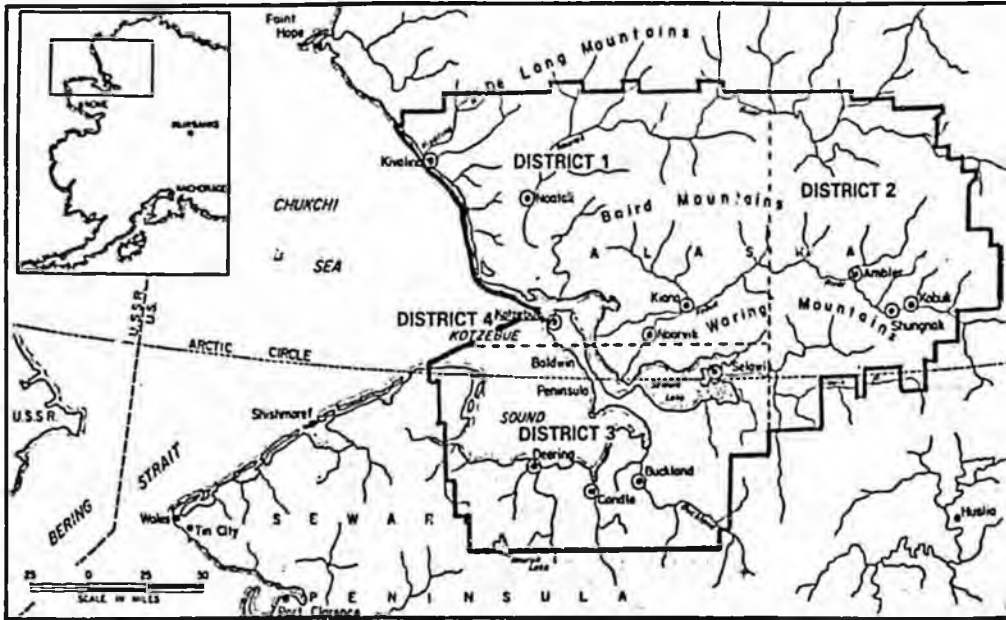
Kotzebue, with a population of 2,054, would have five seats or one per every 410.8 people. A district composed of Kivalina, Noatak, Kiana, Noorvik and Baird Mountains would have three seats for 1,406 people, or one for every 468.5 people. One representative would cover Ambler, Shugnak, Kobuk and the rest of the Kobuk area, where an estimated 457 people reside.

Two seats would be picked from Selawik, Deering, Buckland, Candie, Fink Creek, the Selawik area and Baldwin Peninsula, which have 911, or 457 per representative.

If the vote is against forming the borough, the land will not be detached. Smith said the state has no interest in seeing land go from a borough to an unorganized area.

Assuming a positive vote, "I would think they'd be in business no later than July 1" once the election is certified, Smith said.

The new borough would begin life



DISTRICT 1: Seats A, B, C      DISTRICT 2: Seats D      DISTRICT 3: Seats E, F      DISTRICT 4: Seats G, H, I, J, K

debt-free. However, even supporters acknowledge that it will be able to afford only the minimal services required by law until the tax rolls grow from anticipated Red Dog Mine development.

Those minimum powers include areawide power of education, assessment and tax collection, and land use, including platting and planning.

State law provides that there will be some financial help for start-up costs. A new borough receives \$300,000 from the state its first year of existence, \$200,000 the second, and \$100,000 the third.

The Community and Regional Affairs Department will also provide technical assistance, especially in the area of assessment and setting up an effective tax system.

According to briefs filed in the application for detachment, the projected budget for the new borough is \$21.6 million. The biggest chunk by far is \$20 million for education. The remainder is planned for mayor and assembly operations (\$329,570), the administration and finance department (\$243,675), the planning and community affairs department, (\$200,255), the law department

(\$40,000), and the assessing department (\$111,000).

For staffing, the plan calls for paid positions of mayor, administrative assistant, borough clerk and a secretary. The finance department would hire a director, controller, one full-time accountant and one part-time accountant.

Planning and community affairs would require a planning director, a planner and a part-time secretary. Legal advice would be purchased by contract.

One of the biggest tasks will be setting up the assessing department, and Bockhorst said the department is attempting to estimate the cost of assessments as well as estimate the time it will take for getting the job done.

The job involves determining what land and property is private, its value and whether it's subject to taxation.

"It's a fairly phenomenal and involved task," Bockhorst said.

Ten of the 11 communities are organized in the proposed borough. "None of them levy a property tax. You're starting from scratch," Bockhorst said.

It's critical to have assessments done by the end of the year so that

collections can begin in 1987, Bockhorst said.

The budget proposes no sales tax, but a 3-mill real property tax assessment is expected to produce \$377,000. State funding is expected for the rest of revenues.

Bockhorst said his department is roughing out figures for anticipated property tax earnings in the future, and four years from now, they could climb to more than \$1 million.

The initial budget anticipates state education funding to provide \$20.7 million. An organizational grant would account for \$300,000, municipal assistance for \$35,000, revenue sharing for \$65,000, a coastal management grant for \$142,500, and fisheries tax shared revenues for \$5,000.

Taxable real property was estimated to be \$139.6 million.

Smith said he expects the borough to adopt the home-rule charter government within a year or two.

That would mean they would write their own charter laying out what services they'll provide.

A home-rule municipality can provide any services that are not prohibited by law.

Community and Regional Affairs officials will visit the proposed borough all next week for informational meetings in each of the 11 villages.

Bockhorst said department representatives will give a presentation and collect information to help the Local Boundary Commission decide on approving or rejecting incorporation.



# RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith  
Signature of Camera Operator

10/31/89  
Date

S B

4

1

1

Called Mon, 3/10/86

Steve White, Sen. Jack Ge told <sup>him</sup> date bill will be heard. - requested he get any backup data Sen. Z has on bill to me for the Com - he said he assumed she would testify

3/14/86

c. DOT PF - left word for S. Fleishauer to return my call. (need position paper & fiscal note on the bill)

3/14/86

Susan Fleishauer returned my call & I requested position paper & fiscal note. Also gave her date + time of Com mtg (3/20 - 3:30p)

3/14

Steve White <sup>agrees</sup> ~~says~~ on SB 411 pag 1, line 27, the 1st "maintenance" on that line should be changed to "improvement".

3/14

Have Geo. Utermohle, Leg Sec changes to bill. Said he would get draft CS to me today or Monday.

STATE OF ALASKA  
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY  
LEGISLATIVE REFERENCE LIBRARY

POUCHY - STATE CAPITOL  
JUNEAU, ALASKA 99811  
907-465-3800

May, 1986

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS date base CM 14. In order to save space copies of minutes have not been left in the files.

Jeanie Henry

*Sen. Community and Regional Aff:  
3/20/86.*

COMMITTEE REPORT  
SENATE

FURTHER:

TRSP  
FINANCE

2/14/86

Date 3/20/86

Mr. President

The Committee on C&RA considered SB 411  
relating to road maintenance service areas.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for SB 411 (C+RA)
- new title
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT"  ~~NEW~~ FISCAL NOTE  
3rd
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

William Sturgis  
[Signature]  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

MEMBERS HAVING  
OTHER RECOMMENDATIONS

[Signature] NR  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Edna de Vries  
Chairman  
Do Pass  
Chairman recommendation

Original sponsor: Faiks

1 IN THE SENATE

BY THE COMMUNITY AND  
REGIONAL AFFAIRS COMMITTEE

2 CS FOR SENATE BILL NO. 411 (C&RA)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to road maintenance service areas."

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

8 \* Section 1. AS 19.30.260 is amended to read:

9 Sec. 19.30.260. PURPOSE. The purpose of AS 19.30.260 - 19.30.-  
10 320 is to facilitate funding for the upgrading, reconstruction, re-  
11 habilitation, or paving of existing subdivision roads within a road  
12 maintenance service area established under AS 29.35.450 or under a  
13 home rule charter. Grants to road maintenance service areas under  
14 AS 19.30.260 - 19.30.320 are limited to those road maintenance service  
15 areas in which road improvement was not financed through the issuance  
16 of municipal debt during the three previous fiscal years.

17 \* Sec. 2. AS 19.30.280 is amended to read:

18 Sec. 19.30.280. ELIGIBILITY. (a) After establishing a road  
19 maintenance service area under AS 29.35.450, or under a home rule  
20 charter, a municipality may apply to the department for a grant as  
21 money is available for road improvements, subject to regulations  
22 adopted by the department to carry out the provisions of AS 19.30.-  
23 260 - 19.30.320. The department shall require a municipality to  
24 submit a five-year plan for the upgrading, reconstructing, rehabilita-  
25 ting, or paving of maintenance service area roads for approval before  
26 October 1 of each fiscal year and to show the source of funds used for  
27 road improvement within each road maintenance service area during the  
28 prior three fiscal years.

29 (b) A municipality shall establish design standards for

1 construction in a road maintenance service area. An application for a  
2 grant for improving an existing road under this section which is  
3 constructed after the effective date of this Act [JULY 1, 1984] may  
4 not be granted by the department until the existing road meets the  
5 minimum design standards of the municipality.

6 \* Sec. 3. AS 19.30.290(b) is amended to read:

7 (b) Construction under AS 19.30.260 - 19.30.320 shall be admin-  
8 istered by the municipality in which the road maintenance service area  
9 is located. Road construction within the road maintenance service  
10 area may be performed by the municipality.

11 \* Sec. 4. AS 19.30.310 is amended to read:

12 Sec. 19.30.310. REPORT. No later than October [AUGUST] 1 of  
13 each year, a municipality that has received money under AS 19.30.270  
14 shall submit a report to the department showing the use of the money  
15 by the municipality during the preceding fiscal year. No later than  
16 December 1 of each year, the department shall prepare and submit to  
17 the governor a report showing the use of the money allocated under  
18 AS 19.30.270 during the preceding fiscal year.

19 \* Sec. 5. AS 19.30.320(1) is amended to read:

20 (1) "construction" or "road improvement" has the meaning  
21 given in AS 19.45.001 and includes utility and drainage costs but does  
22 not include financing [EXCLUDES FINANCIAL] costs, right-of-way costs  
23 except costs of acquiring easements to widen existing roads, and new  
24 road construction except for realignment of the road bed within the  
25 right-of-way;

26 \* Sec. 6. AS 19.30.320(3) is amended to read:

27 (3) "municipality" means an organized borough of any class,  
28 a unified municipality, or a city of any class, that has road con-  
29 struction and [OR] maintenance powers;



Official Business

# Alaska State Legislature

## Senate

### Committee on Community and Regional Affairs

Senator Edna DeVries, Chairman

Members:

Senator Ferguson, Vice Chairman

Senator Coghill

Senator Sturgulewski

Senator V. Fischer

Pouch V

Juneau, Alaska 99811

C&RA Committee Meeting -- 3/20/86

SB 411 -- An Act relating to road maintenance service areas

CS for HB 327 (Jud) Am -- An Act relating to the disclosure of information

-----

SB 411 would make changes to the Road Maintenance Service Areas Program, AS 19.30.260 through AS 19.30.320, to provide road improvement funds only to those outlying districts which do not have access to such funds.

CS for HB 327 (Jud) was considered by the Committee on March 13th. The Committee agreed the bill needed more work with reference to unclear wording and punctuation. Revisions to the bill are indicated on a marked up copy of the House version of the bill. A Committee Substitute work draft, containing the revisions has been prepared.

Information attached on the bills:

- (1) Memo dtd 3/11/86 from Sen. Faiks on SB 411.
- (2) Copy of current law AS 19.30.260 - 19.30.320 re. SB 411.
- (3) Fiscal Note from DOT&PF on SB 411.
- (4) PQM from Wayne Wiersium on HB 327.
- (5) Staff memo to Sen. DeVries re. msg from Merle Akers on SB 327.

# STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : \_\_\_\_\_

**REQUEST**

Bill/Resolution No. : SB 411  
 Title : An act relating to road maintenance service areas  
 Sponsor : Faiks  
 Requestor : Devries  
 Date of Request : March 11, 1986

**FISCAL DETAIL**

Agency Affected : DOT&PF  
 BRU : Capital Program  
 Components : \_\_\_\_\_

**EXPENDITURES/REVENUES : (Thousands of Dollars)**

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

<b>CAPITAL</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
----------------	------------	------------	------------	------------	------------	------------

<b>REVENUE</b>						
----------------	--	--	--	--	--	--

**FUNDING : (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

**POSITIONS :**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS :** Attach a separate page if necessary

ATTACHED

Prepared by : Charles D. Karella Phone : 465-2171  
 Division : Plans, Programs, and Budget Date : 3/13/86

Approved by Commissioner : [Signature] Date : 3/14/86  
 Agency : Transportation and Public Facilities

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

# CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. SR411

## ANALYSIS

The proposed bill is strictly a housekeeping measure and has no fiscal impact on either the operating or capital budget. No additional positions are required.

The proposed bill revised AS 19.30 in five areas:

- 1) AS 19.30.260 and 19.30.280 prohibit funding in those road improvement areas that are financed through the issuance of municipal debt. For clarity, the addition to 19.30.260 should read as follows: Grants to road maintenance service areas under AS 19.30.260 - 19.30.320 are limited to those road maintenance service areas in which road improvement was not financed through the issuance of municipal debt during the three previous fiscal years.
- 2) AS 19.30.290(b) clarifies the fact that road construction can be performed by the municipality.
- 3) AS 19.30.310 changes the due date for reports. This change does not adversely affect the departments capability to submit a combined annual report to the Governor by December 1.
- 4) AS 19.30.320(1) clarifies exceptable expenditures related to road improvements by expanding the definition.
- 5) AS 19.30.320(3) clarifies the definition and requirements of a municipality and should be revised as follows to reflect the powers necessary to qualify for a road improvement grant:
  - (3) "municipality" means an organized borough of any class, a unified municipality, or a city of any class, that has road construction and [OR] maintenance powers.

MAR 13 1986

# Alaska State Legislature

CO-CHAIRMAN  
FINANCE COMMITTEE

907-465-3740

JAN FAIKS  
POUCH V  
CAPITOL BUILDING  
JUNEAU ALASKA 99811

## Senate

March 11, 1986

### MEMORANDUM

TO: Senator DeVries, Chairman  
Senate Community and Regional Affairs Committee

FROM: Senator Jan Faiks

SUBJECT: Request for Committee Substitute and Background  
on Senate Bill 411

Alaska Statutes 19.30.260 through 19.30.320 contain legislation which I introduced during the Thirteenth Legislature. This legislation was intended to facilitate the funding of road improvements to outlying areas through the establishment of road maintenance service areas - "RMSA's".

This bill will make changes to the RMSA program in order to bring it into line with the original intent of this legislation and to help the Department of Transportation and Public Facilities implement this program.

The original intent of the program was to provide road improvement funds to those outlying districts which do not have access to such funds. Since the program came into being, however, some RMSA's have been established within road service areas which already have improvement funds available to them. These funds are based upon the the issuance of municipal debt, i.e., the selling of general obligation bonds.

Those RMSA's within the Anchorage Roads and Drainage Service Area (ARDSA) are an example. In FY 1985, ARDSA sold approximately \$15 million worth of general obligation bonds for road improvements within its boundaries. In the same year, at least \$317,357 was granted by the RMSA program for road improvements to service areas within its boundaries. This represents about 10% of the total \$3,000,000 distributed by the RMSA program that year.

OUT OF SESSION

In other words, about 1/10th of the money under this state program was given to service areas which already had improvement funds available to them, instead of being reserved for those areas which have no other funding sources. This was certainly not the intent of my legislation two years ago.

Sections 1 and 2 of this bill will solve this problem by excluding from the RMSA program any service area whose road improvements have been financed by the issuance of municipal debt during the preceding three years.

The remaining sections of the bill contain amendments which were proposed by the Department of Transportation and Public Facilities. These are offered to help the Department administer the RMSA program.

Section 3 makes it clear that road improvements may be performed by municipal forces as well as private contractors. Section 4 changes the reporting date to October 1st so that it is consistent with the reporting date for the 5-year plan in AS 19.30.280 and the Local Service Roads and Trails program. This will simplify the administration of both programs by the municipalities.

Section 5 clarifies that financing costs are excluded, but that costs to realign and widen existing roads are included for program funding. Finally, Section 6 expands the definition of municipality to make it consistent with more common terminology in our statutes.

Since this bill was introduced, I have discovered several changes which are needed to further accomplish these goals. I offer them to you as a possible committee substitute for this bill. These changes are:

1. On page 1, line 15, the word "maintenance" should be changed to "improvement". "Maintenance" is not proper here because I have been advised that road maintenance can never be funded through municipal debt.
2. On page 2, line 29, replace the word "or" with the word "and" since some municipalities possess maintenance powers but not construction powers.

Thank you.

Article 4. Road Maintenance Service Areas.

Section	Section
260. Purpose	300. Maintenance
270. Allocation of money	310. Report
280. Eligibility	320. Definitions
290. Administration	

Effective date of article. — Section 2, ch. 56, SLA 1984, provides "This act takes effect July 1, 1984."

**Sec. 19.30.260. Purpose** [Effective January 1, 1986]. The purpose of AS 19.30.260 — 19.30.320 is to facilitate funding for the upgrading, reconstruction, rehabilitation, or paving of existing subdivision roads within a road maintenance service area established under AS 29.35.450 or under a home rule charter. (§ 1 ch 56 SLA 1984; am § 47 ch 74 SLA 1985)

**Effect of amendments.** — The 1985 substituted "AS 29.35.450" for "AS amendment, effective January 1, 1986, 29.63."

**Sec. 19.30.270. Allocation of money.** (a) During each fiscal year each municipality shall receive money from the department that has been appropriated or otherwise designated for expenditure for road improvements within the municipality, based on the total road mileage in each road maintenance service area in the municipality. The amounts that are available shall be distributed pro rata among eligible municipalities.

(b) Money allocated to a municipality under this section shall be disbursed by the municipality for road maintenance service areas based on a first come, first served priority of road maintenance service area applications, subject to a 50 percent match by each road maintenance service area.

(c) Money allocated under this section shall be available for expenditure in the road maintenance service area for which the funds are authorized for a period of five years after the end of the fiscal year for which the funds are authorized. Money allocated for a road maintenance service area that is unexpended and unobligated at the end of the five-year period shall be used for other road maintenance service areas in the same municipality in accordance with AS 19.30.260 — 19.30.320. If there are no other road maintenance service areas in the municipality for which the money can be used, the municipality shall remit the unexpended and unobligated money to the department and it shall lapse into the general fund.

(d) Fifty percent of the cost of construction in a road maintenance service area shall be paid by the road maintenance service area through road improvement district assessments, grants, or other appropriate financing means. (§ 1 ch 56 SLA 1984)

**Sec. 19.30.280. Eligibility.** (a) [Effective January 1, 1986] After establishing a road maintenance service area under AS 29.35.450, or under a home rule charter, a municipality may apply to the department for a grant as money is available for road improvements, subject to regulations adopted by the department to carry out the provisions of AS 19.30.260 — 19.30.320. The department shall require a municipality to submit a five-year plan for the upgrading, reconstructing, rehabilitating, or paving of maintenance service area roads for approval before October 1 of each fiscal year.

(b) A municipality shall establish design standards for construction in a road maintenance service area. An application for a grant for improving an existing road under this section which is constructed after July 1, 1984 may not be granted by the department until the existing road meets the minimum design standards of the municipality. (§ 1 ch 56 SLA 1984; am § 48 ch 74 SLA 1985)

**Effect of amendments.** — The 1985 substituted "AS 29.35.450" for "AS 29.63" amendment, effective January 1, 1986, in the first sentence of subsection (a).

**Sec. 19.30.290. Administration.** (a) A contract entered into by a municipality for road construction within a road maintenance service area for which funds allocated to the municipality under AS 19.30.260 — 19.30.320 are used shall be awarded only on the basis of the lowest responsible bid by a bidder meeting established criteria of responsibility.

(b) Construction under AS 19.30.260 — 19.30.320 shall be administered by the municipality in which the road maintenance service area is located. (§ 1 ch 56 SLA 1984)

**Sec. 19.30.300. Maintenance.** The road maintenance service area shall be responsible for maintaining roads constructed under AS 19.30.260 — 19.30.320. The road maintenance service area may contract with a municipality for maintenance of the roads. (§ 1 ch 56 SLA 1984)

**Sec. 19.30.310. Report.** No later than August 1 of each year, a municipality that has received money under AS 19.30.270 shall submit a report to the department showing the use of the money by the municipality during the preceding fiscal year. No later than December 1 of each year, the department shall prepare and submit to the governor a report showing the use of the money allocated under AS 19.30.270 during the preceding fiscal year. (§ 1 ch 56 SLA 1984)

**Sec. 19.30.320. Definitions.** In AS 19.30.260 — 19.30.320

(1) "construction" or "road improvement" has the meaning given in AS 19.45.001 and includes utility and drainage costs but excludes financial costs, right-of-way costs, and new road construction;

(2) "department" means the Department of Transportation and Public Facilities;

(3) "municipality" means a municipality that has road construction or maintenance powers;

(4) "subdivision" has the meaning given in AS 40.15.190(2). (§ 1 ch 56 SLA 1984)

### Chapter 40. James Dalton Highway.

Section	Section
100. Use of the highway by industrial or commercial traffic	200. Disposal of land or materials
	210. Prohibition of off-road vehicles

**Sec. 19.40.100. Use of the highway by industrial or commercial traffic.** (a) The department shall maintain the highway and keep it open to industrial or commercial traffic throughout the year.

(b) "Industrial or commercial traffic" means

(1) travel necessary and related to resource exploration and development or to support of those activities, if the individual engaged in those activities has all necessary permits;

(2) travel necessary and related to access by local residents to their property; or

(3) motor carriers engaged in commerce. (§ 3 ch 177 SLA 1980; am § 51 ch 59 SLA 1982; am § 10 ch 21 SLA 1985)

**Effect of amendments.** — The 1982 amendment substituted "traffic" for "travel" in the introductory language of subsection (b), and deleted "or" at the end of paragraph (1) of that same subsection. The 1985 amendment, effective May 10,

1985, deleted "which are common carriers or contract carriers regulated by the Alaska Transportation Commission under AS 42 10" at the end of paragraph (3) of subsection (b).

of  
ri  
da  
d  
and  
d  
pro  
ma  
(d  
priv  
cons  
the  
§ 1 d  
Rev  
March  
Council  
4FA-86  
fourth  
of the  
The  
legisla  
the  
Effect  
amend