

ALASKA LEGISLATURE COMMITTEE FILES 1985-1986 86/2

3894 SCRA HB 518 - HB 558

BILL SHEFFIELD
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 27, 1986

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Grussendorf:

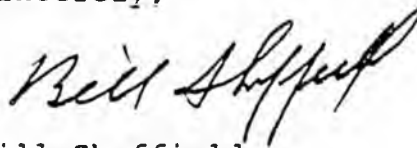
Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill amending provisions of the municipal code pertaining to property taxation, and providing for an effective date of July 1, 1986. The bill adds personal effects of members of a household to the list of property that is exempt from taxation under AS 29.45.030(a). The bill also clarifies AS 29.45.060 to reflect that farm and agricultural land is not exempt from taxation; taxation on the full and true value may only be deferred under that statute.

Until January 1, 1986, AS 29.53.020 provided a mandatory exemption from municipal property tax for "household furniture of the head of a family or a householder not exceeding \$500 in value." AS 29.53.020(a)(2). A municipality had the option of exempting by ordinance "the household furniture over \$500 in value and the effects of the head of a family or a householder." AS 29.53.025(b)(2)(A). It has been commonplace for municipalities to exempt personal effects and household furniture under AS 29.53.025(b)(2)(A). Effective January 1, 1986, the municipal code provides for a mandatory exemption for household furniture, regardless of value (AS 29.45.030(a)(2)), but omits any exemption for the personal effects of anyone in the household. This bill amends AS 29.45.030(a)(2) to add the personal effects of members of a household to the list of exempted property.

COMMITTEE COPY

Under AS 29.45.060, which took effect January 1, 1986 farm and agricultural land may be assessed based on its full and true value for farm use and not as if subdivided or used for some other nonfarm purpose. At any time that the land is used in a manner incompatible with farm use, the municipality can recoup the property taxes lost, plus interest, for the preceding seven years "as though the land had not been assessed for farm use purposes." AS 29.45.060(a). Consequently, the program in AS 29.45.060 is not an exemption program, but more accurately a deferment program. This bill amends a reference to "exemption" in AS 29.45.060 (b) and (c), to reflect the true nature of the program.

Sincerely,

A handwritten signature in cursive script that reads "Bill Sheffield". The signature is written in dark ink and is positioned above the printed name and title.

Bill Sheffield
Governor

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date : 3/12/86

REQUEST

Bill/Resolution No. CS HB 518 (C&RA)
 Title : _____

 Sponsor : Rules by request of Governor
 Requestor : _____
 Date of Request : _____

FISCAL DETAIL

Agency Affected : Community & Regional Affairs
 BRU : State Assessor

 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						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
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REVENUE						
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FUNDING : (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS :

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

ANALYSIS : Attach a separate page if necessary

Prepared by : Michael W. Worley, State Assessor
 Division : Municipal & Regional Assistance

Phone : 465-4750
 Date : 3/12/86

Approved by Commissioner : [Signature]
 Agency : Community & Regional Affairs

Date : 3/13/86

Distribution (by Agency preparing fiscal note) :

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

Offered: 3/21/86
Referred: Finance

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE COMMUNITY AND REGIONAL
AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 518 (C&RA) am

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 certain municipal property tax
7 exemptions, deferments, and procedures; and providing
8 for an effective date."

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

10 * Section 1. AS 29.45.010 is amended by adding a new subsection to
11 read:

12 (d) All municipal bodies shall make procedures, restrictions,
13 conditions, formulas, or other methods used to assess a property tax
14 available to the public on request under reasonable rules during
15 regular business hours.

16 * Sec. 2. AS 29.45.030(a) is amended to read:

17 (a) The following property is exempt from general taxation:

18 (1) municipal, state, or federally owned property, except
19 that a private leasehold, contract, or other interest in the property
20 is taxable to the extent of the interest;

21 (2) household furniture and personal effects of members of
22 a [OF THE HEAD OF A FAMILY OR] household;

23 (3) property used exclusively for nonprofit religious,
24 charitable, cemetery, hospital, or educational purposes;

25 (4) property of a nonbusiness organization or its auxiliary
26 composed entirely of persons with 90 days or more of active service in
27 the armed forces of the United States whose conditions of service and
28 separation were other than dishonorable;

29 (5) money on deposit;
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1 (6) the real property of certain residents of the state to
2 the extent and subject to the conditions provided in (e) of this sec-
3 tion;

4 (7) real property or an interest in real property that is
5 exempt from taxation under 43 U.S.C. 1620(d), as amended.

6 * Sec. 3. AS 29.45.060(b) is amended to read:

7 (b) An owner of farm use land must, to secure the assessment
8 under this section, apply to the assessor before May 15 of each year
9 in which the assessment is desired. The application must [SHALL] be
10 made upon forms prescribed by the state assessor for the use of the
11 local assessor, and must [SHALL] include information that may rea-
12 sonably be required to determine the entitlement of the applicant. If
13 the land is leased for farm use purposes, the applicant shall furnish
14 to the assessor a copy of the lease bearing the signatures of both
15 lessee and lessor along with the completed application. The applicant
16 shall furnish the assessor a copy of the lease covering the period for
17 which the deferment [EXEMPTION] is requested.

18 * Sec. 4. AS 29.45.060(c) is amended to read:

19 (c) In this section "farm use" means the use of land for profit
20 for raising and harvesting crops, for the feeding, breeding, and man-
21 agement of livestock, for dairying, or another agricultural use, or
22 any combination of these. To be farm use land, the owner or lessee
23 must be actively engaged in farming the land, and derive at least 10
24 percent of yearly gross income from the land. This section does not
25 apply to land for which the owner has granted, and has outstanding, a
26 lease or option to buy the surface rights. A property owner wishing
27 to file for farm use classification having no history of farm-related
28 income may submit a declaration of intent at the time of filing the
29 application with the assessor setting out the intended use of the land
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1 and the anticipated percentage of income. An applicant using this
2 procedure shall file with the assessor before February 1 of the fol-
3 lowing year a notarized statement of the percentage of gross income
4 attributable to the land. Failure to make the filing required in this
5 subsection forfeits entitlement to the deferment [THE EXEMPTION].

6 * Sec 5. AS 29.45.210(b) is amended to read:

7 (b) The assessor [APPELLANT] bears the burden of proof. The
8 only grounds for adjustment of assessment are proof of unequal,
9 excessive, improper, or under valuation based on facts that are stated
10 in a valid written appeal or proven at the appeal hearing, If a
11 valuation is found to be too low, the board of equalization may raise
12 the assessment.

13 * Sec. 6. This Act takes effect July 1, 1986.
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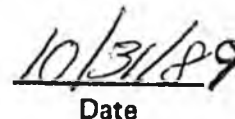


RECORDS CERTIFICATION



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Signature of Camera Operator


Date

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MAY 08 1980

HB 546

Section 1

The first section of the bill amends state law to define the 7(i) revenues received by Native Regional Corporations as contributions to a corporation's capital. The reason for this change is to ensure that the intent of ANCSA to equally distribute the earnings from resource development revenues among all Alaska Native Corporations is met; under current law this is not possible due to manner the in which the depletion allowance for resource extraction is computed.

Native corporations which own the resources and retain 30% of the income therefrom are able to shelter this income from taxation through the use of a depletion allowance. However, the corporate recipients of the remaining 70%, because they are not owners of the resources, are not eligible for the same favorable tax treatment; this subverts the concept of equality upon which the 7(i) provision of ANCSA is based. By defining these payments as contributions to capital, rather than income, balance is restored.

367

HB 546

Section 2

Section 2 has been added to the legislation to make state law consistent with federal law. Because state tax regulations reference the internal revenue code, it may not be technically necessary to include this provision, but we have done so on the advice of Mr. Beattie of Peat Marwick.

The provision allows Native corporations to file consolidated tax returns for their subsidiary businesses. Since 1928 American corporations have been able to file consolidated tax returns for their subsidiaries, thus sheltering the earnings of their profitable subsidiaries with the losses of their poor performers; the losses generated were able to be "sold" to other profitable concerns in order to reduce the purchasers' tax liability.

This practice increased dramatically in 1981 with the passage of more liberal depreciation requirements. In 1984 Congress substantially limited this practice through the creation of more ^{ON-ER-ous} onerous ownership requirements for subsidiaries whose losses companies claimed for tax purposes. Alaska Native corporations were exempted from this provision due to their inability to sell stock to generate additional capital.

MAY 08 1961

Questions And Answers On HB 546

Do Alaska Native Corporations pay taxes on their incomes?

Yes.

Are all Alaskan corporations which develop their natural resources able to take a depletion allowance?

Yes.

What advantages does the ability to file a consolidated tax return confer on a corporation?

It allows the corporation to "shelter" some or all of the profits it makes from a subsidiary with the losses incurred by another subsidiary.

How will the provisions of section 2 help the Alaskan Economy?

Through the "sale" of corporate losses income will be generated by the corporation. This money will be spent within the Alaskan economy. When losses are "sold" they will not be available to the Native corporation to carry forward and "shelter" future profits. This will hasten the day when profitable Native corporations pay state taxes.

Why is it necessary to define "capital" in state law?

There is no definition of "capital" in federal law. It is anticipated that the IRS will accept this definition, based upon advice from tax professionals.

Isn't it unfair that corporations which distribute earnings to the 7(i) fund may have the 30% which they retain taxed, while those which are recipients of a share of the 70% will be fully protected from taxation?

No. While it is true that there is a potential for this to occur, the fact is that all corporations are recipients of their per capita share of the 7(i) funds, although not all are contributors to the fund. In the long run it is believed that any tax liability incurred by the contributing corporations will be balanced out by their receipt of these new "contributions to capital".

Why should Alaska Native Corporations have special privileges to file consolidated tax returns and sell their losses?

These are not special privileges. Alaska Native corporations incurred substantial losses due to the inability of the federal government to transfer their lands quickly and efficiently so they could be developed. In addition a typical corporation which has losses can sell stock to obtain additional contributions to capital. Alaska Native corporations do not have this ability.

What is 7(i)?

This is a provision of the Alaska Native Claims Settlement Act which requires that regional Native corporations distribute 70% of their earnings from resource development to a fund, which in turn redistributes the money to the other regional corporations on a per capita basis.

Do village corporations get money from the 7(i) fund?

Yes, 50% of the 7(i) funds received by a regional corporation are required to be distributed to the village corporations.

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date 3/24/86

REQUEST

Bill/Resolution No: ^{CS} HB 546 (C+RA)
Title: Taxation of Native Corporations

FISCAL DETAIL

Agency Affected: Department of Revenue
BRU: Audit

Sponsor: Fuller

Requestor: (H) C & RA

Date of Request: March 24, 1986

Components:

Audit Division

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
OPERATING						
100 PERSONAL SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
200 TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
300 CONTRACTUAL	-0-	-0-	-0-	-0-	-0-	-0-
400 SUPPLIES	-0-	-0-	-0-	-0-	-0-	-0-
500 EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
600 LANDS & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
700 GRANTS, CLAIMS	-0-	-0-	-0-	-0-	-0-	-0-
800 MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

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

ANALYSIS: Please see attached.

Prepared By: Steven E. Kettel

Division: Audit Division

Phone: 465-2343

Date: March 24, 1986

Approved by Commissioner:

Agency: Revenue

Date: 3/25/86

Distribution (by Agency preparing fiscal note):

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

Offered: 4/9/86
Referred: Finance

Original sponsor: Fuller and
Binkley

1 IN THE HOUSE

BY THE COMMUNITY AND
REGIONAL AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 546 (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 the capital and the taxation of
7 Native corporations."

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

9 * Section 1. AS 10.05.005(e) is amended to read:

10 (a) A corporation organized under 43 U.S.C. 1601 - 1628 (Alaska
11 Native Claims Settlement Act), except a village corporation which may
12 be incorporated under either this chapter or AS 10.20, shall be incor-
13 porated under and is subject to this chapter, except

14 (1) each corporation shall issue without further considera-
15 tion the number of shares of common stock necessary to comply with the
16 requirements of the Alaska Native Claims Settlement Act and all stock
17 so issued is considered fully paid and nonassessable when issued;

18 (2) unless otherwise provided in the articles of incorpora-
19 tion approved by the secretary of the interior,

20 (A) the capital is considered the consideration for
21 the initial issuance of shares; and

22 (B) the capital of a corporation organized under 43
23 U.S.C. 1601 - 1628 includes

24 (i) the land or interests in it conveyed to the
25 corporation by the United States under the federal Act,
26 except that which is required to be conveyed under 43 U.S.C.
27 1613(c)(1), (3), and (4), entered at its fair value to the
28 corporation upon receiving the conveyance of it; and

29 (ii) the money, when received under 43 U.S.C.

1 1605, 1606(i), and 1608. that [WHICH] is retained by the
2 corporation and that [WHICH] is not immediately distributed
3 or required to be distributed under 43 U.S.C. 1606(j).

4 * Sec. 2. AS 43.20.031 is amended by adding a new subsection to read:

5 (j) The department shall apply the exception contained in sec.
6 60(b)(5) of P.L. 98-369 (Deficit Reduction Act of 1984) to a consoli-
7 dated return filed by a Native corporation under this chapter. In
8 this subsection, "Native corporation" means a corporation organized
9 under 43 U.S.C. 1601 - 1628 (Alaska Native Claims Settlement Act).
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James O. Smith
Signature of Camera Operator

10/31/89
Date

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CS HB 558 (FIN) Re revenue sharing
& municipal assistance

4/17
Asked Sam Cook for sectional
analysis

4/24
Asked AML (Scott Burgess) for position
paper. In Favor

✓
2012 DC+RA (Jennifer Tate) bill was
scheduled for 2:00, 4/29

STATE OF ALASKA
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY
LEGISLATIVE REFERENCE LIBRARY

May, 1988

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

Mary Van Nimwegen

5 CRA 4-29-86 3:38pm

COMMITTEE REPORT

SENATE

FURTHER: FINANCE

4/17/86

Date 4/29/86

Mr. President

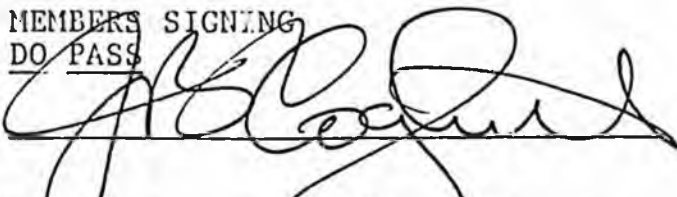
The Committee on C&RA considered CSHB 558(Fin)

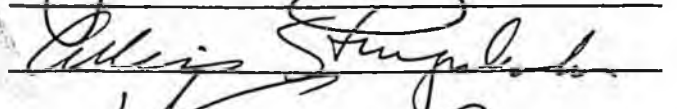
relating to time periods to be used for administering the tax equalization program and the municipal assistance program; efd.

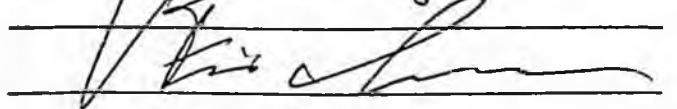
and (a majority of the committee) (the committee) reports it back with the following recommendations:

- 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

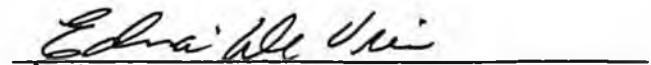
MEMBERS SIGNING
DO PASS








MEMBERS HAVING
OTHER RECOMMENDATIONS


Chairman


Chairman recommendation



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

COMMITTEE MEETING -- April 29, 1986

CS HB 558 (Fin) -- An Act relating to time periods to be used for administering the tax equalization program and the municipal assistance program; efd.

CS HB 312 (Fin) -- An Act establishing the Dude Creek Critical Habitat Area.

CS HB 647 (Fin) am -- An Act establishing requirements (CONT'D FROM 4-24-86) for warning placards; establishing requirements and limiting liability for municipal reporting programs for hazardous materials and hazardous waste; efd.

CS HB 558 (Fin) would change DC&RA procedures for the collection of data and calculation of revenue sharing entitlements and provide for earlier disbursement to municipalities.

CS HB 312 (Fin) was considered by the Committee on March 6. A proposed C&RA Committee Substitute, agreed to by Rep. Goll, deleting all mental health land from the legal description of the habitat area has been prepared.

Hearing on CS HB 647 (Fin) will continue for consideration of a CS work draft and draft amendment, and to receive testimony from Sam Neal, State Fire Marshall, and Jim Sweeney, Municipality of Anchorage, by teleconference.

Materials attached are:

- (1) Section analysis from LAA, Legal Svcs., dtd 4-18-86 on CS HB 558 (Fin).
- (2) DC&RA Position Paper dtd 2-26-86 on HB 558.
- (3) Ltr from Commissioner Notti, DC&RA to Sen. DeVries dtd 4-23-86 with 4 atchs. on HB 558.
- (4) Memo from Rep. Goll to Sen. DeVries dtd 4-7-86 with attached map on CS HB 312 (Fin).
- (5) Ltr from Commissioner Wunnicke, DNR, to Sen. DeVries dtd 4-21-86 with attachment on CS HB 312 (Fin).
- (6) A CS work draft and amendment on CS HB 647 (Fin) am, (Requirements; hazardous materials and waste.)

Offered: 4/1/86
Referred: Rules

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2

CS FOR HOUSE BILL NO. 558 (Finance)

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 time periods to be used for
7 administering the tax equalization program and the
8 municipal assistance program; and providing for an
9 effective date."

10

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

11

* Section 1. AS 29.60.010 is amended to read:

12

Sec. 29.60.010. STATE EQUALIZATION OF TAX RESOURCES FOR MUNICI-

13

PAL SERVICES. (a) During each fiscal year the department shall
14 compute an equalization entitlement for municipal services provided by
15 a taxing unit for payment the following fiscal year.

16

(b) The equalization entitlement computed for a taxing unit is
17 based on the population, relative ability to generate revenue, and
18 local tax burden of the taxing unit and is determined by the applica-
19 tion of the formula

20

Entitlement = P x R

21

where P = population, and

22

R = millage rate equivalent, determined by dividing the

23

sum of the locally generated revenue of the taxing unit by one-tenth
24 of one percent of the full and true value of assessed property of the
25 taxing unit determined under AS 29.60.030(d); however, the per capita
26 property value used under this subsection may not be less than 15
27 percent of the statewide average per capita full and true assessed
28 property value.

29

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

1 (1) includes

2 (A) the actual revenue derived from the levy and
3 collection of local taxes in the taxing unit for municipal ser-
4 vices [DURING THE PRECEDING FISCAL YEAR OF THE TAXING UNIT];

5 (B) motor vehicle payments received by the municipal-
6 ity [DURING THE PRECEDING FISCAL YEAR] under AS 28.10.431;

7 (C) revenue from fees, rentals, leases, penalties,
8 licenses or permits received [DURING THE PRECEDING FISCAL YEAR]
9 by the municipality for a function or service over which it has
10 control, including revenues derived from parks and recreation
11 services, mass transit, offstreet parking, and garbage and solid
12 waste disposal services;

13 (D) special assessments received [DURING THE PRECEDING
14 FISCAL YEAR]; and

15 (E) payments received by a municipality from a utility
16 that are in place of taxes levied and collected by the municipal-
17 ity;

18 (2) excludes

19 (A) revenue derived from the levy and collection of
20 municipal taxes and appropriated for the operating expenses and
21 debt service of utilities;

22 (B) revenue from interest earned on investments and
23 from the sale and lease of land or equipment; and

24 (C) all other revenue from whatever service derived;

25 (3) is calculated on the basis of the actual revenue re-
26 ceived during the fiscal year of the taxing unit preceding the year in
27 which the department's determination of the millage rate equivalent is
28 made under AS 29.60.030.

29 * Sec. 2. AS 29.60.030(a) is amended to read:

1 (a) The department may require a municipality to return a certi-
2 fication, signed by the municipal treasurer or manager and the mayor,
3 that provides an estimate of the locally generated revenue received by
4 the municipality during the [PRECEDING] fiscal year preceding the year
5 in which the department's determination of the millage rate equivalent
6 is made under (c) of this section.

7 * Sec. 3. AS 29.60.030(c) is amended to read:

8 (c) As early as possible, but not later than January [DECEMBER]
9 15 of each year, the department shall make a [FINAL] determination of
10 the millage rate equivalent of each taxing unit to use to compute and
11 distribute equalization entitlements under AS 29.60.010 - 29.60.080
12 for the following state fiscal year. The department shall base the
13 determination on audits, financial statements, and other financial
14 reports prepared and submitted by a municipality. The department
15 shall adjust the locally generated revenue reported by a municipality
16 to exclude the municipal revenue claimed that does not qualify for
17 inclusion in or recognition as locally generated revenue for municipal
18 purposes under AS 29.60.010(c)(1). The adjustment shall be made by
19 deducting from total revenue claimed by the municipality the amount of
20 the department's estimate of revenue that is not recognized for munic-
21 ipal purposes.

22 * Sec. 4. AS 29.60.040 is amended to read:

23 Sec. 29.60.040. REPORTS. A payment of an equalization entitle-
24 ment may not be made to a municipality under AS 29.60.010 - 29.60.080
25 until the municipality has submitted its certificate of estimated
26 revenue and its financial report to the department for the fiscal year
27 preceding the year in [FOR] which the department's determination of
28 the millage rate equivalent is made under AS 29.60.30 [EQUALIZATION
29 ENTITLEMENT IS SOUGHT], together with the municipality's [A] budget

1 for the [MUNICIPALITY'S CURRENT] fiscal year for which an entitlement
2 is sought. The financial report must [SHALL] include a listing of
3 general revenue collected from taxes levied and assessed and any other
4 revenue that, in the opinion of the municipal officials, is eligible
5 for inclusion in computations of the locally generated revenue of the
6 taxing unit.

7 * Sec. 5. AS 29.60.290(a) is amended to read:

8 (a) A municipality qualifying for an entitlement under AS 29.-
9 60.010 - 29.60.080 or 29.60.100 - 29.60.180 shall receive a minimum
10 payment of \$25,000 plus an area cost-of-living differential for each
11 fiscal year if

12 (1) the municipality has conducted a regular election
13 during the fiscal year preceding the year in [FOR] which the depart-
14 ment's determination of the municipality's millage rate equivalent is
15 made under AS 29.60.030 [PAYMENT OF AN ENTITLEMENT IS AUTHORIZED BY
16 AS 29.60.010 - 29.60.080 OR 29.60.100 - 29.60.180] and has reported
17 the results of the election to the commissioner;

18 (2) regular meetings of the governing body are held in the
19 municipality during the fiscal year preceding the year in [FOR] which
20 the department's determination of the municipality's millage rate
21 equivalent is made under AS 29.60.030 [PAYMENT OF AN ENTITLEMENT IS
22 AUTHORIZED BY AS 29.60.010 - 29.60.080 OR 29.60.100 - 29.60.180] and a
23 record of the proceedings is maintained;

24 (3) a municipal budget has been adopted for the fiscal year
25 during which payment of an entitlement is authorized by AS 29.60.010 -
26 29.60.080 or 29.60.100 - 29.60.180 and an audit or financial statement
27 for the [PRECEDING] fiscal year preceding the year in which the de-
28 partment's determination of the municipality's millage rate equivalent
29 is made under AS 29.60.030 has been prepared and furnished to the

1 department in accordance with AS 29.20.640(a); and

2 (4) local ordinances adopted by the municipality have been
3 codified in accordance with AS 29.25.050.

4 * Sec. 6. AS 29.60 is amended by adding a new section to article 3 to
5 read:

6 Sec. 29.60.310. TIME OF PAYMENT. The department shall make
7 payments under AS 29.60.010 - 29.60.300 no later than July 31, based
8 upon the entitlement calculations made during the preceding fiscal
9 year.

10 * Sec. 7. AS 29.60.350(b) is amended to read:

11 (b) The department shall distribute money from the municipal
12 assistance fund to each municipality on an annual basis as provided in
13 AS 29.60.360 and 29.60.370. A municipality may not receive payment
14 until it submits to the department a resolution approved by the gov-
15 erning body of the municipality that requests the money. Distribution
16 of money from the municipal assistance fund to all municipalities [A
17 MUNICIPALITY WITH A FISCAL YEAR BEGINNING ON JANUARY 1] shall be made
18 on February 1 of the state fiscal year for which the appropriation to
19 the fund is made. [DISTRIBUTION OF MONEY FROM THE MUNICIPAL ASSIS-
20 TANCE FUND TO ALL OTHER MUNICIPALITIES SHALL BE MADE ON JUNE 1 OF THE
21 STATE FISCAL YEAR FOR WHICH THE APPROPRIATION TO THE FUND IS MADE.] A
22 municipality that incorporates after December 31 of a state fiscal
23 year is not eligible for a distribution under this section until the
24 following state fiscal year.

25 * Sec. 8. AS 29.60.030(b) is repealed.

26 * Sec. 9. Notwithstanding the provisions in secs. 1 - 8 of this Act,
27 the Department of Community and Regional Affairs and municipalities seeking
28 payments under AS 29.60.010 - 29.60.370 for the state fiscal year ending
29 June 30, 1987, shall follow the procedures set out in those sections before

1 amendment by this Act. The Department of Community and Regional Affairs
2 shall follow the deadlines and procedures established by this Act for the
3 state fiscal year ending June 30, 1988.

4 * Sec. 10. This Act takes effect July 1, 1986.

BILL SHEFFIELD, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

February 26, 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: House Bill 558

SPONSOR: Rules Committee by request of the Governor

PROGRAM EFFECTS: This bill would alter procedures for collection of data and calculation of revenue sharing entitlements and would allow earlier disbursement of entitlements to municipalities and other recipients of revenue sharing and municipal assistance.

DEPARTMENTAL POSITION: The department strongly supports this legislation. The department worked closely with the Governor's Task Force on State Shared Revenues which recommended this legislation to the Governor. The legislation would have two major benefits for municipalities and other recipients of assistance under these programs. First, it would provide greater predictability to the entitlement process. Currently, a municipality must plan its budget without an accurate idea of its entitlement for the budget year. Under the proposed legislation, the department will have the necessary municipal data to provide relatively accurate estimates to communities for budget preparation based upon proposed or adopted levels of appropriation. Second, the proposed legislation will allow the department to disburse funds much earlier in the fiscal year than is currently the practice. Under the current system, a prepayment of about half the entitlement is made in September or October, with a final payment ideally in March. Under the proposed system, payments could be made as early as the first or second week in July of the new fiscal year, giving municipalities additional flexibility in fiscal affairs as well as the opportunity to earn interest on the funds.

The legislation would improve the program administratively by utilizing verified data elements in entitlement calculations instead of estimates as is now the practice. By spreading the revenue sharing payment process out over three years (the year of data collection, the year of calculation and the year of payment) the program will reduce errors due to incomplete or inaccurate information resulting from overly restrictive deadlines.


Emil Notti, Commissioner

BILL SHEFFIELD, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

April 23, 1986

POUCH B
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PHONE: (907) 563-1073

The Honorable Edna DeVries
Alaska State Senate
P.O. Box V
Juneau, AK 99811

APR 25 1986

Dear Senator DeVries:

RE: HB 558

I have taken the liberty of preparing an informational packet regarding HB 558, relating to time periods for distribution of state revenue sharing and municipal assistance payments, for you and members of the Senate Community and Regional Affairs Committee.

This bill is an attempt to get the most from each dollar spent. The increased predictability and earlier payments provided under this bill will mitigate to some extent the effects of lower state shared revenues for municipalities and other recipients of funds under these programs. This bill is designed to address one of the biggest complaints about the State Revenue Sharing Program, its lack of predictability. Additionally, the bill provides for payment of revenue sharing and municipal assistance funds much earlier in the fiscal year than under the current law.

The unpredictability in the State Revenue Sharing Program has two elements. First, recipients of revenue sharing do not know what amount of funding they will receive until well into their fiscal year. Second, the payment schedule is uncertain because of complications which arise in the calculation process. This two-fold lack of predictability disrupts the ability of municipalities to adequately plan their fiscal affairs.

This lack of predictability is largely the result of the program structure. Currently entitlements are calculated on the basis of information collected from the municipal fiscal year preceding the state fiscal year in which calculations and payments are made. Because of the compression of the calculation and payment function into one year, there is no way to predict entitlements with any degree of accuracy.

Senator DeVries
April 23, 1986
Page Two

In order to address this problem, the Governor's Task Force on State Shared Revenues recommended the calculation and payment functions be separated into two separate years. A detailed discussion of the proposal is contained in the task force report at pages 12 - 19, which I have attached to this letter as Attachment 1. A chart, summarizing the current revenue sharing time table and the proposed revenue sharing time table under this bill is also enclosed as Attachment 2.

Because the Department will have the data necessary to calculate revenue sharing entitlements the year before payment, we will be able to give out reasonably accurate estimates of the amount of payment to each recipient before their fiscal year starts, usually in time for use in budget preparation by the municipality. An additional benefit is that revenue sharing payments can be made at the beginning of the new state fiscal year, so that recipients will have the money earlier than at present. This allows additional financial flexibility and the possibility of additional income through investment, which, in the case of communities like Anchorage may be substantial.

The bill also proposes that the payment date for municipal assistance be made February 1 for all municipalities, rather than just those on a calendar fiscal year. Currently, municipalities on a state fiscal year are not paid until June 1. The benefit to municipalities again relates to earlier receipt of payment as well as correction of what has been perceived to be an inequity in payment schedules among municipalities based upon their fiscal year.


This bill received favorable attention in the House of Representatives. Favorable testimony was received by the House Community and Regional Affairs Committee from Scott Burgess of the Alaska Municipal League in support of the legislation. He also supplied a memorandum in support of the bill, a copy of which is attached (Attachment 3). Chip Dennerlein, on behalf of Mayor Knowles in his capacity as President of the Alaska Conference of Mayors at the time the proposal was released by the task force, spoke in favor of the legislation. Larry Semmons from the Kenai Peninsula Borough, testifying on behalf of the Municipal Finance Officers of Alaska, expressed the support of that organization as well. One concern raised by Mr. Semmons' testimony was the need for a date certain in the bill for disbursement of revenue sharing funds. That concern was addressed in the House Finance Committee with an amendment to provide for payment by July 31.

Senator DeVries
April 23, 1986
Page Three

A final enclosure is a copy of Governor Sheffield's letter of transmittal to the Speaker of the House which accompanied this bill.

If you have any further questions, the Department will gladly participate in any discussions or hearings on this bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Emil Notti", is written over the typed name. The signature is stylized with a large, sweeping flourish at the end.

Emil Notti
Commissioner

Enclosures (4)

cc: Members of the Senate Community
and Regional Affairs Committee

A second source of impetus for modification was the desire to base payments upon a "basic needs" approach. It was felt that certain categories of "basic needs" in local government services should be identified and payments should be determined on that basis. To a great extent, this may be seen to be a return to the categorical program which the equalization program replaced in 1981. Past analysis had indicated that this categorical approach biased the program in favor of wealthier, more populous communities which could afford to provide more services than poorer, less populous ones. Further, complaints were made that local governments should make the decisions about what services should be funded at the local level, rather than have the State mandate these services through the categories chosen to be eligible to receive funding. Additionally, proving eligibility for specific categories and monitoring expenditures for eligible services placed excessive administrative burdens upon the state and local governments.

On August 14, 1985, the Alaska Conference of Mayors met in Fairbanks to discuss these and other fiscal issues of interest to local governments. It was determined at that meeting that any changes in the formulas for municipal assistance and revenue sharing were unacceptable under the current financial and political climate of the state, and this determination was subsequently transmitted to the Task Force.

The combination of these factors has led the Task Force to recommend that no change be made to the distribution formulas utilized by the Municipal Assistance and State Revenue Sharing Programs.

B. Predictability and Stability

One of the biggest complaints about the current State Revenue Sharing Program is its lack of predictability. This complaint is twofold: first, recipients do not know what the exact level of payment will be until well into their fiscal year, and secondly, the payment schedule is uncertain. This uncertainty and lack of predictability creates problems in the planning and budgeting process and general disruption of the fiscal affairs of municipalities. This problem is largely a result of the way the program is structured.

from The Governor's Task

Force on State Shared

Revenues, Dec. 9, 1985

1. Current Time Table.

Revenue Sharing entitlements are determined by a variety of data elements. A municipality's population, locally generated revenues, and property values are used to determine its Municipal Tax Resource Equalization entitlement. Miles of roads, hospital and health facility beds and so on are used to determine a recipient's Miscellaneous Services entitlement. These data elements are determined as of the following dates:

Population - the July 1 immediately preceding application;

locally generated revenues - total for the municipality's fiscal year preceding the year of application;

full and true property values - the January 1 of the year preceding the calendar year of application; and

service provision dates for State Aid for Miscellaneous Services (roads and health facilities, volunteer fire departments, unincorporated communities) - in service July 1 of the year of application.

The application deadlines are as follows:

October 1 - application and budget must be postmarked as of this date to qualify for prepayment.

November 1 - application and budget must be postmarked as of this date to qualify for payment and preserve appeal rights.

December 1 - application and budget must be postmarked as of this date to qualify for payment, but appeal rights are waived.

The administrative processes for calculating final entitlements are on the following time line:

October 15 - initial determination of municipal population and data elements.

December 15 - deadline for municipal population revision requests by municipalities and final data element determinations by department.

January 15 - deadline for appeal of data element determinations by municipalities.

February to March - resolution of appeals.

March - computer run of final entitlements.

March - final payments sent to recipients.

June 30 - deadline for submission of audits/certified financial statements.

The time lag from the measurement of these elements to final payment under the current system amounts to the following, assuming a March final payment date:

Population: July 1 to March 30 = 9 months.

Locally generated revenues (for state fiscal year municipalities): fiscal year ending June 30 to March 30 = 9 months.

Full and true property value: January 1 of year preceding calendar year of application to March 30 = 27 months.

Service provision: July 1 to March 30 = 9 months.

Prepayments are sent out as soon as possible after receipt of the completed application and budget. Final payments should go out in March; however, in the last two fiscal years, because of extended deadlines and a Legislative Budget and Audit Committee audit, 90 percent provisional payments were issued in March and final payments were not made until May. Additionally, an audit or certified financial statement for the fiscal year preceding the year of application must be submitted before a final payment may be released. Obviously, if the audit or financial statement is not submitted by the time of the final entitlement computer run, the Department is unable to compare estimated revenues claimed in the application with the audited or certified figures. This has led in the past to the necessity of assessing corrective prior year adjustments in subsequent years which are not only administratively burdensome to the state, but may be devastating to a recipient which had grossly over-estimated locally generated revenues.

2. Prior Year Data Proposal.

The most promising proposal considered by the Task Force which would address these issues and retain the current revenue sharing formula is the use of "prior year" data. In its simplest terms, this proposal would allow the Department to use certain data from the year preceding the one currently utilized. By so doing, the data necessary to make the calculations to determine recipients' final entitlements would be available much earlier than at present so that the Department could 1) notify recipients of their expected entitlements in a timely manner to allow proper budgeting and financial planning, and 2) disburse the money much earlier in the fiscal year, perhaps as early as the first week in July.

Under this proposal, data would be determined for the entitlement year as of the following dates:

Population - October 1 of the year preceding the entitlement year.

Locally generated revenues (for municipalities on the state fiscal year) - the fiscal year ending June 30 preceding the year before the entitlement year.

Full and true value - January 1 of the fiscal year preceding the year before the entitlement year.

Service provision date - October 1 of the year preceding the entitlement year.

Application deadlines would be altered as well. There would no longer be a need for a prepayment deadline, although there may still be two deadlines, one to ~~preserve appeal~~ rights and one which results in waiver of appeal rights. The retention of the November 1 and December 1 deadlines would allow the following schedule:

October 15 - initial determination of population figures.

November 1 - deadline for applications for following fiscal year to preserve appeal rights.

December 1 - final deadline for applications, appeal rights waived.

January 1 - final deadline for calendar year municipalities.

January 15 - final determination of data elements and deadline for requests for population revision.

February 15 - appeal deadline.

February/March - resolution of appeals.

End of March - preliminary entitlement run.

June 1 - deadline for submission of audits/certified financial statements for preceding fiscal year covering claimed locally generated revenues.

End of June - final entitlement run.

July 1 - beginning of entitlement year.

First week of July - final payments disbursed to recipients conditioned upon submission of budget for entitlement year.

Perhaps the only drawback to utilizing the prior year data proposal is the perceived increased time lag between the measurement of data elements and the receipt of payment based upon that data. This perception may have been based upon the terminology used to designate the proposal, as "prior year data" implies an additional twelve month time lag between calculation and payment beyond the current lag. Additionally, early formulations of the proposal showed potentially significant time lags between the data calculation and final payment.

Further refinements of the proposal have tended to reduce this time lag, in some cases, significantly. The time lag between calculation of data elements to final payment under the proposed system would be as follows, assuming a July 1 payment:

Population: October 1 to July 1 = 9 months.

Locally generated revenues (for municipalities on the State fiscal year): June 30 of the fiscal year of the year preceding the year of application to July 1 = 12 months.

Full and true value: January 1 of calendar year preceding year of application to July 1 of entitlement year (succeeding year of application) = 18 months.

Service provision: October 1 to July 1 = 9 months.

This reveals the following comparison:

<u>Data Element</u>	<u>Current</u>	<u>Proposed</u>
Population	9 months	9 months
Locally Generated Revenues	9 months	12 months
Full and True Value	27 months	18 months
Service Provision	9 months	9 months

It should be noted, of course, that the current program disburses prepayments, which amount to about half the entitlement, as much as 5 months earlier than the March 30 date used to calculate time lag for the current program in the above comparison.

3. Analysis of Changes.

The problem of predictability is addressed in that accurate preliminary estimates of entitlements will be available to municipalities by the end of March for use in budget formulation and financial planning. Those estimates will be based upon the finalized municipal data elements and the Governor's requested budget appropriation level for the program, unless the operating budget has been passed, in which case the appropriation level will be adjusted accordingly. Payments will be available at the beginning of the fiscal year, thus relieving much of the uncertainty involved in receipt of payments. An additional advantage is that communities will have their entire payment available much earlier in the fiscal year, allowing more flexibility in financial planning, as well as the possibility of earning additional interest from the funds.

Applications will be made in the year preceding the entitlement year, rather than the entitlement year itself. Application deadlines may be retained to avoid confusion among smaller communities. It may be desirable, however, to alter the deadline for calendar year municipalities to provide for their special needs. Service provision dates will be changed from July 1 to October 1 of the application year. This will allow the entire building season to be completed for inclusion of claimed service (e.g., roads). This will allow services that could not be counted for an additional 12 months under the current system, because they were not in service until after the July 1 deadline, to be available for inclusion in the entitlement calculation if completed by October 1. Population will be determined as of October 1 to minimize the lag between population increase or decrease and payment based upon those figures. Additionally, it will allow communities to utilize summer months for census taking, if desired.

The millage rate equivalent will be determined by using the year preceding the year of application for determining locally generated revenues. That amounts to the year prior to the one currently used; however, because the final payment date will be advanced to early July rather than the end of March (or later, in cases of provisional payments), the change in lag time will be minimized. The most significant change will be in the use of the full and true value calculations. Currently, those determinations are made on the basis of data generated the January of the calendar year of the year preceding the year of application. This has been necessary in the past because the needed data is not available in time for utilization in entitlement determinations and calculations. With the new determination and calculation deadlines, full and true value data will be available from the January immediately preceding the November applications, so that the time from data generation to payment of entitlements will actually be reduced.

The format of the applications will remain the same; however, budgets need not be submitted with the application. Rather, submission of a budget will be a condition of payment in the entitlement year. No payment will be made until the Department has received the applicant's budget for the entitlement year (the applicant's fiscal year which includes July 1 of the State fiscal year in which payment is made.) An audit or certified financial statement will be required, as is now the case.

4. Special Impact Fund.

Early formulations of the prior year data scheme created a longer time lag than later refinements, creating concerns that communities experiencing rapid growth would feel impacts of this growth before receiving state funds to address those impacts under the revenue sharing program. This had led to interest in the creation of a special impact fund which would be available to give special grants to those communities experiencing serious impacts from rapid growth. However, as has been shown above, there will actually be a smaller change in time lags than originally projected. That, combined with the difficulty in determining criteria for distribution of such a fund and the absence of state revenue to support such a fund, has led to a determination that such a fund is not a necessary component of the prior year data proposal.

5. Calendar Year Municipalities.

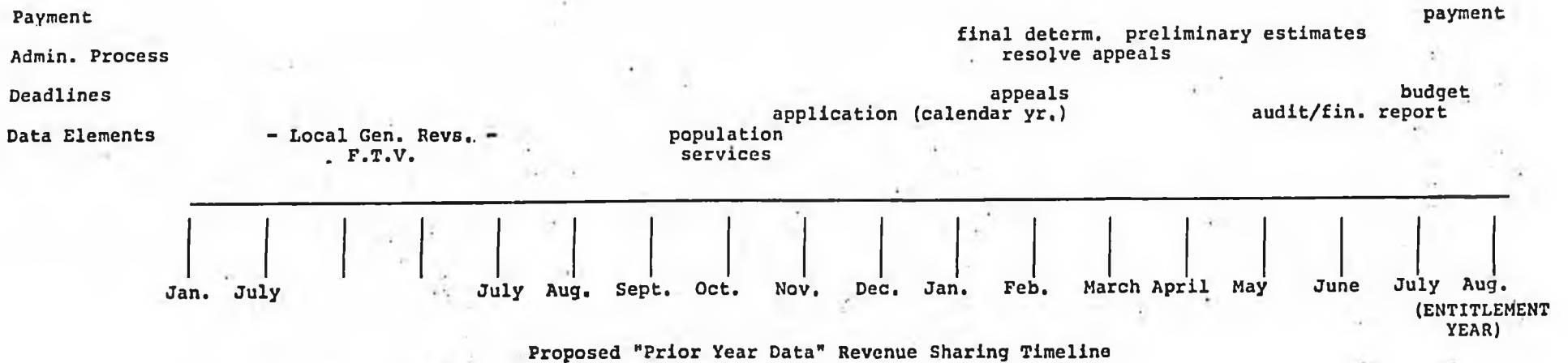
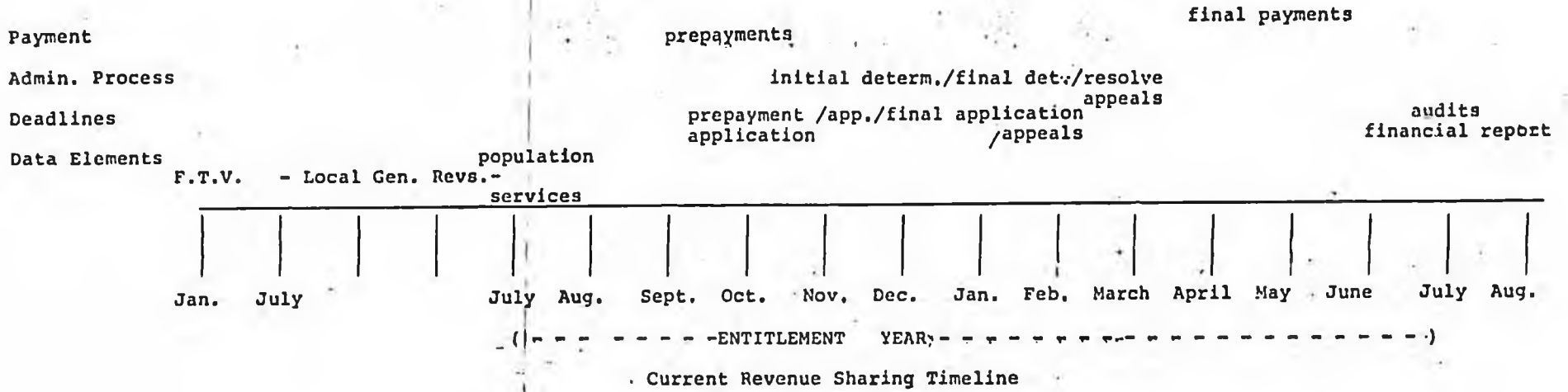
The discussion above has applied largely to municipalities on a State fiscal year. Currently, calendar year municipalities are, in a sense, already on a prior year data basis, as the locally generated revenues claimed in an application submitted by October 1 (to qualify for prepayment) come from the fiscal year of January 1 to December 31 prior to that October, so that the actual time lag from that data to the time of final payment at the end of March is at 15 months. Under the proposed system, this time lag would have increased an additional three months to early July. To ameliorate this, the application deadline for calendar year municipalities has been made January 1, allowing such a municipality to base its application on the fiscal year which ended December 1 immediately preceding application. While this may require an estimate of the revenues from that fiscal year, a timely submission of the municipality's audit or certified financial statement will allow corrections before the final entitlement computer run. This would have the effect of cutting the time lag to six months for locally generated revenues.

Because of the obvious advantages of the prior year data system and the lack of substantial cost to realize the advantages, the Task Force has recommended the Governor introduce legislation to allow implementation of this system.

6. Predictability of Funding.

An additional aspect of the issue of predictability of entitlements is the appropriation level for the program. Various proposals have been set forth to address this aspect of the problem. Among them have been 1) forward funding, 2) a two-year appropriation cycle for revenue sharing, and 3) legislative resolution of funding level each session for each succeeding year. The forward funding alternative is currently being pursued through legislation introduced by Senator Coghill and would seem to provide the greatest degree of certainty from one year to the next. The issue is partly addressed by the adoption of the 120 day legislative session limit. This virtually ensures that the budget will be acted upon in time for reasonably timely estimations of the appropriation level for municipal budgeting purposes. Additionally, revenue sharing has been appropriated at or about the level requested by the Governor in past years, so that the Governor's budget level further establishes a reasonable level of expectation for estimation purposes. For these reasons, the Task Force does not recommend the Governor introduce separate legislation on the subject of forward funding.

Attachment 2

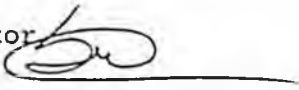


Alaska
MUNICIPAL
League

TELEPHONE
(907) 586-1325

105 MUNICIPAL WAY, SUITE 301
JUNEAU, ALASKA 99801

To: Representative Peter Goll, Chairman
Members of the House Community and Regional Affairs Committee

From: Scott A. Burgess, Executive Director 

Date: February 26, 1986

Subject: HB 558 - Prior Year Data for Revenue Sharing and Municipal Assistance

On behalf of the Alaska Municipal League, we support HB 558. While the legislation does not address the level of funding for the revenue sharing and municipal assistance programs, top AML priorities, it would make the best of the funding that is appropriated by the Legislature for those programs.

This legislation is based on the recommendations of the Governor's Shared Revenue Task Force, outlined in their report of December 9, 1985. As proposed, the legislation would appear to allow the distribution of funds in a more timely manner providing a greater degree of predictability in the level of funding, and getting the money out to the municipalities more quickly to provide for needed municipal services. Basically, this is done by basing the entitlement formula on earlier data as to population, taxes etc.

On behalf of the League and the Task Force members, I would like to thank the Governor, Commissioner Notti, Deputy Commissioner Smith, Deputy Director (MRAD) Doug Griffin and Jim Plasman for the work that resulted in the report and this piece of legislation, and for working with the Alaska Municipal League prior to submitting legislation which directly affects our membership.

Thank you.

12/25/55

BILL SHEFFIELD
GOVERNOR*Bill Sheffield*STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to revenue sharing and municipal assistance. The bill amends sections of AS 29.60 to compute municipal revenue sharing entitlements, and to distribute revenue sharing and municipal assistance, on a new timetable.

Each year, the Alaska legislature appropriates money for municipal revenue sharing, known as "equalization entitlements," to be distributed in the following state fiscal year. Equalization entitlements are the product of multiplying a municipality's millage rate equivalent by the municipality's population. AS 29.60.010(b). Two factors used in determining the millage rate equivalent are the municipality's locally generated revenue and property values. AS 29.60.010(c). A municipality's locally generated revenue and full and true assessed property value in one year are the foundation for computing the municipality's equalization entitlement for the next state fiscal year. However, the current system for determining revenue sharing does not give municipalities sufficient opportunity to plan ahead; a municipality must plan its budget in advance without an accurate idea of its entitlement for the following fiscal year.

Two time periods underly the existing timetable for determining entitlements and distributing payments: (1) the municipal fiscal year from which the locally generated revenue and full and true assessed property value are

derived, and (2) the succeeding state fiscal year in which both the computation and distribution of entitlements takes place. In its December 9, 1985 report, the Governor's Task Force on State Shared Revenues requested that the latter functions be separated into two years, so that computation of entitlement is done in the state fiscal year before the distribution of payments. This is informally described as the "prior year data" basis for handling revenue sharing entitlements.

To implement the prior year system, this bill amends various sections of AS 29.60 to reflect three relevant time periods: the municipal fiscal year from which revenue and property value data is collected, the state fiscal year of entitlement computation, and the state fiscal year of entitlement payment. With the computation of entitlement occurring in the fiscal year before payment, the department will be able to distribute entitlements sooner each fiscal year.

Section 1 of the bill amends AS 29.60.010(a) to reflect that computation of an equalization entitlement occurs in the state fiscal year before the fiscal year of payment. AS 29.60.010(c) is amended to state that a municipality's locally generated revenue is calculated on the basis of revenue received during the municipal fiscal year preceding the year in which the department determines the millage rate equivalent. Section 2 makes a similar change to AS 29.60.030(a).

Because the prior year system splits computation and distribution of revenue sharing into two state fiscal years, there is no longer a need for municipalities to submit preliminary data by October 15. As a result, sec. 7 of the bill repeals AS 29.60.030(b).

In sec. 3 of the bill, the deadline for the department's determination of each municipality's millage rate equivalent is changed from December 15 to January 15 of each year. AS 29.60.030(c). That statute is also amended to state that distribution of equalization entitlements occurs the state fiscal year following the January 15 computation.


AS 29.60.040 sets out the municipal reports required before payment of an equalization entitlement. Section 4 of the bill amends the statute to reflect that a municipality's financial reports should cover the fiscal year preceding the state fiscal year in which the department computes the millage rate equivalent. The municipality must submit a budget for the fiscal year for which an entitlement is sought. AS 29.60.040.

Additional requirements are currently placed on a municipality in order to qualify for revenue sharing. AS 29.-60.290. Section 5 of the bill amends AS 29.60.290(a)(1) and (2) to require that a regular election and regular meetings of the municipal governing body be held in the year preceding the year in which the department computes the millage rate equivalent. As current law requires, the municipal budget must cover the year that the entitlement will be paid, but the requisite audit or financial statement from the municipality covers the year before the department's determination of the millage rate equivalent. AS 29.60.290(a)(3).

Section 6 of the bill amends the timetable for payment of municipal assistance under AS 29.60.350. AS 29.60.350(b) currently provides two different deadlines for payment of municipal assistance depending on a municipality's fiscal year. The statute is amended to set a single date, February 1, as the deadline, instead of February 1 or June 1. AS 29.60.350(b).

Section 8 of the bill provides for a transition between the current system and the new prior year system. The existing timetable for computation and distribution would be followed in FY 1987, but the bill's new timetable would apply to FY 1988. The switch to a prior year system will require the use of the same locally generated revenue data in two consecutive fiscal years, which is unavoidable. Section 9 of the bill provides for a July 1, 1986 effective date, giving the department the authority to prepare in FY 1987 for implementation of the new system.

Sincerely,


Bill Sheffield
Governor

2/10

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date : 2/6/86

REQUEST

Bill/Resolution No. : _____
 Title An act relating to revenue sharing
& municipal assistance; & providing
for an effective date.
 Sponsor : Rules/Governor
 Requestor : _____
 Date of Request : _____

FISCAL DETAIL

Agency Affected : _____
 BRU : Municipal Revenue Sharing

 Components : State Revenue Sharing &
Municipal Assistance

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						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

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

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

FUNDING : (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS :

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

ANALYSIS : Attach a separate page if necessary

Prepared by : James H. Plasman *James H. Plasman*
 Division : Municipal & Regional Assistance

Phone : 465-4750
 Date : 2/6/86

Approved by Commissioner : *Amie West*
 Agency : Community & Regional Affairs

Date : 2/6/86

Distribution (by Agency preparing fiscal note) :

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



Official Business

Alaska State Legislature

Senate

Committee on Community and Regional Affairs

Staff

Senator Edna DeVries, Chairman

Members:

Senator Ferguson, Vice Chairman

Senator Coghill

Senator Sturgulewski

Senator V. Fischer

Pouch V

Juneau, Alaska 99811

M E M O R A N D U M

April 29, 1986

TO: Senator DeVries
FROM: Trudie Alford, Aide
SUBJ: New Material for Committee Meeting Today

The attached letters were received after the committee packets were prepared for the C&RA Committee Meeting.

- (a) Ltr from James B. Gottstein dtd 4-22-86 on HB 312.
- (b) Memorandum from Scott A. Burgess, Executive Director, Alaska Municipal League, dtd 4-29-86 on HB 558.

cc: Senator Ferguson
Senator Sturgulewski
Senator Vic Fischer
Senator Coghill

JAMES B. GOTTSTEIN

ATTORNEY AT LAW

406 G STREET, SUITE 206
ANCHORAGE, ALASKA 99501
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178 312 100

April 22, 1986

Senator Edna DeVries
Pouch V
Juneau, Alaska 99811

Re: CSHB 312 (Fin)

Dear Senator DeVries:

On April 21, 1986 I received your April 16, 1986 letter requesting I provide you with legal descriptions of Mental Health lands within the proposed Dude Creek Critical Habitat Area. You should properly address this request to the Department of Natural Resources. It is my understanding that some 3,443 acres of 4,100 acres initially proposed for the Dude Creek Critical Habitat Area are Mental Health lands.

I am sorry that your Senate Majority Caucus made the decision it did, because Representative Goll, the Department of Natural Resources, myself and David Walker had all worked out an approach to enable the Dude Creek Critical Habitat Area to proceed with the original acreage proposed.

I would like to point out, however, that it is critical that the Interim Mental Health Trust Lands Commission be adequately funded to perform the required appraisals and audits on Mental Health lands. Otherwise, Mental Health lands could be in limbo for many years.

As always, I am available for any questions or comments.

Yours truly,


James B. Gottstein

cc: Representative Goll
Bob Arnold
David Walker

JBG/tvd


Alaska MUNICIPAL League

TELEPHONE
(907) 586-1325

105 MUNICIPAL WAY, SUITE 301
JUNEAU, ALASKA 99801

APR 29 1986

To: Senator Edna DeVries, Chair
Members of the Senate Community and Regional Affairs Committee

From: Scott A. Burgess, Executive Director 

Date: April 29, 1986

Subject: HB 558 - Prior Year Data for Revenue Sharing and Municipal Assistance

On behalf of the Alaska Municipal League, we support HB 558. While the legislation does not address the level of funding for the revenue sharing and municipal assistance programs, top AML priorities, it would make the best of the funding that is appropriated by the Legislature for those programs.

This legislation is based on the recommendations of the Governor's Shared Revenue Task Force, outlined in their report of December 9, 1985. As proposed, the legislation would appear to allow the distribution of funds in a more timely manner providing a greater degree of predictability in the level of funding, and getting the money out to the municipalities more quickly to provide for needed municipal services. Basically, this is done by basing the entitlement formula on earlier data as to population, taxes etc.

On behalf of the League and the Task Force members, I would like to thank the Governor, Commissioner Notti, Deputy Commissioner Smith, Deputy Director (MRAD) Doug Griffin and Jim Plasman for the work that resulted in the report and this piece of legislation, and for working with the Alaska Municipal League prior to submitting legislation which directly affects our membership.

Thank you.

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date : 2/6/86

REQUEST

Bill/Resolution No. : HB 558
 Title : An act relating to revenue sharing & municipal assistance; & providing for an effective date.
 Sponsor : Rules/Governor
 Requestor : _____
 Date of Request : _____

FISCAL DETAIL

Agency Affected : _____
 BRU : Municipal Revenue Sharing

 Components : State Revenue Sharing & Municipal Assistance

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						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

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

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

FUNDING : (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS :

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

ANALYSIS : Attach a separate page if necessary

Prepared by : James H. Plasman
 Division : Municipal & Regional Assistance

Phone : 465-4750
 Date : 2/6/86

Approved by Commissioner : _____
 Agency : Community & Regional Affairs

Date : 2/6/86

Distribution (by Agency preparing fiscal note):

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

STATE OF ALASKA
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

April 18, 1986

APR 18 1986

SUBJECT: Administration of the tax equalization program and the municipal assistance program (CSHB 558(Fin))

TO: Senator Edna DeVries, Chair
Community and Regional Affairs Committee

FROM: Tamara Brandt Cook *TBC*
Director
Division of Legal Services

Section 1. The tax equalization entitlements computed during a fiscal year will be paid the following fiscal year. Under existing law payments are computed and paid during the same fiscal year.

Sec. 2. This permits the Department of Community and Regional Affairs to require an estimate of locally generated revenue for the year preceding the year in which the determination of the millage rate equivalent is made.

Sec. 3. By January 15, the department is required to make a determination of the millage rate equivalent to be used in computing an entitlement for the following year. Under existing law the determination is made by December 15 of the year and is to be used to compute the entitlements for that year.

Sec. 4. A municipality is required to submit its estimated revenue for the fiscal year preceding the year in which the department's determination of the millage rate equivalent is made together with the municipality's budget for the fiscal year for which the entitlement is sought.

Sec. 5. The various actions required to be accomplished by a municipality in the year preceding the year in which payment of an entitlement is authorized under existing law are now required to be accomplished during the year preceding the year in which the department determines the municipality's millage rate equivalent.

Senator Edna DeVries

Page 2

April 18, 1986

Sec. 6. The department is required to make revenue sharing payments no later than July 31, based on calculations made during the preceding fiscal year.

Sec. 7. Distributions from the municipal assistance fund are to be made on February 1 of the fiscal year for which the appropriation to the fund is made. Under existing law distributions are made on February 1 only for municipalities with fiscal years beginning on January 1. Distributions to other municipalities are made on June 1.

Sec. 8. The provision requiring an initial determination of the millage rate equivalent of each taxing unit to be used for computing equalization entitlements is repealed.

Sec. 9. Revenue sharing and municipal assistance payments for the fiscal year ending June 30, 1987 are to be made in accordance with laws before amendment under this bill. The procedures set out in the bill will be used beginning fiscal year 1988.

Sec. 10. The bill takes effect July 1, 1986.

TBC:mkr
m4/138

Offered: 4/1/36
Referred: Rules

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 558 (Finance)

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 time periods to be used for
7 administering the tax equalization program and the
8 municipal assistance program; and providing for an
9 effective date."

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

11 * Section 1. AS 29.60.010 is amended to read:

12 Sec. 29.60.010. STATE EQUALIZATION OF TAX RESOURCES FOR MUNICI-
13 PAL SERVICES. (a) During each fiscal year the department shall
14 compute an equalization entitlement for municipal services provided by
15 a taxing unit for payment the following fiscal year.

16 (b) The equalization entitlement computed for a taxing unit is
17 based on the population, relative ability to generate revenue, and
18 local tax burden of the taxing unit and is determined by the applica-
19 tion of the formula

20 Entitlement = P x R

21 where P = population, and

22 R = millage rate equivalent, determined by dividing the
23 sum of the locally generated revenue of the taxing unit by one-tenth
24 of one percent of the full and true value of assessed property of the
25 taxing unit determined under AS 29.60.030(d); however, the per capita
26 property value used under this subsection may not be less than 15
27 percent of the statewide average per capita full and true assessed
28 property value.

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

1 (1) includes

2 (A) the actual revenue derived from the levy and
3 collection of local taxes in the taxing unit for municipal ser-
4 vices [DURING THE PRECEDING FISCAL YEAR OF THE TAXING UNIT];

5 (B) motor vehicle payments received by the municipal-
6 ity [DURING THE PRECEDING FISCAL YEAR] under AS 28.10.431;

7 (C) revenue from fees, rentals, leases, penalties,
8 licenses or permits received [DURING THE PRECEDING FISCAL YEAR]
9 by the municipality for a function or service over which it has
10 control, including revenues derived from parks and recreation
11 services, mass transit, offstreet parking, and garbage and solid
12 waste disposal services;

13 (D) special assessments received [DURING THE PRECEDING
14 FISCAL YEAR]; and

15 (E) payments received by a municipality from a utility
16 that are in place of taxes levied and collected by the municipal-
17 ity;

18 (2) excludes

19 (A) revenue derived from the levy and collection of
20 municipal taxes and appropriated for the operating expenses and
21 debt service of utilities;

22 (B) revenue from interest earned on investments and
23 from the sale and lease of land or equipment; and

24 (C) all other revenue from whatever service derived;

25 (3) is calculated on the basis of the actual revenue re-
26 ceived during the fiscal year of the taxing unit preceding the year in
27 which the department's determination of the millage rate equivalent is
28 made under AS 29.60.030.

29 * Sec. 2. AS 29.60.030(a) is amended to read:

1 (a) The department may require a municipality to return a certi-
2 fication, signed by the municipal treasurer or manager and the mayor,
3 that provides an estimate of the locally generated revenue received by
4 the municipality during the [PRECEDING] fiscal year preceding the year
5 in which the department's determination of the millage rate equivalent
6 is made under (c) of this section.

7 * Sec. 3. AS 29.60.030(c) is amended to read:

8 (c) As early as possible, but not later than January [DECEMBER]
9 15 of each year, the department shall make a [FINAL] determination of
10 the millage rate equivalent of each taxing unit to use to compute and
11 distribute equalization entitlements under AS 29.60.010 - 29.60.080
12 for the following state fiscal year. The department shall base the
13 determination on audits, financial statements, and other financial
14 reports prepared and submitted by a municipality. The department
15 shall adjust the locally generated revenue reported by a municipality
16 to exclude the municipal revenue claimed that does not qualify for
17 inclusion in or recognition as locally generated revenue for municipal
18 purposes under AS 29.60.010(c)(1). The adjustment shall be made by
19 deducting from total revenue claimed by the municipality the amount of
20 the department's estimate of revenue that is not recognized for munic-
21 ipal purposes.

22 * Sec. 4. AS 29.60.040 is amended to read:

23 Sec. 29.60.040. REPORTS. A payment of an equalization entitle-
24 ment may not be made to a municipality under AS 29.60.010 - 29.60.080
25 until the municipality has submitted its certificate of estimated
26 revenue and its financial report to the department for the fiscal year
27 preceding the year in [FOR] which the department's determination of
28 the millage rate equivalent is made under AS 29.60.30 [EQUALIZATION
29 ENTITLEMENT IS SOUGHT], together with the municipality's [A] budget

1 for the [MUNICIPALITY'S CURRENT] fiscal year for which an entitlement
2 is sought. The financial report must [SHALL] include a listing of
3 general revenue collected from taxes levied and assessed and any other
4 revenue that, in the opinion of the municipal officials, is eligible
5 for inclusion in computations of the locally generated revenue of the
6 taxing unit.

7 * Sec. 5. AS 29.60.290(a) is amended to read:

8 (a) A municipality qualifying for an entitlement under AS 29.-
9 60.010 - 29.60.080 or 29.60.100 - 29.60.180 shall receive a minimum
10 payment of \$25,000 plus an area cost-of-living differential for each
11 fiscal year if

12 (1) the municipality has conducted a regular election
13 during the fiscal year preceding the year in [FOR] which the depart-
14 ment's determination of the municipality's millage rate equivalent is
15 made under AS 29.60.030 [PAYMENT OF AN ENTITLEMENT IS AUTHORIZED BY
16 AS 29.60.010 - 29.60.080 OR 29.60.100 - 29.60.180] and has reported
17 the results of the election to the commissioner;

18 (2) regular meetings of the governing body are held in the
19 municipality during the fiscal year preceding the year in [FOR] which
20 the department's determination of the municipality's millage rate
21 equivalent is made under AS 29.60.030 [PAYMENT OF AN ENTITLEMENT IS
22 AUTHORIZED BY AS 29.60.010 - 29.60.080 OR 29.60.100 - 29.60.180] and a
23 record of the proceedings is maintained;

24 (3) a municipal budget has been adopted for the fiscal year
25 during which payment of an entitlement is authorized by AS 29.60.010 -
26 29.60.080 or 29.60.100 - 29.60.180 and an audit or financial statement
27 for the [PRECEDING] fiscal year preceding the year in which the de-
28 partment's determination of the municipality's millage rate equivalent
29 is made under AS 29.60.030 has been prepared and furnished to the

1 department in accordance with AS 29.20.640(c); and

2 (4) local ordinances adopted by the municipality have been
3 codified in accordance with AS 29.25.050.

4 * Sec. 6. AS 29.60 is amended by adding a new section to article 3 to
5 read:

6 Sec. 29.60.310. TIME OF PAYMENT. The department shall make
7 payments under AS 29.60.010 - 29.60.300 no later than July 31, based
8 upon the entitlement calculations made during the preceding fiscal
9 year.

10 * Sec. 7. AS 29.60.350(b) is amended to read:

11 (b) The department shall distribute money from the municipal
12 assistance fund to each municipality on an annual basis as provided in
13 AS 29.60.360 and 29.60.370. A municipality may not receive payment
14 until it submits to the department a resolution approved by the gov-
15 erning body of the municipality that requests the money. Distribution
16 of money from the municipal assistance fund to all municipalities [A
17 MUNICIPALITY WITH A FISCAL YEAR BEGINNING ON JANUARY] shall be made
18 on February 1 of the state fiscal year for which the appropriation to
19 the fund is made. [DISTRIBUTION OF MONEY FROM THE MUNICIPAL ASSIS-
20 TANCE FUND TO ALL OTHER MUNICIPALITIES SHALL BE MADE ON JUNE 1 OF THE
21 STATE FISCAL YEAR FOR WHICH THE APPROPRIATION TO THE FUND IS MADE.] A
22 municipality that incorporates after December 31 of a state fiscal
23 year is not eligible for a distribution under this section until the
24 following state fiscal year.

25 * Sec. 8. AS 29.60.030(b) is repealed.

26 * Sec. 9. Notwithstanding the provisions in secs. 1 - 8 of this Act,
27 the Department of Community and Regional Affairs and municipalities seeking
28 payments under AS 29.60.010 - 29.60.370 for the state fiscal year ending
29 June 30, 1987, shall follow the procedures set out in those sections before

1 amendment by this Act. The Department of Community and Regional Affairs
2 shall follow the deadlines and procedures established by this Act for the
3 state fiscal year ending June 30, 1988.

4 * Sec. 10. This Act takes effect July 1, 1986.
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