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A

DESCRIPTION OF SERVICE DELIVERY ORGANIZATION IN RURAL ALASKA

This portion of the memorandum examines the variety of service delivery organizations that exist in the unorganized borough and offers a brief analysis of the effectiveness of these organizations as service delivery vehicles.

As noted in a Department of Community and Regional Affairs publication (hereinafter cited as DCRA report):

... in many respects the adjective "unorganized" is not appropriate for rural Alaska. Although the area is not organized into Boroughs under State law, rural Alaska sports an extraordinary amount of formal organization and government."¹

The following four types of entities which provide services to rural areas of the State will be discussed:²

- local governments,
- economic profit corporations,
- nonprofit development and service corporations, and
- legislatively created service areas.

LOCAL GOVERNMENTS

Two basic types of local governments exist in rural Alaska, those chartered by the State government and those chartered by the federal government. State-chartered governments are organized under the authority of the Alaska Constitution through Title 29 of the Alaska Statutes. Federally chartered governments are Native organizations that are either traditional governing councils or village councils formed under the Indian Reorganization Act.

¹State of Alaska, Department of Community and Regional Affairs, Division of Community Planning, Problems and Possibilities for Service Delivery and Government in the Alaska Unorganized Borough, September, 1981, p. 21 (hereinafter cited as DCRA report).

²A portion of this discussion relies heavily on: David Case, The Special Relationship of Alaska Natives to the Federal Government, Alaska Native Foundation, 1978.

State-Chartered Municipalities

Governments organized under State law are of two types: (1) home rule municipalities which can possess all government powers not reserved for State law; and (2) general law municipalities which possess all powers delegated by statute. General law governments provide services to residents through the exercise of the following powers:

1. general powers which allow the government to function as a corporate entity (collect taxes, hire employees, acquire and sell property);
2. regulatory powers which relate to public rights-of-way, animal control, public safety, building codes, etc.; and
3. the power to exercise areawide powers such as education, planning and zoning.

Currently, of the 222 villages determined eligible for land claims status by the Bureau of Indian Affairs, 103 are not organized municipalities under Alaska law. Regional nonprofit organizations, traditional councils, and councils formed under the Indian Reorganization Act (IRA) provide some of the services that municipal governments in these communities would normally offer.

Traditional Village Governments

David Case, in The Special Relationship of the Alaska Natives to the Federal Government, maintains that traditional Alaska Native governments have inherent governmental authority unless the federal government has in some way diminished it. Unless modified by Congress, Alaska villages with traditional councils have inherent powers of self-government to:

adopt and operate under a form of government of the Indians' choosing, to define conditions of tribal membership, to regulate domestic relations of members, to prescribe rules of inheritance, to levy taxes, to regulate property within the jurisdiction of the tribe, to control the conduct of members by municipal legislation, and to administer justice.³

However, Mr. Case also points out that because Alaska falls under the authority of Public Law 83-280, which grants to states some measure of

³David Case, The Special Relationship of Alaska Natives to the Federal Government, p. 130.

civil and criminal jurisdiction over Native Americans, not all of these powers can be exercised by traditional councils.

In addition, the State of Alaska challenges the view that villages in Alaska are considered to be tribes.⁴ Assistant Attorney General Doug Meritz notes that according to an opinion of the Attorney General's Office, Metlakatla is the only recognized tribe in the state, and therefore, the only village that has inherent powers of self-government as recognized by Indian Law. State law, then, does not recognize the powers of traditional councils to exercise all of the local government powers described by Mr. Case. However, traditional councils can perform some functions of local government because they are recognized by the federal government for purposes of delivery of federal services and programs.

The Bureau of Indian Affairs reports that, as of July 1982, there were 77 villages in Alaska in which the traditional council was the sole form of municipal government.

Indian Reorganization Act Governments (IRA)

The IRA passed in 1934 and amended in 1936 to include Alaska, allows Alaska Natives to organize through the adoption of a constitution and bylaws on the basis of "a common bond of occupation, or association or residence."

The traditional governments' inherent powers are not diminished by the IRA. Section 16 of the IRA provides that:

In addition to all powers vested in any Indian tribe or tribal council by existing law, the constitution adopted by said tribe shall also vest in such tribe or its tribal council the following rights and powers: to employ legal counsel...; to prevent the sale, disposition, lease, or encumbrance or tribal lands...without the consent of the tribe, and to negotiate with the Federal, State and local Governments.⁵

⁴The villages of Venetie and Arctic Village are currently engaged in a controversy with the State of Alaska over this issue. These two IRA villages dispute the State's jurisdiction over such areas as the management of fish and game resources and contend that these are tribal powers that the villages should exercise.

⁵David Case, The Special Relationship of Alaska Natives to the Federal Government, p. 130.

According to David Case, it has been assumed that "vested powers" refers to the inherent powers of village governments.⁶ Therefore, as with traditional councils, the State of Alaska does not recognize IRA councils as possessing inherent powers of self-government. However, the State does recognize the IRA councils as a legal entity and will contract with them for services, as will the federal government. According to the Bureau of Indian Affairs, as of 1982, there were 71 IRA councils scattered throughout rural Alaska. Like traditional councils, their powers of self-government are influenced by lack of State recognition, but they do provide services through service grants and contracts.

ECONOMIC PROFIT CORPORATIONS

As long ago as 1936, Native profit corporations were able to organize under Section 17 of the Indian Reorganization Act. However, it was not until passage of the Alaska Native Claims Settlement Act (ANCSA) in 1971 that profit corporations spread throughout most of rural Alaska. ANCSA required that 13 regional and 200 village profit corporations be formed to receive the proceeds from the Settlement Act.

ANCSA corporations, because they are also incorporated under State law have all of the powers permitted by the Alaska Business Corporation Act unless specifically limited by the act. However, it also appears that ANCSA corporations, through the Indian Self-Determination Act, are eligible for federal contracts and grants as long as they permit the "maximum participation" of Natives.

This does not mean, however, that the ANCSA profit corporations are social service agencies. On the contrary, regional corporations are legally required to pursue profit making activities. Similarly, village profit corporations, because they fall under the Alaska Business Corporation Act, are supposed to use their best efforts to make profits for their shareholders. In addition to these legal issues, these corporations do not necessarily have capital available to use for social problems while still retaining an economic base for future financial viability. Consequently, it is unlikely that profit corporations will become the vehicle for local government services in rural Alaska.

NONPROFIT DEVELOPMENT and SERVICE CORPORATIONS

After the passage of ANCSA, twelve nonprofit regional corporations were established to deliver social services to rural Alaska. These regional nonprofits, whose funding derives mainly through contracts with the State and federal governments, have been characterized as quasi-regional governments.

⁶Ibid.

Generally, the services that these corporations offer fall into the areas of health, education, housing, employment assistance and social services. Most of these activities occur through federally funded programs that are targeted to Alaska Natives, although some services are provided through State contracts.

However, the ability of these organizations to act as more than service delivery vehicles, i.e., to assume the power and responsibilities of local government, is limited by several factors. First, even though they provide social services, these nonprofit corporations cannot pass laws or exercise taxation, police or other regulatory powers. These powers are specifically reserved by statute and the constitution for the various forms of local governments created by the legislature.

Secondly, the nonprofit may have representational problems. Although in many cases these organizations are directed by elected representatives, the directors may not be subject to the same accountability as are elected municipal officials. In addition, the election procedures may not be as rigorous as those imposed by the election authorities of the State.

Finally, the nonprofits do not have a source of nondesignated revenue that can be applied to general community needs. Money flows to these corporations through service grants and contracts that designate specific uses for the funds. Many times these uses have not been based on local need, but on the availability of the money from the State or national funding source. This funding process lessens the effectiveness of the nonprofits in meeting specific local needs.

LEGISLATIVELY CREATED SERVICE AREAS

Section 6 of Article X of the Alaska Constitution authorizes the legislature to "provide for the performance of services that it deems necessary or advisable in unorganized boroughs."⁷ The legislature has chosen to provide education and planning services to the unorganized borough through the establishment of Regional Education Attendance Areas (REAA) and Coastal Resource Service Areas (CRSA).

REAA's were formed primarily as a means of providing the unorganized borough more local control of schools than was previously enjoyed under the State Operated School organization. REAA school boards are locally elected and are given authority to make policy and operate the school system. These twenty-one school districts, funded directly by the legislature, provide education to all areas of the unorganized borough.

⁷Constitution of the State of Alaska, Article X, Section 6.

The DCRA report notes that, generally, most residents of the unorganized borough view REAAs as a positive step for the provision of educational services. Positive attributes that were cited include a greater amount of local control, strengthening of regional identification and establishment of boundaries that can be used for future rural organization. In addition, the State funding of REAAs was cited as a way of providing services to areas that otherwise would not have the resources to provide a comparable level of service.

The Alaska Coastal Zone Management Act of 1977 used the REAA units as the basis for developing district coastal management programs in the unorganized borough. One of the problems encountered in implementing these service areas was the lack of appropriate regional organizations with the capacity to inform residents about coastal management and carry through with the development of coastal zone plans. In some areas, the regional nonprofit corporations were able to fill this role, while in other areas, boundary problems have limited their effectiveness.

In spite of the initial administrative problems, many people that we talked with were enthusiastic about the program. Helga Eakon, Coordinator of the Bering Straits Coastal Resource Service Area Board, commented that the program was helping to create a regional perspective by bringing people in her area together to focus on regional issues.⁸ Abby Arnold, Coordinator of the Aleutians East CSRA Board, thinks that the service area concept is good because it encourages local participation in regional development issues.⁹ In addition, because the service area is established for a specific reason, it allows regional participation to evolve at a pace that is more comfortable for participants who are not accustomed to considering regional issues.

One criticism of Coastal Resource Service Areas as planning entities is their lack of implementation authority. Although each area has the authority to develop a plan, there is no regional body that has the power to implement the plan through land use controls and zoning. This leaves the responsibility for implementation to State and federal agencies through the concept of consistency, whereby these agencies are supposed to act in conformance with coastal plans once they are approved. Greg Peters, Director of the Bristol Bay Coastal Resource Service Area Board, stressed the importance of maintaining some form of ongoing

⁸Helga Eakon, Coordinator, Bering Straits Coastal Resource Service Area Board, Unalakleet, Alaska, 624-3062.

⁹Abby Arnold, Aleutians East Coastal Resource Service Area Board, Anchorage, Alaska, 276-2700.

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monitoring of the coastal plan after it is approved.¹⁰ Not only would this encourage federal and State consistency and allow the plan to be amended to meet changing local conditions, it would help retain interest in regional issues.

COORDINATION OF SERVICE DELIVERY

The multitude of organizations in rural Alaska are able to offer a variety of services to residents, but there are also drawbacks to this service delivery approach. One problem is confusion among residents as to which agency is responsible for delivering a particular service. An associated problem is the coordination among agencies that are offering a related service. For example, it is often the case that the federal Department of Housing and Urban Development will be building a housing project while the Public Health Service supplies the sewer system for the project. Although the project may be coordinated adequately, the potential for inefficient management is greater than if one entity were supervising all aspects of the project.

Many residents are also concerned with their ability to review, comment on and refuse State and federal projects that are not appropriate for their areas. Examples of housing and sewer projects, designed for Lower 48 conditions, are common in the recent history of rural Alaska. A similar problem occurs when State projects are developed for rural areas without provisions for ongoing maintenance and operation. Many rural areas do not have the resources to generate revenues to maintain community facilities after they are built.

¹⁰Greg Peters, Director, Bristol Bay Coastal Resources Service Area Board, Dillingham, Alaska, 842-5257.

COMPARISON OF SERVICES IN THE ORGANIZED AND UNORGANIZED BOROUGH

The previous section of this memorandum discussed the context within which services are delivered to the unorganized borough. In this section, we will look at the results of the delivery system--the actual services that are provided to residents.

We examine the delivery of basic community services to residents of two organized boroughs, Kodiak Island and Matanuska-Susitna, and two areas of the unorganized borough, Yukon Flats and Lower Yukon. The basic services to be compared are education, public safety and sewer and water.

OVERVIEW OF FINDINGS

Our research reveals that school districts in the organized and unorganized boroughs have comparable funding levels to spend on education services. Education services in both the REAAs and borough school districts are funded through the State-supported foundation program. REAAs receive 100 percent funding for operations and school construction, while the borough districts receive less than 100 percent funding and make local contributions through property taxation.

Larger service discrepancies exist in the sewer and water and public safety areas. Within the unorganized borough, most villages have combinations of a central watering point or rain collection and honey bucket disposal facility, although a few villages have piped water and sewer systems. In the two organized boroughs, residents generally rely on well water and self-contained sewage disposal systems. The cities of Kodiak and Palmer have water and sewer systems.

Sewer and water systems, in areas of the organized borough outside of municipalities, are generally paid for by developers or homeowners. Municipalities within the organized borough fund the construction of sewer and water systems by a variety of methods, usually a combination of State, federal and local sources. Funds for the construction of sewer and water systems in villages of the unorganized borough have largely come from the State or federal governments.

The two organized boroughs depend mostly on the State Troopers for police services although some of the second-class cities within the boroughs have their own police departments. Fire services are provided by fire service districts staffed by volunteers. The Troopers also cover the unorganized borough and some communities provide additional coverage through village police officers. Active, well-trained fire departments are not common in the unorganized borough.

State Trooper services to both the organized and unorganized borough are funded by the State as is the Village Public Safety Officer program. Municipal police departments in both the organized and unorganized borough are funded through local contributions and State municipal aid. Fire protection services to residents of the organized borough who live outside of cities are funded through special property tax assessments within the fire district. The operations of municipal fire departments within the organized borough and village departments in the unorganized borough are funded by a combination of State municipal aid and local contributions. In all departments, the construction of stations and the purchase of equipment is largely funded by the State.

EDUCATION SERVICES

It is impossible to examine education services in rural Alaska without seeing the effects of the Molly Hootch lawsuit. This suit, now named Anna Tobeluk vs. Harold Reynolds, has led to the construction of 92 new high schools in rural Alaska and the decision by a total of 109 villages to have their own high school program. One of the results of the Molly Hootch case has been to define the level of basic education services that will be delivered to all parts of the State; each community has the right to local education services if it so desires.

Prior to the lawsuit, high school education was provided through State or Bureau of Indian Affairs boarding schools that required the student to leave the village and sometimes the state. The effect of the Molly Hootch case was to give each village the right to decide if it wanted to keep its children at home and offer a local high school program. Steve Cotten, in an article in the Alaska Native News, notes that "the Molly Hootch case provided the village political power that it had never had before--real power over the education of their children."¹¹

As part of this power, the village was also given a voice in what was taught in the local high school program. The consent decree stipulates that for the first three years of the local program, an elected school committee will participate in planning and evaluating the high school program. After the three-year period, the local committee and the REAA board are free to establish their own relationship.

Operating costs

In this section of the report, we will examine the delivery of education services to the four selected areas by concentrating on the expenditure within each school district per average daily membership (ADM). This

¹¹Steve Cotten, Molly Hootch Schools, Alaska Native News, October, 1983.

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will roughly indicate the amount of money the district spends per student as calculated on an average attendance basis. Although this measure does not necessarily indicate the quality of instruction in the school district, it does compare the potential resources available to the district to develop quality education programs.

The expenditure totals presented here reflect the total operating expenditure in the districts including: all instructional categories, operation and maintenance of facilities, special revenue programs, pupil activities and general support services. (It does not include any construction funds.) Table 1 shows the total expenditure in each of the four study areas, all REAA school districts, all city and borough school districts and finally, all districts in the State.

Among the four districts we are comparing, the two REAAs, Lower Yukon and Yukon Flats, expend more per ADM than either of the two borough districts. This pattern continues where comparisons are made between the total expenditure per ADM for all of the REAAs and the city and borough districts. The expenditure per ADM in the REAAs is more than twice that of the city and borough districts.

One major reason for this expenditure differential is the location of the REAAs in rural areas of the state which are generally considered to have higher costs of service delivery. In fact, the State has recognized these higher costs and adjusts State funding contributions to education to reflect the differences among districts through the use of instructional unit allotments. These allotments, set by statute (AS 14.17.051), are used to equalize State contributions by increasing State contributions to those districts with higher service delivery costs.

For example, the Anchorage School District receives the instructional base amount while the Skagway District receives 1.08 of the base amount. If it is assumed that the difference in instructional unit allotments reflects the difference in costs among districts, then the total expenditure of a district can be divided by their allotment to establish a similar cost basis across districts for comparison purposes. As Table 2 indicates, after the district expenditures have been adjusted for cost factors, the two REAAs, Lower Yukon and Yukon Flats, still have higher adjusted expenditures per ADM than either of the borough districts.

TABLE 1
 TOTAL EXPENDITURE PER AVERAGE DAILY MEMBERSHIP

| <u>District</u> | <u>Total Expenditure</u> | <u>ADM</u> | <u>Total Exp. per ADM</u> |
|--------------------------------|--------------------------|------------|---------------------------|
| Mat-Su | \$ 23,123,657 | 4,835 | \$ 4,782 |
| Kodiak | 11,822,240 | 2,026 | 5,835 |
| Lower Yukon | 11,842,032 | 1,190 | 9,951 |
| Yukon Flats | 4,543,263 | 314 | 14,469 |
| All REAAs | 123,858,705 | 11,628 | 10,652 |
| All City and Bor. Districts | 354,804,998 | 72,790 | 4,874 |
| Total All Dist. | 478,663,703 | 84,418 | 5,670 |

Source: Education in Alaska, A Report to the People, State of Alaska
 Department of Education, 1982-1983

TABLE 2
 TOTAL EXPENDITURE PER AVERAGE DAILY MEMEBERSHIP ADJUSTED FOR
 INSTRUCTIONAL UNIT ALLOTTMENTS: SY 1982-83

| <u>District</u> | <u>Inst. Unit Allotment</u> | <u>Total Expenditure</u> | <u>Adjusted Total Expenditure *</u> | <u>ADM</u> | <u>Adj. Exp Per ADM</u> |
|-----------------|-----------------------------|--------------------------|-------------------------------------|------------|-------------------------|
| Mat-Su | 1.04 | \$ 23,123,657 | \$ 22,234,285 | 4,835 | \$ 4,598 |
| Kodiak | 1.16 | 11,822,240 | 10,191,586 | 2,026 | 5,030 |
| Lower Yukon | 1.55 | 11,842,032 | 7,640,014 | 1,190 | 6,420 |
| Yukon Flats | 1.55 | 4,543,263 | 2,931,137 | 314 | 9,334 |

Source: State of Alaska, Department of Education, Education in Alaska,
A Report to the People, 1982-1983

* Total Expenditure divided by Institutional Unit Allotment

Prepared by House Research Agency, January 1984.

The assumption that underlies this analysis is that the instructional unit allotment is an accurate representation of the difference in the cost of providing education to various districts in Alaska. In 1982, a study done for the Legislative Budget and Audit Committee recommended the following changes in the instructional unit allotments to more accurately reflect cost differences.¹²

| <u>District</u> | <u>Present Allotment</u> | <u>Recommendation</u> |
|-----------------|--------------------------|-----------------------|
| Mat-Su | 1.04 | 1.06 |
| Kodiak | 1.16 | 1.40 |
| Lower Yukon | 1.55 | 2.27 |
| Yukon Flats | 1.55 | 2.24 |

Table 3 shows the result of applying the recommended allotment in place.

TABLE 3
 TOTAL EXPENDITURE PER AVERAGE DAILY MEMBERSHIP USING RECOMMENDED
 INSTRUCTIONAL UNIT ALLOTMENTS

| <u>District</u> | <u>Total Expenditure</u> | <u>Recommended Allotment</u> | <u>Adj. Total Expenditure</u> | <u>ADM</u> | <u>Adj. Exp. Per ADM</u> |
|-----------------|--------------------------|------------------------------|-------------------------------|------------|--------------------------|
| Mat- Su | \$ 23,123,657 | 1.06 | \$ 21,814,770 | 4,835 | \$ 4,511 |
| Kodiak | 11,822,240 | 1.40 | 8,444,457 | 2,026 | 4,168 |
| Lower Yukon | 11,842,032 | 2.27 | 5,216,754 | 1,190 | 4,383 |
| Yukon Flats | 4,543,263 | 2.24 | 2,028,242 | 314 | 6,459 |

Sources: State of Alaska, Department of Education, Education in Alaska, A Report to the People, 1982-1983.

Homan and McDowall Consultants, A Study of the Instructional Unit Allotment Values Used In the Alaska Public School System, Juneau, Alaska, 1981.

Prepared by House Research Agency, January 1984.

¹²Homan and McDowall Consultants, A Study of the Instructional Allotment Values Used in the Alaska Public School System, Juneau, Alaska, 1981.

As Table 3 indicates, if the recommended instructional unit allotments are used to reflect the cost differences among districts, the Yukon Flats REAA shows the highest expenditure per ADM among the four districts. However, the other three school districts have comparable funding levels.

School Construction Funding

The State has spent approximately \$626.5 million on school construction funding in Alaska between 1978 and 1983.¹³ This includes funding for new facilities, major renovations, remodeling, and major equipment purchases. Of the total, \$326.5 million (57.9%) was spent on school construction in the independent and city districts. School construction in the REAAs cost the State \$263.9 million or 42.1 percent of the total. Based on the average daily membership in FY 83, the independent school districts serve about 86 percent of Alaska's public school population.

Between 1978 and 1983, the independent city and borough school districts received most (53.9%) of their funding from the school construction debt program. Funding was also provided through municipal grants (28.3%) and direct appropriations (17.8%). Most (96.6%) of the school construction in the REAAs was funded through direct appropriations, although some funding (3.4%) was provided through municipal grants.

Among the four districts that we are comparing, the following expenditures were made for school construction during the period 1978-1983:

TABLE 4
SCHOOL CONSTRUCTION FUNDING
1978 - 1983

| <u>District</u> | <u>Total Expenditure</u> | <u>Average ADM*</u> | <u>Total Exp. Per ADM</u> |
|-----------------|--------------------------|---------------------|---------------------------|
| Mat-Su Boro. | \$29,408,343 | 4,317 | \$ 6,812 |
| Kodiak | 9,613,253 | 2,022 | 4,754 |
| Lower Yukon | 17,826,300 | 1,086 | 16,415 |
| Yukon Flats | 11,541,100 | 292 | 39,524 |

* This is the average daily membership for the period 1978 to 1984.

Source: House Research Memorandum 83-169, School Construction Funding, authored by Christine Johnson, June 13, 1983.

Prepared by House Research Agency, January 1984.

¹³This information concerning school construction is from House Research memorandum no. 83-169 written by Christine Johnson, June 13, 1983.

As the above figures indicate, the expenditure in the REAAs per ADM is considerably higher than in the borough districts. Several factors contribute to the cost differential, particularly the higher costs of construction in the rural areas. Rural construction may involve the development of water and sewer and electrical systems that are already in place in urban areas. Also, it is difficult to benefit from economies of scale in rural areas where communities are small and scattered.

PUBLIC SAFETY

This section examines public safety services, police and fire protection in the four study areas.

Police Protection

The Alaska State Troopers have the primary responsibility for providing public safety services to all areas of the state including organized communities that have local police forces. This dual responsibility is called concurrent jurisdiction and the interaction of the troopers with community police departments depends upon the nature of the situation and the ability of the community police to provide effective service.

Within communities in Alaska, there are three general types of local police officers: municipal police officers, village public safety officers (VPSOs) and village police officers. Generally, the larger organized municipalities have a local police force while the smaller villages rely on VPSOs. However, some villages have a VPSO in addition to a local force.

The standards of training for police officers in Alaska are the responsibility of the Alaska Police Standards Council. Currently, the Council conducts three basic levels of training that correspond to the three classifications of officers. Although the actual training differs, municipal officers and VPSOs each receive six weeks of training, while the village police officers receive forty-hours of training. Mr. Jack Ray, of the Alaska Police Standards Council, feels that the VPSOs and the municipal officers receive comparable initial training; however, he also feels that the municipal officers are more likely to receive more followup and on the job training than the VPSOs.¹⁴

The amount of training received is important because the level of competence of the department is one measure of the potential quality of services that are enjoyed. During our research, however, we were

¹⁴Mr. Jack Ray, Department of Public Safety, Alaska Police Standards Council, Juneau, 465-4378.

unable to locate current information on the level of training among the various police departments. The Alaska Police Standards Council is in the process of updating this information and should complete the project by the end of February. Therefore, we urge some caution in drawing conclusions concerning the relative quality of services offered, especially among the village police departments.

The Village Public Safety Officer (VPSO) program is currently operating in approximately one hundred communities in Alaska. Sergeant C. W. Grutzmacher of the State Troopers, supervisor of the VPSO program, identifies law enforcement, fire safety, water safety, emergency medical response and search and rescue as the major areas of VPSO responsibility.¹⁵ In all of these areas of responsibility, the advantage of the VPSO is that he or she can offer an immediate response to a public safety situation, whereas, trooper response is hampered by delayed notification, long distance telephone and the uncertainties of weather and transportation. VPSOs are not expected to become involved in high risk situations although as peace officers, they can take evidence, conduct investigations and make arrests.

VPSOs are employees of the community in which they work, but are paid by the State. In many cases they are both the police and fire chief although, if the community has a police or fire chief, the VPSO works under his or her supervision.

The levels of police service available in the four study areas are described below.

Matanuska-Susitna Borough. The major responsibility for police protection falls on the State Troopers as the borough provides no police services. Among the communities located within the borough, only Palmer has its own police force and none use VPSOs.

Kodiak Island Borough. In areas of the borough outside of the communities, the State Troopers are the major source of police protection. The City of Kodiak has a city police force and there are VPSO positions in the following villages: Akhiok, Karluk, Larsen Bay, Old Harbor, Ouzinkie and Port Lions. (The positions in Karluk and Old Harbor are currently vacant.)

Lower Yukon REAA. As in the other parts of the state, the primary responsibility for police protection falls on the State Troopers. In addition to the troopers, the following villages have a VPSO and a

¹⁵Sergeant Charles Grutzmacher, Department of Public Safety, Division of State Troopers, Anchorage, 269-5642.

community police force: Alakanuk, Chevak, Emmonak, Hooper Bay, Mt. Village and Scammon Bay. The villages of Marshall, Kotlik, Pilot Station and Russian Mission have a VPSO only and the City of Saint Mary's has a community police force but no VPSO. (The VPSO positions in Mt. Village and Pilot Station are currently vacant.) Three villages, Pitkas Point, Sheldons Point and Andraefsky provide no local police service of any kind.

Yukon Flats PEAA. In addition to trooper coverage of the area (a trooper is stationed in Fort Yukon) the city of Fort Yukon has the only community police force in the region. Two villages, Stevens Village and Chalkyitsik have VPSO positions while the following villages have no community police services: Arctic Village, Beaver, Birch Creek, Central, Circle, Rampart and Venetie.

Because the four areas of the state that we are examining are so different, the types of services that are offered and needed are dissimilar. It is difficult then to compare the level of service among the four study areas. Individual communities have different needs and perceive different approaches to solving their police problems. Ultimately, the best way to differentiate between levels of service is to determine if each community has the potential, both legal and financial, to provide the type and level of service that its residents desire.

Fire Protection

Within both the Kodiak Island and the Matanuska-Susitna Boroughs, fire protection services are offered through fire prevention districts that are funded by special property tax assessments. Municipalities located within the boroughs all have their own departments except for Wasilla within the Mat-Su Borough.

In the unorganized borough, fire protection services are offered on a community basis. There is a broad diversity of service, as some villages offer a fairly sophisticated program and others offer nothing. In villages which have a Village Public Safety Officer, he or she usually acts as fire chief. In other villages the chief may be the mayor or a volunteer. Most fire protection services are funded through grants from the State aid to local fire departments (A.S. 29.89.041) and from the other municipal aid programs.

The levels of fire protection services available to the four areas are described below.

Matanuska-Susitna Borough. The Mat-Su Borough provides fire protection on a borough-wide basis through eleven fire service areas. It is estimated by borough officials that these service areas provide services to 90 percent of the borough population. In addition, the municipali-

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ties of Houston and Palmer have their own fire departments. All of the service areas, including the departments in Houston and Palmer have their own stations and equipment. One of the service areas and the Palmer department have paid fire chiefs, with the rest of the chiefs and firefighters being volunteers.

According to Jerry Pineau, administrative officer with the Mat-Su Borough, the operation of the service areas are funded by a special property tax assessment that varies from .4 to 2 mills among the fire protection areas.¹⁶ Mr. Pineau also estimates that 90 percent of the funds used to initially construct stations and purchase equipment has come from State and federal grants with the balance from bonding and local taxation.

The borough is also pursuing a plan of operational consolidation that will offer centralized support for all the fire service areas through borough-wide planning and training.

Kodiak Island Borough. The Kodiak Island Borough also provides fire services through established service areas outside of incorporated cities, while the City of Kodiak and the second-class cities rely on local departments. Linda Freed, borough planning director, estimates that between the service area and city departments, virtually all borough residents are covered by fire protection services.¹⁷

Operations within the two borough fire protection service areas are funded by special property tax assessments that ranged from 1 to 1.5 mills in 1983. The mill rate is recommended by the residents of each service area and if approved by the assembly, is collected by the borough administration. Ms Freed also notes that the initial purchase of the fire stations and equipment was through the use of State municipal aid monies.

The City of Kodiak and one of the fire service areas have paid chiefs, while the villages generally rely on the VPSO to fill this position. In all departments within the borough the balance of the firefighters are volunteers.

Lower Yukon Area. Within this area, eleven of the fourteen villages have a fire department that is registered with the Department of Public Safety, Division of Fire Prevention. However, according to Gordon

¹⁶Mr. Jerry Pineau, Administrative Officer, Matanuska-Susitna Borough, Palmer, Alaska, 745-4801.

¹⁷Ms. Linda Freed, Planning Director, Kodiak Island Borough, Kodiak Alaska, 486-5736.

Brunton, Director of the Division of Fire Prevention, just because a village has a registered fire department, does not necessarily mean that the department is active.¹⁸ Therefore, it is necessary to examine the departments in individual villages to determine what services can be actually provided.

Jack Oxford, Deputy Fire Marshall of the Southcentral Region, has supplied the information in Table 5 concerning the status of fire departments within the Lower Yukon area.¹⁹ The active designation is based on the periodic receipt by the Fire Marshall's office of status reports from the local department and provision of prevention services is based on requests by the local department for prevention literature and materials. The presence of equipment is based on the personal observations of the Regional Fire Marshall staff but contains no judgment concerning degree of maintenance of the equipment or the training in its use.

TABLE 5
FIRE DEPARTMENT STATUS
LOWER YUKON AREA

| <u>Village</u> | <u>Active</u> | <u>Prevention</u> | <u>Equipment</u> | <u>Registered Dept.*</u> |
|-----------------|---------------|-------------------|------------------|--------------------------|
| Kotlik | no | no | no | no |
| Alakunuk | yes | no | no | yes |
| Emmonak | no | no | no | yes |
| Hooper Bay | no | no | no | yes |
| Chevak | no | yes | no | yes |
| Scammon Bay | no | yes | no | yes |
| Mt. Village | yes | no | yes | yes |
| St. Mary's | yes | no | yes | yes |
| Andraefski | no | no | no | no |
| Marshall | no | yes | yes | yes |
| Pitkas Point | no | no | no | yes |
| Russian Mission | no | no | no | yes |
| Pilot Station | no | no | no | yes |
| Sheldons Point | no | no | no | no |

*Registered with Department of Public Safety, Division of Fire Prevention.

Source: State of Alaska, Department of Public Safety, Division of Fire Prevention, Southcentral Office, Anchorage, Alaska.

Prepared by House Research Agency, January 1984.

¹⁸Mr. Gordon Brunton, Director, Department of Public Safety, Division of Fire Prevention, Juneau, 465-4331.

¹⁹Mr. Jack Oxford, Deputy Fire Marshall Southcentral Region, Department of Public Safety, Division of Fire Prevention, Anchorage, 272-2404.

As can be seen, according to these observations, only three of the fourteen villages have an active fire department. Overall, it would appear that fire protection services offered in this REAA are minimal.

Yukon Flats Area. Within the Yukon Flats region, eight of the ten villages have a department that is registered with Division of Fire Prevention. According to Vern Long of the Division of Fire Prevention's Northwestern Office, the only functioning department in this area is in the community of Fort Yukon.²⁰ That community has both equipment and an active department that conducts ongoing training of volunteers and a prevention program. Mr. Long noted that within the other communities, there may be some equipment such as pumps, hoses and extinguishers, but it would not be considered sufficiently sophisticated to equip a department. In addition, he does not think that any of the villages except Fort Yukon are involved in prevention programs.

As with the Lower Yukon area, the residents of the Yukon Flats REAA receive minimal fire protection services with the exception of those that live on Fort Yukon.

SEWER, WATER AND GARBAGE SERVICES

This category of services involves the supply of drinking water, the disposal of sewage and the collection and disposal of garbage. Generally, we have found that within the study areas, there are a variety of delivery methods for these services. In areas of the organized borough outside of organized cities, the sewer and water systems are usually the responsibility of the developer and must comply with State of Alaska, Department of Environmental Conservation standards. In organized cities located within the boundaries of the Borough, the range and particular type of service vary by community.

Within the unorganized borough, the method of delivery and quality of service differ considerably by community because of the nature and operations of community facilities. For example, the Department of Environmental Conservation publication Village Sanitation in Alaska, reports that Chevak has a Village Safe Water central facility that provides a source of water, sewage disposal, bathing facility and laundromat.²¹ However, the report goes on to say that because the

²⁰Mr. Vern Long, Department of Public Safety, Division of Fire Prevention Northwestern Region, Fairbanks, 456-4002.

²¹Department of Environmental Conservation, Division of Facilities Construction and Operations, Village Sanitation in Alaska; 1983 Update, Juneau, 1983.

water contains high concentrations of iron, many residents collect rain water in the summer and melt ice in the winter as a supply of drinking water.

This example illustrates why caution must be used when analyzing services in the unorganized borough: it is difficult, through identification of facilities, to accurately define the level and quality of service actually enjoyed. Therefore, the information presented in this section does not attempt to provide a current assessment of the quality of services to the unorganized borough, but, rather, a snapshot of actual services that were being provided to residents when the Department of Environmental Conservation collected the information. Hopefully, the service descriptions will provide the reader with an understanding of the service delivery diversity in rural Alaska.

Identification of Services

Matanuska-Susitna Borough. Within the Matanuska-Susitna Borough, which provides no areawide sewer and water services, developers and builders are responsible for providing these services in compliance with State of Alaska, Department of Environmental Conservation (DEC) standards.

The DEC, in conjunction with lending institutions, monitors the construction of sewer and water facilities in homes by use of a health approval. Generally, before the lending institution will close on the loan, DEC must certify that the sewer and water system was constructed by installers trained to comply with DEC standards. In addition, before an existing home can be financed, the lending institutions require assurance by a qualified engineer that sewer and water systems meet the standards.

According to Paul Pinard, of the DEC Wasilla office, the general form of sewage disposal is a septic tank which must be pumped out occasionally to allow the liquids to flow through.²² Currently, there are no facilities in the Mat-Su Borough in which to dump the waste that is pumped from the tanks, necessitating the transportation of the waste to facilities in Anchorage for disposal. However, the borough is currently in the process of constructing a dumping station that will allow these wastes to be disposed of locally.

The Matanuska-Susitna Borough does provide area-wide landfill services through the maintenance of five landfill sites and three bins. Future plans call for the additional use of bins in the outlying areas. The

²²Paul Pinard, Department of Environmental Conservation, Wasilla, 376-5038.

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borough provides no pick up service, although in some areas this is available through privately owned companies.

Among cities located within the borough, Palmer provides sewer, water and garbage collection services and Wasilla provides water to some residents and refuse collection by private contractor. The City of Houston provides no sewer and water services, but does maintain a landfill although there is no collection service.

Kodiak Island Borough. As in Mat-Su, there is not an areawide sewer and water system in the Kodiak Island Borough, and individual developers are responsible for constructing sewer and water systems that comply with State standards. The monitoring of this activity is done through the lending institution's requirement that all systems in new homes be constructed by qualified installers and that systems in homes over four years old be inspected by a qualified engineer before financing can be approved. If the home is not to be financed, there is no monitoring of the sewage and water system. The general type of facilities is a private well and septic tank.

The City of Kodiak provides sewer and water services to its residents, and as a result of a recent system expansion, now provides services to some areas of the borough outside of the city.

The City of Kodiak and the borough jointly operate a landfill site with the city offering pick up services to city residents under contract with a private operator. Borough residents outside of the cities can either haul their own garbage to the landfill, or can have it collected by private companies.

The other communities within the Kodiak Island Borough have the following services:

TABLE 6
SEWER, WATER AND GARBAGE SERVICES
KODIAK ISLAND BOROUGH

| <u>Community</u> | <u>Sewer*</u> | <u>Water</u> | <u>Garbage</u> |
|------------------|--------------------------|---------------|---------------------------------------|
| Akhiok | septic tanks | pipd to homes | fenced dump site |
| Larse Bay | septic tanks | pipd to homes | land fill |
| Old Harbor | septic tanks | pipd to homes | uncontrolled dump site |
| Ouzinkie | septic tanks | pipd to homes | land fill |
| Port Lions | septic tanks/ privies | pipd to homes | land fill; collection by community |
| Karluk | septic tanks | pipd to homes | comm. land fill |

* Depending on the proximity of the homes, septic tanks can either serve one home or several homes.

Source: State of Alaska, Department of Environmental Conservation,
Village Sanitation in Alaska; 1983 Update.

Prepared by House Research Agency, January 1984.

Lower Yukon Area. In this area, no areawide services are provided, and the following sewer, water and garbage services are found in individual communities:

TABLE 7
 SEWER, WATER AND GARBAGE SERVICES--LOWER YUKON AREA

| <u>Community</u> | <u>Sewer</u> | <u>Water</u> | <u>Garbage</u> |
|------------------|----------------------------------------------------|--------------------------------------------------------------------------|-----------------------|
| Alakanuk | honey buckets dumped into central collection point | central watering point | no facilities |
| Andreafsky | honey buckets/ a few | pipd system | no facilities |
| Chevak | honey buckets dumped into central facility | central watering point | central disposal site |
| Emmonak | honey buckets, no dumping facility | central watering point; haul system to homes but ice and rain still used | no facilities |
| Marshall | pipd sewer | pipd system | open dump |
| Hooper Bay | honey buckets dumped in bunkers | central watering point; rain collection | no facilities |
| Kotlik | honey buckets; no central disposal | watering point | no facilities |
| Mt. Village | septic tanks | pipd system | dump site |
| Pilot Station | pipd sewer | pipd system | fenced dump |
| Pitkas Point | honey buckets, not dumped at disposal site | central watering point | no facilities |
| Sheldons Point | honey buckets, no dumping facility | central watering point; rain collection | no facilities |
| Scammon Bay | pipd system | central watering point; limited pipd system | no facilities |
| Saint Mary's | pipd system | pipd system | trash collection |
| Russian Mission | pipd system | pipd system | community dump site |

Source: State of Alaska, Department of Environmental Conservation, Village Sanitation in Alaska, 1983 Update.

Prepared by House Research Agency, January 1984.

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In summary it can be seen that there is a variety of service delivery methods within the fourteen communities located within this REAA. Six of the communities have a piped water system to homes while eight communities have a central watering point. Three communities in this latter group also collect rain water and melt ice for drinking. Six communities have flush toilets through the use of a piped system or septic tanks. Eight others still rely on honey buckets for sewage collection, although, four of these have no central disposal facility. Garbage services in the form of a central dumping site are found in six communities, while no services are found in eight others.

Yukon Flats REAA. Generally, in this area, honey buckets or privies are the usual form of sewage collection, although, one community, Central, has flush toilets. Three of the other communities have central disposal facilities for sewage. One community, Central, has individual wells and three other communities have central watering points with some home water delivery. Four communities haul water from streams or collect rain water. Dump sites are found in six communities, and two other communities provide no dump facilities for garbage disposal.

The following table lists the sewer, water and garbage services offered in the various communities in this area.

TABLE 8
 SEWER, WATER AND GARBAGE SERVICES
 YUKON FLATS AREA

| <u>Community</u> | <u>Sewer</u> | <u>Water</u> | <u>Garbage</u> |
|------------------|---------------------------------------------------------|-----------------------------------------|----------------|
| Arctic Village | honey buckets, disposal point with some home collection | central watering point | dump site |
| Beaver | honey buckets with disposal facility | central watering point | dump site |
| Birch Creek | honey buckets with seepage pits | haul from Birch Creek | no facilities |
| Central | septic tanks and cess pools | individual wells | dump site |
| Chalkyitsik | honey buckets, no disposal facility | haul from river | no facilities |
| Circle | privies, cess pools | haul from river | dump site |
| Fort Yukon | honey buckets, privies | watering point, delivery to some houses | dump site |
| Rampart | privies | haul from river, rain water | dump site |

Source: Village Sanitation in Alaska, 1983 Update, State of Alaska, Department of Environmental Conservation.

Prepared by House Research Agency, January 1984.

BOROUGH FORMATION ISSUES

Boroughs offer a structure that could potentially create a new service delivery system in rural Alaska. This section of the memorandum will focus on the following issues related to the formation of boroughs: (1) a brief history of the formation of the present boroughs; (2) an examination of the fiscal capacity of the unorganized borough; and (3) transition issues relating to borough formation.

HISTORY OF BOROUGH FORMATION

Tom Morehouse, in Alaska's Urban and Rural Government, reports that at the time of Statehood, cities and special districts covered all of the state's urban areas and included 80 to 90 percent of the state's taxable wealth.²³ These areas had the resources and capacity to implement the local government scheme found in the Constitution. However, if boroughs were to be formed, they had to come to some accommodation with cities, independent school districts and residents living in areas outside of cities which enjoyed tax free services provided by the State.

After two years of legislative study concerning the accommodation of these interests, the Borough Act of 1961 was passed. This act required that all special service districts be integrated within organized boroughs by July 1, 1963. The unorganized borough would be formed from the residual territory left unorganized.

The legislators and administrators who wrote the Borough Act thought, or at least hoped, that urban Alaska would embrace the borough concept. However, by the 1963 deadline only the Bristol Bay Borough had formed from local initiative. As Morehouse reports, the Local Affairs Agency discovered:

school district interests wanted to avoid loss of autonomy, city residents saw no need for a new layer of government and taxation and residents outside of cities and school districts wanted to preserve their tax-free status while receiving school and other services.²⁴

²³Thomas Morehouse, Gerald McBeath, Linda Leask, Alaska's Urban and Rural Government, Institute of Social and Economic Research, University of Alaska, draft of a manuscript to be published by University Press.

²⁴Ibid, p. 17-6.

The result of this inaction was the passage in 1963 of the Mandatory Borough Act. This act required the incorporation of eight areas of the state that contained public utility and independent school districts by January 1, 1964. People in these areas had the option of initiating incorporation and proposing borough boundaries or having the boundaries mandated. Four boroughs--Ketchikan, Sitka, Juneau and Kodiak Island--were initiated locally and four others--Anchorage, Fairbanks, Matanuska-Susitna and Kenai--were mandatorily incorporated on January 1, 1964. Since this time, two other boroughs, the Haines Borough and the North Slope Borough have incorporated.

FISCAL CAPACITY OF THE UNORGANIZED BOROUGH

The fiscal capacity issue involves a range of concerns from property assessment and economic development in rural Alaska to future State revenues. It is beyond the scope of this memorandum to make any judgments concerning the fiscal capacity of the unorganized borough. However, we hope to at least briefly note some of the aspects of this issue which affect borough formation.

Local Government Powers

The Alaska Constitution gives the legislature the authority to determine the powers of the different local government options. The legislature, in Title 29, has given the mandatory powers of tax assessment/collection, education and planning/zoning to first and second-class boroughs; third-class boroughs are restricted to exercising only education and taxation powers. To many rural areas, however, planning powers to implement coastal zone plans, provide for regional transportation development and administer capital construction projects are important and desirable. So, for all practical purposes, the third-class borough, which does not mandate planning powers, is not a popular option. In fact, in two recent borough feasibility studies, one corresponding to the Yukon Flats REAA and one to the Lower Yukon, Lower Kuskokwim and Kuspuk REAAs, the option of third-class borough status was not recommended for this reason.²⁵ In addition, the proposed amendments to Title 29 do not allow the incorporation of third-class boroughs as a local government option.

²⁵Darbyshire and Associates, Yukon Flats Regional Government Study, Summary Report, Anchorage, Alaska, August, 1979; and AVCP Regional Government Study, Summary Report, Anchorage, Alaska, December, 1982.

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Therefore, for a rural area to incorporate as a borough, it must assume responsibility for education, planning, tax assessment and collection, as well as develop the administrative capacity to operate the borough government. In the past, it has been suggested that this is beyond the financial capability of the unorganized borough.

Economy and Taxation in Rural Alaska

The Department of Community and Regional Affairs study notes the problem of financial capacity:

... traditional communities exist for reasons of family relationships and proximity to subsistence resources rather than for conventional economic reasons (e.g. location of developable resources). Furthermore, the communities are small, remote and without communication and transportation systems capable of supporting a conventional economic base. The result is that few rural Alaskan communities meet the normal criteria for economic viability.²⁶

The study goes on to describe a mixed subsistence and cash economy. Within this type of economy, the study concludes that there are serious questions as to the utility of taxation because of the lack of taxable property and the number of residents who have insufficient cash incomes to pay taxes.

According to the State Assessor's Office, there are no good estimates of the value of taxable property in the unorganized borough. Although several estimates have been made, the assessor's office does not consider them to be a sufficiently accurate for policy decisions. However, a brief look at one of the studies illustrates the general disparity between the organized and unorganized borough in terms of property taxing capacity.

A 1979 study done by the Legislative Finance Division determined that the 1978 assessed property in the unorganized borough, exclusive of oil and gas property, averaged \$6,069 per capita.²⁷ This compared to the assessed value of the organized borough, excluding oil and gas properties, of approximately \$25,000 for the same period. Clearly,

²⁶State of Alaska, Department of Community and Regional Affairs, Problems and Possibilities for Service Delivery and Government in the Alaska Unorganized Borough, p. 16.

²⁷Legislative Finance Division memorandum to Sen. Arliss Sturgulewski, Financial Disincentives to Borough Formation, November 15, 1978.

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the unorganized borough does not possess the same taxing potential to generate revenues as does the organized borough.

It is worth noting that this per capita assessed value of the unorganized borough is based on several revealing economic characteristics of rural Alaska. First, it was assumed that 50 percent of the residential property is subject to restricted deeds and therefore cannot be taxed. Restricted deeds are issued by the Federal Townsite Trustee to Native Alaskans and Alaska communities and are common throughout the rural areas of the state. The second assumption was that the assessed value per nonrestricted deed household is \$20,000 and the average taxable personal property per household is \$2,000. No doubt the assessed values of the property have increased since this study was done in 1978, but so has the cost of providing the government services that the taxes would support.

This disparity in taxing potential was also noted by Victor Fischer in his 1980 report Regional Self Government in Rural Alaska: Pending Issues and Study Needs:²⁸

It is clear that, even at the maximum tax rate of 30 mills, regional boroughs in rural Alaska, which do not have oil and gas properties, would not be able to raise sufficient funds from property taxation for general government operations. The problem is exacerbated by the generally low-income level and lack of commercial development, and, therefore lack of sufficient base for a productive sales tax.

State Aid to Municipalities

Until recently, the rapid increase in oil revenues enjoyed by the State and the State's ability to provide increased aid to local governments, lessened the importance of fiscal capacity. A Legislative Finance Division memorandum in 1982 suggested that this has been done through: (1) the passage of Chapter 26 SLA 1980 which amended the school foundation program to ease local tax burdens, and, (2) the general increase in funding for State aid to municipalities.²⁹

The ability of the State to increase contributions to local government seemed to make borough formation more economically viable. In one study, the proposed AVCP Borough was deemed to be feasible assuming

²⁸Victor Fischer, Regional Self Government for Rural Alaska: Pending Needs and Study Issues, Anchorage, Alaska, 1980.

²⁹Legislative Finance Memorandum to Senator Charles Parr, Financial Incentive for Borough Formation, February, 10, 1982.

that the State would pay for 100 percent of school construction funding in all borough school districts, and, that the borough would not be required to provide any local contributions to support the borough school district.³⁰

However, the conditions that resulted in the financial incentives listed above are currently changing. During the past legislative session, the Department of Education was charged with making recommendations for changes in the school funding program, and, until they are made, it will be difficult to determine their financial effect on proposed rural boroughs.

State funding of school construction is also an area that has been affected by declining revenues. Although the State has historically paid 100 per cent of school construction in the REAAs, contributions by the State for school debt service in the city and borough districts has ranged from 50 percent in the early 1970s to 90 percent in 1982. However, legislative action in 1983 stipulated that State reimbursement for school construction debt incurred in the future would be limited to 50 percent.

Decreases in other areas of State aid could also require local governments to raise property tax levies. Consequently, borough formation, and the corresponding requirement to provide mandated services, will likely focus on the fiscal capacity of the unorganized borough.

TRANSITIONAL ISSUES

Title 29 offers several forms of assistance to boroughs that are attempting to organize. The State supplies one year grants to newly formed boroughs to help with initial organization. Currently, this grant amount is \$10 per capita for every resident in the borough or \$25,000 whichever is greater. In addition, the borough is allowed to select 10 percent of the available State-owned land within the borough boundaries.

³⁰Darbyshire and Associates, AVCP Regional Government Study, Summary Report, December, 1982

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Proposed changes in Title 29 would extend the transitional grant to three years and authorize funding of \$300,000 the first year, \$200,000 the second year and 100,000 the third year. In addition, the following transitional assistance is offered to the borough by the Department of Community and Regional Affairs:

1. Establishment of the initial sales and use tax assessment and collection departments if the borough has adopted a sales or use tax;
2. Determination of the initial property tax roll if the borough has adopted a property tax, including contracting for appraisals of property needed to complete the initial assessment.

CONCLUSION

This report shows that funds available for educational services in selected areas of the organized and unorganized borough are comparable, but that there are considerable differences between sewer and water and public safety services. This conclusion should not be surprising considering the cultural, economic and political differences between urban and rural Alaska. But, the report also indicates that the structure of the service delivery system in rural Alaska influences service delivery.

One suggested method of restructuring this service delivery system is through the formation of boroughs within the unorganized borough. It is felt, by some, that this would improve the quality of services that are delivered to residents. Others favor borough formation because they feel that organized boroughs would require the rural areas of the state to contribute more local revenues for services, most notably education, thereby distributing the tax burden more fairly across the state.

There is considerable doubt, however, about the practicality of establishing boroughs in rural Alaska. Current law requires that the organized area immediately adopt broad powers of self-government. Many rural Alaskans, although gaining experience with the concept of rural government through the REAAs and CRSAs, have been in contact with formal, organized government for only a short period of time. Establishing another layer of government, and especially one that may be perceived as conflicting with the village, is a difficult step.

The other problem is how new boroughs can pay for the services that they are required to provide. There is legitimate concern that the rural areas of the state do not have the tax base to pay for the operation of boroughs once they are organized. This concern is especially relevant if State aid to municipalities declines in the future.

These two characteristics of borough formation, the immediate assumption of broad governmental powers and the fiscal capacity to pay for acquired services, will likely continue to restrain the organization of the unorganized borough, even in the face of growing recognition of the benefits which can be gained through borough government.

If you have any further questions, please call us.

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AVCP

Association of Village Council Presidents
P. O. Box 219 • Bethel, Alaska 99559 • Phone 543-3521

December 1, 1987

Dr. David Harrison, Professional Assistant
House Community and Regional Affairs Committee
3111 "C" Street, Suite 463
Anchorage, Alaska 99503

Dear Dr. Harrison:

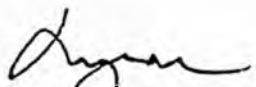
At the 23rd Annual Convention of The Association of Village Council Presidents, Resolution 87-10-09 (attached) was passed by the Convention Delegates.

The resolution opposes the passage of Sponsor Substitute House Bill 1, (SSHB1), as stated within the resolution.

If you have any questions or additional information, please don't hesitate to write or call.

Sincerely,

ASSOCIATION OF VILLAGE COUNCIL PRESIDENTS
Gene Peltola, President



Myron P. Naneng
Vice President

MPN:cd

Attachment

AVCP

Association of Village Council Presidents
P. O. Box 219 • Bethel, Alaska 99559 • Phone 543-3521

CONVENTION RESOLUTION NO. 87-10-09

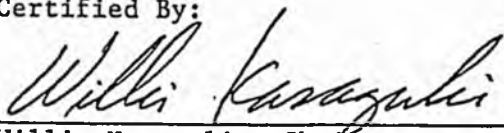
- WHEREAS, The Association of Village Council Presidents is the regional tribal organization and non-profit Alaska Native regional corporation for the 56 member Yupik Native communities of the Yukon-Kuskokwim Delta region of Western Alaska; and
- WHEREAS, The AVCP supports each member villages' endeavors to promote high quality education at all levels, and
- WHEREAS, The Sponsor Substitute House Bill 1 (S.S.H.B.1) would enforce the conversion of most R.E.A.A. School Districts into third class boroughs, and
- WHEREAS, The S.S.H.B.1 does not differentiate between unorganized communities that have already taken steps to organize and currently tax themselves to help support local schools and services, and
- WHEREAS, S.S.H.B.1 does not differentiate between resource rich or wealthy areas of Alaska and those that are resource poor with the result that wealthy and poor areas are treated the same, and
- WHEREAS, The S.S.H.B. 1 encourages the creation of third class boroughs instead of other forms of government that might be better able to deal with the many different kinds of issues that confront the residents of the Yukon-Kuskokwim Delta, and
- WHEREAS, The S.S.H.B. 1 encourages the elimination of small R.E.A.A. districts and small city control in favor of forced regionalization which reverses a decades-long trend toward increased local responsibility and control also, and
- WHEREAS, The S.S.H.B. 1 would directly lead to the imposition and collection of property and/or other kinds of taxes on residents within such forced third class boroughs, and
- WHEREAS, An accurate acceptable property tax assessment has never been made in many, many Alaskan communities including all or nearly all of these in the Yukon-Kuskokwim Delta, and
- WHEREAS, The cost of employing tax collectors and/or administrators in many communities would likely result in very little revenue being left for other purposes, and
- WHEREAS, the S.S.H.B.1 would not lead directly to either better local government or better schools.

NOW THEREFORE BE IT RESOLVED that the Association of Village Council Presidents oppose the S.S.H.B. 1 in its present form and request other concerned organizations to also oppose passage.

Adopted by action of unanimous vote of delegates assembled at the 1987 Fall Convention of the Association of Village Council Presidents held in Scammon Bay Alaska on October 17, 1987, meeting in a duly constituted meeting of the AVCP Full Board of Directors with a quorum having been present.

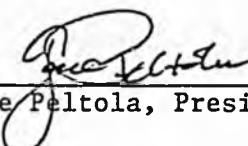
CERTIFICATION

Certified By:



Willie Kasayulie, Chairman

Attested By:



Gene Peltola, President


(B)

NOV 30 1987
msg JUY

Alaska MUNICIPAL League

TELEPHONE
(907) 586-1325

105 MUNICIPAL WAY, SUITE 301
JUNEAU, ALASKA 99801

To: David Harrison, Aide to Representative Springer
From: Scott A. Burgess, Executive Director 
Date: November 25, 1987
Subject: HB 1 - Third Class Boroughs for Education

I apologize for not sending comments on HB 1 sooner and thank you for your patience. With the conference behind me, I have a little more time and some policy direction for these comments.

Several quotes from the recently adopted 1988 AML Policy Statement, now at the printers, provide a policy base for my comments on behalf of the AML:

PART II - Education

A.1.a. The Alaska State Constitution mandates in Section 1, Public Education, that the State shall establish and maintain a system of public education, open to all the children. Therefore, the League supports the State's assuming full financial responsibility for basic education.

PART VIII - Local Government Powers:

C. Unorganized Borough - The League urges the Legislature to address the organization of the unorganized borough.

E. Formation of New Municipalities; 1. State Policies: The League supports state policies which encourage rather than discourage the formation of new municipalities.

Finally, and most directly related to the legislation, I have enclosed a copy of the AML resolution in support of legislation allowing the formation of new third-class boroughs. Based on this resolution, the AML basically supports the option of third-class boroughs for education purposes. However, the resolution speaks to "choice" but the legislation makes it mandatory.

The AML worked hard for six years to get Title 29 revised. As a result of the amendments to Title 29 third-class boroughs are no longer an option. The reason the AML pushed for this change was that the third-class borough was created just for the Haines Borough, which is

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November 25, 1987
Page 2

"grandfathered" in under the legislation that passed. The mandatory powers of a second-class borough are limited to education, taxation and planning and zoning. This is reasonable and minimal government. Such entities provide additional services only by a vote of the people.

Finally, I have a few comments on Karen Oakley's paper on HB 1, dated October 9, 1987. The paper clearly outlines that the mandatory creation of third-class boroughs is not an easy solution to the problem of equity and education funding. It also points out a number of related issues that could not be adequately addressed given the time and scope of the paper.

While the foundation formula approved last year was an improvement, and, as Ms. Oakley implied, easier to understand, it is not without its critics among municipalities trying to raise the local effort. The formula did not address local effort for the unorganized area but, of course, that is the main reason for the legislation.

The biggest complaint I heard last year about HB 1, other than bringing back third-class borough, was from first-class cities such as Galena whose school powers would be "subsumed" by the new third-class boroughs. I believe Ms. Oakley's paper points out the reasons for their concern.

The AML supports the State meeting its Constitutional mandate to fund basic education; however, the goal seems to be how to shift that expense to the local level. If we assume for the sake of discussion that the cost will be borne partly by local revenues as it has been to varying degrees, the direct benefit of HB 1 would appear to be equity among all who benefit from education and the cost of that education. This could also be achieved with an income tax or a head tax and perhaps at less cost. (This is not to say the AML supports an income tax.) Ms. Oakley did raise the problem of the cost of property tax collection in the proposed boroughs.

In terms of the funds for education, HB 1 is almost "a wash", however. While \$13.4 million could be reduced from State aid to education, the net gain to the State after the loss in property tax revenues is only \$3 million. (If the money gained from local effort were redistributed, an option discussed briefly by Ms. Oakley, would the

Memo to David Harrison Re HB 1
November 25, 1987
Page 3

foundation formula still meet the disparity test, the actual goal of the new formula passed last year?) Ms. Oakley points out that the total revenue available for education under HB 1 would be the "same as the status quo; the local effort merely replaces state aid". If under HB 1 the State's net gain is small, and the same funds are provided for education as now, then the real effects of HB 1 are outside the area of school finance. Another benefit of the borough formation under HB 1 would be local control which is the best reason for local government. Does this outweigh the local costs? Is mandatory borough formation without some other "carrot" or reason destined?

Ms. Oakley raised the issue of "ability to pay" which is an interesting concept raised by some at the annual conference. By gross numbers, Ms. Oakley points out that there is enough "cash" to meet the local effort; however, the people with the cash may or may not be those with the taxable property.

I hope these comments are helpful, and I will look forward to your analysis. The AML will be following the bill in the Second Session.

RESOLUTION OF THE ALASKA MUNICIPAL LEAGUE

RESOLUTION NO. 88-15

A RESOLUTION ALLOWING FUTURE THIRD-CLASS BOROUGHS.

WHEREAS, the Alaska State Statutes no longer allow the formation of third-class boroughs, and

WHEREAS, the third-class borough is a good form of government and might be the best form of government for areas which may desire to organize in the future and which are concerned mainly with education, and

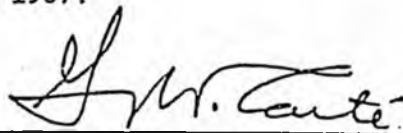
WHEREAS, third-class boroughs may be appropriate and even desirable in some areas but inappropriate in others, and

WHEREAS, third-class boroughs would provide local support for the school system;

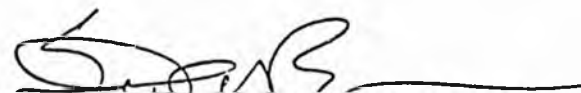
NOW, THEREFORE, BE IT RESOLVED that the Alaska Municipal League urges:

1. That the Legislature reconsider allowing unorganized areas the choice of organizing into third-class boroughs; and
2. That first- or second-class boroughs or home rule boroughs may not declassify to third-class borough status.

Adopted this 13th day of November 1987.


George W. Carte', President

ATTEST:


Scott A. Burgess, Executive Director

District Offices
P.O. Box 00309
Nenana, Alaska 99760



*Let's draft it in a meeting and
Thank them for letting us
know of their concern on SSHB 1
& their resolution.
Also, I believe HB 1 would
increase funding & give greater
Local Control. Telephone:
(907) 832-5592
Copy up line of communication
with them on subject)
R. J*

November 16, 1987

Representative Ron Larson
House of Representatives
P.O. Box V
Juneau, Alaska 99811

Dear Representative Larson,

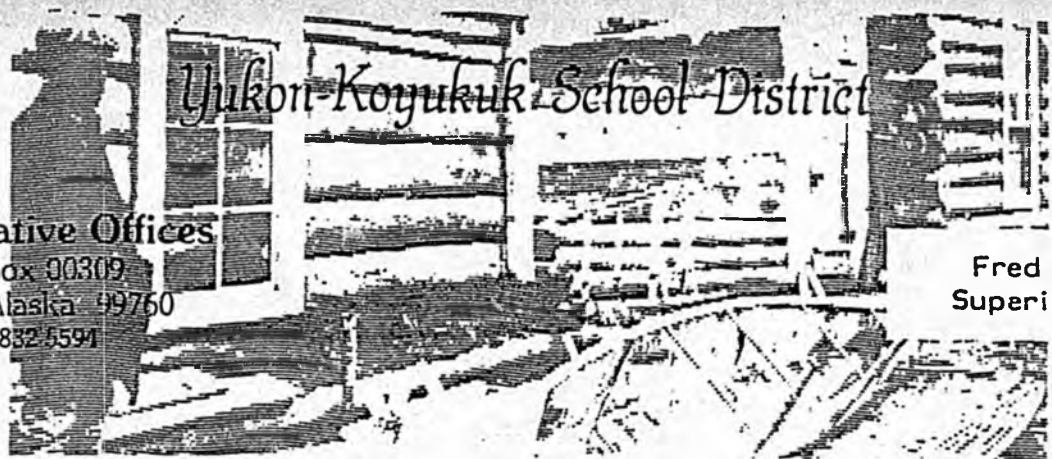
At the November 11, 1987 School Board Meeting of our district the Board adopted the enclosed Resolution concerning SSHB 1. We would appreciate it very much if you would take our thoughts into consideration.

Sincerely,

Fred L. Lau / CLH

Fred L. Lau
Superintendent

FLL/clh
Enclosure 1



Administrative Offices

P.O. Box 00309
Nenana, Alaska 99760
(907) 832-5591

Fred L. Lau
Superintendent

RESOLUTION NO. 88-01

WHEREAS, SSHB 1 would erode the local control of not only REAA's but also small city school districts; and

WHEREAS, the original intent of the Legislature was to create a system of more local control in unorganized areas such as REAA's; and

WHEREAS, consolidation of school districts would effectively eliminate the concept of local control as it exists today; and

WHEREAS, all data indicates that the formation of mandatory third class boroughs would result in lower funding levels per student than at present, resulting in poorer quality schools;

THEREFORE, BE IT RESOLVED, that the Yukon-Koyukuk School District opposes SSHB 1 and requests other concerned groups to also oppose passage.

PASSED, APPROVED AND ADOPTED BY THE SCHOOL BOARD OF THE YUKON-KOYUKUK SCHOOL DISTRICT THIS 11th Day of November, 1987.

ATTESTED:

Patrick J. Madras
Chairman, Yukon-Koyukuk School District Board

11-11-87
Date

Linda S. Evans, Board Secretary
Clerk, Yukon-Koyukuk School District Board

11-11-87
Date

hurry We need a brief general Reply

①

Mike and Barbara Coombs
P.O. Box 325
Nenana, AK 99760

Representative Ronald Larson
P.O. Box 53
Palmer, AK 99645

November 20, 1987

Dear Representative Larson:

Having read your article in the November 1st edition of the Fairbanks Daily News-Miner, regarding the formation of borough governments, I thought to convey my ideas on the subject. As I live in the Healy-Nenana area, passage of your bill would have a direct effect on me and my family's lifestyle.

I am in disagreement with you on almost every point you made in your argument.

Your first point was that each newly organized borough would receive \$600,000 from the state. I suggest that this money will do no more than put in place a taxing authority - a new level of bureaucracy that will have to be supported by the residents within its boundaries. That amount of money would go nowhere in setting up a workable government. (I find it very telling that your first word on the subject was the money the state would hand out to gain its end; though, after all, this ploy has proven to work so well.) It only sounds to me as if you are asking the local governments to "sell out" what control they now have for \$600,000; after three years the money is spent and they have in place a borough government, a monster, they will not be able to get rid of - a monster that will take how many more thousands of dollars to continue to support?

Your next point is the 10% land selection: this sounds good on the surface, but in reality many of the areas do not have much state land within their boundaries to select from - the most valuable land is already taken. Besides that, take a look at the track record of the existing organized boroughs - those lands have not eased many of their problems.

Regarding your point on revenue sharing: I believe that if you attended your borough meetings you would discover that the reality of the situation is that federal and state revenue sharing is diminishing fast. The services these funds could finance, such as

the public services that you quoted, are being met sufficiently in the unorganized areas with the means already available to them.

As for bonding powers: That is one of the biggest problems right now facing all governments in the state. With almost 30% of the state budget going for debit services, there is only danger in that path: what is good in a flood of oil dollars is not necessarily best now. One poignant example is the heavy load the Kenai Peninsula Borough taxpayers find themselves under at this time.

You bring out a point that the people would be taking for themselves the powers and functions that now lie in the hands of the state legislature. This also sounds promising, but in reality it does not work that way. Ask the people in your area if they feel they have much control over the bureaucracy that dictates their daily lives. Government doesn't help an individual to do a thing, it puts obstacles in his path - fees, licenses, restrictions, ..red tape. At a time when we must diversify the economy and break away from government dependancy, we should not make the process more difficult by adding more layers of government.

We who live in the outlying areas do so by choice; we do not feel a deprivation of those services, those "benefits", of which you promise a borough could provide.

Let me point out what I see as the benefits of the status quo:

Foremost is the lack of interference in my daily life. The physically further away the seat of government is, the less impact it has on one's daily existence. We here, of all the people in the U.S., have the privilege of owning our own homes - and not "renting" them from any government or agency (i.e. property taxes.) This may sound extremely radical to those who have, and who have always had, the burden of such taxes - but fail to pay that "rent" and see who really owns your house. Take a close look at the unorganized boroughs, and take into account all the lands that will remain non-taxable, and it becomes clear that the burden that will rest on those who will be taxed will be heavier than they will be able to carry.

One thing that you failed to mention in your article is that HB#1 is directed to force the rural areas to pay 30% of the cost of their schools. Most of these areas do not have the tax base to support that amount of funding. Those that do, have most generally already taken over school funding - those areas where the population

is big enough to warrant such a move. Your bill as written would take away their control and give it to a borough - a very unpopular idea.

Borough form of government to cover large under-populated areas does not work: only the centers of population of the borough are able to reap any of whatever benefits might be gained - leaving to their outlying areas a few garbage dumpsters, more restrictions, and property taxes. Ask the people living in such situations!

When such time arrives that the bush areas develop a population and a tax base to warrant a need for the (dubious) benefits a borough form of government could provide, perhaps such a move should be considered. We are far from that point now. May I suggest that misery loves company? - and those who find themselves weighed down under property taxes and huge bonded-indebtedness due to the benefits of their borough governments may feel such sentiments toward their fellow Alaskans who live outside those boundaries. Please, don't drag us into the morass with you.

Sincerely,



cc: The Fairbanks Daily News-Miner
Representative Richard Shultz



Alaska State Legislature



REPRESENTATIVE BILL HUDSON

P.O. BOX V
Juneau, Alaska
99811
(907)465-3744 or 4991

COMMITTEES:
Transportation
HESS
Telecommunications
Fisheries
International Trade

November 12, 1987

Representative Ron Larson
Alaska State Legislature
P.O. Box 53
Palmer, Alaska 99645

Dear Ron,

I appreciate your copying me with the letter to REAA school board presidents. The information is helpful to me and is about a topic of concern to me.

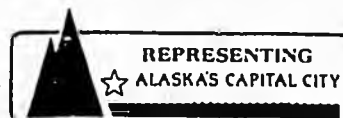
I look forward to talking to you about HB 1 and the subject of local organization when you return to Juneau in January. I agree that it is time to complete organization throughout all of our state.

Have good holidays and see you soon.

Respectfully,

Bill Hudson

BH/skp



(F)

11/2/87

VERBATIM TRANSCRIPT:

Representative Kay Wallis/Adelheid Herrmann

WORKSHOP DURING AFN CONVENTION: 10/21/87

This is beginning with House Bill 1.

Tape #2, Side 1, Beginning #125.

For those of you who don't know me, I'm Adelheid Herrmann, I represent District 26, which is Bristol Bay, Aleutians and Pribilof and Shumagin Islands.

With us today, the Workshop is sponsored by myself and Representative Kay Wallis, and with us today we have the Sponsor of HB 1, Representative Larson also. You can see the agenda up on the board and I'll just give a few opening remarks here. The things I'm going to say about this bill, too, is not necessarily a reflection on if I do or don't get along with Representative Larson. I just want to say that we'll be working on the issues together.

I do have concerns about House Bill 1, which is an Act converting regional education attendance areas into third class boroughs. I do have concerns about HB 1 and I'm glad that the sponsor didn't rush it through, but I think that there's more information that needs to be given out, and needs to go into the rural areas. I don't see that happening. Community and Regional Affairs did a report on Borough Formation, and we'll be getting that from information from Pat Poland today.

My concerns are "Why is this happening to us?". You know this year there was a mileage rate levied on the rural organized communities of our state because it was felt by other areas, that if they being the taxpayers in other areas, the organized areas, were paying a local contribution for education, then hey, everybody should pay. My question here is "Is the basic education the same, or are there a lot more services beyond that basic education in the urban organized area that the taxpayers are paying for?" Then HB 1 comes along, and it wants to form REAA's into third class boroughs for the purposes of helping those to fund a local match for education. We in rural Alaska know the importance of education. You know many elders put a high priority on education for our young people. Yet being from rural Alaska, we also know that there are a lot of other needed services in rural Alaska besides just passing out bucks only for education.

Is it a state function to provide education? We need to have basic education defined. I've heard concerns about high cost of administrative salaries from different people, as well as teacher's salaries, and I think this is a real concern since we as a legislature have given the power to the school board to run the schools now. I also know that negotiations are tough, I think it's probably one of toughest issues that face school boards and teachers, and I think it can really tear up a community. And these are some of the real issues facing us and I know that I'll be hearing a lot from you, and with that I'll turn you over to Representative Larson to talk about House Bill One.

REPRESENTATIVE LARSON:

Thank you Representative Herrmann, I really want to take this opportunity to thank both Representative Herrmann and Representative Wallis because, it's not only on this issue they've been letting me know about different concerns and different ideas and thoughts and so forth that they have, but in the whole field of education funding and other areas. And just on that point, I think I'd like to bring up a little bit on HB 126, and the area cost differential, and other things within HB 126.

Since we went through the public hearing process, of course, both Representative Herrmann and Representative Wallis brought up many issues that they had. And I think the bill that we have today is a better bill than originally introduced because of the concerns and some of the adjustments, and so forth that we were able to make. So, publicly I do want to thank both of these young ladies for their help on this piece of legislation last year.

Maybe that's why we're here again today. When I heard the remark that was expressed in the instruction by Rep. Herrmann, I don't think we're on opposite sides, I think we're on the same side. And I say that because I think many of the concerns and things that we want to have happen we share. Now probably the path on how to get there is where we differ a little. And let me start out my thoughts today, by basically saying that HB 1, at this point, is a concept. It's a concept that is not new, but has been evolving over a period of time. If we were to go back to the constitution, the Constitution of the State of Alaska, basically says that local governing units shall be boroughs and cities. So we have a constitutional requirement to direct our attention to eventually accomplish that mandate.

Second, of course, we had the Mandatory Borough Act of 1963 in which several areas, whether they liked it or not at that time, were told that you will form boroughs. One such area is the area that I represent today. Within that area we had the Palmer Independent School Districts, which we were all quite

satisfied, and in many ways very proud. We even had some kind of a taxation system that was on the honor system. I remember the assessor, John Marshall, used to send us a form and we used to assess ourself. Every once and awhile then he'd come and spot check us or something to see that we were honest with our assessment, but there was a way.

And then, when this creature called the borough came along, there were many of us who didn't necessarily like it, or think it was going to have any effect, positive on us. I think, as the thing evolved we found out that there were more than just negatives. It was a legally defined, legally constituted unit of government, from which the state then was able to carry forth many of it's programs and services. So we weren't look at just education. And we weren't looking at just taxation. But we were looking at many things that we didn't realize, the potential of having an organized local government could open up that were of benefit. And I am stressing that point because, I think as Representative Herrmann said, that's one of the big points that we have to take around the state of Alaska. I know that rural people have concerns, urban people have concerns. We know that we can't do it all one way or all the other way. That's not democracy.

I read a story the other day, and it was talking about the Constitution, and it says one of the big fears that our founding fathers had, is that when you would constitute a government by the people, that every person has their own prejudices, they have their own biases, and basically the principal concern is looking out for themselves. So when you establish a form of government, from that basic principal, you know that somewhere, someone's going to have to give, and it's not just one or the other, but it's a government through a series that compromises for the benefit of all, not the benefit of any one.

I think that's part of the education that we're trying to bring here too as we speak to organized government. We have to realize that there are benefits as well as negative factors.

(Tape Change, Tape #2, Side 2, #000.)

REPRESENTATIVE LARSON CONT'D:

Everyone has to look at things as they see it, in their time, but also what's going to be needed tomorrow, next year or ten years from now. And that's the way I look at HB 1, it's in an evolutionary process. If you ask me if it's going to pass this session, I'm going to tell you no, you know. I don't believe we can get a bill of this magnitude, of this importance and with this concern around the state, through the legislature in one year, although I think we should. But with the formation of the REAA districts, there was nothing

permanent about that, in fact if you go back and review the discussion that took place at the time, it was changed from the state operated school system, to more local, so we have more local control, but it's a step in this whole process. And at that time the concern was that probably within 10 years we would start looking to see what areas could form, or organize their local governments. Well that was in 1973, we're fourteen - fifteen years down the line now and that's the purpose of HB 1, to bring back the discussions.

As we worked, as I mentioned before, with Kay and Adelheid and others, with HB 126 last year, some of the things we realized was that when we worked out the area cost differential, the educational bill, that the boundaries of the REAA's were not necessarily the best boundaries in which area costs differential should be worked out in relation to the cost of living, for the funding of school districts in Alaska.

So when it says in HB 1, that the REAA districts would be converted into at least third class boroughs, the purpose there is to start with something, recognizing of course that something's better than nothing, but the something we got isn't very good. And that we have to look at the social, the cultural, the historical, the economics of each of the various potential areas and see if we can more adequately identify the boundaries that meet those basic fundamental human requirements. And if we can only start to do that, I think we're well on our way then to achieve some of these purposes that we do want to eventually achieve here because having identified better boundaries, of the nature of historical - economical magnitude that can be put into that, that we're going to have a better system of funding our schools. We're going to have a better system then, of determining what the next step in the formation of government should be. And just on that point too, I want to express probably a personal belief of mine. I think we have some REAA districts that socially, culturally and economically and historically are ready for a higher classification of government. I believe we have other districts that are far from ready to organize into a higher classification of government. But some how through this process I hope that we are able to talk to everyone, determine some parameters as to when you reach a certain threshold, then you move on to the next. And any time we reach a certain threshold, I want it really understood, that it's the objective of this piece of legislation is that what is done and how it's done is largely determined by the people who are going to be affected the most, and that's the people within those local areas. Should it be a be a third class borough, second class borough, be home rule, I don't know. That's a determination that the folks will have to make at that time.

Under HB 126 we know that the state provides 65% of the cost of education. Through a good faith effort the local

government is then to provide the other 35%. But also within HB 126 is a very important provision, that in Alaska there will be no rich school districts and no poor school districts. That there is a 4 mil minimum, a 6 mil maximum. Now how you determine what the mil rate should be, should it be collected by a property tax; should it be a sales tax; should it be a fishery tax; should it be a tax on mining or timber. I don't know, those are decisions that each of the local areas themselves eventually I think will have to answer. And then through a good faith effort, if they cannot raise that 35%, HB 126 allows then for the state to come in with an additional amount to make up the difference.

So, I'm kind of rambling on today, and I want to stress the point that in rambling, HB 1 is a concept. We tried to bring up many of the major concerns and within HB 1, we even put in certain specific thing, but it doesn't mean that we're married or tied to those things. It means that they're in there for the purpose of making sure that they're part of the total discussion, when we discuss this program. And I guess if I could talk personally again, it would be my hope that by the year 2000, that's not too far, 15 years from now, maybe the state is organized totally so that regardless where you live in Alaska, whether it be the large metropolitan area of Anchorage or the most remote rural villages, that the State has a legally constituted local government to provide equal services to everyone. And that means whether it's child care or child neglect, or education or public safety, that there's some way, some arm, and the local people then have a say in the process by which the services will be distributed throughout Alaska and that we all in some way share in the responsibilities of paying for those services that we all need and want.

So, if I sound like a preacher today in some ways maybe that's part of what I hope, that this is a process that needs everyone's active part. Those who are for it and those who are against it. I stress that because I think that's important because only by having the two sides bringing them together are we going to get something that we can all live with and work with. Thank you for the opportunity Madam Chairman.

REPRESENTATIVE HERRMANN: Thank you Representative Larson. At this time I was wondering if anyone in the audience had questions or comments to Representative Larson. You all have another opportunity once we get passed the education issue.

Today we have the Commissioner of Community and Regional Affairs, Dave Hoffman, and he'll be talking on the agenda on Economic Dislocation. Today we have Pat Poland from the Department of Community and Regional Affairs, and he'll talk about borough formation, so if you want to just pull a chair up here and give your presentation.

PAT POLAND - DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS:

Representative Herrmann, Wallis, Larson, thank you for the invitation to be here. I guess I'd like to start off by characterizing our efforts and make sure folks understand that they're basically educational in nature. I think that Representative Larson was pointing out, we view this as part of the process also and our major role is providing information to residents of rural Alaska about what their options are under the existing forms of borough government, what other regions of the state are doing and maybe cooking up some new ideas for the future.

We've got about four fronts around here, if you will. One is where we're working with groups of residents in particular regions to look at the real specifics of forming boroughs in that area. We've done similar efforts already in the Yukon Flats Region, to the north of Fairbanks, out on the Y-K Delta, the Northwest Arctic Borough, the Aleutians east area which just recently formed a borough of its own. Presently we have efforts going into the Dillingham - Nushagak Bay area and the Prince William Sound area. And those efforts, we go in and we hold meetings in those communities, we generally put together a committee of residents from each of the villages involved and draw up the actual specific dollar amounts, projecting education costs and municipal government costs and looking at assembly composition and other issues that would come up if they ever did decide to form a borough. The idea being, that when you start discussing the issues, you've got some real specifics to talk about, that you don't, kind of, get caught up in the emotional aspect of the arguments.

The second one, there's a graph of it over here, putting out a little booklet that kind of provides a very general overview of what borough government, what regional government is, what kind of services it's intending to provide, the general role it's envisioned in playing, and what's happening with boroughs in the state today.

Thirdly, we're doing a lot of traveling it seems like these days to meetings like this, talking about the issue. As the dollars dry up and everybody starts fighting for them, people are looking at options, whether you're for it or against it, it's a hot topic all over the state. We're real surprised at the number of invitations we're getting and receptivity there is in discussing the issue, where as four or five years ago people didn't even want to talk about it.

Finally, we're putting a fairly major effort into what we're calling an HB 1 study. It's basically a product of discussing with Representative Larson, the concept of HB 1 and what kind of options at this date. As he said, that's a concept and we tend to agree with him, and that we ought to explore, as much as possible, other options, and go talk to people about a

multitude of options, and say "what do you want? What could fit into your concept of a regional government?" "What are the problems in your region, how can we come up with some kind of government that provides a function to you, provides the service to you as opposed to simply being a structured imposed by the State, that affects taxes that really doesn't change your life at all. Again, we've got quite a few copies over here of an outline of the project. I'd like to just kind of hit on a couple of key points, and basic assumptions that we've made.

One is that the thing has to be meaningful, it's got to provide an actual service. It's got to be able to generate local support. If it isn't there, we're going to spend years, I think just like we did after the mandatory borough act, struggling with trying to make a government work that most people didn't want in the first place. We don't support the concept of a mandatory borough act. We do believe that there are significant advantages to be realized both at the local level and at the State level. The State could probably become a better service provider, could have better policy making, delegating certain roles and functions to a regional board, and that likewise there are certain activity services that are being done at the village level now that could probably be more efficient, more cost effective, maybe even possible, as opposed to impossible, maybe you could somehow regionalize the resources available and the needs and address it that way.

In our study, we're going to discuss and look at the existing forms of boroughs, 1st and 2nd class boroughs and what they can and can't do. But the real thing, and what we really hope to hit on is the notion of the whole Home Rule Concept. Basically a Home Rule Government can do anything except that which is specifically prohibited by statute. It allows people to literally design a government to their needs, can be restrictive, can be extremely liberal, but it can be set up to meet the specifics of that particular region. And we believe that it offers some options in terms of the roles and the relationships of the communities there, hopefully dealing with one of the major concerns that there's always some large population center that tends to dominate, at least population wise, the villages around it. We believe that there is some room for some design there where you could ensure that the villages have a major role in any significant decision that goes on, so that they're not quite, so they don't have to deal with that constant fear of being dominated.

The whole issue of taxation, the Northwest Arctic Borough, just recently adopted a Home Rule Charter and one of their provisions is that there will be no property taxes for about a _____ people within the borough. It's more restrictive than any of the other classes of borough but it provides insurance there, to people, that they're going to be involved in the major decision making that takes place within the

borough. We believe that there's opportunity for
 recognition and working with a lot of the
traditional councils that exist. Perhaps what you would
ultimately see is fewer 2nd class city governments, many-many
of which are struggling to provide services. You see the
borough with some responsibility perhaps on a regional basis,
and using the traditional council as a local vehicle for
delivering those services.

We're also going to be taking a look at financing options.
Because, historically, people tend to relate boroughs with
property taxes and there are certainly options available
there. Northwest Arctic Borough, for example, negotiated some
advance kind of prepaid taxes, if you will, with a major
developer out there, Caminco. We recently formed Aleutians
East Borough, and it's going to be using what is essentially a
sales tax on the sales of raw fish so that they won't be using
a property tax.

The point being that the people will sit down, be creative, presume that you really don't have any limitations, that there are options available that they haven't really thought of. That's kind of the thrust of where we're headed. Our study's going to be done towards mid to late December and due to Representative Larson's group in early January. We hope to, once we've got some real specifics to present to people, go on the road so to speak and expose our ideas to the general public, then kick them around and see if we've got some good ones that provoke comment.

REPRESENTATIVE LARSON;

Thank you. That kind of answers the question, I think, that was asked earlier, why haven't we been out for public hearings in different areas. The answer is simply that we've been working to get the information that we feel is important and that we're better able to answer everyone's questions that they have. That's basically, as Pat told you, the process that we will have some time in December.

Another point that I just wanted to emphasize because that way often times many people can't understand where I'm coming from. You will often times hear that we who live in the organized areas have to pay for what we want and those who live in rural areas get one hundred percent of everything for nothing. I know when I was first in the legislature, I had that discussion with one of the rural legislators and pointed out that yes, we get one hundred percent, but one hundred percent of nothing isn't very much. I want to say that again, you know, a hundred per cent of nothing isn't very much. Being organized, for example, we have had the opportunity to determine when we wanted to build our schools, what size we wanted to build our schools. Then the state would come in and pay 50, 80, 90%. If any of us were even successful enough to have two grants, we were able to fund whatever the state didn't pay and put some of that money in the bank and make interest on it so that we'd probably get 106 or 107% of what our schools cost us. For the rural areas we're getting 100% of nothing and they still don't have their facilities, so one of the things that I think is important and one of the things that I learned that day, and I think it was Senator Ferguson now that I was talking to, is that one hundred percent of nothing isn't very much, so if you wanted to change that you're going to have to change the way you do business. And one of the ways you can change the way you do business is to organize so that you too have more of that decision making power on the local level, so I'm just using that as an example of one of the positive things that we hope to bring out in this educational process. Thank you once again.

REPRESENTATIVE HERRMANN

I have just a question for you. You know, in that session in the Community and Regional Affairs Committee, you were talking about, and I couldn't quite understand this, you were saying that if there was no resources that you could tax in a place with a low cash economy, form the borough, that somehow the state would help fund you. You said something like that I couldn't quite understand how. You said the local people would have more of that policy making opportunity, but I couldn't understand that. Maybe you could explain it.

PAT POLAND

One of the options I discussed, we want to present the notion that there is one of the positive things potentially for the State of Alaska in the formation of regional governments is that it gets more representatives of the region involved in decision making and policy making for delivery of services. I think all of us have lots of experiences where the state, well intended as it is, doesn't do as good a job as it could in delivering services locally. You have people living in Anchorage and Juneau, many of which have never been outside of those communities, making decisions that are fundamental to the service being delivered. I think there's real efficiencies to be realized there. If you can buy into that concept, then what we're going to suggest, and I don't want to get too far ahead of myself with my Commissioner here, but what we'd like to at least see is the notion that these governments are formed, that if there isn't a sufficient resource base within the region to justify some form of taxation or some local support, that doesn't mean the state has an obligation to fund that entity at some basic level. I guess it's much like you see going on with second class cities now where there's a minimum entitlement for Revenue Sharing, it's kind of the same approach you have with education where there's a minimum, there's a foundation level that's guaranteed to provide a basic service.

We're also going to be looking at, one of the things we're going to be exploring is the notion that resource taxes from around the state can somehow be brought together and distributed to all governments on a more equal basis as opposed to those who happen to be close to the resource, being very wealthy while someone in a less wealthy area is poor and has no government and no services at all.

Just to carry on this thing just a little bit further too is the state has invested usually millions of dollars in capital facilities throughout rural Alaska, and of course urban Alaska as well. There's a lot of concern that if there isn't some kind of institution set up to maintain and start dealing with these things, certainly in the many, many small second cities, small villages with one hundred, two hundred people who don't have any resources or the financial resources to maintain these facilities on an ongoing basis, the State isn't set up to do those. If you don't provide some intermediate level of government where you can at least have rotating maintenance people or something here to deal with that, you're going to lose that investment.

REPRESENTATIVE HERRMANN;

Thank you.

REPRESENTATIVE LARSON;

There's just another thought. Within Title 29 presently, and Kay and I were just down for a House Finance Committee meeting and one of the new increments in the Governor's budget, of course, is \$300,000 for the Northwest Arctic Borough for the first year of their formation. Under present law, once an area organizes it is entitled for a three year period of time if I remember correctly, it's \$300,000 to help them in the process the first year, \$200,000 the second year and \$100,000 the third year.

Now, one other piece of legislation that the State has had in the past, and I would assume that this would be part of the total concept in the future, is the Municipal Lands Selection Act, the 10% selection by municipalities of the vacant, unappropriated non-reserved lands within the new boundaries. I know in the case of the Mat-Su Borough at the time, it was then Governor Hammond kind of said let's have a settlement. We had over 365,000 acres _____, so in other words, no one's looking to establish a local government without giving it some help in the establishment and without giving them some kind of an economic base from which they can operate in the

future. I think that concept was fair in the sixties and I think it's fair in the eighties, the nineties and even the year 2,000 so that I do want to keep stressing that those are important things that we have to bring out in this educational process. We're not trying to set anyone out on a limb, but that we're trying to see that everything can be done, that once a new government is established, that it has the economic base to operate from. Thank you.

REPRESENTATIVE HERRMANN

One last question for you. Pat, you mentioned something about the concept that all the resources of the state would be shared to other areas. What kinds of reaction were you getting from that concept?

PAT POLAND

(Tape unclear)...dialogue with you folks so far, so...

REPRESENTATIVE HERRMANN

Comments on Dillingham, Aleutians East.
What part does annexation play in all of this? Annexation of different communities - boroughs? (Rest of tape unclear on this portion).

PAT POLAND

It's hard to articulate it so it's understandable absent some specific example. We're in support of any annexation that's going to help.....

REP. HERRMANN

Maybe I should just say something else. A lot of the communities in my district were looking at annexation and they were looking at annexation because then they'd have a tax base and maybe they don't want to form boroughs but certain areas were looking at annexations and they're also fighting with each other because a certain community could get more of the monies or have more of the power and so on, and I just wondered if that played an important part in the whole thing.

PAT POLAND

I'm not meaning to cop out. One of things that's ultimately the local boundary commission gets involved in that decision

which is a body independent from the department. We'll look at the plats, we'll make a recommendation but they ultimately at the hearing and if they recommend for an annexation, the legislature passes on that as well.

COMMISSIONER HOFFMAN

Representative Herrmann, as you know the Department's committed to working to increase the local communities and we certainly don't want to get into the situation where we cause divisiveness between communities. And that's pretty much the background behind our recommendations to the Local Boundary Commission - two communities....the notion being that if we made recommendations deciding who's divisiveness we would be weakening the power of the regions. (Tape unclear).
...recommended to the people that their borough should be considered the option of coming together as a regional organization and sharing the.....resources. That would tend to make the region stronger and reduce divisiveness.
....rather than start another civil war.

JOE

We have a, get specific to answer this question other than Copper River. A neighbor just below us, and they're trying to annex us on one end of the _____ and the newspaper they would like to annex us. Copper River's on the other side and Valdez on the other side. We have a _____ to be annexed with them. They don't want us, but we do have the _____ and our residents are really concerned that they will be annexed into a borough against their will. Quite rightly they have a mechanism put in place short of forming their own borough to combat the other two areas wanting to take these people in.

PAT POLAND

First of all, there are standards that would have to be met before everybody _____ it has to make common sense and it has to be equitable, equitable to those in the Mat Su Borough and to the residents of that region. So that future considerations would be taken into account. The residents would have an opportunity to testify and persuade the Local Boundary Commission who makes the initial decision at probably a series of public hearings throughout the region, certainly if the Commission were to recommend for the annexation it would go to the Legislature who would have the option of vetoing their action.

REPRESENTATIVE LARSON

I'd just respond, maybe not being critically smart on this, I'm a little naive. I don't favor the proposed annexation. In fact what I'd like to do is take some of the Lake Lucille area, which is an area that has concern because it does not really have the social/economic ties with the rest of the Borough and joining that with the new Copper River Borough.

REPRESENTATIVE LARSON

I just had one question, Representative Herrmann, with relation to what you brought up on a sharing statewide or some type of statewide tax. My understanding right now that according to the Constitution you can't have any dedicated statewide tax, whether it be a sales tax or whatever. In the past we even had what we called the school tax. But even that school tax, it turned out that ten dollars per person went to the general fund to be appropriated by the Legislature, not necessarily to schools, so if we're looking at some statewide provision, and I think we should probably be doing it, I think we'd also then have to realize that it would be a constitutional amendment that would allow for an exception to what we have now. It would have to be separate from HBl.

REPRESENTATIVE HERRMANN

One concern in my district in forming boroughs is that some of the small communities (unclear)...but people are very worried about the school situation, how does that work, will they have still basically the same representation they did with their village councils and their community schools. If a borough forms will they still have that option or that power to control their schools. That's very important and will us today we have Bob Greene who's associated school board..... talk a little about that.

BOB GREENE

Thank you Representative Herrmann, Representative Wallis and Representative Larson. I'm pleased to be here to talk about HBl and the potential impact it could have on school systems. You know, you start showing your age when you start remembering back when city school districts were formed for the simple purpose that the State at that time had a provision that the liquor taxes in the State of Alaska went to education, if you formed a local school system. Not the greatest motivation in the world but the product I think is exemplary.

It isn't the first time that this issue of local government or some concept of local government has been discussed, and I'm including the mandatory borough act of 1963. Even more

recently, Senator Sturgelewski at one time was a strong advocate and probably still is an advocate of maybe regionalizing the state and establishing some sort of regional approach to providing state services and she even discussed the potential of organizing those regions around school districts. This is certainly not a new concept at all.

The problem with that approach at the time was it was merely an effort to maybe streamline the provision of state services. It didn't have an economic impact. My view today, there is more than an economic impact that's being considered here, because in my view there's a definite trend to shift the responsibility of education from the State to some form of local government. And I have mixed feelings about that. Number one, I like the idea that the local citizens directly pays something toward the cost of government. In our instance, schools. And the reason for that is during decisions that are made within the school system are of importance to the taxpayer and the citizen. They pay better attention. I don't think that's a point of contention, I think that is a known fact that seems to bear itself out in the districts that have local tax bases and have to raise local effort and so on.

What I do have concern about is that the boroughs haven't been necessarily an exemplary form of government, at least as it relates to schools. It's another layer of government that at least maybe from school systems, we feel is unnecessary. Now I'll tell you some of the problems that I see with it.

In the existing boroughs, there is a requirement, or was a requirement, that there be a local effort. As you know prior to HB126, there was not a local, required local effort. Somehow that had been abolished in state statute, and yet, local governments did support schools, but it was, it varied widely from borough to borough. HB126 seemed to resolve or work toward resolving that, and I was very much impressed with the fact that we could pass legislation in this state that not only put a floor on the required contribution as a significant departure from past circumstances. 35% is a lot of money for a vast majority of the independent school systems in the state of Alaska.

The fact that they also put a cap on it was impressive, because the rich school districts and the rich boroughs didn't like that idea of the cap. But a cap was necessary in order to have some kind of equity. There's some good there and some bad there. The residual concerns, however, that school districts have in dealing with boroughs is, number one, somebody else is making the decisions about how much money goes into the school system. The intent varies from borough to borough.

There is some feeling that maybe this should be done by the school districts, as in many school districts around the state, or, I'm sorry, around the nation. School boards are fiscally autonomous and set the mil rate within their school systems as opposed to going to the borough assembly, and having the borough assembly set that.

Another complication is that we can't seem to trap the state dollars. It would be nice if we could just reach into the sock and say, "OK, school district, we're going to give you 'X' amount of money and it's coming right from the property tax. Now this accountability right there if you could do that, and unfortunately, we can't. Most borough assemblies are reluctant to tell local systems how much money they're going to allocate to the school district budget until such things as number one, State Aid is determined by the state legislature. Number two, to what extent revenue sharing is going to be fronted and municipal assistance. And so, pretty soon we've got a pretty clouded revenue picture.

No matter how you cut it, you can probably look at the money that local school districts get as coming from the state. Now that's a biased and skewed point of view, I'm sure, but you can see my logic. That at least there's probably enough money coming through that the schools could be construed as not impacting the local property tax.

And I raise all those questions, and I don't even get into the fights that we get into with borough assemblies on jurisdictional problems, who does what and who can line item budgets and all these kinds of things, which only on occasion crop up, but when they do they're usually a big enough fight that we sure as hell wished that we weren't tied up with any boroughs. Those kinds of things come up.

I raise the question because I just want to pose the question here to say is going to a borough the best way to solve education problems. And I hasten to add that I'm sure that the discussions here, especially involving Community and Regional Affairs and Representative Larson's background and perspective, has been the mayor of an organized borough. I hasten to add that I'm not talking about are boroughs good or bad per SE, because then we ought to be talking about are boroughs good for the state or good for the area. I don't want to hear us talk about are boroughs good for education, and I tend to raise some problems that we have to deal with here.

Now we have two kinds of systems, two kinds of school systems in our state. We have the city and boroughs on one hand and the REAA's on the other hand. The decision making process under the borough approach is where the school board deals with the borough assembly and to a much lesser extent with the state. And if the predictions are true, it will be far less

with the state as money dries up, and the emphasis goes to the property tax.

On the other hand, we've got the REAA's who "gets one hundred percent of their money from the State." The advantage of that is that the, under HB 126, the money that comes from the state is under an entitlement basis. We have a pretty good idea how much that's going to be. On the other hand, to deal with the borough assembly (changed tape here).....amount of money that affects ability.

The second area is in the capital improvement. I find it interesting that borough oriented people will say at least in the area of capital improvements, that we pay for what we get and the REAA's do not. Yet the record shows that the state legislature, in its wisdom, had assumed 100% of responsibility of bonded indebtedness with municipalities regarding schools in a wide variety of years. So there are bonds that have been sold by municipalities to build schools in certain years that are paid for 100% by the state. In fact, it's a business manager's nightmare in the municipality to figure out what the bonded indebtedness entitlement from the state is, because you have to say well, if these bonds were sold in 1970 whatever, they're at 100%. If they were sold in this little window period of 1978 to 80 or whatever, it's at 80%, and if they were in the years 1983, 50%, and then it went up again, those kinds of things. The important point is that under a borough approach, under current statute, the municipality can decide if it wants to build a facility, bond itself to pay for it and seek reimbursement. That is the municipal decision, it is not a state decision. They can simply go through the process and send the bill for that portion that they're entitled to to the state. The state has no control over a go or no go situation in the construction of that facility. Yes, there are supposed to be limitations at the state level regarding square footages and things of that nature. But the basic decision to build a building is local. Obviously (unclear). However, they have to come up with part of the money.

In an REAA, they have no way of coming up with part of the money and so they get 100% when they build a building. But who makes the decision. The state makes the decision, not the school district. The school district can ask, but the state makes the decision. It would be nice if we had one system, nice that we have one system. And I appreciate the idea that Representative Larson said that HB1 was a concept, because I think it is inevitable that we have to make change in this state in order to deal with the evolving needs for services and the evolving change in the financial picture, and we have to figure out a way to pay for these services.

And as long as we're talking concept, I'd like to throw out an idea or two. I personally have some difficulty looking at boroughs and municipal governments under the current system

dealing with both the education support and municipal services. And also, that concern is compounded by the way the money is channeled from the state to wherever it's going to be spent for these services. And I'm wondering if we shouldn't separate these. I'm wondering if we shouldn't separate municipal services as one entity and education as another entity. So that we don't have to have a crowded issue as to where the money came from, revenue sharing or municipal assistance or direct state support and so on. I recognize that under a borough approach, we have what is called power equity where they, a poor district will not be penalized for being poor, that there'll be a subsidy from the state.

That just goes back to my other avenue of concern. Why not just funnel it into the school system and not have it go through a municipal level of government. Then I come up with the kicker. We've got to have some way of funding schools, and I know it's heresy to talk about taxes, but one of the things that everybody talks about in this state, now matter where you're from, if you're from the Mat Su Borough or Anchorage or Juneau or Ketchikan or Kenai you say we pay for everything we get. OK, and you guys in the rural areas, you don't pay for anything. And I say someday we're going to have resolve that question and I said I don't like to see a property tax, because if you travel in rural Alaska, you're going to see that some areas have a tax base, and others don't. It's not an accident that the North Slope Borough formed. It's no accident that the Northwest Arctic Borough formed. I suspect it's no accident that the Aleutian Region's East Borough formed. And probably way back when the third class borough Haines formed, it was no accident. They looked at themselves as having some kind of tax base other than residential property tax. There's going a whole lot of areas that could be thrown into third class boroughs that may not have that. Somebody mentioned the fact that maybe the current existing boundaries aren't the greatest in the world and maybe a borough could be formed that won't have any significant industrial base in it.

Representative Larson effectively countered with the notion that the state has provisions to cover that, and it does that very well in HB126. Why don't we find another way of taxation that gives everybody the ability to say I pay my share in accordance with my ability to pay. I maintain that the property tax is not in accordance with ability to pay. Everybody doesn't build a home in accordance with how much money they make, or own property in accordance with how much money they make. But the income tax does.

I would be so bold as to suggest that in the long range we start talking about eliminating the existing system for funding education differentials between municipalities and REAA's and look at making one kind of school system aiming at a state responsibility, also acknowledging that there has to

be a revenue that's not currently there. Let municipalities do their thing and build waters and sewers and airports and roads and find another way to find education, and not make them competing with airports and water and sewer and roads, because that can be devastating in any community. We've had lots of concerns by school boards and small municipalities when revenues are starting to dry up. That because the decision making authorities in the borough assembly or the city council, there's a good possibility water and sewer and roads are going to win out over education. I'm certainly not knocking water and sewer and roads, but I'm not here to talk about water and sewer and roads. I'm here to talk about education.

I'm advocating a notion that we take some kind of dedicated tax, and yes, I understand that that's going to require a constitutional amendment. But it certainly is not without precedent. We do have one dedicated tax in this state, and there is only one, and that's the cigarette tax. It is dedicated to education, so it is not without precedent. We could do something around these lines, and it could just be about the right amount of money. There is some speculation that an income tax, if it were reinstated, would raise somewhere around \$350 million and that's very close to what the state is putting into education right now, so we'll at least have a start in that direction.

I throw that out just for food for thought because as long as we're talking concepts, why do we have to stop for education which is one third of the state budget at a system that maybe we have to acknowledge needs a little bit of overhaul just the way it's being legislated, and that is the borough act. I throw that out for discussion.

REPRESENTATIVE HERRMANN

The Chair would like to recognize another Legislator, Representative Hoffman, who just walked in. Representative Larson, you have some comments.

REPRESENTATIVE LARSON

Sure, I just wanted to acknowledge Lyman too, and thank him for the input that he had last year on HB126. The income tax is \$350 million, probably fall \$150 million short of our needs anyway by the time we count capital and operating for education. But I think when Bob first started talking, one of the things that came to my mind and I think he articulated it rather well, is that if the only thing we were looking for here was added tax revenue, all we'd have to do is pass a simple bill that would give to school districts, to school board and REAA districts, the power to tax, but we're not

looking for necessarily that. What we're looking for is methods to provide better programs and services, including education and all of the other amenities that we mentioned, in all areas of Alaska, as well as the distribution of responsibility around the state.

The one point, though, where Bob and I may differ a little bit, and Madam Chairman, if I may just one second, (unclear). For ten years of my life I was Mat Su Borough Mayor, and during those same ten years I taught government and history and physical education and coached cross country, and basketball and track and field at Palmer High. During the same period of time. We could argue. I'd always that the school board would come and tell us what's ideal. It's up to the Borough Assembly to determine what's practical. And part of the determining what's practical is what can the people afford to pay. They have systems where the school board sets the mil levy. I don't know. Do want to go to Oregon? And every time we set our school budget, we go to the tax payers and ask them to approve it? I wouldn't want to go and have that system or that mess that they have.

So the only point that I'm trying to make is that there's arguments both ways here. There's some things to say good about the borough because if the borough's going to build the facilities, worry about the collection of the taxes, worry about the assessment, then the school board can concentrate on curriculum and other things that are more important. Or do you want to combine all of those things into one. The only point I'm trying to make is this, opposing points of views or arguments on that point. Thank you Madam Chair.

REPRESENTATIVE HERRMANN

Maybe what I'll do here, just go away from the agenda for a little bit and go back to the School Foundation Formula Funding, Funding Formula. Then we'll have discussion, I know there's been a lot of discussion already between Bob Greene and Representative Larson, but this year, in the foundation formula, it seemed like a lot of school districts in my legislative district as well as I believe Representative Hoffman and Representative Wallis and then some school districts in Southeast. These were small city school districts. They were like in the 400 range above or below. But anyway, to me what the problem was, was small populations I think. They were willing to offer a little bit more than just the regular curriculum. To do that you'd be more competitive and so on. And then I see, I'll use Dillingham as an example, is that a lot of the students are getting an education there and they are coming back to Dillingham and they're getting jobs in Dillingham and they're going on to college and things like that. I think it's real important that we keep this kind of education system up, but what I'm

finding is that in the formula, that some of these schools were the hardest hit. It goes throughout the district that I've got. These small city schools, they're being hit not only by the foundation formula funding budget but by municipal assistance, revenue sharing and so on.

We've got to do something about it. Representative Wallis and Hoffman and I tried to do something about it but it seemed that nobody wanted to pick up on it. I realize that the state administration, too, they knew about it and they've had this concern for a long time. But still, nobody wanted to do anything about it. We didn't get any amendments in the legislation but we did get intent language and hopefully we can work on that. But intent language is just that, it's intent language and you can do something about it or you don't have to. Maybe we can have discussion between Bob Greene and Representative Larson on this issue.

REPRESENTATIVE LARSON

I can maybe give you a little update maybe, but I think, if you would bear with me, that you didn't get any amendments, but remember we adjusted the area cost differential. I remember we adjusted the small schools. There were ...within the bill itself, not as an amendment, we made the adjustments there to recognize the size of the instructional units and so forth. I think within HB126, it's not perfect, but like I said before, and I thank you and Lyman and Kay for your input because I think some adjustments were made to help make it a better bill than it originally was.

One of the things that we have been working on is with Senator Binkley, and what we're concerned about is validating the area cost differentials so that we are more truly reflecting that the state is paying its fair portion of what basic education is. Now in order to do that, there are many things that are complicated. As you know, the Legislature did appropriate \$250,000 to fund such a study. As recent as yesterday afternoon I spoke to Eric McDowell because the McDowell-Homan report was the one that was originally based having to do with geographic cost differences and we now that that was a study on the cost of living, not the cost of education. One of the basic things we have to do is to distinguish those two things and then to see how we can determine what the cost of education is according to the boundaries as presently defined in the REAA district, not the regions as were defined in the original studies. I guess to cut a long story short, we recognize your concerns. Senator Binkley is working in the Senate and we're working hopefully along with all of us here to address those concerns.

REPRESENTATIVE HERRMANN

What was the adjustment for small schools.

REPRESENTATIVE LARSON

I don't have the particular ones, but there were two adjustments. One of them which I'm still paying a political price. One was when we adjust the difference in transportation and the housing cost and increased several of the small school district portions maybe from 1.2 to 1.3 or whatever it happened to be on the area cost differential. Those changes were made. I think the biggest change, however, was once those changes were made according to the best information available, that they were left at that. If you remember, there was a form then that was offered to reduce them all maybe 33%. Any district that was getting over one hundred would be reduced by one third of whatever they were getting. Folks in my area were in favor of that. My area was getting more money. But if you remember, some of us joined together and said we still have to be fair, and we defeated that poor amendment. I think we did make some adjustments.

REPRESENTATIVE HERRMANN

Was it small city schools or small schools like REAA's?

REPRESENTATIVE LARSON

Both. Both.

BOB GREENE

The problem that we're facing is, number one, HB126 came together with the best intentions and the best data available at the time. And that is shoddy at best. But there's one criticism in this state has to stand and take is the fact is that we don't have any data on what it costs to run schools. Now the state board of education has done something. They have required an overhaul of the uniform chart of accounts and the manner in which we account for expenditure in districts so that at least to some degree, we're getting a comparison of apples to apples. We've never been able to do that. People accounted, make no mistake here, I'm not saying that we don't account for the money. It's just that we account for it differently. So when you take broad categories of expenditures and try to make comparisons between districts, we're not comparing the same kind of expenditures. That's been a problem. We're trying to correct that by updating and expanding the uniform chart of accounts.

What that's going to take is two or three years, if that works it's going to take two or three years to get us a data base that we can compare schools with. That's going to be a second problem.

And a third problem is that, at least in my view and all the work that I've done in writing formulas for school funding. You almost have to treat, and this is something that HB126 does not do, you almost have to treat single site school districts, particularly municipalities school district, small single site districts, as a unique kind of a cat. And the reason for that is that every time you put a formula together, you start putting little slush factors in the formulas and when you have particularly a multiple site school district, all those little slush factors start to add up, and they seem to have more money than a single site school district. It just does not, formulas that have been drafted, at least so far, have not taken that into consideration, and it needs to in the amendments that were drafted to HB126, I felt, had some merit.

Now, I'm not going to condemn the legislative process and what they did to that because from an outsiders vantage point the message was coming down to me as a lobbyist, that don't fool around with HB126 when it goes to the Senate because they're going to pass it unamended to get it out of here. Otherwise, we're going to be here until July 1. And that was strictly the message. That's why today I make the prediction that there's going to be another finance bill. I don't know where it's coming from but I predict that there will be one. The mere fact that we have three representatives in this room that are expressing concern tells me that there will be a finance bill and it will deal with these kinds of issues and maybe some of those are justifiably so. There are 14 amendments that were submitted to HB126 in a package in the last days of the session. None of them passed. At least 12 of them, I think 2 dealt with the new borough and that's gone now. That's a dead issue. That leaves 12 of those issues that are open for debate. Even left and right and middle of the road, people agreed that those amendments possibly have some merit.

That small single site school district traditionally has been the one that has not fared well in the formulas and its because in multiple site school districts we tend to build in a certain amount of flexibility. _____, for example, in the formulas, no less than. Well, if you've got 14 communities and you build in a floor for every community, you can see where your flexibility is. You don't have that in a single site school district.

REPRESENTATIVE LARSON

Madam Chairman. Within the bill that's the reason for the emergency fund, in case the area cost differential did prove to cause extreme hardship with certain rural school districts. The emergency fund has been established to cover that. And I agree with you and the State Department of Education is working to get some uniform method of reporting so that we will know just how good the area cost differentials are or are not. Even in the meantime, like I said we're working with Senator Binkley and his group in the Senate to try to identify those obvious things that may be weaknesses within the study that was done to provide the area cost differential.

BOB GREENE

Just one comment, you mentioned the Hohman-McDowell studies, and we've had a couple of them relating to education. And you're right, they did talk about the cost of living differential. I believe, however, the first one did have some reflection on the cost of operating schools. The problem with that study was that it came up with a cost differential say between Anchorage and a remote area. And the numbers that it came out with were significantly different than the then area differentials which were capped at 55, or 155 percent was the highest differential between that and a hundred between Anchorage, Juneau and Ketchikan. Everybody threw out the Hohman-McDowell study as being worthless because the numbers were so different, vastly different. What they didn't take into consideration was the fact that the 55% area differential was only one of the factors that education funding was differentiated on. They didn't take into consideration the cost equalization or power equalization factors that were built into the laws, such as in lieu of local taxation, that was built in so that there was a compensation for no local effort. That was compounded with an area differential also.

There are a variety of things that were built into the law at that time that had we taken that into consideration when we looked at the Hohman-McDowell study, we might have looked at it differently. But when you said the Bering Strait 200 and some odd percent as opposed to Anchorage when they were only getting 55%. Everybody assumed that we were going to take the then existing law and revenue change 155 with _____ or whatever and that would have just thrown us out of the ball park. We just didn't look at it enough in my view.

REPRESENTATIVE HERRMANN

We're a little bit behind the schedule and I would like to keep it on track because we do have a lot to get through today. I was wondering if there were any questions in the audience of these three gentlemen here. If not, I think the information was very good and right now I'd like to get to HB33. If both of you could stay here and then we're going to get to Representative Wallis and then we'll take a 5 minute break.

Maybe I could just read what HB33 is. It's a short bill, an act relating to inoperative schools. When there are fewer than 8 children eligible to attend an elementary school or fewer than 5 children eligible to attend a secondary school in a district, the school board shall declare the school inoperative for that school year. The school board shall make appropriate arrangements for the children eligible to attend the school that is closed under this section, either within

the district, in another district, or through correspondence study.

This bill would affect my district. In fact, I have a community here in attendance today that it would affect their schools. Maybe I can get an explanation from Representative Larson on the reason for introducing this and then maybe Bob Greene has some comments.

REPRESENTATIVE LARSON

Thank you, Madam Chairman. We're all acquainted with the settlement in relation to the Molly Hootch case which basically said that if you had eight students within a certain defined area, of elementary age, that you establish a school and then if you had one student of high school you created a secondary program. It didn't say anything if the enrollment dropped below those figures, so the basic concept of this bill is simply once again to bring the topic up for discussion, and to give local school districts the tool, if necessary, that they can look at small schools.

You know, getting back to the Molly Hootch case, the number was 8. It could have been 10, it could have been 12, it could have been, even some say, up to 25. I'm not disputing the 8 as being right or wrong, but what I am saying here is that we have many schools in Alaska where the average cost per student is well up over \$30,000 and that becomes then a cost issue, because if you're going to concentrate such a high amount on a small school, it means that money's got to come from somewhere in the total pool then for all other schools are less. Whether it be within the district or between districts.

I'm not saying this bill is right or wrong. I'm saying it's a subject we should bring up and discuss. And this is a way of doing it.

LELAND DISHMAN

A couple of us fell into that hat (?). We spend that much on single _____, so we have to keep that in mind. We have _____ to settle out right. (Very unclear)

BOB GREENE

School boards have a real interest in this bill. I guess we're not really saying yes or no. We're saying let us know what you want done. Because the law, the statute that tells us that we have to open up a school when we have 8 kids in a community is an appropriate standard. In my view, either we need to take that one off the books and we open up a school

whenever it's feasible, or you give us a standard to open a school board, but also give us a standard when to close it. And I say that because it's a real political explosive situation to try to close a school. And without some kind of a standard to deal with, it sure tears a community up.

Keep in mind that the Molly Hootch consent decree specifically tells us that there is an elementary school there, then we must provide a program, not a school, but a program for one secondary student. If that elementary school is in existence, in other words we have a facility from which we can operate, then we must provide that secondary program, so it has an implication for dealing with all the kids in a small community, both the secondary and the elementary. On a personal basis, as ex-school superintendent and administrator, I can remember looking around for some teacher that's prolific as can be that's got a lot of kids to hire so I could keep the school open. Hire a teacher with a lot of kids when you've only got three or four kids in a community because it was important to keep that school there.

It's difficult for a school board to make that decision. We're going to close this school. You go down here to the Hope School on the Kenai Peninsula and it's probably got more years closed than it has opened. They never know from one year to the next if it's going to be opened or closed. I was assistant superintendent on the Kenai Peninsula and put electric heat in that building so it'd be easier to mothball. I don't know if we're going to be opening next year, those kinds of things. That's tough on a community and it would be better I think to have a standard we all knew what it was than if we are going to try to tough it out in this community it's going to be one way and another school district in another community's going to be another way. I think we're going to have problems.

REPRESENTATIVE HERRMANN

Does anybody have any general comments before I turn it over to Representative Wallis to sum it up.

ROY EWAN

I want to say I appreciate your having this workshop. It's very educational for me. I wish I had more time to attend the various workshops you have. What I'd like to suggest, someone taking hearings to form the boroughs....I really think rural areas still are left out in the discussion, the governing, more or less imposing government on them. Like the mandatory borough or something. I know that there's a lack of funds but keep that in mind. We need to educate the people out in the

rural areas. More workshops like this would help the rural areas.

REPRESENTATIVE HEERMANN

You could also talk to Pat Poland, Commissioner Hoffman about holding some hearings in your district. Any other questions, comments? If not, I'd like to turn the chair over to Representative Wallis.

REPRESENTATIVE WALLIS

I'd like to talk in conjunction of both HB1 and HB 126 that passed last year, and I would like to give to you feelings of the communities, rural communities, in the districts.

Regarding HB1, HB1 actually imposes another form of government on rural communities. It also has a deadline in the bill in which these governments will be formed and that's July 1, 1989. I also have concerns on this bill as to how the bill came into being, and the question that came to mind is did the communities in the unorganized boroughs of the state indicate a wish for this type of legislation?

In the information that went out to the schools and out to the people of Alaska, it talks about one state, one people. As we are all residents of the state of Alaska, we have the innate desire for one state, one people. Here, at this convention, we see each other and we don't see each other as, we see each other as relations, as brothers and sisters, we don't see that diversity in that this letter talks about. We see people that have the same concerns that we have and we share them here at this convention.

Alaska is unique. It's unique in its size, in its diversity, in its geography and in culture. And I think that's great. I think we need diversity to come to some consensus and to reach the best type of decision that we can have.

I also felt, too, and we ask our people in rural Alaska, what is the purpose of this legislation? Is it to create uniformity in government? Does it make it more convenient for people in Juneau to relate or do business with the villages? Does it decrease state funding to rural areas? Is that the purpose of this bill? When the Alaska State constitution was passed in 1959, there was no village or rural input. There was no consideration given to Native self-government. Although tribal governments are not mentioned in the constitution, states can and have more power to do business or relate to tribal governments. And perhaps we need to look at the constitution again. When they came to rural Alaska and they talked about forming a state, they proposed these types

of governments and we said, we don't know. We only have this type of government. This is how we work and it works good for us, but they told us, try it, try it. If you don't like it, we'll go back to what you had. Wrong. We only had broken promises.

The system of many forms of local government may be confusing to people in Juneau or to people in urban Alaska, but they're not confusing to us. It was confusing to us when the municipal form of government was imposed on the villages. And we need to ask ourselves, why do people in the villages lack basic services? Is it because they lack boroughs? Is it because they don't have an economic base? Or is it because they're not getting a fair share of state dollars, given the needs out there in rural Alaska?

The question arises, how can we provide more equitable services? Can the state provide more equitable funding to villages by adapting municipal and revenue sharing to fit the needs of the people of this state. What about bonding powers and schools. What about service areas. When villages talk about government, they mean adopting a form of government that best serves their needs. Not a government where they fit their needs to a form of government mandated by the state.

I have a letter here from one of the school districts that says, HB1 as presently written will reverse a decade long trend for increased local responsibility and control in Alaska. It would eliminate first class cities and force them to join the areas that are currently less organized and be governed by individuals who have far less experience in managing their own affairs. We are proud of our city government and independent school district. For twenty years the people of this city have exercised local control and assumed the responsibility of their status, taxing themselves as needed to make programs work. HB1 would greatly reduce our degree of responsibility for and control over local affairs. It seems to be a major step away from encouraging local control and responsibility and instead seems to promote a force toward regionalization of questionable quality that could lead to even more inefficient community services and schools. We believe it is the best interest of all Alaskans to encourage more communities to assume a greater degree of responsibility for local matters by strengthening, not weakening, first class cities. HB1 does not specifically address either governmental changes needed to enhance local responsibility nor does it deal with the problems of improving educational opportunities for our youth.

It goes on to talk about the state needs to more adequately recognize the great diversity among Alaska's regions and communities and not be afraid of it. As to HB1, we are saying we are having a hearing today, but what about the hearings in our local communities? You can fly into a major region in

District 24 and hold a hearing. But who will show up? I can see holding a meeting this size because you can't go community to community. But when you go into a community with 50 houses in there, it's real easy how our way of talking is, is to go in that community, sit down at a couple homes and have tea with them and talk to them about the issue.

To us that is local and responsible control of government. In the C&RA Committee hearings a committee member mentioned that this bill was having hearings through speeches at Mayors conferences and meetings, especially in regard to my district. Mentioning it at a conference concerning other problems is not public process. Another committee member of C&RA (taped changed).....and military families would come up to Alaska. Consistently their children were put back one year because our educational system was so good, and our teachers weren't even paid a quarter of the amount that they are making today. My aunt was a teacher then and she got approximately, cleared about \$200 to \$500 a month, and yet our educational system was great then.

I'll tell you why these bills are coming up before us and why rural Alaska and our villages are being attacked, and to me these bills are an attack. And they might be evolutionary. They'll bring that up today because they're saying, "You people out there are not carrying your fair share." That can be addressed on many levels.

First of all, fair share. As a tribal person of this state recognized by the Federal government, tribal people bring in dollars to the state that hit the businessmen in their back pockets. I forgot the first time or the date when the feds pulled out of education in Alaska and the Alaska leaders stood back and let them pull out. One hundred million dollars right out of the state. Alaska said we can carry it. Well, if the economy had gone down, now they're saying, "Hey, why don't you carry your fair share." Well, why don't you go back to the Federal government and get our money back.

Right now we have money coming in health, we have money coming in in housing, we have money coming in in children's programs and we have education money coming into this state. Millions and millions and millions of dollars. That's because the state does not recognize tribal governments and does not wish to get into this, we are not getting our fair share of congressional monies. Whereas, other states in the United States paid their people to go to Washington and lobby and have that money pass through the state government, so the state government can get operating cost right off the top. I submit that its time that we looked at that, and I submit that its time that we go back and get our money back from the federal government.

Okay, so economics has brought up this question and economics has said, pay your fair share. Okay, if you don't like living out there, you don't like that school and you don't have a swimming pool and you don't have a decent airport and you don't have electric lights and electric airport lights or running water, why don't you move to the city if you don't like it. Well, we're talking money here, because we will come into the cities but we will be on welfare. Also, through subsistence and through our lifestyle we are living at very cheap cost to other people like we like to live, and we are living in a way that is appropriate to us where we don't have to depend on other people. We will not move into the cities.

What in the world is out there to tax. That's the other question that this economics brings up. This last year when we were talking about education, a school custodian called me from the district and said, "Kay, we want to help out. We want to carry our fair share. Why don't you tax me, I want to give some of my money and help out education in the state. I'm willing Kay." The reason too, why we're not having an education tax because you have to go into the constitution, the state constitution and change it. And let me tell you, I'm a little afraid to open that state constitution, because we just won't put in where we can dedicate funds. We may change it too great, and we may not change it the way that the original settlers up here in Alaska wanted it. So that brings us great concern.

Years ago, Senator Frank Ferguson and Senator John Sackett introduced the concept of an educational permanent fund, and again that was knocked down. I feel that we are everywhere, every way to submit to the state that we wanted to pay for it, for education.

I won't go into where the state loans are going, I won't go into talking about fund equity and money equity across the state, because I went into that this morning. I won't go into where state services are going, I won't go into the fact that municipal assistance and revenue sharing, for every dollar that rural areas gets, the urban area gets approximately \$100 dollars. Yes, I'd like evolution of Alaskan government and formation and I like the fact that we agree to disagree. I like that fact that we can have these hearings and that because I'm standing up saying these things that we don't get thrown into prison where we could in other countries. We all appreciate the fact that we're living here and we appreciate and participate in government processes. I hope that we can strengthen that process by going out to communities and by talking to them, not because - in District 24, the size of Texas, we had two part-time paid positions in teleconferencing. That is not enough. When we had all that money in the state, the legislature nor the governor, nobody stood up and said, "Hey, with all this money, let's put electricity in all our communities in this state, let's Alaska

stand up and say, Hey you know what we did to this millions of dollars? We put electricity in all our communities."

We put in safe airports. We put in electric lights so people in emergencies can fly in and out of there anytime, even though that town may be dark for 24 hours. Nobody went in and said, "Let's put in water in here." And at that time, the Permanent Fund for Education was not set up. So, I'm glad that you're all here today. We really appreciate you're showing up, we appreciate your concern about the education of the children. I hope we go on working for a solution and with the people with their input, I think we'll reach it. That's the conclusion of those topics and I turn the chair back over to Representative Herrmann.

(Five minute break - onto new topic).



DEC -7 1987



HAINES BOROUGH

P.O. Box 1209 Haines, Alaska 99827 - (907) 766-2711

October 28, 1987

Representative Ronald Larson
Chairman
Committee on Budget & Audit
P.O. Box 53
Palmer, Alaska 99645

Dear Representative Larson:

I would like to make a few comments on your recent letter concerning HB #1.

I think you know, through our association in the past, that I support the third class borough concept. Our community is pleased with it and believes that it is the most democratic form of government available. We have several areas where residents decided themselves that they wanted fire service. We have another area studying the possibility of forming our first planning and zoning service area. They are making the decisions because the majority of residents of the area feels the need for those services.

I believe that REEA's could very easily become third class boroughs; however, they do not realize the advantages, and they object to this being forced upon them. I see that a resolution will be introduced at the Alaska School Board Association's next meeting opposing HB #1. I intend to speak against the resolution, but REEA's are very powerful.

My feeling is that you should not rush this bill through the next session. Instead, I'd like to see you revise Title 29 to allow for other third class boroughs. I have had three areas contact me to express interest in the third class borough. These areas include communities on Prince of Wales Island, communities around Copper Center, and the Valdez-Cordova area. I think we should change the law so these or other interested areas could become third class boroughs if they so desire. Once areas become incorporated and others see how well they are working, HB #1 would not be so hard to take.

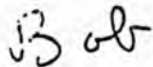
Page 2

I contacted Representative Huffman about this bill and offered my support, but the public needs to be educated. REEA's do not realize the potential source of revenues such as State Revenue Sharing, Municipal Assistance, Federal PILT, F.S. Stumpage, Raw Fish Tax, and Municipal Lands. We have set up a permanent fund from sales of municipal lands and already have one and a half million dollars and interest adds up to well over \$125,000 per year, which we use in lieu of taxes.

Again, the idea is good, but don't push it until they understand the third class borough. Revise Title 29 to allow others to have this form of government - now.

I'll be happy to do anything I can to help you.

Sincerely,



R. E. Henderson
Mayor

NORTHWEST ARCTIC BOROUGH

(H)



P.O. BOX 1110
KOTZEBUE, ALASKA 99752
(907) 442-2500

DEC -7 1987

November 23, 1987

Dr. David Harrison, Professional Assistant
House Community & Regional Affairs
3111 C. Street, Suite 463
Anchorage, Alaska 99503

Dear Dr. Harrison:

The Northwest Arctic Borough opposes the passage of SSHB1, sponsored by Representatives Larson and Menard. We are against any legislation that would require the mandatory formation of Boroughs in the unorganized areas of the State.

For any Government to be successful it needs an economic base to create a stable revenue source to fund its operations. For the most part in the unorganized areas of the State, this economic base does not exist. But as we have seen over the last two years, where there is an economic base these areas will form into organized Boroughs. The new Aeutians East and this Borough are good examples.


In addition to a stable economic base, the other requirement is strong local support for the formation of a Borough. As we have experienced, the process of building a Government requires a significant commitment from the elected officials and the people. If we did not have this support, it would have been difficult, if not impossible to put in place the structure and policies needed to successfully operate a local government. The desire for Borough formation can not be externally generated. The imposition of government without strong local support is a prescription for failure.

While we appreciate the concerns of the sponsors, their efforts would be better directed towards creating and maintaining a strong economic base in the unorganized Borough and fostering local support for the creation of new regional governments.

Ambler, Buckland, Candle, Deering, Kiana, Kivalina,
Kobuk, Kotzebue, Noatak, Noorvik, Selawik, Shungnak.

Thank you for the opportunity to respond to this legislation. If you have any questions or require any additional information, feel free to contact me.

Sincerely,



Chuck Greene
Mayor

cc: Senator Hensley
Representative Adams
Martha Fischback

CG/pl



Alaska State Legislature

House of Representatives

Committee on Community & Regional Affairs

11-25-87 (I)

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-4833

DEC -7 1987

November 20, 1987

Honorable Stan Peters, Mayor
Emmonak City - P. O. Box 8
Emmonak, Alaska 99581

Dear Mayor Peters:

Just a delayed note to say that I enjoyed visiting and meeting with the Mayors of the Coastal Yukon Mayors Association.

In gathering information pro and con on SSHB 1 - Mandatory Borough Bill, Representative Henry Springer would appreciate any comment on this bill that is in his committee. I know Martha Fischbach, his Secretary has asked for this information and I just want to follow-up a bit so we can have your concerns for the record and for the committee members.

If you could poll or call the various mayors, and indicate the number that are for SSHB 1 _____; indicate the number that are against SSHB 1 _____. Thanks for your time and effort in this matter.

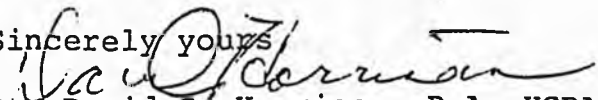
We would appreciate any comments that you wish to add based upon phone calls, etc. Space is provided for your written comments.

Comments on SSHB 1.

It is the concensus of the majority of the mayors that they are opposed to
SSHB 1. However, we are not going to be like ostriches and stick our heads
in the sand, we are proceeding with studies on boroughs and the financial
burdens it would curtail.

Please us the backside if you need more space to write.

Sincerely yours


Dr. David C. Harrison, P.A. HCRA
cc: Martha Fischbach, Secretary HCRA