

ALASKA LEGISLATURE COMMITTEE FILES 1987-88 8672

4445 HCRA HB 1 (FILE 1)

House Community and Regional Affairs Committee

October 13, 1987  
Work Session

**FILE PACKAGE CONTENTS**

1. Agenda
2. Files
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  - B. HB 33-Inoperative Schools
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  - D. Economic Development District
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    - HB 1 Convert REAA's into 3rd Class Boroughs
    - HB 20 State Sales Tax
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    - HB 318 Energy Efficient Home Equity Fund
    - HB 319 Approp: AK Energy Efficient Home Program
  - Also:
    - HB 65 Dissolution of a Municipality
    - SB 50 Dissolution of a Municipality
  - F. Work Session Miscellaneous
    - 1) Rural AK-Financial Crisis  
Anchorage Times, 9/22/87

39th MEETING  
House Community and Regional Affairs  
COMMITTEE MEETING AGENDA  
Oct. 13, 1987

1. CALL TO ORDER: Tuesday, Oct. 13, 1987, 9:00 a.m.
2. NOTE MEMBERS PRESENT AND EXCUSED:
  - Rep. Springer
  - Rep. Cato
  - Rep. Collins
  - Rep. Herrmann
  - Rep. Zawacki
3. CALENDAR:
  - HB 1 Converting REAAs into 3rd Class Boroughs
  - HB 33 Inoperative Schools
  - Local Governance
  - Rural Governance Council
  - Rural Economic Districts
  - Interim Work Plan (Travel, Hearings, Meetings, Educ)
  - 2nd Session Legislation (old, new, rewrite, etc.)
  - 5. Administration's Position on Entitlement
4. FOR THIS MEETING EACH MEMBER HAS:
  1. Agenda
  2. Files
    - A. SSHB 1 (your file)-REAAs to 3rd Class Boroughs
    - B. HB 33 - Inoperative Schools
    - C. Rural Governance Council
    - D. Economic Development District
    - E. Legislation In Committee
      - SSHB 1, SSHB 20, HB 102, HB 136, HB 159,
      - HB 227, HB 286, HB 314, HB 318, HB 319,
      - + HB 65 status
    - F. Work Session Miscellaneous
      1. Entitlements
      2. Rural AK Financial Crisis-ANC Times  
9/22/7
5. REMIND PARTICIPANTS TO SIGN THE WITNESS REGISTER:
6. ORDER OF BUSINESS (see Calendar):
7. ADJOURNMENT:

# State of Alaska

SS  
19 VB 1

Rep. Ronald Larson  
CHAIRMAN  
(907) 465-3727

INTERIM ADDRESS  
P. O. Box 53  
Palmer, Alaska 99645  
(907) 745-3826



Sen. Rick Halford  
VICE CHAIRMAN  
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Chuglak, Alaska 99567  
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Committee on Budget and Audit  
State Capitol  
P.O. Box V  
Juneau, Alaska 99811

October 3, 1987

Name, Board President  
Name, Superintendent  
Name REEA  
Address  
City, Alaska zip

Dear :

During this past legislative session, I introduced House Bill No. 1, legislation that would convert the unorganized areas of Alaska into third class boroughs. The legislation allows areas to organize on their own as first or second class boroughs or as home rule boroughs if they do so before July 1, 1989. No doubt, the legislation will receive much public debate over the next several months. I would like to share with you my reasons for introducing the legislation, my thoughts as to the advantages borough government would offer the citizens of the unorganized borough, and my hopes and aspirations for the state if this legislation were to be passed.

I believe it is long past time that we come together as one people and one state. It is time that we rid ourselves of the "we versus they" thinking that has too long permeated the rural and urban areas of the state. It is time that people from all areas of the state join as partners to make this state the best that it can be. It is time that we join not only in maximizing local control but also in sharing local responsibility for programs and services.

The Alaska State Constitution, ratified by the people of Alaska in 1956 and implemented in 1959, called for "maximum local self-government with a minimum of local government units" and stated that, "All local governments shall be vested in boroughs and cities." Almost thirty years later, we have yet to complete the process leading to what I believe the Convention delegates had in mind when they wrote Article X.

Instead, we have an area covering two-thirds of the state operating under a complex and oftentimes confusing system of local governments, quasi-governments, tribal governments, and service areas lacking consistency and congruity. We have citizens lacking many of the basic services provided those in the organized boroughs, citizens highly dependent on the federal government, citizens who view themselves as separate from mainstream Alaska.

I believe it is time to improve that situation. I believe it is time to join in partnership to develop the human and natural resources that we have, to provide more equitable services across the state, and to move toward economic development of the state as a whole. I believe borough government throughout the state, in cooperation with state and federal governments, can benefit all Alaskans and most importantly those of future generations.

The advantages of organizing borough government, I believe, are many--some are very practical and immediate and some are not quite so tangible. Most directly, over a period of three years each newly organized borough would receive \$600,000 in state assistance to defray the cost of transition to borough government (\$300,000 in the first year, \$200,000 in the second, and \$100,000 in the third. Also, under municipal land entitlements, an area becoming a borough would be entitled to up to 10 percent of the total acreage of vacant unappropriated, unreserved state land within its boundaries with a limit of 20 acres per citizen).

The organization of borough government would result in eligibility for state municipal assistance and revenue sharing monies to newly organized boroughs, both of which allow a good deal of flexibility in spending. These funds can be used to finance local service delivery and to reduce local taxes and to "assure that no municipality suffers impoverishment of necessary public services, relative to other municipalities, because of the chance location of taxable wealth in the state." (Chapter 155, SLA 1980) In other words, organization would result in a broader range of services--including but not limited to legal, health, public safety, police, and social services.

Also, borough organization would provide the opportunity for area-wide bonding power, and therefore area-wide economic development. It would allow the establishment of service areas--the number and kind to be decided by the citizens of the borough--within which specific services could be provided.

I add the emphasis in the last sentence, because in many ways organization would allow for the assumption of a greater degree of self-government, rather than less self-government as argued by opponents of organization. Under provisions of the Alaska Constitution, the state legislature exercises "any

power or function in an unorganized borough which the assembly may exercise in an organized borough." In other words, by organizing borough government, the people would take for themselves many of the powers and functions now in the hands of the legislature. At the same time, it would enhance greater accountability upon decision-makers affecting their lives. No longer would so many of the important decisions be made in far-away Juneau by legislators unfamiliar with local circumstances; rather, those decisions would be made by local leaders elected in local elections.

Let me add but two more advantages: First, borough government would enhance coastal management and protection authority. Finally, with organization, each borough could function as a corporate entity to hire employees, acquire and sell property, and collect taxes (most importantly, from gas and oil, timber, and fisheries industries and development, from which taxes now flow into the state coffer).

In short, organization would provide rural Alaska the umbrella of powers and services that organized boroughs now have. In doing so, it would lessen many of the inequities between rural and urban areas and within the rural areas themselves. As for the latter, resources within each newly organized borough would benefit all the people of the borough, not just a few who happen to live in the area where those resources are developed.

From the legislature's viewpoint, organization would allow state government to more efficiently and effectively deal with its people--under the authority of the Alaska Constitution and Title 29 of the Alaska Statutes. It would provide the state a legal entity with which to deal; it would lessen the confusion surrounding funding to various entities within the unorganized borough; and it would eliminate much of the overlap, duplication, and lack of services in rural Alaska (and therefore with it the confusion among rural residents as to which agency is responsible for delivering a particular service).

I will end by pointing out two things: First, I think it is very important to understand that borough organization is not an attempt to eliminate tribal government in the rural areas. Rather, as I see it, tribal and borough governments would work compatibly with the state and the federal governments, village and regional corporations, and nonprofit organizations to provide a level of service not now available to rural citizens. In fact, I would guess that in many areas current tribal leaders would be elected as leaders of the borough. Those leaders, with the strength of local government at their sides, would have the opportunity to enhance a cultural bridge between present and future generations of Native Alaskans.

Secondly, as I stated in the beginning, HB 1 allows (in fact, it encourages) each area to incorporate as it wishes--as a first or second class borough or under a home rule charter--before the 1989 deadline. Of course, there are different degrees of responsibility, authority, flexibility, and limitation attached to each of these forms of government. Each area that chooses to organize on its own must decide for itself the form that best fits its needs and wishes. Both the Department of Community and Regional Affairs and my office stand ready to provide the technical assistance for making that decision as well as the "nitty gritty" of implementing borough organization.

I am sure that you, other members of the school board, and people in your communities have many questions and concerns about this issue. (I am also sure there are those with objections.) I encourage as many of you as possible to let me know of those questions and concerns (and, yes, your objections as well--perhaps, most importantly, your objections). It is time to begin the public debate. It is time to share our thoughts.

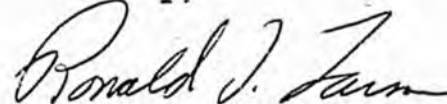
I know that in the very near future the House Committee on Community and Regional Affairs plans to hold several public hearings around the state on this issue and several others affecting rural residents. I plan to be a part of those public hearings--I want to hear what people have to say, and I want the opportunity to share my thoughts on the issue of borough organization.

I ask that you share this letter with the school board and the residents of your region. In fact, I encourage you to do so. In my mind, the more people that become involved in, and aware of, this issue the better. I welcome your and their input. I can be reached by letter at the Palmer address at the top of this letter or by phone at 746-1046.

I enclose a copy of HB 1. My office stands ready to offer you various resource materials at your request--information about borough government, information about forming borough government, a sample of a home rule charter, etc.

Thank you.

Sincerely,

  
RONALD L. LARSON  
REPRESENTATIVE

enclosure

# STATE OF ALASKA

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STEVE COWPER, GOVERNOR

## DEPT. OF COMMUNITY AND REGIONAL AFFAIRS

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October 13, 1987

House Community and Regional Affairs Committee

Dear Representatives:

As you are aware, the First Session of the Fifteenth Legislature directed the Department of Community and Regional Affairs to "conduct public hearings and examine the issues of forming regional municipal government in the Unorganized Borough and report back to the Legislature by January 1, 1988" (Page 105, Chapter 95, SLA 1987).

In partial response to this direction, the Department will publish two booklets. The first is a booklet intended to provide general information concerning borough government. A copy of the conceptual draft of this booklet is attached for your consideration.

The second booklet or report will deal more with issues relating to borough government in what is now the Unorganized Borough. In addition to identifying issues, this report will discuss options for dealing with those issues. A copy of the draft outline for this report is also attached for your consideration.

We would appreciate any comments you may wish to offer on this material.

Sincerely,

Pat Poland  
Deputy Director

Enclosures

cc: Marty Rutherford, Director  
Doug Griffin, Deputy Director  
Municipal and Regional Assistance Division

REGIONAL  
GOVERNMENT  
IN  
ALASKA

**DRAFT**  
FOR DISCUSSION PURPOSES ONLY



STATE OF ALASKA  
Steve Cowper, Governor

DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS  
David G. Hoffman, Commissioner

MUNICIPAL AND REGIONAL ASSISTANCE DIVISION  
Marty Rutherford, Director

November, 1987

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# **CORRECTION**

**THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY**

REGIONAL  
GOVERNMENT  
IN  
ALASKA

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STATE OF ALASKA  
Steve Cowper, Governor

DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS  
David G. Hoffman, Commissioner

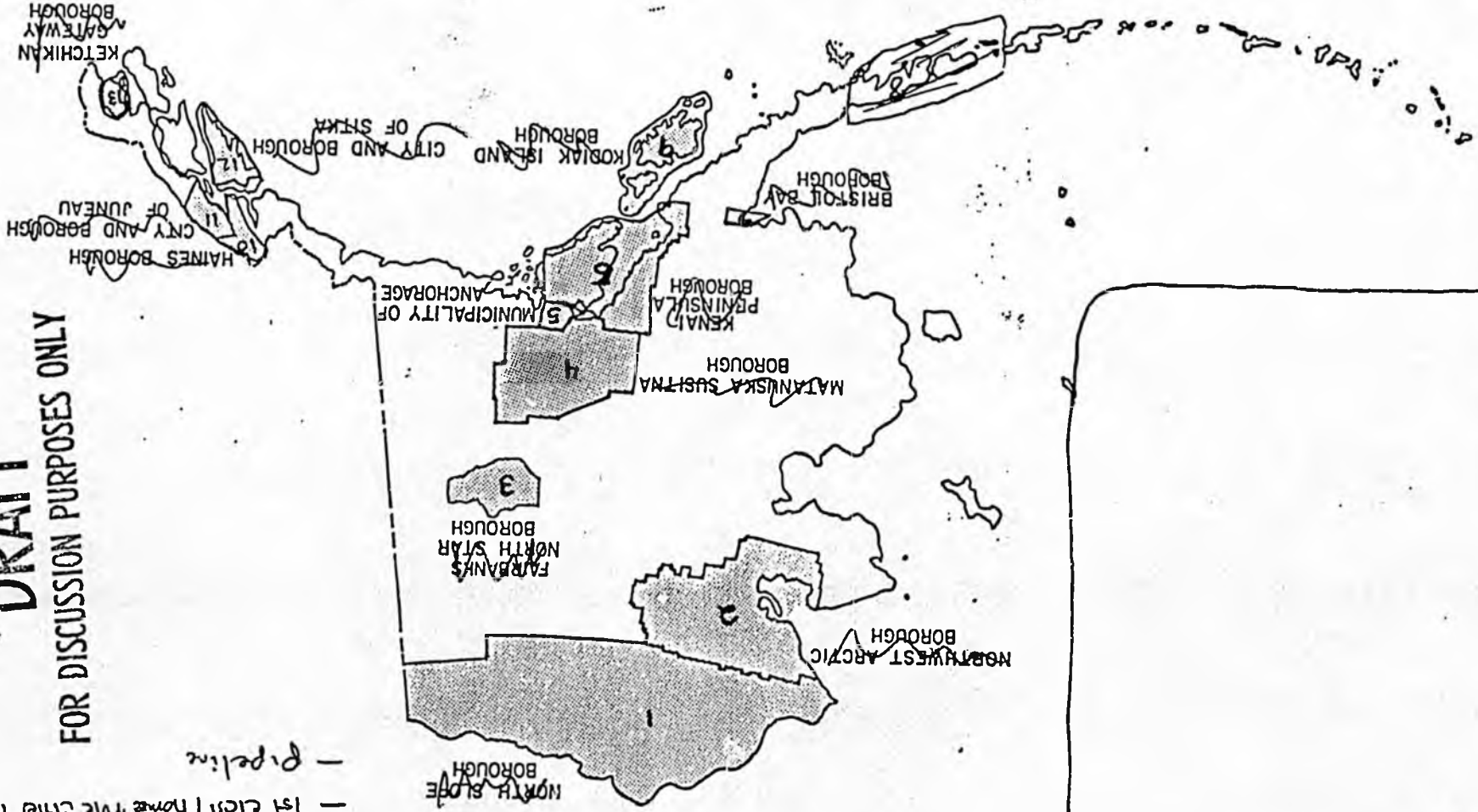
MUNICIPAL AND REGIONAL ASSISTANCE DIVISION  
Marty Rutherford, Director

November, 1987

THE UNORGANIZED BOROUGH CONSISTS OF THE UNSHADED AREA

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- ADD
- Aleutians East Borough
  - REARs
  - 1st class/home rule cities in U.B.
  - pipeline



1 North Slope Borough (home rule)  
2 Northwest Arctic Borough (home rule)  
etc  
↑

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PREFACE

There has been little or no interest in forming new boroughs in Alaska from the late 1960's to the mid-1980's, other than the creation of the North Slope Borough in 1972.

However, these circumstances are changing. In 1986, the Northwest Arctic Borough (headquartered in Kotzebue) incorporated. It was the first borough to form since the North Slope Borough. More recently (October, 1987), the Aleutians East Borough was formed encompassing the communities of Sand Point, Nelson Lagoon, King Cove, Cold Bay, False Pass and Akutan. Several unincorporated regions in the state are also currently studying the merits of forming boroughs.

This renewed interest in forming boroughs is the result of important recent and pending social, economic and political developments in the state, which will be discussed in this publication.

This booklet has been prepared to provide information concerning borough government to all those who are interested in the topic of borough government. It is written in a general fashion and is not intended to provide complete details regarding all aspects of the subject. Those who wish further information should contact the Alaska Department of Community and Regional Affairs.

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CHAPTER ONE  
MUNICIPAL GOVERNMENT IN ALASKA -  
WHERE WE ARE AND A RELEVANT HISTORY OF HOW WE GOT HERE

INTRODUCTION

The Alaska Constitution provides that "All local government powers shall be vested in boroughs and cities."<sup>1</sup> The focus of this publication is on borough or regional government. However, in order to address the topic properly, it is necessary to discuss aspects of city government as well.

Alaska presently has 160 borough and city governments.<sup>2</sup> The table below provides a summary of the types of municipal government which presently exist in the state. The differences in each of these types of government will be explained in this booklet.

Organized Boroughs

Unified Home Rule	3
Home Rule	2
First Class	0
Second Class	7
Third Class	1
Total	13

Cities

	Within Boroughs	Outside Boroughs	Total
Home Rule	7	5	12
First Class	8	14	22
Second Class	26	87	113
Total	41	106	147

WHAT IS A BOROUGH?

Many Alaskans have misunderstandings about borough government. There are three principal reasons for this lack of understanding. First, boroughs encompass only about one-third of Alaska, so many have no first hand experience with boroughs. Second, boroughs are unique to Alaska. And third, they are a relatively recent development in the history of the state.



While many adult Alaskans are not familiar with boroughs, they are generally very familiar with cities. Whereas two-thirds of the state have no boroughs, cities exist throughout the state. In fact, more than 72 percent of the cities in this state are located outside of boroughs. Further, while boroughs are relatively new, cities have existed in Alaska since 1900. Finally, unlike boroughs, city governments are not unique to this state.

Given the greater familiarity with city government, it is perhaps best to compare a city to a borough when trying to define a borough.

Readers may be surprised to learn the great similarities between cities and boroughs.



In many important ways a borough is identical to any city in Alaska.

- It is an organization created to provide public services and facilities for its residents. These may include fire protection, police protection, road maintenance, water, sewer and electrical utilities, docks, emergency medical services, libraries and other many facilities and services.
- It is governed by elected officials.
- It is recognized by the state and federal governments as a legal entity which may represent the interests of its residents.
- It qualifies for a broad range of state and federal financial assistance.

In other important ways, a borough is identical to any first class city or home rule city in the Unorganized Borough.

- It has the power and responsibility to provide public education.
- It has the power and responsibility to provide public planning and land use regulation -- an important element in maintaining the quality of life desired by residents of an area.

A major distinction between a borough and a city is the amount of area within its boundaries. The jurisdiction of a city is limited to the community. The boundaries of a borough may encompass a broad region. This distinction allows boroughs far greater opportunities to gain revenue from regional resources which lie outside the jurisdiction of cities (e.g. state business fisheries taxes).

WHAT BOROUGHS EXIST IN ALASKA AND WHEN WERE THEY FORMED FOR DISCUSSION PURPOSES ONLY

The following identifies the boroughs which presently exist, listed in the order of their incorporation.

Bristol Bay Borough	October 2, 1962
Ketchikan Gateway Borough	September 6, 1963
Kodiak Island Borough	September 24, 1963
City and Borough of Juneau <sup>6</sup>	September 24, 1963
City and Borough of Sitka <sup>7</sup>	September 24, 1963
Fairbanks North Star Borough	January 1, 1964
Kenai Peninsula Borough	January 1, 1964
Matanuska-Susitna Borough	January 1, 1964
Municipality of Anchorage <sup>8</sup>	January 1, 1964
Haines Borough	August 29, 1968
North Slope Borough	July 1, 1972
Northwest Arctic Borough	June 2, 1986
Aleutians East Borough	October XX, 1987

WHY WERE SO MANY BOROUGHS FORMED IN SEPTEMBER OF 1963 AND JANUARY OF 1964?

Prior to September of 1963, only one borough had been formed in the state (Bristol Bay Borough). Yet, in September of 1963 and January of 1964, eight boroughs were formed.

Those eight boroughs were formed as a result of a law adopted by the 1963 legislature<sup>9</sup>. This law, known as the "Mandatory Borough Act" required eight regions in the state to form boroughs by local initiative prior to January 1, 1964. If any of those eight regions failed to form a borough on its own initiative, it became incorporated automatically under the provisions of the law.

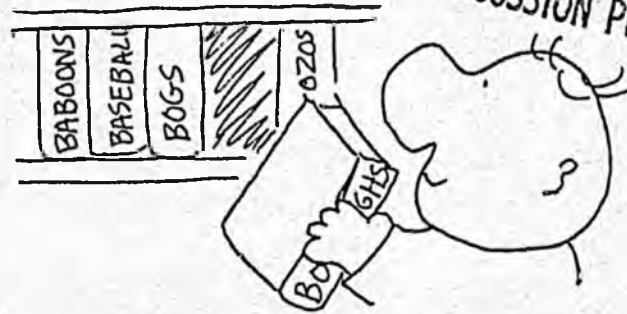


Regions encompassing Juneau, Sitka, Ketchikan and Kodiak formed individual boroughs on their own initiative in September of 1963. Regions encompassing Fairbanks, Anchorage, the Kenai Peninsula and the Matanuska-Susitna Valleys did not incorporate on their own initiative and were formed automatically under the provisions of the law on January 1, 1964.

WHAT HAS PROMPTED THE RECENT INTEREST IN BOROUGH GOVERNMENT?

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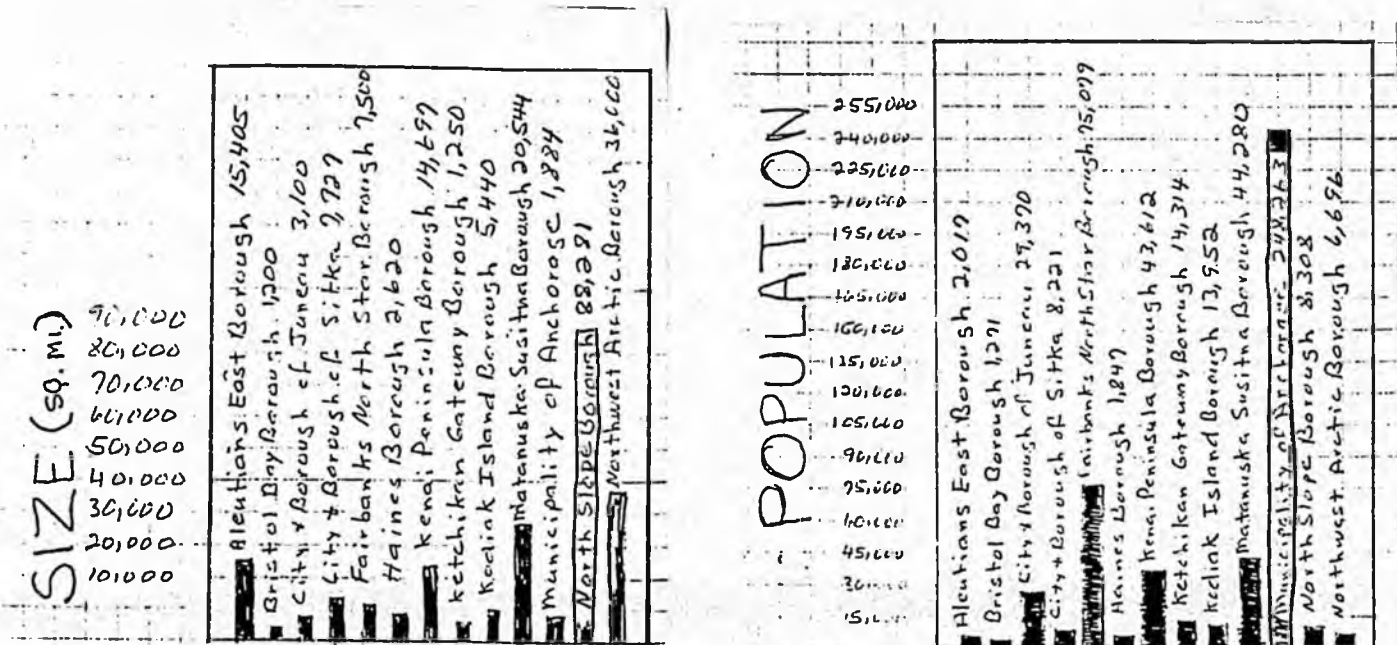
After an absence of interest in borough government (except for the North Slope Borough) which spanned almost two decades, there is renewed interest in the subject. This turnaround is principally the result of the following:



- The desire to maintain or improve the level of public services in the face of declining State revenues.
- The likelihood that reapportionment of the Alaska Legislature following the 1990 federal census will shift greater legislative power to urban areas. This may result in laws which are less favorable to the unorganized regions of the state.
- The concern that the Legislature will require areas to form boroughs as occurred in 1963.
- The desire to assume greater local control of the delivery of public services and facilities..

WHAT ARE THE SIZES AND POPULATIONS OF EACH OF THE BOROUGH?

The following graphs list and compare the populations and geographic areas of each of the boroughs. Data on the Unorganized Borough, which is that part of the state outside of organized boroughs, is also provided below.

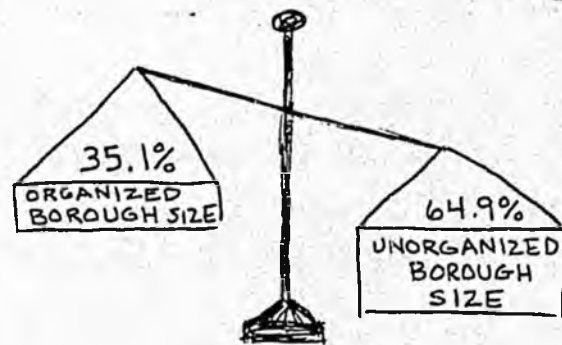


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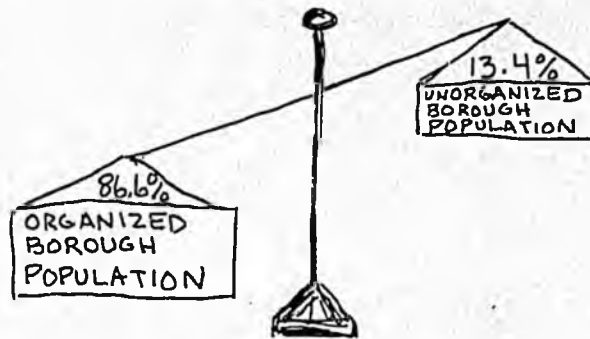
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HOW DO THE SIZE AND POPULATION OF THE UNORGANIZED BOROUGH COMPARE TO THE TOTALS FOR ALL ORGANIZED BOROUGHS?

The thirteen organized boroughs encompass an estimated 205,848 square miles, which amounts to 35.1% of the state. The remaining 64.9% of Alaska, approximately 380,552 square miles, lies in the Unorganized Borough.



The population of the thirteen organized boroughs totals 497,230, which amounts to 86.6% of the state's population. The population of the Unorganized Borough is 76,747, which amounts to 13.4% of Alaska's population.



WHAT ABOUT CITIES IN THE UNORGANIZED BOROUGH?

There are three classes of cities in Alaska: home rule, first class and second class cities. The powers and duties of cities vary with classification and whether they are located within or outside of an organized borough. As noted earlier, the powers and duties of home rule and first class cities in the Unorganized Borough are comparable to those of boroughs.

HOW MANY INDIVIDUALS LIVE IN FIRST CLASS AND HOME RULE CITIES IN THE UNORGANIZED BOROUGH?

There are 19 home rule and first class cities in the Unorganized Borough. The area encompassed by their boundaries is relatively small, however, their population is significant. More than one-third of these cities have populations larger than two boroughs in the state (Bristol Bay and Haines).

The combined populations of the 19 home rule and first class cities in the Unorganized Borough total 27,690. This amounts to more than 36% of the population of the Unorganized Borough. Remember, first class and home rule cities in the Unorganized Borough have powers and duties similar to boroughs.

More than one-third of the residents of the Unorganized Borough are governed in virtually the same manner as they would be by a borough.

$$\frac{1}{3} = \text{Borough-Like Government}$$

Unorganized Borough Residents

WHAT ABOUT SECOND CLASS CITIES IN THE UNORGANIZED BOROUGH?

Unlike first class and home rule cities in the Unorganized Borough, second class cities are not required to provide public education or planning. In fact, they are not permitted to exercise the power of education. They do, however, have the option of exercising the powers of planning, platting and zoning.

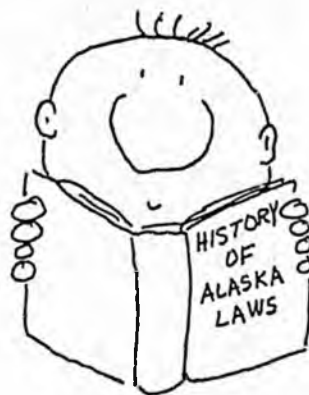
There are 87 second class cities in the Unorganized Borough. The population of these cities totals 32,923. This represents 42.9% of the population of the Unorganized Borough.

Bethel is the largest second class city in the Unorganized Borough. The population of Bethel is 4,462. Bethel's population is more than 20 times greater than Pelican, the smallest first class/home rule city in the Unorganized Borough.

WHY ARE SOME SMALL CITIES LIKE PELICAN REQUIRED TO PROVIDE THE SAME MINIMUM SERVICES AS A BOROUGH, YET MUCH LARGER CITIES LIKE BETHEL NOT REQUIRED TO DO SO?

Remember, the powers and duties of a city depend upon its classification. First class and home rule cities in the Unorganized Borough must provide the same minimum level of services required of boroughs.

In order to find out why some of the larger cities in the Unorganized Borough are not required to provide education, but some of the smallest are, it is necessary to look in the history book



At one time State law allowed five classes of city government (as compared to the current three). The classifications were: home rule, first class, second class, third class and fourth class.

In 1972, the legislature passed a law reducing the available classifications.<sup>10</sup> The law provided that:

- ° All second and third class cities incorporated before September 10, 1972, and having a population of 400 or more are automatically reclassified to first class cities.

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DRAFT

- ° All first, second and third class cities incorporated before September 10, 1972, and having a population of less than 400 shall be judged by the Local Boundary Commission and, in certain cases the legislature, to determine whether they should be first or second class cities.
- ° All fourth class cities are automatically reclassified to second class cities.

Bethel was incorporated in 1957 as a fourth class city and remained a fourth class city until this law was passed. Under the 1972 law, Bethel was automatically reclassified as a second class city without regard to its population at the time (2,416 - 1970 federal census).

However, Pelican was incorporated as a second class city in 1944. It is significant to note that at the time Pelican incorporated, the law only permitted first and second class cities to form.<sup>11</sup> In 1972, Pelican's population was 133 (1970 federal census). Because its population was less than 400, the Local Boundary Commission held a hearing in Pelican to determine its appropriate classification. After doing so, the Commission concluded that Pelican should be classified as a first class city. Formal objections were raised by residents which required the Commission's action to be forwarded to the legislature. Ultimately, the legislature approved the action and Pelican became a first class city on March 7, 1974.

The effect of that law upon certain cities was identical to the effect of the 1963 mandatory borough act on certain regions of the state. The cities so affected became first class cities and, as a result, are now required to provide the same services required of boroughs.

#### HOW MANY ALASKANS LIVE OUTSIDE ANY MUNICIPALITY?

An estimated 16,134 residents of Alaska reside outside of any municipal government. Some of the unincorporated communities in the Unorganized borough are relatively large. For example, Metlakatla (population 1,439), Tok (population of 1,256) and Glennallen (population 900) would be the 9th, 10th and 14th largest cities in the Unorganized Borough if they incorporated.

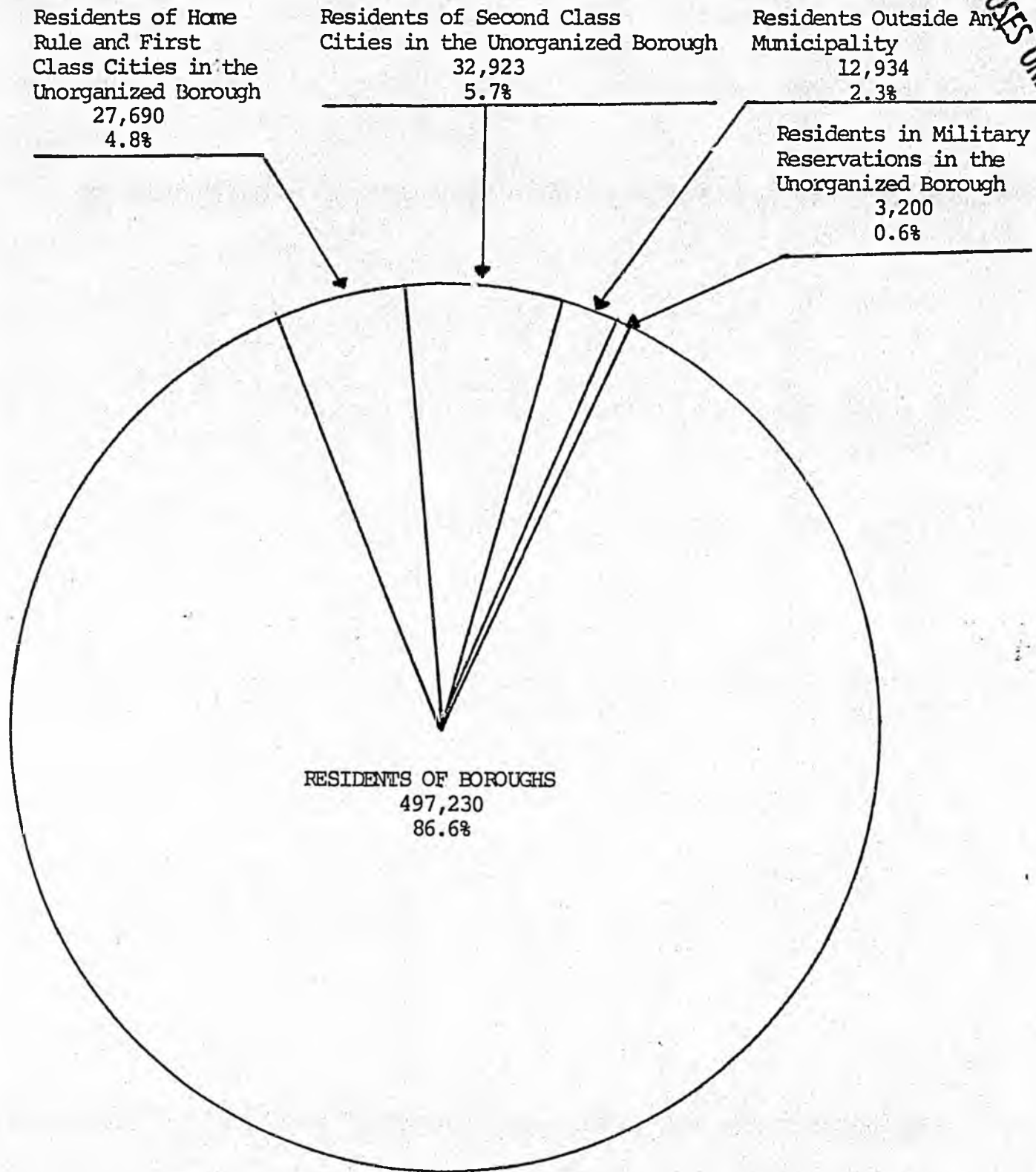
A number of individuals also live on self-contained military bases outside of any municipality. Of these, Adak is the largest. It is estimated that approximately 3,200 individuals live on military bases outside of any municipality.

Thus, an estimated 12,934 Alaskans (2.3%) live outside a municipal government or military reservation.

PLEASE SUMMARIZE THE CHARACTERISTICS OF ALASKANS WITH RESPECT TO THEIR LOCATION INSIDE OF AND OUTSIDE OF MUNICIPAL GOVERNMENTS?

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**DRAFT**

OK. Here it is.



HOW ARE "TRADITIONAL LOCAL GOVERNMENT SERVICES" PROVIDED TO INDIVIDUALS LIVING IN UNINCORPORATED COMMUNITIES IN THE UNORGANIZED BOROUGH?

Typically, the State has assumed the responsibility for providing facilities and certain services to most of these unincorporated communities. Such facilities and services are provided without the imposition of a tax or user fee on the part of the state.

The assistance is carried out through the use of "agents of the State" which typically involves an agreement between the State and some local entity. Typical local entities include non-profit corporations and Native councils (IRA councils and traditional councils).

Regional services in the Unorganized Borough are provided through special services areas of the State. For example, education services are provided by regional educational attendance areas (REAs). Planning services are, in some instances, provided by coastal resource service areas (CRSAs). Again, these regional services are provided without cost to the residents receiving them.

ARE THERE ANY BILLS PENDING BEFORE THE LEGISLATURE THAT WOULD REQUIRE BOROUGHS TO BE FORMED IN THE UNORGANIZED BOROUGH?

Yes. Sponsor Substitute for House Bill 1 provides that any unincorporated region of the state would be converted to a borough on July 1, 1989.



In its present form, the bill would not only dictate the creation of boroughs, it would dictate

- borough boundaries
- the class of borough
- the number of assembly members
- how the assembly is elected.

The bill would form third class boroughs along the boundaries of the REAs as they existed on July 1, 1982. However, two or more REAs could combine to form a single borough. The governing body of these boroughs would be comprised of a seven member assembly elected at large.

There is no assurance that the legislation will pass. However, as was indicated earlier, over the past 25 years the legislature has twice passed laws mandating that regions or communities take on responsibility for minimum local government functions of education, planning, platting and zoning.

FOR DISCUSSION PURPOSES ONLY  
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An estimated 477,091 residents of the state, more than 83% of all Alaskans, presently live in boroughs which were formed under the provisions of the Mandatory Borough Act.

Sponsor Substitute stems from a perception that the present methods of service delivery in Alaska are inefficient and inequitable, particularly those with respect to education.

SPECIFICALLY, WHAT ARE SOME OF THE CONCERNS OVER THE PRESENT METHOD OF SERVICE DELIVERY IN THE STATE?

As indicated earlier, many of the concerns center around education services.

Presently, there are 55 school districts in the state. Some of these have relatively few students (lowest is estimated at 54). Yet, each of these school districts has its own administrative structure, which to an extent causes certain inefficiencies.

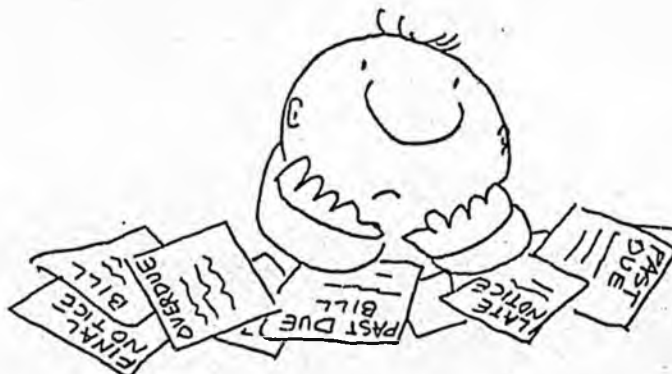
Of the 55 districts, 33 (60%) are municipal school districts (boroughs and first class and home rule cities in the Unorganized Borough). These municipalities are required by law to provide a minimum level of financial support for their schools. It is estimated that each of these local governments will, on average, contribute more than \$1,500 per student in support of education. However, the remaining 22 districts (regional educational attendance areas or REAAs) are not required to contribute to the operation of their schools.

One REAA (Aleutian Region) is expected to receive more than \$15,000 per student from the State during the 1987 - 1988 school year. Yet, the adjacent municipal school districts of King Cove and Sand Point are expected to receive only \$8,718 and \$7,682, respectively, per student.

Other areas of the state have similar unfavorable comparisons. The Matanuska-Susitna Borough, for example is expected to receive \$3,588 per student from the State, while the immediately adjacent Copper River REAA is expected to receive more than \$8,000 per student.

It was reported recently that, in 1986 teachers in the Copper River REAA received the highest salaries of any public teachers in the state -- \$11,000 more per year than the state average.<sup>12</sup>

In December of 1986, the Copper River REAA became the first school district in the state and the second in the nation to seek the protection of the federal bankruptcy court.



The average level of support from the State per student in a municipal school district is expected to be only \$3,628. The average level of support from the State of Alaska per student in each regional educational attendance area is \$8,371.

WHAT ABOUT ISSUES OTHER THAN EDUCATION?

Concerns have been expressed that the method of delivering State services generally in unincorporated communities (e.g. through non-profit corporations, tribal councils, etc.) may be a violation of the Alaska Constitution which stipulates that "All local government powers shall be vested in boroughs and cities."

Concerns have also been expressed over the public policy of funding services in communities through organizations which may not democratically represent or be open to membership by all of the residents of the community. Examples of these organizations include non-profit corporations and Native councils.

Other concerns have been expressed that the vast majority of residents of the state must contribute substantially for the local government services they receive and that it would only be equitable for all to do so . . . at least those who can afford to pay.

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CHAPTER TWO  
CLASSES OF BOROUGHES; THEIR POWERS AND DUTIES

FOR DISCUSSION PURPOSES ONLY  
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INTRODUCTION

The powers and duties of boroughs differ with respect to their classifications. Current law allows the following three classes of boroughs to incorporate:

- home rule borough
- first class borough
- second class borough

This section will discuss the major differences between each class of borough. Even though the option of forming a third class borough is not presently available, a discussion of third class boroughs is included. Such a discussion is included in order to give the reader a more complete understanding of all the present forms of regional government in Alaska. Further, since the current proposal to mandate boroughs (Sponsor Substitute for House Bill 1) calls for the formation of third class boroughs, it is important to understand their limitations, powers and duties.

WHAT ARE THE DIFFERENCES BETWEEN THE CLASSES OF BOROUGHES?

A summary of the major distinctions between the different classes of borough is presented in the following table. The finer points of some of the differences between the boroughs is not evident in the table, but is discussed in the narrative immediately following the table.

POWER	H.R.	1st	2nd	3rd
EDUCATION	M	M	M	M
TAX ASSESSMENT/COLLECTION*	M	M	M	M
PLATTING, PLANNING AND ZONING	M	M	M	A
LIMITED AREAWIDE FUNCTIONS (see text)	C	O	O	N
AREAWIDE FUNCTIONS (generally)	C	A	A	N
LIMITED FUNCTIONS OUTSIDE CITIES (text)	C	O	O	N
FUNCTIONS OUTSIDE CITIES (generally)	C	O	A	N
FUNCTIONS IN SERVICE AREAS (generally)	C	O	A	A

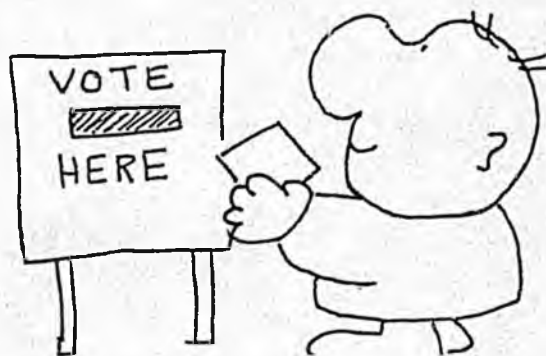
M= mandatory  
 C= powers vary as determined by home rule charter  
 O= optional, voter approval not required  
 A= approval required from voters and/or cities  
 N= not permitted

\* It is not mandatory that a borough impose a property tax. However, a borough is responsible for the assessment and collection of any municipal taxes levied within its boundaries.

## HOME RULE

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A home rule borough offers the greatest opportunity for citizens to form the kind of government best suited to their needs. A home rule borough is one whose powers, duties and governmental procedures are largely determined by a charter adopted by the voters of the borough.



There are however, some 50 specific limitations imposed upon home rule boroughs by State laws.<sup>13</sup> Outside of these limitations, a charter may prescribe any powers, duties and procedures so long as they are not prohibited by some law.

Examples of some of the more important requirements of and limitations on home rule boroughs follows:

- to provide the same minimum services required of other boroughs (education, planning and tax collection);
- to conduct meetings in public in compliance with the State open meeting law;
- to conform to procedures and requirements of State law concerning municipal boundary changes;
- to conform to several provisions of the law concerning election of officials (voter qualification, qualification of officials, term of office, assembly composition and apportionment, recall);
- to conform to all procedures and requirements of State law concerning property taxation.

For those powers, duties and procedures not limited by statute, the charter approved by the voters can impose either broader or more restrictive powers, duties and procedures. For example, first, second and third class boroughs have the authority, subject to voter approval, to levy a sales tax of up to six percent. A home rule borough charter could limit that authority to, say, 3 percent. Alternatively, the charter could extend the authority to 10%, but may limit its application to certain goods and services such as alcohol, tobacco or hotel rooms.

One home rule borough prohibits the levy of property taxes without voter approval.



FIRST CLASS BOROUGH

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A first class borough has the following powers.

AREAWIDE (THROUGHOUT THE ENTIRE BOROUGH, INCLUDING THE AREA WITHIN CITIES IN THE BOROUGH)

- ° As with a home rule borough, a first class borough must provide areawide education, planning, platting, zoning and tax assessment and collection.
- ° The borough may provide transportation systems, water and air pollution control, license day care facilities, and regulate animals, all by the adoption of ordinances.
- ° The borough may also provide any other power which is not prohibited by law if either of the following occurs:
  - 1). all of the cities within the borough transfer their power to provide that service to the borough; or
  - 2). a majority of the voters of the borough authorize the borough to assume the power.

NONAREAWIDE (AREA OF THE BOROUGH OUTSIDE ALL CITIES)

- ° The borough may exercise any power not prohibited by law by the adoption of an ordinance.

SERVICE AREA (A PORTION OF THE BOROUGH IN WHICH THE BOROUGH PROVIDES A DIFFERENT LEVEL OF SERVICE THAN THAT PROVIDED ON AN AREAWIDE OR NONAREAWIDE BASIS).

- ° The borough may exercise any power not prohibited by law by the adoption of an ordinance.

It should be noted, however, that a first, second or third class borough may include a city within a service area if: 1) the city council agrees by ordinance; or 2) approval is granted by a majority of the voters inside the city and a majority of the voters in the proposed service area outside the city.

SECOND CLASS BOROUGH

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AREAWIDE

- The areawide powers and duties of a second class borough are identical to those of a first class borough. Except, however, if a second class borough seeks to assume an areawide power (other than those nonareawide powers listed below which it may assume by ordinance) through transfer from cities, it must also gain approval from the voters outside the cities.

NONAREAWIDE

- A second class borough may by ordinance provide transportation systems, regulation of fireworks, regulation of animals, solid waste collection/disposal, septic waste collection/disposal, air and water pollution control, economic development, participation in federal or State loan programs for housing rehabilitation and energy conservation, local service roads and trails, emergency services communications and limited regulation of motor vehicles and operators.
- The borough may exercise any other power not prohibited by law upon approval of the borough voters residing outside of cities.

SERVICE AREA

- The borough may exercise any power not prohibited by law through 1) approval of the voters in the service area; or 2) approval of all of the property owners in the service area if there are no voters
- In addition, the borough may establish a service area necessary to develop municipal or State land as required by the borough's planning, platting and land use regulations upon: 1) approval of the assembly if the service area encompasses only vacant borough land; or 2) approval of the assembly and the Commissioner of the Alaska Department of Natural Resources for vacant State land slated for disposal to individuals.

THIRD CLASS BOROUGH

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**FOR DISCUSSION PURPOSES ONLY**

AREAWIDE

Like other boroughs, a third class borough must provide areawide education and tax assessment and collection. Unlike other boroughs, it is not required to provide areawide planning, platting and zoning. However, any home rule or first class city within a third class borough is required to exercise the powers of planning, platting and zoning.

NONAREAWIDE/SERVICE AREA

The law makes no specific provision for a third class borough to provide services on a nonareawide basis. However, the law does permit third class boroughs to exercise powers on a service area basis.

A third class borough has the same powers as a second class borough to establish service areas, except that a third class borough service area cannot be established by approval of property owners in the absence of voters.

CHAPTER THREE  
TYPICAL LOCAL REVENUE SOURCES

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LOCAL SOURCES

The most common sources of locally generated revenue are sales/use taxes, property taxes and user fees.

SALES AND USE TAXES

A municipal sales tax is a tax upon sales of goods and services sold within the boundaries of the municipality. A use tax is a tax upon personal property which was purchased outside a municipality but which is imported into the municipality for use.



State law permits first, second and third class boroughs to levy sales and use taxes not exceeding six percent upon approval by the voters. A municipality has great latitude in granting exemptions from the tax by ordinance (e.g. food products, sales to senior citizens) all products and services except sales of tobacco and alcohol). Some boroughs levy sales and use taxes only on commercial sales of fish.

Few municipal governments levy use taxes since it is typically difficult to determine when and what property is being brought into the municipality. However, there are exceptions. These usually involve importations of commercial quantities of fish brought to a municipality for processing or, in the case of the North Slope Borough, taxation of the importation of industrial equipment and facilities by the oil companies.



The 1986 rates of taxation and amount of revenue generated from sales taxes (including specialized taxes like hotel taxes) in each of the 12 boroughs which existed then are listed in the following table.

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BOROUGH	TAX RATE	\$ GENERATED
BRISTOL BAY BOROUGH	3.0% (fish only)	\$700,000
CITY AND BOROUGH OF JUNEAU	4.0% (general)	12,003,087
	additional 5.0% (hotel)	298,477
	additional 3.0% (liquor)	448,259
CITY AND BOROUGH OF SITKA	4.0%	2,899,801
FAIRBANKS NORTH STAR BOROUGH	0.0%	0
HAINES BOROUGH	1.0%	93,397
KENAI PENINSULA BOROUGH	2.0%	6,955,628
KETCHIKAN GATEWAY BOROUGH	1.5%	1,965,961
KODIAK ISLAND BOROUGH	0.0%	0
MATANUSKA-SUSITNA BOROUGH	0.0%	0
MUNICIPALITY OF ANCHORAGE	8.0 (hotel)	3,517,715
NORTH SLOPE BOROUGH	3.0 (sales/use)	3,539,658
NORTHWEST ARCTIC BOROUGH	0.0	0

The only tax to be levied by the newly incorporated Aleutians East Borough will be a 2% sales and use tax on commercial fish. It is projected that this will provide annual revenues of some \$712,000.



For those boroughs which levy general sales taxes, proceeds range from \$50.57 (Haines Borough) to 102.17 (City and Borough of Juneau) per capita, per 1% of tax levied.

PROPERTY TAXES

The authority of boroughs to tax real and personal property is generally limited to 30 mills (3% of the full and true value of the property).<sup>14</sup> State law requires that certain types of property be exempt from taxation. The law also permits boroughs to determine whether they wish to exempt other types of property from taxation.

The 1986 rates of taxation and amount of revenue generated from property taxes in each of the 12 boroughs which existed then is listed below:

BOROUGH	MILL RATE	\$ GENERATED	PER CAPITA
BRISTOL BAY	5.00	475,000	374
JUNEAU	8.96 to 9.96	13,125,267	447
SITKA	4.00	1,147,782	140
FAIRBANKS	8.45 to 16.73	26,970,985	399
HAINES	3.00 to 5.60	180,139	98
KENAI	4.00 to 9.00	12,866,928	295
KETCHIKAN	2.70 to 18.00	1,853,797	130
KODIAK	3.75 to 7.25	1,691,997	121
MAT-SU	5.30 to 9.00	14,587,650	329
ANCHORAGE	5.05 to 10.18	120,713,129	486
NORTH SLOPE	18.37	234,307,090	28,203
NW ARCTIC	0.00	0	0

CHAPTER FOUR  
OTHER SOURCES OF REVENUE AND ASSISTANCE

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ORGANIZATIONAL GRANT - A newly incorporated borough is entitled to a grant totalling \$600,000 to help fund initial operating costs.

\$300,000 of the grant is paid during the first fiscal year of the borough, \$200,000 is paid during the second year and the remaining \$100,000 is paid during the third year.

PUBLIC SCHOOL FOUNDATION FUNDING PROGRAM<sup>15</sup> - It is estimated that the State and federal governments will provide more than \$438,000,000 to educate an estimated 102,142 students in Alaska's public schools (excluding University of Alaska) during the 1987-1988 school year. This represents an average of \$4,288 per student.

The law requires that boroughs, as well as first class and home rule cities in the Unorganized Borough contribute funds in support of school operation. The remaining school districts in the state (regional educational attendance areas) are not required to contribute toward public education.

The requirement for financial support from boroughs and city school districts is an amount at least equivalent to a 4 mill property tax. However, the State will subsidize districts that have not previously met this requirement for 2 years (up to 2 mills during the first year and up to 1 mill during the second year).

It is estimated that these cities and boroughs will contribute nearly \$136,000,000 toward this effort during the 1987-1988 school year.



MUNICIPAL ASSISTANCE - Program funds are intended to be used for general property tax relief. A borough is eligible to receive a payment under this program every year. For a borough, entitlements are based principally upon the number of residents who live outside of cities within the borough. Presently, the payments run between \$101 and \$125 per resident (outside of cities). The North Slope Borough, however, receives approximately \$488 per resident because of the manner in which the funding is structured.

The FY 87 program payment received by each of the boroughs is listed on the following page.

MUNICIPAL ASSISTANCE PAYMENTS

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BRISTOL BAY BOROUGH	\$ 139,878
CITY AND BOROUGH OF JUNEAU	3,281,454
CITY AND BOROUGH OF SITKA	945,929
FAIRBANKS NORTH STAR BOROUGH	5,156,701
HAINES BOROUGH	83,345
KENAI PENINSULA BOROUGH	2,939,051
KETCHIKAN GATEWAY BOROUGH	583,030
KODIAK ISLAND BOROUGH	621,255
MATANSUKA-SUSITNA BOROUGH	3,692,868
MUNICIPALITY OF ANCHORAGE	29,509,362
NORTH SLOPE BOROUGH	1,510,378
NORTHWEST ARCTIC BOROUGH	34,711

STATE REVENUE SHARING

Boroughs are eligible to receive program funds annually. The level of funding depends largely upon the population of the borough, the level of funds generated from local sources and what extent the borough provides certain services (road maintenance and health care).

Each municipal government in the state is entitled to a minimum annual payment of \$25,000 plus a regional cost of living adjustment.

The program payments received by each of the boroughs is listed below:

BRISTOL BAY BOROUGH	\$ 108,799
CITY AND BOROUGH OF JUNEAU	4,419,724
CITY AND BOROUGH OF SITKA	732,306
FAIRBANKS NORTH STAR BOROUGH	2,881,000
HAINES BOROUGH	36,717
KENAI PENINSULA BOROUGH	2,985,863
KETCHIKAN GATEWAY BOROUGH	450,146
KODIAK ISLAND BOROUGH	655,186
MATANSUKA-SUSITNA BOROUGH	3,028,133
MUNICIPALITY OF ANCHORAGE	14,784,128
NORTH SLOPE BOROUGH	734,052
NORTHWEST ARCTIC BOROUGH	161,791

FISHERIES BUSINESS TAX REFUNDS

The State levies a tax on fish processing. To the extent that the taxes are collected within a municipality, the State returns a portion of the taxes collected to that municipality.

Under present law, a borough receives a refund in the amount of 50% of such taxes collected within the borough, but outside of cities. In addition, for the area within cities in the borough, a newly formed borough receives 5% of the tax collected during the first calendar year in which the borough was formed. The amount paid to the

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borough increases in 5% increments during the second, third and fourth years. On the borough's fifth year and thereafter, it receives 25% of the amount collected within each city and, of course, 50% of the amount collected outside the cities in the borough.

The latest program payments received by each of the boroughs is listed below:

BRISTOL BAY BOROUGH	\$ 1,088,819
CITY AND BOROUGH OF JUNEAU	6,275
CITY AND BOROUGH OF SITKA	465,399
FAIRBANKS NORTH STAR BOROUGH	443
HAINES BOROUGH	166,895
KENAI PENINSULA BOROUGH	661,362
KETCHIKAN GATEWAY BOROUGH	267,891
KODIAK ISLAND BOROUGH	871,703
MATANSUKA-SUSITNA BOROUGH	20,967
MUNICIPALITY OF ANCHORAGE	92,347
NORTH SLOPE BOROUGH	0
NORTHWEST ARCTIC BOROUGH	16

The newly incorporated Aleutians East Borough anticipates receiving at least \$421,000 annually from this program.

MISCELLANEOUS OTHER REVENUE SOURCES

There are a number of other State programs which typically offer lesser amounts of revenue to municipalities. These include:

- 50% of the State license fees for amusement and gaming devices (excluding distribution, fees, penalties and cost of collection) are returned to the local government in which the fees were collected;
- 100% of the electrical and telephone cooperative taxes (less collection costs) are returned to the local government where the taxes were collected;
- For municipalities which enforce federal, State and local liquor laws and which have a municipal police force, 100% of the liquor license fees (excluding wholesale licenses) are returned to the local government;
- For municipalities which own and operate airports or which lease and operate airports, 60% of the proceeds of the State aviation fuel tax collected in the municipality is returned to it;
- Coastal Zone Management Funds;
- There are a number of other financial assistance and grant programs provided by the State. Readers interested in further information should contact the Department of Community and Regional Affairs.

## MUNICIPAL LAND ENTITLEMENTS

Newly incorporated municipal governments are entitled to 10% of the maximum total acreage of vacant, unappropriated, unreserved State land within their boundaries between the date of incorporation and two years later. However, the entitlement is limited to 20 acres per person living within the municipality on the date of its incorporation.

Boroughs have received entitlements ranging from 2,800 acres to 355,210 acres. The programs is administered by the Department of Natural Resources.

## GENERAL TECHNICAL ASSISTANCE

Staff from the Department of Community and Regional Affairs are available to provide assistance to all municipal governments on a variety of matters. The Department is prepared to offer newly formed municipalities higher levels of technical assistance to assist in the transition to municipal status.



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CHAPTER FIVE  
STANDARDS FOR BOROUGH FORMATION

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Current State law requires that a region have certain characteristics before it may incorporate as a borough.<sup>16</sup> These requirements, called standards for incorporation, are summarized below.

POPULATION



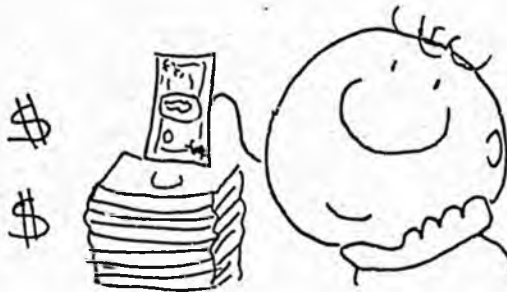
The population of the region must be interrelated socially, culturally and economically. It must be large enough to support borough government. The population must be stable. There must be at least two communities within a borough and there must be at least 1,000 residents in the region.

TRANSPORTATION FACILITIES



The transportation facilities (roads, trails, waterways, airports, etc.) must permit residents of the region to meet and carry out local government matters. Transportation services must be available at least once a week between communities in the region on a scheduled or charter basis. Communities located within the region which do not have regularly scheduled transportation services must be connected by a highway.

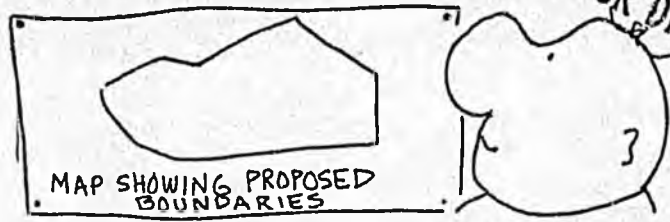
ECONOMY



The economy of the region must be able to support a borough. There must be at least sufficient anticipated revenues to maintain and operate the powers which state law requires borough to provide.

BOUNDARIES OF THE PROPOSED BOROUGH

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The boundaries of the proposed borough must conform generally to natural geography. They must include any area which is necessary for the borough to provide services. They must also include, at a minimum, one entire regional educational attendance area (unless the Local Boundary Commission determines that a smaller area can otherwise meet the standards for incorporation).

TIMING AND ABILITY



AUGUST						
S	M	T	W	T	F	S
1	2	3	4	5	6	
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

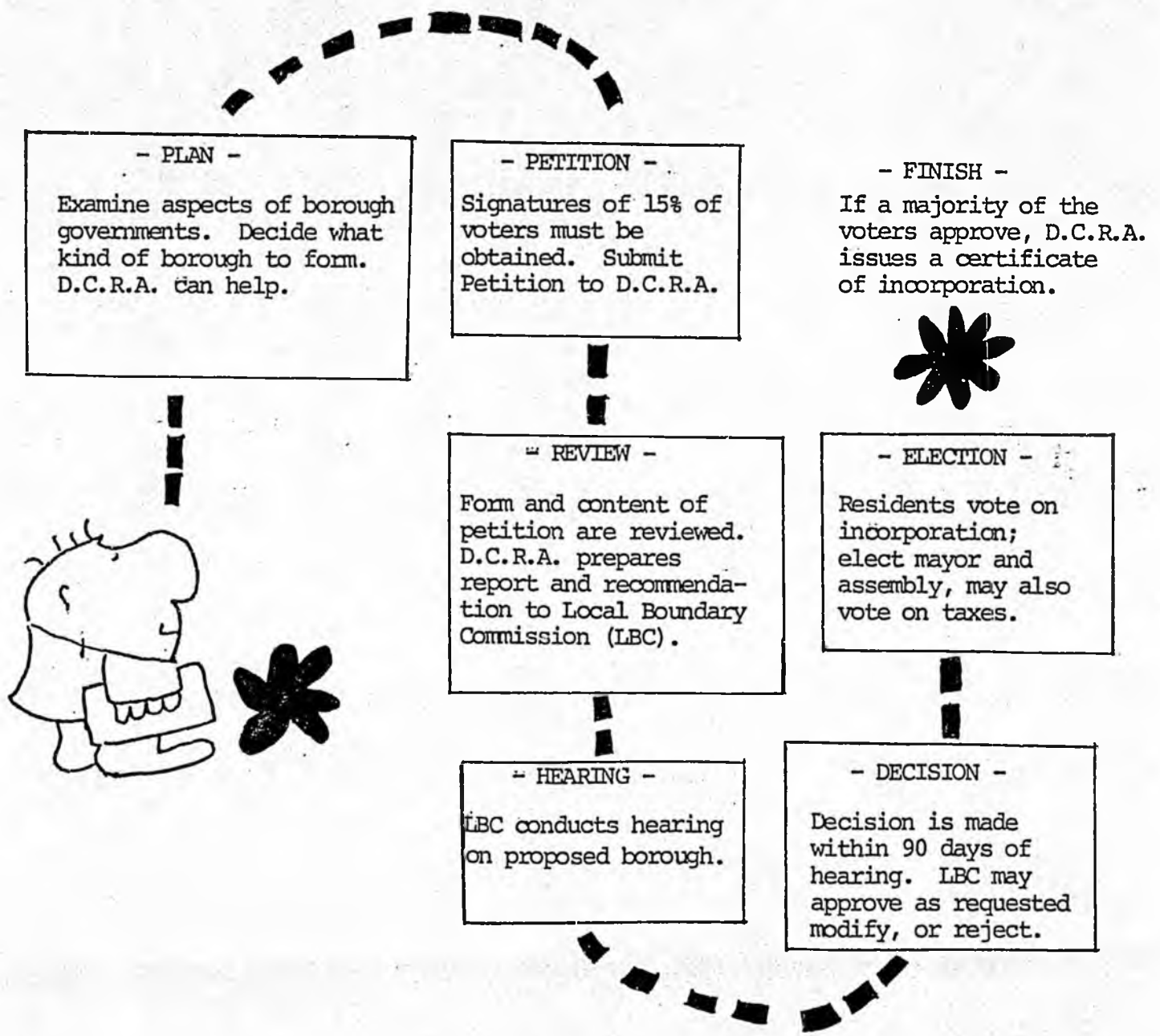
The proposed borough must be "capable of providing and willing to provide" the mandatory powers of an organized borough within three months of incorporation. However, in most cases actual transfer of powers from existing organizations (e.g. transfer of education from an REAA to a borough) can be accomplished over a period of two years.

CHAPTER SIX  
PROCEDURES FOR BOROUGH FORMATION

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FOR DISCUSSION PURPOSES ONLY

The borough incorporation process is established in State and federal law.<sup>17</sup> It typically takes a minimum of six months and often longer to form a borough once a petition for incorporation has been formally submitted.

The steps for incorporating are outlined below.



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FOR DISCUSSION PURPOSES ONLY

9/30/87

PROJECT SUMMARY

PROJECT DEADLINE: December 1, 1987.

DESIRED SIZE: 20 pages (30 pages maximum).

TEXT: Based upon approved outline (draft attached).

GRAPHICS: As noted in outline -- in addition to the "technical graphics" noted in the outline, it would be ideal to have some other graphics to "liven up" the booklet.

TYPESETTING: DCRA leading edge [note: Wayne Longacre is presently in Anchorage to fix our leading edge -- hopefully we can get it up and running and staff trained so it may be used in this instance].

FOOTNOTES/REFERENCES: These will be used extensively to keep the size of publication to the desired level.

STYLE: The publication will be written in a non-technical fashion.

DCRA PHILOSOPHY IN ADDRESSING THIS MATTER: recognize the need for politically acceptable proposals, yet be cognizant that resolution of certain problems is not likely without some compulsory action. We believe that regional government fulfills a legitimate function and that the establishment of organized boroughs throughout the state will result in benefits to both the state and local residents. To be accepted by the residents, regional governments must serve useful functions as defined by them and the state. To this end, we believe that a home rule borough is the best vehicle to address the needs of the state and regions. Accordingly, the report will focus on home rule borough options.

COMMENT ON REQUIREMENTS OF CH 95, SLA 1987: Direction from the legislature was, in part, to "conduct public hearings . . . and report back to the legislature by January 1, 1988". Decisions will be made in conjunction with the House and Senate C&RA Committees and Representative Larson regarding what, if any, hearings DCRA will conduct. It is possible that legislative teleconference hearings will be conducted on this matter in early January, 1988.

O U T L I N E

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**FOR DISCUSSION PURPOSES ONLY**

I. INTRODUCTION

A REASONS FOR THE REPORT

1. legislative directive for DCRA to "examine issues in forming regional municipal governments and report back to the legislature."
2. interest being expressed in the topic of regional government by residents of many regions (Aleutians East Borough, Northwest Arctic Borough, Southwest Region REAA borough study, Prince William Sound borough study, Interest in considering boroughs Copper River Area and Lower Yukon regions, possible annexation by Mat-Su Borough, annexation proposal from City of Dillingham); interest is also being expressed by others in changing the structure of regional service delivery (SSHB 1, HB 1);

B STATEMENT OF WHAT WILL BE ACCOMPLISHED BY THE REPORT

1. provide a better understanding of a) the structure of municipal government and b) service delivery to unincorporated areas in Alaska, with focus on problems facing each;
2. offer concepts to be considered for addressing these problems.

II. BACKGROUND

A DESCRIPTION OF PRESENT STRUCTURE OF SERVICE DELIVERY

1. Education - municipal school districts vs REAAs;
  2. Planning/platting/zoning - boroughs, mini boroughs, 2nd class cities vs. CSRAs, DNR (replatting), no formal planning for non-coastal regions;
  3. Other services - simple narrative discussion of broad powers of local governments vs. description of how services are provided to unincorporated areas (revenue sharing, grants to unincorporated communities, VPSO program, traditional/IRA councils, non-profit corporations (discuss concerns previously raised regarding use of such organizations i.e. "non-democratic" institutions, uncertain longevity of some organizations, creates competition among entities in same community for funding, Alaska laws concerning non-profit corporations, constitutional authority).
- ° Graphic: table showing powers exercised by regional governments in Alaska.

B CHARACTERISTICS CONCERNING THE PRESENT STRUCTURE OF SERVICE DELIVERY

1. Examples: 2/3 of Alaska lies in the Unorganized Borough; 12 boroughs and 21 "mini-boroughs" exist; less than 9% of the state's population lives in the Unorganized Borough outside of first class and home rule cities;
  - Graphic: table providing data of characteristics of boroughs, mini-boroughs and Unorganized Borough (ideally by REAA) showing income, employment, population, student population, race, property values, fisheries values, sales taxes.
  - Graphic: map of the state showing boroughs, mini-boroughs, REAAs, trans-Alaska Oil Pipeline.

III. CLEAR STATEMENT OF THE ISSUES/PROBLEMS

- A Unequal distribution of resources. "belonging" to all Alaskans has hindered development of optimum local government structure throughout the state.
- B State budget cuts and other issues are forcing a reevaluation of service delivery methods;
- C Inequities in the delivery of services;
- D Inefficiencies in delivery of services;
- E Need/opportunity to enhance basic services.
- F Need/opportunity to develop a better system of service delivery (i.e. through intermediary between state and community; both to represent the interests of the region's people and to deliver services)

IV. OPTIONS FOR DECISION MAKERS -

A STATUS QUO

1. List weaknesses of this structure
  - a. inequities in service delivery;
  - b. inefficiencies in service delivery;
  - c. abuse of the system;
  - d. public perceptions;

OUTLINE  
REPORT ON THE UNORGANIZED BOROUGH  
PAGE THREE

2. Conclusion stating why DCRA doesn't support this option.

B CREATION OF BOROUGHES WHICH HAVE ONLY EDUCATION POWERS  
(IN EFFECT, GIVING TAXING POWER TO REAAs)

1. List weaknesses with this concept  
a. while it addresses problems associated with option A, it is inflexible in that it doesn't address other service needs of regions/communities;.

2. Conclusion stating why DCRA doesn't support this option.

C CREATE 3RD CLASS BOROUGHES IN THE UNORGANIZED BOROUGH

1. List weaknesses with this concept.  
a. while it addresses problems associated with option A and option B, we believe there are more preferred options;

2. Conclusion stating why DCRA doesn't support this option.

D CREATE 1ST OR 2ND CLASS BOROUGHES IN THE UNORGANIZED BOROUGH

1. List weaknesses with this concept.  
a. while it addresses problems associated with option A and option B, we believe there are more preferred options;

2. Conclusion stating why DCRA doesn't support this option.

E CREATE HOME RULE BOROUGHES IN THE UNORGANIZED BOROUGH

1. DCRA supports this concept;

2. Provides opportunity for maximum flexibility and local control;

3. Regional administration/service provision (resulting in economies of scale and better fiscal accountability); place strong emphasis on the point that cities aren't necessary for service delivery within a borough;

4. Relationship with Tribal entities (identify and use tribal entities - provide meaningful role. This would make regional government more culturally acceptable in some areas of the state);

5. Transfer substantial responsibility of and funding for direct provision of services from the state to regional governments;

6. Advantage to everyone to have intermediate level of government throughout the state;
7. Examine limitations on home rule governments to determine whether amendments may be appropriate.

V. IMPLEMENTATION

A PROVIDE A STRUCTURE TO ENSURE THAT ALL SUCH BOROUGHS ARE FINANCIALLY VIABLE

1. DCRA believes that there are a number of options which could be used to ensure that every region in the state has sufficient financial resources to provide a minimum level of services. The purpose of this report is not to examine or even present the concept of such options - to do so would detract from the purpose of the report discussed earlier.

B ESTABLISH STANDARDS WHICH WOULD TRIGGER THE ASSUMPTION OF A PARTIAL BURDEN FOR THE FINANCING OF SERVICES

1. This could be done through mandating boroughs throughout the unorganized borough, but using the trigger to determine when, and to what extent, the boroughs would have to undertake some responsibility for funding of services.
2. Alternatively, a mechanism could be set up for the Local Boundary Commission to formally consider the compulsory incorporation of a borough once a region attained a certain standard.
3. Example of factors which might be used to set such standards include the following (discuss in some detail):
  - a. the value of taxable real and personal property;
  - b. the value of taxable sales transactions;
  - c. the value of fisheries resources;
  - d. the population of the region (i.e. when it reaches a certain threshold);
  - e. the population as a percentage within city school districts.
  - ° INSERT TABLE SHOWING WHICH REAAs MIGHT BE AFFECTED BY EACH OF THE STANDARDS

C RESOLVE BOUNDARY IDIOSYNCRASIES

1. In conjunction with any process which will bring about the organization of the Unorganized Borough, it is appropriate to address certain idiosyncrasies in current REAA/borough boundaries. (e.g. it may be appropriate for the following annexations Klukwan and Skagway to the Haines Borough; Port Alexander to the City and Borough of Sitka, Metlakatla to the Ketchikan Gateway Borough and portions of REAAs 6/7 to the Bristol Bay Borough).

D OTHER OPTIONS/ISSUES RELATING TO REGIONAL GOV'T STRUCTURE

1. State Income Tax Credit: In the event that an income tax is reenacted, it could be done in a manner which provides greater equity to all Alaskans with respect to the financial burden of local government. For example, an individual earning \$50,000 in Alaska might have a \$2,000 state income tax liability. However, if that person paid \$850 in municipal taxes, that amount would be credited fully against the income tax liability, resulting in a income tax payment of \$1,150. An Alaskan earning \$50,000 but who paid no Alaska municipal taxes would have to pay the full \$2,000 income tax.
2. Examine Formulas for Funding to determine whether they are equitable;
3. In the event that some action is not taken to bring about regional government in all or significant portions of the present Unorganized Borough, the following options may help to remedy some of the problems presently facing the state:
  - a. examine/modify the classifications of certain existing cities in the Unorganized Borough. Some first class cities in the Unorganized Borough (which are burdened with the responsibilities of education and other functions) have relatively small populations; some second class cities (which escape these burdens) have large populations;
  - b. municipal school districts/REAAs which have student enrollments below a certain standard might be compelled to merge with adjacent school districts in order to meet the standard;

VI. CONCLUSION



ALASKA STATE LEGISLATURE  
HOUSE OF REPRESENTATIVES  
RESEARCH AGENCY

17-a SSB 1

P.O. Box Y, State Capitol  
Juneau, Alaska 99811-3100  
Mail Stop 3100  
(907) 465-3991

October 9, 1987

MEMORANDUM

TO: Representative Henry Springer

ATTN: David Harrison

FROM: Karen Oakley  
Legislative Analyst

RE: Creation of Boroughs: Full Taxable Value and Effects on Public  
School Finance  
Research Request 88.041

You asked us to provide a rough estimate of the amount of property tax revenue that could, in theory, be generated within each third class borough proposed to be created under House Bill 1 and to determine how HB 1 would affect the financing of public schools within the new boroughs and within the state. You asked that we also discuss whether the amount of potential revenue justified the costs to collect the taxes and to evaluate the ability of residents in each new borough to pay such taxes.

In summary, we found:

- Under HB 1, 22 rural education attendance areas (REAs) and 21 city school districts would be reorganized into 20 third class boroughs. Of these new boroughs, 12 would be created from REAs alone, and eight would be created from combining city districts with their surrounding REA.
- The total taxable value of property in the proposed boroughs is about \$7.5 billion; the majority (78 percent) of this value is derived from the areas through which the TransAlaska Pipeline passes. In comparison, the taxable value of property in existing boroughs is \$48 billion.
- The "required local effort" for public education in the proposed boroughs would total \$19 million--given FY 88 basic need values. About \$11 million of this local effort would be generated by property in REAs that has not previously been taxed at the local level.

- Given FY 88 basic need values, "required local effort" in the proposed boroughs would result in a \$13.4 million reduction in the total amount of State foundation aid. This "savings" could be used to reduce the General Fund contribution to public education or could be used to increase the percentage of basic need funded by the State for all school districts.
- Because local property taxes are taken as a credit against State oil and gas property tax liability and because the TransAlaska oil pipeline accounts for over half of the taxable property value of the proposed boroughs, the net savings of General Fund moneys from requiring a local effort for education in the REAAs will be on the order of \$3 million.
- The costs to institute a conventional property tax in the proposed boroughs would most likely be prohibitive.
- The per capita personal income in the proposed boroughs is less than in the existing boroughs. More work is required to assess the ability of residents in the proposed boroughs to pay property taxes.

#### Background

Under Sponsor Substitute for House Bill 1, all regional education attendance areas would be converted into third class boroughs (attached). The REAAs are school districts within the unorganized borough. The legislature is responsible for provision of services within the unorganized borough, and the REAAs are "special service districts" (AS 29.03.020) created by the legislature in 1975 to "allow for maximum local participation and responsibility" for education in rural Alaska. The REAAs are distinguished from the two other kinds of school districts--city and borough districts--by their inability to levy taxes. City and borough school districts must raise money locally to help support their schools; this is generally done through the taxation of property. The REAAs cannot tax, thus, they cannot raise money locally to help support schools.

A third class borough is an unincorporated general law municipality that has area-wide power for education and tax assessment and collection; these are the only area-wide powers that a third class borough may exercise.<sup>1</sup> Currently, there is only one third class borough--the Haines Borough.

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<sup>1</sup>Third class boroughs may acquire other powers not prohibited by law, but the powers may be exercised only within a service area (AS 29.35.220).

House Bill 1 also provides that each city school district within the boundary of a REAA would become part of the new borough school district. Two or more REAAs would be allowed to combine to form a single borough. The initial assembly of each borough would consist of seven members elected at large and would provide for the form of representation, composition and apportionment of the assembly.<sup>2</sup>

House Bill 1 would require that residents of rural Alaska help pay for local schools in the same way that residents in cities and boroughs are required to do. There are essentially two formulas for determining the amount of State aid school districts receive--one which applies to city and borough districts and one which applies to REAAs. Each city and borough district must raise an amount equal to the lesser of a four millage rate tax on its full and true property value or 35 percent of its basic need; in public school parlance, this is known as the required local effort.<sup>3</sup> The amount of State aid a district receives is determined by subtracting the required local effort (and 90 percent of its federal aid) from its basic need. Since REAAs are not required to make a local effort, the REAAs receive more of their basic need from the State than city and borough districts do. By requiring the rural districts to make a local contribution to the costs of education, HB 1 would affect both the total amount of State foundation aid and its distribution among districts.

Although the primary purpose of HB 1 relates to equity of public school finance within the state, HB 1 would have other important ramifications. The unorganized borough would be abolished, and the legislature would no longer have the responsibility to provide governmental services in these rural areas. In addition to the REAAs, the legislature has created coastal resource service areas and housing districts within the unorganized borough, and it is unclear at this point how the functions of these areas would be affected by HB 1. We will not discuss these issues further in this memorandum, but we want to point out that HB 1 will affect a broad range of issues related to local government in rural Alaska.

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<sup>2</sup>Pursuant to AS 29.20.300(b), the assembly is the school board for a third class borough.

<sup>3</sup>The "basic need" of each school district is determined by multiplying the area cost differential by the number of instructional units by the instructional unit value.

### Configuration of School Districts Under HB 1

Currently, Alaska is divided into 55 school districts: 12 borough districts, 21 city school districts and 22 REAAs. House Bill 1 would affect all 22 REAAs and all 21 city school districts. All of the REAAs would become a borough or be part of a borough, and all 21 of the city districts would be subsumed into a borough. Figure 1 shows the areas of the state that would be reorganized under HB 1. Table 1 shows a likely combination of REAAs and city districts under HB 1. The bill provides that the new boroughs will be formed based on the REAAs existing in 1982. The Kashunait and Yupiit REAAs were formed after 1982, thus we have assumed that these REAAs would be subsumed into their surrounding REAAs. Assuming that no REAAs choose to combine, there would then be 20 new third class borough school districts--eight of these would result from the combination of city districts and their surrounding REAAs and 12 would consist of former REAAs alone. Thus, under HB 1, Alaska would be divided into 32 school districts--all organized at the borough level.

### Property Values in the Proposed Third Class Boroughs

The full value of taxable property in the proposed third class boroughs is listed in Table 2. The values are rough approximations determined by Mike Worley, State Assessor, Department of Community & Regional Affairs, in April 1987. Table 2 also compares the taxable values on a per student basis of the proposed boroughs to the per student values of the existing boroughs. Table 3 provides a breakdown of the taxable values of the boroughs that would be created by combining city districts with their surrounding REAAs. In Table 4, the values of the existing and proposed boroughs on a per student basis are ranked.



TABLE 1. PROBABLE CONFIGURATION OF RURAL EDUCATION ATTENDANCE AREAS (REAAS) AND CITY SCHOOL DISTRICTS INTO THIRD CLASS BOROUGHS UNDER HOUSE BILL 1

REAAs with no city school districts within their boundaries	REAAs that will be combined with city school districts within their boundaries	
Adak	This REAA:	Will absorb these city districts:
Alaska Gateway	-----	-----
Annette Island	Aleutian Region	Sand Point, King Cove, Unalaska
Copper River	Bering Strait	Nome
Delta Greeley	Chatham	Yakutat, Pelican, Hoonah, Skagway
Iditarod	Chugach	Cordova, Valdez
Kuspuk	Lower Yukon	St. Mary's, Kashunamiut REAA**
Lake and Peninsula	Southeast Island	ake, Petersburg, Wrangell, Klawock, Craig, Hydaburg
Lower Kuskokwim (and Yupiit)**	Southwest Region	Dillingham
Pribilof	Yukon-Koyukuk	Tanana, Galena, Nenana
Railbelt		
Yukon Flats		

\*\* House Bill 1 provides that the REAAs in existence in 1982 will form the basis of the new third-class boroughs. We therefore assume that the two REAAs that were formed after 1982 will be absorbed into their surrounding REAAs. Thus, Lower Kuskokwim will absorb the Yupiit REAA, and the Lower Yukon will absorb the Kashunamiut REAA.

Prepared by the House Research Agency, October 1987, (88.041A; 08038703).

TABLE 2. PROPERTY VALUES OF PROPOSED THIRD CLASS BOROUGHES COMPARED TO VALUES OF EXISTING BOROUGHES

SCHOOL DISTRICT	FULL TAXABLE VALUE	AVERAGE DAILY MEMBERSHIP (ADM)	VALUE PER ADM
PROPOSED THIRD-CLASS BOROUGHES			
No City Districts Within			
Adak	\$ 0	602	\$ 0
Alaska Gateway	45,527,741	511	89,095
Annette Island	0	421	0
Copper River	1,198,725,880	561	2,136,766
Delta Greeley	813,113,635	1,019	797,953
Iditarod	23,481,360	384	61,149
Kuspuk	19,839,960	350	56,686
Lake and Peninsula	30,546,520	354	86,290
Lower Kuskowkim	321,017,461	2,859	112,283
Pribilof	14,153,160	156	90,725
Railbelt	30,176,160	366	82,449
Yukon Flats	1,035,432,040	372	2,783,419
Sub-total	\$3,532,013,917	7,955	\$443,999
Combined with City Districts			
Aleutian Region	\$206,485,320	501	\$412,146
Bering Strait	240,477,297	2,006	119,879
Chatham	131,333,718	934	140,614
Chugach	1,841,524,122	1,257	1,465,015
Lower Yukon	89,378,063	1,587	56,319
Southeast Island	358,683,415	2,212	162,153
Southwest Region	157,571,260	933	168,887
Yukon-Koyukuk	934,498,200	984	949,693
Sub-total	\$3,959,951,395	10,414	\$380,253
TOTAL--PROPOSED BOROUGHES	\$7,491,965,312	18,369	\$407,859

TABLE 2. PROPERTY VALUES OF PROPOSED THIRD CLASS BOROUGHS COMPARED TO VALUES OF EXISTING BOROUGHS  
Continued

SCHOOL DISTRICT	FULL TAXABLE VALUE	AVERAGE DAILY MEMBERSHIP (ADM)	VALUE PER ADM
EXISTING BOROUGHS			
Anchorage	19,343,356,800	39,748	486,650
Bristol Bay	101,541,000	219	464,081
Fairbanks	4,726,913,900	7,895	366,570
Haines	97,621,600	352	277,492
Juneau	1,688,992,300	4,609	366,447
Kenai	3,905,341,700	8,178	477,525
Ketchikan	904,384,100	2,474	365,585
Kodiak	552,447,400	2,253	245,216
Mat-Su	2,716,755,900	8,668	313,427
North Slope	13,570,786,300	1,152	11,785,312
Northwest Arctic	235,045,200	1,547	151,897
Sitka	441,175,000	1,590	277,469
TOTAL--EXISTING BOROUGHS	\$48,284,361,200	83,685	\$576,981
TOTAL--ALL SCHOOL DISTRICTS	\$55,776,326,512	102,054	\$546,540

Notes:

1. Full taxable value determinations for the proposed boroughs were prepared by the State Assessor with the Department of Community and Regional Affairs, April 14, 1987. Values for existing boroughs are from Alaska Taxable 1986 (Volume XXVI).
2. Average daily membership is the number of students reported to be in attendance during the first count period in FY 87.

Prepared by the House Research Agency, October 1987, (88.0418; 08038703).

TABLE 3. PROPERTY VALUES OF PROPOSED THIRD CLASS BOROUGHS FORMED BY COMBINING CITY DISTRICTS WITH THEIR SURROUNDING RURAL EDUCATION ATTENDANCE AREA (REAA)

PROPOSED BOROUGH	FULL TAXABLE VALUE	PERCENT OF TOTAL BOROUGH VALUE	AVERAGE DAILY MEMBERSHIP (ADM)	PERCENT OF TOTAL BOROUGH ADM	VALUE PER ADM
<b>Aleutian Region</b>					
Sand Point	\$74,641,100	36	118	24	\$632,552
King Cove	24,391,400	12	133	27	183,394
Unalaska	95,564,500	46	159	32	601,035
Area outside cities	11,888,320	6	91	18	130,641
<b>Total</b>	<b>206,485,320</b>		<b>501</b>		<b>412,146</b>
<b>Bering Strait</b>					
Nome	151,635,000	63	782	39	193,907
Area outside cities	88,842,297	37	1,224	61	72,584
<b>Total</b>	<b>240,477,297</b>		<b>2,006</b>		<b>119,879</b>
<b>Chatham</b>					
Yakutat	18,136,700	14	157	17	115,520
Pelican	14,987,400	11	54	6	277,544
Hoonah	29,237,500	22	234	25	124,947
Skagway	59,036,600	45	137	15	430,924
Area Outside Cities	9,935,518	8	352	38	28,226
<b>Total</b>	<b>131,333,718</b>		<b>934</b>		<b>140,614</b>
<b>Chugach</b>					
Valdez	1,693,326,700	92	695	55	2,436,441
Cordova	123,982,300	7	432	34	286,996
Area Outside Cities	24,215,122	1	130	10	186,270
<b>Total</b>	<b>1,841,524,122</b>		<b>1,257</b>		<b>1,465,015</b>
<b>Lower Yukon</b>					
St. Mary's	4,451,200	5	101	6	44,071
Kashunamiut REAA	9,445,343	11	172	11	54,915
Area Outside Cities	75,481,520	84	1,314	83	57,444
<b>Total</b>	<b>89,378,063</b>		<b>1,587</b>		<b>56,319</b>

TABLE 3. PROPERTY VALUES OF PROPOSED THIRD CLASS BOROUGHS FORMED BY COMBINING CITY DISTRICTS WITH THEIR SURROUNDING RURAL EDUCATION ATTENDANCE AREA (REAA)  
Continued

PROPOSED BOROUGH	FULL TAXABLE VALUE	PERCENT OF TOTAL BOROUGH VALUE	AVERAGE DAILY MEMBERSHIP (ADM)	PERCENT OF TOTAL BOROUGH ADM	VALUE PER ADM
<b>Southeast Island</b>					
Kake	12,108,400	3	196	9	61,778
Petersburg	135,355,400	38	601	27	225,217
Wrangell	108,670,500	30	494	22	219,981
Klawock	5,841,100	2	162	7	36,056
Craig	37,304,700	10	231	10	161,492
Hydaburg	13,417,700	4	107	5	125,399
Area Outside Cities	45,985,615	13	421	19	109,229
Total	358,683,415		2,212		162,153
<b>Southwest Region</b>					
Dillingham	107,515,700	68	461	49	233,223
Area Outside Cities	50,055,560	32	472	51	106,050
Total	157,571,260		933		168,887
<b>Yukon-Koyukuk</b>					
Tanana	11,755,200	1	81	8	145,126
Galena	20,106,900	2	167	17	120,401
Nenana	18,099,500	2	123	13	147,150
Area Outside Cities	884,536,600	95	613	62	1,442,963
Total	934,498,200		984		949,693
TOTAL--CITY DISTRICTS	\$2,713,579,885	69	5,204	50	521,441
TOTAL--AREA OUTSIDE CITIES (REAA's)	1,246,371,510	31	5,210	50	239,227
TOTAL--CITY/REAA BOROUGHS	\$3,959,951,395		10,414		\$380,253

Notes:

1. Full taxable value determinations for the proposed boroughs were prepared by the State Department of Community and Regional Affairs, April 14, 1987.
2. Average daily membership is the number of students reported to be in attendance during the first count period in FY 87.

Prepared by the House Research Agency, October 1987, (88.041C; 08038703).

TABLE 4. EXISTING BOROUGHS AND PROPOSED THIRD CLASS BOROUGHS RANKED BY TAXABLE VALUE PER AVERAGE DAILY MEMBERSHIP (ADM)

SCHOOL DISTRICT	FULL TAXABLE VALUE	AVERAGE DAILY MEMBERSHIP (ADM)	VALUE PER ADM	BOROUGH TYPE UNDER HOUSE BILL 1
North Slope	\$13,570,786,300	1,152	\$11,785,312	Existing
Yukon Flats	1,035,432,040	372	2,783,419	3rd class--REAA only
Copper River	1,198,725,880	561	2,136,766	3rd class--REAA only
Chugach	1,841,524,122	1,257	1,465,015	3rd class--REAA and city districts combined
Yukon-Koyukuk	934,498,200	984	949,693	3rd class--REAA and city districts combined
Delta Greeley	813,113,635	1,019	797,953	3rd class--REAA only
Anchorage	19,343,356,800	39,748	486,650	Existing
Kenai	3,905,341,700	8,178	477,525	Existing
Bristol Bay	101,541,000	219	464,081	Existing
Aleutian Region	206,485,320	501	412,146	3rd class--REAA and city districts combined
Fairbanks	4,726,913,900	12,895	366,570	Existing
Juneau	1,688,992,300	4,609	366,447	Existing
Ketchikan	904,384,100	2,474	365,585	Existing
Mat-Su	2,716,755,900	8,668	313,427	Existing
Haines	97,621,600	352	277,492	Existing
Sitka	441,175,000	1,590	277,469	Existing
Kodiak	552,447,400	2,253	245,216	Existing
Southwest Region	157,571,260	933	168,887	3rd class--REAA and city districts combined
Southeast Island	358,683,415	2,212	162,153	3rd class--REAA and city districts combined
Northwest Arctic	235,045,200	1,547	151,897	Existing
Chatham	131,333,718	934	140,614	3rd class--REAA and city districts combined
Bering Strait	240,477,297	2,006	119,879	3rd class--REAA and city districts combined
Lower Kuskowkim	321,017,461	2,859	112,283	3rd class--REAA only
Pribilof	14,153,160	156	90,725	3rd class--REAA only
Alaska Gateway	45,527,741	511	89,095	3rd class--REAA only
Lake and Peninsula	30,546,520	354	86,290	3rd class--REAA only
Railbelt	30,176,160	366	82,449	3rd class--REAA only
Lower Yukon	89,378,063	1,415	63,165	3rd class--REAA and city districts combined
Iditarod	23,481,360	384	61,149	3rd class--REAA only
Kuspuk	19,839,960	350	56,686	3rd class--REAA only
Annette Island	0	421	0	3rd class--REAA only
Adak	0	602	0	3rd class--REAA only

Notes:

1. Full taxable value determinations for the proposed boroughs were prepared by the State Assessor, Department of Community Affairs, April 14, 1987. Values for existing boroughs are from Alaska Taxable 1986 (Volume XXVI).
2. Average daily membership is the number of students reported to be in attendance during the first count period in FY 87.

Prepared by the House Research Agency, October 1987, (88.0410; 08038703).

The following comments can be made about the taxable property in the proposed boroughs:

- Two of the proposed boroughs--Adak and Annette Island--consist entirely of federal land and therefore have no taxable property.
- The total taxable value of property in the proposed boroughs is roughly \$7.5 billion. In comparison, the total taxable value of property in existing boroughs is \$48 billion.
- The per student taxable value for the five proposed boroughs through which the TransAlaska Pipeline travels compares favorably with the values of existing boroughs. Other proposed boroughs have less taxable value than existing boroughs.
- Approximately 70 percent of the taxable value of the boroughs formed by combining city districts and REAAs is derived from the city districts. In only two of the eight boroughs that would be formed in this manner--Lower Yukon and Yukon-Koyukuk--does the value of property in the REAA exceed the value in the affected city districts.

#### Public School Finance in the Proposed Boroughs

In 1987, the legislature enacted a new and relatively uncomplicated method to calculate the amount of State aid that school districts will receive. However, this new method will be gradually implemented during the next three fiscal years. For simplicity, we have chosen to use the formula that will be in effect after this transition period. Under this formula, State aid is equal to the basic need of the district minus required local effort and minus ninety percent of the federal aid received by the district under Public Law 81-874. Required local effort is whichever is less: the amount that would be raised by a four mill property tax or 35 percent of basic need.

Table 5 shows the calculation of State foundation aid for the proposed boroughs based on the property values discussed above and on the basic need and federal aid values for FY 88. Table 6 provides a breakdown of the finances of the boroughs that would be created by combining the REAAs and city districts. A four mill tax would raise a total of \$29.8 million from these proposed boroughs. However, the actual amount that would be paid by these boroughs in required local effort is only \$19 million, because for four of the five "pipeline" boroughs, 35 percent of basic need is less than the amount that could be generated by a four mill tax. Of the \$19 million that would be generated in local effort by the new boroughs, \$11.2 million would be generated by the previously untaxed property in the REAAs.

TABLE 5. FINANCES OF PROPOSED THIRD CLASS BOROUGH SCHOOL DISTRICTS

SCHOOL DISTRICT	REQUIRED LOCAL EFFORT			BASIC NEED IN FY 88	ELIGIBLE PL 81-874 (FY 88)	STATE FOUNDATION AID		CHANGE IN STATE AID	
	4 MILLS	35 PERCENT OF BASIC NEED	ACTUAL AMOUNT PAID			UNDER STATUS QUO	UNDER HOUSE BILL 1	IN DOLLARS	AS A PERCENTAGE OF AMOUNT RECEIVED BY THE REGION UNDER THE STATUS QUO
<b>PROPOSED THIRD-CLASS BOROUGHES</b>									
<b>No City Districts Within</b>									
Adak	\$0	\$1,395,870	\$0	\$3,988,200	\$1,792,632	\$2,374,831	\$2,374,831	\$0	0.0
Alaska Gateway	182,111	1,741,320	182,111	4,975,200	626,551	4,411,304	4,229,193	(182,111)	-4.1
Annette Island	0	887,040	0	2,534,400	1,406,836	1,268,248	1,268,248	0	0.0
Copper River	4,794,904	1,735,230	1,735,230	4,957,800	398,113	4,599,498	2,864,268	(1,735,230)	-37.7
Delta Greeley	3,252,455	2,059,470	2,059,470	5,884,200	1,042,286	4,946,143	2,886,673	(2,059,470)	-41.6
Iditarod	93,925	1,782,270	93,925	5,092,200	849,651	4,327,514	4,233,589	(93,925)	-2.2
Kuspuk	79,360	1,696,590	79,360	4,847,400	1,213,011	3,755,690	3,676,330	(79,360)	-2.1
Lake and Peninsula	122,186	2,014,740	122,186	5,756,400	1,036,848	4,823,237	4,701,051	(122,186)	-2.5
Lower Kuskowkim	1,284,070	12,535,320	1,284,070	35,815,200	6,976,279	29,536,549	28,252,479	(1,284,070)	-4.3
Pribilof	56,613	641,340	56,613	1,832,400	602,751	1,289,924	1,233,311	(56,613)	-4.4
Railbelt	120,705	1,130,850	120,705	3,231,000	116,468	3,126,179	3,005,474	(120,705)	-3.9
Yukon Flats	4,141,728	2,041,200	2,041,200	5,832,000	703,866	5,198,521	3,157,321	(2,041,200)	-39.3
Sub-total	14,128,056	28,265,370	7,774,869	80,758,200	14,972,660	69,657,637	61,882,768	(7,774,869)	-11.2
<b>Combined with City Districts</b>									
Aleutian Region	825,941	2,125,830	825,941	6,073,800	587,130	4,766,995	4,719,442	(47,553)	-1.0
Bering Strait	961,909	7,162,680	961,909	20,464,800	4,282,033	16,004,430	15,649,061	(355,369)	-2.2
Chatham	525,335	2,617,440	525,335	7,478,400	1,030,166	6,065,658	6,025,916	(39,742)	-0.7
Chugach	7,366,096	2,873,850	2,873,850	8,211,000	209,030	6,151,654	5,149,023	(1,002,631)	-16.3
Lower Yukon	357,512	6,148,590	357,512	17,567,400	5,195,221	12,836,115	12,534,189	(301,926)	-2.4
Southeast Island	1,434,734	5,680,290	1,434,734	16,229,400	1,227,515	13,873,845	13,689,903	(183,942)	-1.3
Southwest Region	630,285	3,415,860	630,285	9,759,600	2,097,021	7,442,218	7,241,996	(200,222)	-2.7
Yukon-Koyukuk	3,737,993	3,939,180	3,737,993	11,254,800	2,120,843	9,146,195	5,608,049	(3,538,147)	-38.7
Sub-total	15,742,240	33,963,720	11,347,559	97,039,200	16,748,959	76,287,110	70,617,578	(5,669,532)	-7.4
<b>TOTAL -- PROPOSED BOROUGHES</b>	<b>\$29,870,296</b>	<b>\$19,122,428</b>			<b>\$31,721,619</b>	<b>\$145,944,747</b>	<b>\$132,500,346</b>	<b>(\$13,444,401)</b>	<b>-9.2</b>

Notes:

1. Calculation of revenue possible under a 4 mill property tax based on full taxable value determinations by the Department of Community and Regional Affairs, April 1987 (see Table 2).

2. Basic need and eligible PL 81-874 values are from the Department of Education for FY 88.

Prepared by the House Research Agency, October 1987, (88.041E; 08038703).

TABLE 6. FINANCES OF SCHOOL DISTRICTS FORMED BY COMBINING CITY DISTRICTS WITH THE SURROUNDING RURAL EDUCATION ATTENDANCE AREA

PROPOSED BOROUGH	REQUIRED LOCAL EFFORT			STATE FOUNDATION AID			CHANGE IN STATE AID		
	4 MILLS	35 PERCENT OF BASIC NEED	ACTUAL AMOUNT PAID	BASIC NEED IN FY 88	ELIGIBLE PL 81-874	UNDER STATUS QUO	UNDER HOUSE BILL 1	IN DOLLARS	AS A PERCENTAGE OF AMOUNT RECEIVED BY THE REGION UNDER STATUS QUO
<b>Aleutian Region</b>									
Sand Point	\$298,564	\$467,460	\$298,564	\$1,335,600	\$0	\$1,037,036			
King Cove	97,566	488,250	97,566	1,395,000	138,006	1,173,229			
Unalaska	382,258	544,740	382,258	1,556,400	154,473	1,035,116			
Area outside cities	47,553	625,380	47,553	1,786,800	294,651	1,521,614			
<b>Total</b>	<b>825,941</b>	<b>2,125,830</b>	<b>825,941</b>	<b>6,073,800</b>	<b>587,130</b>	<b>4,766,995</b>	<b>4,719,442</b>	<b>(47,553)</b>	<b>-1.0</b>
<b>Bering Strait</b>									
Nome	606,540	1,808,520	606,540	5,167,200	82,724	4,486,208			
Area outside cities	355,369	5,354,160	355,369	15,297,600	4,199,309	11,518,222			
<b>Total</b>	<b>961,909</b>	<b>7,162,680</b>	<b>961,909</b>	<b>20,464,800</b>	<b>4,282,033</b>	<b>16,004,430</b>	<b>15,649,061</b>	<b>(355,369)</b>	<b>-2.2</b>
<b>Chatham</b>									
Yakutat	72,547	420,000	72,547	1,200,000	56,386	1,076,706			
Pelican	59,950	232,470	59,950	664,200	0	604,250			
Hoonah	116,950	577,290	116,950	1,649,400	190,808	1,360,723			
Skagway	236,146	376,320	236,146	1,075,200	0	839,054			
Area Outside Cities	39,742	1,011,360	39,742	2,889,600	782,972	2,184,925			
<b>Total</b>	<b>525,335</b>	<b>2,617,440</b>	<b>525,335</b>	<b>7,475,400</b>	<b>1,030,166</b>	<b>6,065,658</b>	<b>6,025,916</b>	<b>(39,742)</b>	<b>-0.7</b>

TABLE 6. FINANCES OF SCHOOL DISTRICTS FORMED BY COMBINING CITY DISTRICTS WITH THE SURROUNDING RURAL EDUCATION ATTENDANCE AREA  
Continued

PROPOSED BOROUGH	REQUIRED LOCAL EFFORT		ACTUAL AMOUNT PAID	BASIC NEED IN FY 88	ELIGIBLE PL 81-874	STATE FOUNDATION AID		CHANGE IN STATE AID	
	4 MILLS	35 PERCENT OF BASIC NEED				UNDER STATUS QUO	UNDER HOUSE BILL 1	IN DOLLARS	AS A PERCENTAGE OF AMOUNT RECEIVED BY THE REGION UNDER STATUS QUO
<b>Chugach</b>									
Valdez	6,773,307	1,375,290	1,375,290	3,929,400	9,495	2,545,565			
Cordova	495,929	922,950	495,929	2,637,000	15,603	2,127,028			
Area Outside Cities	96,860	575,610	96,860	1,644,600	183,932	1,479,061			
<b>Total</b>	<b>7,366,096</b>	<b>2,873,850</b>	<b>2,873,850</b>	<b>8,211,000</b>	<b>209,030</b>	<b>6,151,654</b>	<b>5,149,023</b>	<b>(1,002,631)</b>	<b>-16.3</b>
<b>Lower Yukon</b>									
St. Mary's	17,805	476,280	17,805	1,360,800	62,613	1,286,644			
Kashunamiut REAA	37,781	681,450	37,781	1,947,000	498,907	1,460,202			
Area Outside Cities	301,926	4,990,860	301,926	14,259,600	4,633,701	10,089,269			
<b>Total</b>	<b>357,512</b>	<b>6,148,590</b>	<b>357,512</b>	<b>17,567,400</b>	<b>5,195,221</b>	<b>12,836,115</b>	<b>12,534,189</b>	<b>(301,926)</b>	<b>-2.4</b>
<b>Southeast Island</b>									
Kake	48,434	480,900	48,434	1,374,000	209,395	1,137,111			
Petersburg	541,422	1,133,370	541,422	3,238,200	8,155	2,689,439			
Wrangell	434,682	974,610	434,682	2,784,600	2,037	2,348,085			
Klawock	23,364	460,110	23,364	1,314,600	210,198	1,102,057			
Craig	149,219	506,940	149,219	1,448,400	32,973	1,269,506			
Hydaburg	53,671	360,150	53,671	1,029,000	0	975,329			
Area Outside Cities	183,942	1,764,210	183,942	5,040,600	764,757	4,352,319			
<b>Total</b>	<b>1,434,734</b>	<b>5,680,290</b>	<b>1,434,734</b>	<b>16,229,400</b>	<b>1,227,515</b>	<b>13,873,845</b>	<b>13,689,903</b>	<b>(183,942)</b>	<b>-1.3</b>

TABLE 6. FINANCES OF SCHOOL DISTRICTS FORMED BY COMBINING CITY DISTRICTS WITH THE SURROUNDING RURAL EDUCATION ATTENDANCE AREA  
Continued

PROPOSED BOROUGH	REQUIRED LOCAL EFFORT			BASIC NEED IN FY 88	ELIGIBLE PL 81-874	STATE FOUNDATION AID		CHANGE IN STATE AID			
	4 MILLS	35 PERCENT OF BASIC NEED	ACTUAL AMOUNT PAID			UNDER STATUS QUO	UNDER HOUSE BILL 1	IN DOLLARS	AS A PERCENTAGE OF AMOUNT RECEIVED BY THE REGION UNDER STATUS QUO		
Southwest Region											
Dillingham	430,063	1,143,240	430,063	3,266,400	354,651	2,517,151					
Area Outside Cities	200,222	2,272,620	200,222	6,493,200	1,742,370	4,925,067					
Total	630,285	3,415,860	630,285	9,759,600	2,097,021	7,442,218	7,241,996	(200,222)	-2.7		
Yukon-Koyukuk											
Tanana	47,021	386,820	47,021	1,105,200	186,793	890,066					
Galena	80,428	535,290	80,428	1,529,400	443,016	1,050,258					
Nenana	72,398	606,270	72,398	1,732,200	6,566	1,653,893					
Area Outside Cities	3,538,146	2,410,300	2,410,800	6,888,000	1,484,468	5,551,979					
Total	3,737,993	3,939,180	3,737,993	11,254,800	2,120,843	9,146,195	5,608,049	(3,538,146)	-38.7		
TOTAL--CITY DISTRICTS			7,243,299			30,687,301					
TOTAL--AREA OUTSIDE CITIES			4,104,260			45,599,810					
TOTAL--CITY/REAA BOROUGHS			\$15,839,806	\$33,963,720	\$11,347,559	\$97,039,200	\$16,748,959	\$76,287,110	\$70,617,578	(\$5,669,533)	-7.4

Notes:

1. Calculation of revenue possible under a 4 mill property tax based on full taxable value determinations by the Department of Community and Regional Affairs, April 1987.

2. Basic need and eligible PL 81-874 values are from the Department of Education for FY 88.

Under HB 1, the amount of State foundation aid--given FY 88 basic need--would be \$13.4 million less than under the status quo. For most of the new boroughs, the reductions in State aid are on the order of one to four percent, however, for the "pipeline" boroughs, the declines are much greater--on the order of 40 percent. Importantly, the total revenue available to each of the proposed boroughs for schools is the same under HB 1 and the status quo; the local effort merely replaces State aid.

The amount of State foundation aid "saved" by requiring the REAAs to make a local effort--in this scenario, \$13.4 million--could be used in two ways: The State could lower the amount appropriated to the foundation program--currently about \$440 million--by \$13.4 million, or the State could continue to fund the foundation program at the same level. The latter option would have the effect of increasing the value of an instructional unit and thereby the basic need of each district. The \$13.4 million "savings" would then be distributed among all districts as the State would be paying for a larger percentage of each district's basic need relative to the status quo.

Although HB 1 could reduce the amount of General Fund moneys required to run the foundation program, any savings will be offset by decreases in General Fund revenue from taxation of the TransAlaska Pipeline under Alaska Statute 43.56 (Oil and Gas Exploration, Production and Pipeline Transportation Property Taxes). Under AS 43.56.020(d), municipal property taxes are credited against the oil and gas property tax liability; thus, for each dollar raised locally from the pipeline, State General Fund revenue is reduced one dollar. The pipeline accounts for \$3.8 billion of the \$7.5 billion full taxable property value of the proposed boroughs, and required local effort in the five "pipeline" boroughs accounts for \$10.2 million of the \$13.4 reduction in State foundation aid that could occur under House Bill 1.<sup>4</sup> Thus, the net savings for General Fund moneys would be on the order of \$3 million.

#### Costs of Property Tax Collection

The costs of property tax collection need to be broken into two categories: 1) start up costs; and 2) maintenance costs. To actually carry out the business of collecting a property tax requires a great deal of preliminary work: land parcels must be surveyed and mapped; title searches must be conducted; and property must be inventoried and its value assessed. This preliminary work is a massive undertaking and represents a major initial

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<sup>4</sup>It should be noted that the potential revenue from the pipeline tax is expected to decline over the next few years based primarily on its depreciation schedule. As the assessed value of the pipeline declines, so will the potential revenue for these proposed boroughs.

hurdle to imposition of a property tax. The DCRA has not yet attempted to quantify the initial costs of a property tax in the unorganized borough relative to HB 1, but the department believes that the start up costs would be high and would probably not justify the imposition of a conventional property tax at this time.

Some of the start up costs could be born by the organizational grants to which new boroughs are entitled. Although the DCRA is not required by statute to provide more funding than that specified in AS 29.05.190, DCRA must assist a new borough in determining their initial property tax assessment roll. In this regard, DCRA staff typically assist the new borough in contracting for the actual assessment work. The DCRA did this most recently for the Northwest Arctic Borough and concluded that a property tax was not justified.

State Assessor Mike Worley has suggested that alternative means of taxation within the unorganized borough be considered. For example, the legislature could impose by statute a formula for taxing property in the unorganized borough. He noted that there are no other jurisdictions in the United States similar to rural Alaska, so there are no models after which a unconventional taxation plan could be fashioned. Unique solutions to the problem of local support of education and other governmental services in the unorganized borough will have to be sought.

#### **Ability of Residents of the New Boroughs to Pay Property Taxes**

The economies of many of the rural communities that would be affected by House Bill 1 are based on varying mixtures of subsistence and cash, and cash in such economies is often of limited availability. Because the cost-of-living in rural communities is high, what cash people have is in high demand to meet basic needs such as fuel and other utilities. There may also be high variability among residents in a community in the degree to which they participate in the cash economy. To determine the ability of the residents of each new borough to pay property taxes requires considerable study of regional economies, which we will not attempt here.

Representative Springer  
October 9, 1987  
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As a starting point, we compare per capita personal income of each of the proposed boroughs based on U.S. Bureau of Economic Analysis data for 1983 (see Table 7). These data show that per capita personal income is generally lower in the areas affected by HB 1 than in existing boroughs. These data also show that transfer payments comprise a higher percentage of total personal income in the regions that have the lowest per capita personal income. Although rudimentary, these data confirm that in rural economies based on a mixture of subsistence and cash, cash is less available and much of the available cash is derived outside of the region. Comparison of the "total personal income" (Table 7) to the "required local effort" (Table 5) for each proposed borough shows that there is, overall, enough cash within each district to meet the tax liability for public schools; however, we do not know--and have no way of finding out--whether the individuals who will have the property tax liability are the same individuals with cash to pay their taxes.

I hope you find this information useful. If we can provide any further information, please let me know.

Attachment

TABLE 7. PROPOSED AND EXISTING BOROUGHs RANKED BY 1983 PER CAPITA PERSONAL INCOME

SCHOOL DISTRICT	TOTAL PERSONAL INCOME (\$1,000s)	POPULATION	PER CAPITA PERSONAL INCOME	TRANSFER PAYMENTS AS A PERCENTAGE OF TOTAL PERSONAL INCOME	SCHOOL DISTRICT TYPE UNDER HOUSE BILL 1
North Slope Borough	\$103,311	4,900	\$21,084	10.6	Existing
Juneau	472,684	23,500	20,127	7.3	Existing
Fairbanks	1,237,542	64,500	19,198	10.0	Existing
Anchorage	4,017,400	211,200	19,020	9.4	Existing
Ketchikan	227,852	12,800	17,786	12.4	Existing
Bristol Bay Borough	21,882	1,300	17,422	7.6	Existing
Chugach, Copper River**	150,853	9,000	16,761	12.3	3rd class borough
Kodiak	168,925	10,500	16,050	10.5	Existing
Southeast Island	176,997	11,500	15,390	14.0	3rd class borough
Sitka	121,954	8,000	15,269	13.9	Existing
Aleutian Region	120,223	8,000	15,067	8.3	3rd class borough
Kenai	408,405	27,600	14,814	12.8	Existing
Haines Borough	28,726	2,000	14,144	17.5	Existing
Yukon-Koyukuk, Railbelt**	80,483	5,800	13,982	16.5	3rd class borough
Chatham	51,392	3,700	13,890	17.1	3rd class borough
Mat-Su	360,393	26,900	13,395	13.6	Existing
Yukon Flats	21,755	1,800	12,229	21.4	3rd class borough
Bering Strait	85,754	7,300	11,779	18.4	3rd class borough
Southwest Region, Lake and Peninsula**	51,520	4,600	11,118	15.3	3rd class borough
Alaska Gateway, Railbelt**	65,256	5,900	11,001	16.1	3rd class borough
Northwest Arctic	56,471	5,300	10,716	20.7	Existing
Lower Kuskowim	105,141	10,900	9,666	20.3	3rd class borough
Iditarod, Kuspuk**	21,793	2,900	7,498	29.2	3rd class borough
Lower Yukon	31,524	5,200	6,017	32.0	3rd class borough

Source: U.S. Department of Commerce, Bureau of Economic Analysis, "Local Area Personal Income 1978-83. Vol. 9. Farwest Region, Alaska and Hawaii. June 1985.

\*\*For these school districts, the census districts by which the income data were reported did not coincide with the individual school district boundaries. The income data reported are for the total area represented by the named districts.

Prepared by the House Research Agency, October 1987, (88.041G; 08038703).

1 IN THE HOUSE

BY LARSON AND MENARD

2

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 1

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act converting regional educational attendance areas into third class boroughs; and providing for an effective date."

7

8

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

10

\* Section 1. THIRD CLASS BOROUGHES CREATED. (a) The areas within the

11

boundaries of the regional educational attendance areas formed under

12

AS 14.08.031 as of July 1, 1982, become third class boroughs effective

13

July 1, 1989. A city school district located within the boundary of a

14

borough formed under this section is part of that borough's school dis-

15

trict.

16

(b) Two or more regional educational attendance areas may combine to

17

form a third class borough under this section. The school boards of

18

regional educational attendance areas that decide to combine to form a

19

single borough under this subsection shall notify the lieutenant governor

20

of that decision as soon as possible.

21

(c) The lieutenant governor shall hold elections for initial assembly

22

members of boroughs formed under this section no later than June 1, 1989.

23

The initial assembly of a borough formed under this section shall consist

24

of seven members elected at large from the borough. The initial assembly

25

shall provide for the form of representation, composition, and apportion-

26

ment of the assembly under AS 29.20.060 - 29.20.110.

27

(d) This section does not apply to a regional educational attendance

28

area that organizes as a borough before the effective date of this Act.

29

\* Sec. 2. TRANSITION. (a) The Department of Education shall oversee

1 and assist the transition from a regional educational attendance area to a  
2 borough under this Act. On July 1, 1989,

3 (1) all property of the regional educational attendance area  
4 becomes the property of the borough;

5 (2) the borough becomes the successor to all contracts and other  
6 obligations, litigation, hearings, and other proceedings involving the  
7 regional educational attendance area that are pending or in effect;

8 (3) faculty, staff, officers, and employees of the regional  
9 educational attendance area are transferred to the borough.

10 (b) The term of office of a school board member from a regional  
11 educational attendance area or a city school district described in sec. 1  
12 of this Act ends on the date the election of the assembly members of the  
13 third class borough formed from the regional educational attendance area is  
14 certified.

15 \* Sec. 3. The division of legal services of the Alaska Legislative  
16 Affairs Agency shall prepare a bill conforming the Alaska Statutes to the  
17 changes made by secs. 1 and 2 of this Act. The title of the bill shall be  
18 "An Act relating to the unorganized borough, school districts, and third  
19 class boroughs." The bill shall be presented to the House and Senate Rules  
20 Committees for introduction on the first day of the Second Session of the  
21 Fifteenth Alaska State Legislature.

22 \* Sec. 4. Sections 1 and 2 of this Act take effect on the effective  
23 date of a version of an Act passed by the legislature during the Second  
24 Session of the Fifteenth Alaska State Legislature entitled "An Act relating  
25 to the unorganized borough, school districts, and third class boroughs."

26 \* Sec. 5. Section 3 of this Act takes effect immediately under AS 01.-  
27 10.070(c).

(17)

HB 1

# PROPOSED CHARTER OF THE

9/15/87

This is a copy of  
the proposed charter  
Northwest Arctic Borough.  
I was accepted by  
the state and is  
now in operation  
as a local Borough  
Gov't unit.

WCA

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# PREAMBLE

We, the people of the \_\_\_\_\_ Borough, exercising the powers of Home Rule granted by the Constitution of the State of Alaska, in order to provide for local government responsive to the will and values of the people and to the continuing needs of the communities within the borough hereby establish this Home Rule Charter.

## ARTICLE I NAME, BOUNDARIES AND POWERS

### Section 1.01

#### Name

The borough shall be a municipal corporation known as the \_\_\_\_\_ Borough. Whenever it deems it in the public interest to do so, the borough may use the name, \_\_\_\_\_ Home Rule Borough.

### Section 1.02

#### Boundaries

The boundaries of the borough shall be the same as the boundaries of the \_\_\_\_\_ Borough as they exist on the date of ratification of this Charter and as those boundaries thereafter are legally modified.

### Section 1.03

#### Powers

The borough may exercise all powers not prohibited by law or this Charter.

### Section 1.04

#### Intergovernmental relations

The borough may exercise any of its powers or perform any of its functions and may participate in the financing thereof, jointly or in cooperation, by agreement with any one or more local governments, the State, or the United States, or any agency or instrumentality of these governments.

## ARTICLE II THE ASSEMBLY

### Section 2.01

#### Powers

The governing body of the borough shall be the Assembly. Except as otherwise provided by law or this Charter, the Assembly shall exercise all powers of the borough and shall provide for the performance of all duties and obligations of the borough.

### Section 2.02

#### Composition

1. The Assembly elected by the qualified voters of the borough shall consist of eleven Assembly members. The districts are composed as follows:

A. District 1      1 Seat (A)

B. District 2      1 Seat (B)

C. District 3      3 Seats (C, D & E)

D. District 4      1 Seat (F)

E. District 5      5 Seats (G, H, I, J & K)

#### Section 2.03

#### Terms and election of Assembly members

1. Term. Each Assembly member shall be elected to three year staggered terms.
2. Election. Each Assembly member shall be elected at-large by the qualified voters of the borough and shall be a resident of the district to which the seat they seek is assigned. An Assembly member so elected represents all the voters of the borough.
3. The Assembly, may, by ordinance, adopt additional procedures pertaining to the nominations and election of Assembly members.

#### Section 2.04

#### Qualifications

1. Only a qualified voter of the borough, who has been a resident of the borough for at least one year immediately preceding his or her election or appointment to office, shall be qualified for elective borough office.

2. No Assembly member may hold any other compensated borough office or employment, or elected partisan political office, while serving on the Assembly, unless otherwise provided by an ordinance ratified by the voters of the borough.
3. An Assembly member shall be a resident of the district to which the member's seat is assigned at the time of the member's election or appointment.
4. An Assembly member who ceases to be a resident of the district to which the member's seat is assigned immediately forfeits his or her office.

## Section 2.05

### Vacancies and forfeiture of office

1. The office of an elected borough official shall become vacant upon death, resignation, removal from office in any manner authorized by law or by this Charter, or by forfeiture of his or her office.
2. An elected borough official shall forfeit his or her office if he or she:
  - A. fails to comply with all qualifications prescribed by this Charter;
  - B. fails to qualify or take office within 30 days after election or appointment;
  - C. fails to attend three consecutive regular meetings of the Assembly without being excused by the Assembly;
  - D. is physically absent from the borough for 90 consecutive days unless excused by the governing body;
  - E. resigns and the resignation is accepted;
  - F. is physically or mentally unable to perform the duties of office as determined by a two-thirds vote of the governing body;
  - G. is convicted of a felony or of an offense involving a violation of the oath of office;
  - H. is convicted of a violation of AS 15.13 State Election Campaigns;
  - I. no longer physically resides in the borough or election district; or
  - J. violates public trust.

(1) proceedings for removal of an elected official for breach of the public trust may be initiated by a majority of the members of the Assembly. In addition, proceedings for removal may be initiated by any duly constituted ethics board. The Assembly by ordinance shall establish procedures for removal of elected officials for breach of public trust, including provisions for notice, a complete statement of the charge, a public hearing conducted by an impartial hearing officer, and judicial review. Removal must be approved by two-thirds of the authorized membership of the Assembly.

3. The Assembly shall by ordinance provide the procedures for filling of vacancies.

## Section 2.06

### Organization and rules of Assembly

1. The Assembly shall meet immediately following certification of the election. At such meeting, or within seven days thereafter, the Assembly shall elect from its membership a presiding officer, known as the President and do such other acts as may be required for its organization and for the conduct of business.
2. The Assembly shall, by ordinance determine its own rules and order of business and shall maintain a journal of its proceedings as a permanent public record.

## Section 2.07

### Compensation

The Assembly, by ordinance, shall provide for compensation of the Assembly members. An increase in compensation shall not take effect until the Assembly meeting following the regular election after the ordinance has been adopted.

## Section 2.08

### Meetings

1. The Assembly shall hold at least one regular meeting every month at such time and place as it may prescribe, unless otherwise provided by ordinance.
2. The Mayor or any three Assembly members may call a special meeting of the Assembly if a majority of the Assembly members are given at least 24 hours oral or written notice and reasonable efforts are made to notify all members. A special meeting may be conducted with less than 24 hours notice if all Assembly members are present or if all absent members have waived in writing the required notice. Waiver of notice can be made before or after the special meeting is held. A waiver of notice shall be made a part of the journal for the meeting.
3. All meetings of the Assembly shall be public and the public shall have reasonable opportunity to be heard. Closed or executive sessions shall only be held pursuant to law. The mere discussion of persons or finances shall not be cause for any executive session.
4. Assembly members may attend meetings of the assembly in person or by teleconference. A majority of the membership of the assembly authorized by this charter shall constitute a quorum. A member disqualified from voting on a question may be considered present for purposes of constituting a quorum. In the absence of a quorum, any number less than a quorum may recess or adjourn the meeting to a later time or date.
5. Actions of the Assembly are adopted by a majority of the total membership of the body. The final vote of each member on each ordinance, resolution, or substantive motion shall be recorded "yes" or "no" except that if the vote is unanimous it may be recorded unanimous.
6. Each Assembly member in attendance at an assembly meeting shall vote on all questions presented at the meeting, unless prohibited from doing so by this Charter.

## Section 2.09

### Prohibitions

1. No elected official of the borough shall hold any other elective public office, or any other borough office or employment, during his or her term as an elected official of the borough. No elected official of the borough

shall hold any compensated appointive borough office, other than membership on a board or commission, for a period of one year after vacating his or her elective office.

2. The Assembly shall not recommend or direct the appointment or removal of any officer or employee of the borough administration except as otherwise provided by this Charter. Except for the purpose of inquiry, neither the Assembly nor an individual Assembly person may give, either publicly or privately orders on administrative matters to a subordinate of the Mayor.

3. No Assembly person may represent any client before any borough department or agency.

#### Section 2.10

#### Investigation

1. The Assembly may make investigations into the affairs of the borough and the conduct of any borough department, office or agency and for this purpose may subpoena witnesses, administer oaths, take testimony and require the production of evidence. Any person who fails or refuses to obey a lawful order issued in the exercise of these powers by the Assembly shall be guilty of a misdemeanor.

2. The Assembly may by ordinance create boards and commissions pursuant to this section for the purpose of inquiries and investigations. The members of such board and commissions shall be appointed by the Assembly.

#### Section 2.11

#### Clerk and special advisors

1. There shall be a Borough Clerk appointed by the Mayor and confirmed by the Assembly. The clerk shall attend all Assembly meetings, unless excused, keep a journal of its proceedings, give notice of Assembly meetings to the members and the public and perform such other duties as may be assigned.

2. The Assembly may appoint special legal and financial advisors for bond issues and shall retain legal counsel as it requires.

3. There shall be a Borough Attorney appointed by the Mayor and be subject to confirmation by the Assembly.

## ARTICLE III LEGISLATION

#### Section 3.01

#### Ordinance form and content

1. All ordinances enacted by the Assembly shall be in substantially the following form:

A. the proposed ordinances shall have a heading and number.

B. title: a short summary of the ordinance's provisions shall be included in a title at the head of the ordinance. The title shall make reference to any penalties imposed by the ordinance.

C. enacting clause: the enacting clause shall read: "BE IT ENACTED BY THE ASSEMBLY OF THE NORTHWEST ARCTIC BOROUGH:"

D. substantive part of the ordinance: the provisions of the ordinance will follow the enacting clause.

- E. signatures: appropriate places shall be provided for the signatures of the mayor and the clerk.
  - F. attestation: the enactment and passage date of the ordinance shall be attested by the clerk.
2. Every ordinance shall be confined to one subject unless it is an appropriation ordinance or one codifying, revising, or rearranging existing ordinances. Ordinances for appropriations shall be confined to appropriations. The subject of each ordinance shall be expressed in the title.

### Section 3.02

#### Acts required to be by ordinance

1. In addition to other actions required by law to be by ordinance the Assembly shall use ordinances to:
- A. establish, alter or abolish borough departments;
  - B. fix the compensation of members of the Assembly, boards, commissions and committees;
  - C. provide for a fine or other penalty, or establish rules or regulations for violations of which a fine or other penalty is imposed;
  - D. provide for levying of taxes;
  - E. make appropriations and supplemental appropriations or transfer appropriations;
  - F. grant, renew, or extend a franchise;
  - G. regulate the rate charged by a borough utility;
  - H. adopt, modify or repeal the comprehensive plan, zoning and subdivision ordinances, building and housing codes, and the official map;
  - I. establish a formal procedure for acquisition from private, state or federal government of land or rights in land and disposal of those lands or rights in land;
  - J. provide for a comprehensive personnel system, including, but not limited to, regulating all appointments, promotions, demotions, suspensions, and removal of borough officers and employees on the basis of merit; and
  - K. create or designate itself to be a board of review, adjustment, equalization, or canvassing board.

### Section 3.03

#### Ordinance procedure

1. An ordinance may be presented for consideration by a member or committee of the Assembly or by the Mayor at any regular or special meeting of the Assembly. Upon presentation of an ordinance, copies shall be furnished to each Assembly member and to the Mayor. Upon presentation, an ordinance shall be rejected, deferred, referred to committee, or accepted as being introduced. Promptly after introduction the Assembly shall publish the ordinance and a notice setting out the time and place for a public hearing on the ordinance. The public hearing of an ordinance shall follow publication by at least ten days; it may be held at a regular or special Assembly

meeting and may be adjourned from time to time. At the public hearing copies of the ordinance shall be distributed to all persons present who request them or, in the alternative, the ordinance shall be read in full. All interested persons shall have an opportunity to be heard. If the ordinance is amended after the hearing so substantially as to change its basic character, the ordinance shall be treated as a newly introduced ordinance. After the hearing, the Assembly shall consider the ordinance and may adopt it with or without amendment.

2. Ordinances take effect upon adoption or at a later date specified in the ordinance.

3. As used in this section, "publish" shall mean mailing to each city or village administrator and publication by such other media as the Assembly shall designate by ordinance, at least ten days before the public hearing.

### Section 3.04

### Emergency ordinance

1. To meet a public emergency the Assembly may adopt ordinances effective upon adoption. Every emergency ordinance must contain a finding by the Assembly that an emergency exists and a statement of the facts upon which the finding is based. An emergency ordinance may be adopted, amended and adopted, or rejected at the meeting at which it is introduced. The affirmative vote of all members present, or the affirmative vote of three-fourths of the total membership authorized in this Charter, whichever is less, is required for adoption. The Assembly must print and make available copies of adopted emergency ordinances.

2. An emergency ordinance may not be used to levy taxes, to grant, renew or extend a franchise, or to regulate the rate charged by a public utility for its services.

3. Emergency ordinances are effective for sixty days.

### Section 3.05

### Codes of regulation

The Assembly may adopt any standard code of regulations, or any provisions of the statutes of the State of Alaska, by reference thereto in an adopting ordinance. Materials adopted by reference under this section need not be distributed to the public or read at a public hearing, but at least five copies of the materials shall be made available for public inspection for at least fifteen (15) days before the hearing for the adopting ordinance. Only the adopting ordinance need be printed after adoption. The Assembly shall provide for the adopted code to be sold to the public.

### Section 3.06

### Formal acts by resolution

1. Formal acts by the Assembly not required by law to be enacted by ordinance and not being acts of a general and permanent nature may be adopted by resolution. A resolution shall have:

A. the heading "Northwest Arctic Borough, Alaska";

B. the space for a number to be assigned "Resolution\_\_\_\_\_";

C. a short and concise title descriptive of its subject and purpose;

D. short premises or whereas clauses descriptive of the reasons for the resolution, if necessary;

E. the resolving clause, "BE IT RESOLVED":

F. provision for signatures after the date, and designated lines for the signatures of the mayor and the clerk; and

G. an attestation.

2. Resolutions shall not be included in any municipal code of ordinances.

#### Section 3.07

#### Resolutions-reading-hearing-final passage-posting

1. Every resolution shall be introduced in writing and shall be orally read before any vote for passage thereof is taken.

2. On any vote for passage of the resolution, all persons interested who appear shall be given an opportunity to be heard. After such hearing, the Assembly may finally pass such resolution, with or without amendments. First reading of any resolution shall be final.

3. After final passage, every resolution shall be posted in full on the borough bulletin board. Every resolution, unless it shall specify a later date, shall become effective following final passage, or, if the resolution be submitted at a referendum election when state law or borough charter so requires, then upon certification of a favorable vote of the requisite number of those voting thereon.

#### Section 3.08

#### Rules and regulations

Any rule or regulation made by any administrative officer or board or commission shall be published at least fifteen (15) days prior to its adoption in a newspaper of general circulation in the borough and by posting on the borough bulletin board in the borough offices.

## ARTICLE IV THE EXECUTIVE

#### Section 4.01

#### Mayor as executive

1. The executive power in the borough is vested in the mayor. The mayor shall perform all duties required by this Charter or the Assembly. The mayor is head of the borough for ceremonial purposes and executes official documents upon the authorization of the Assembly.

2. The administrative power in the borough is vested in the mayor. The borough mayor, as the Chief administrative officer, is responsible for the proper administration of all borough affairs. The mayor shall:

A. appoint borough employees and administrative officers, except as provided in this Charter and by law; he may hire necessary administrative assistants and may authorize an appointive administrative officer to appoint, suspend, or remove subordinates in his department;

B. suspend, remove by written order, borough employees and administrative officers, except as otherwise provided in this Charter;

- C. supervise enforcement of borough law;
- D. prepare the annual budget and capital improvement program for the Assembly;
- E. execute the budget and capital program as adopted;
- F. make monthly financial reports to the Assembly on borough finances and operations;
- G. report to the Assembly at the end of each fiscal year on the finances and administrative activities of the borough;
- H. prepare and make available for public distribution an annual report on borough affairs;
- I. serve as borough personnel officer unless the Assembly authorizes him to appoint a personnel officer;
- J. execute other powers and duties specified by State Law or lawfully prescribed by the Assembly;
- K. direct and supervise the business of the borough to assure that all ordinances and resolutions are executed;
- L. sign the special assessment rolls;
- M. act as Ex-officio chairman of the Board of Adjustments for matters of building and zoning regulations of the borough; and
- N. act as Ex-officio chairman of the Board of Equalization for matters of taxation and special assessments.

#### Section 4.02

#### Veto

The mayor may veto any ordinance, resolution, motion, or other action of the Assembly and may, by veto, strike, or reduce items in appropriation ordinances. He shall submit to the Assembly at its next regular meeting a written statement advising of his veto and giving his reasons. A veto is overridden by the vote of two-thirds of the authorized membership of the Assembly within 21 days following exercise of the veto or at the next regular meeting, whichever is later. The veto does not extend to appropriation items in school budget ordinance; actions of the governing body sitting as the Board of Equalization or the Board of Adjustments; adoption or repeal of a manager plan of government.

#### Section 4.03

#### Election and term of mayor

1. A voter of the borough who has been a resident of the borough for three (3) years, is eligible to hold the office of the mayor.
2. The mayor is nominated and elected at-large for a term of three (3) years and until a successor is elected and has qualified.
3. The mayor's regular term begins on the first Monday following the election, which is held on the first Tuesday of October.

Section 4.04

Filling a vacancy

A vacancy in the office of the mayor occurring within six months of a regular election shall be filled by the Assembly. The person designated shall serve until the next regular election and until a successor is elected and has qualified. If a Assembly person is chosen, he/she shall resign his/her Assembly seat. If a vacancy occurs more than six months before a regular election, the Assembly shall call a special election to fill the unexpired term.

Section 4.05

Mayor pro tempore

Should the office of the mayor become vacant, or if the existing mayor is disabled or unable to act, the Assembly may appoint a Mayor Pro Tempore, to serve until the mayor resumes his/her official duties, or until a new mayor is qualified.

Section 4.06

Successor to office of the mayor and mayor pro tempore

Should the office of the mayor and mayor pro tempore become vacant or should both the mayor and mayor pro tempore be absent or unable to perform the duties of the office of the mayor, the Assembly shall elect one of their members who shall assume the office of the mayor pro tempore.

Section 4.07

Salary of mayor

1. The office of the mayor of the borough shall be filled on a full-time basis. However, if the mayor is the incumbent, having served immediately preceding in that status, his salary shall not be set at a sum less than that rate he was paid on the last day of his preceding term.

2. The borough Assembly may, at any time during the mayor's term in office, raise the salary of the mayor. The salary of the Mayor shall be an amount the borough Assembly determines to be commensurate with the duties and responsibilities of the office of the mayor.

3. The mayor may not accept or receive remunerative employment from any other sources, except that he/she may serve on boards, commissions or other appointive committees at his/her discretion and pleasure. Military service is not considered as remunerative employment for the purpose of this section.

## ARTICLE V NOMINATIONS - ELECTIONS

Section 5.01

General requirements

1. Regular elections. A regular election shall be held annually on the first Tuesday in October.

2. Special Election. The Assembly shall provide by ordinance for special election.

3. Notice of Election. At least 30 days published notice shall be given of a regular or special election. The notice shall state the purpose of the election.

4. Qualifications of Voters. A person may vote in any borough election only if the person:

A. is qualified to vote in the State of Alaska; and

B. is a resident of the borough for thirty (30) days immediately preceding the election.

5. Nominations. Candidates for elective office shall be nominated by a petition signed by at least 25 qualified voters of the borough. All nomination papers comprising a petition shall be assembled and filed in person with the clerk during office hours as one instrument not earlier than 120 days nor later than 45 days before the election. No nominating petition may be accepted unless accompanied by a signed acceptance of the nomination by the candidate.

6. Election procedure. All elections shall be non-partisan. The Assembly by ordinance shall prescribe rules for the conduct of borough elections.

7. Determination of election results. The candidate for an office that receives the greatest number of votes is elected to the office. In case of a tie, the election shall be determined by lot from among the candidates tying.

## ARTICLE VI INITIATIVE, REFERENDUM AND RECALL

### Section 6.01

#### Initiative and referendum

The powers and rights of the initiative and referendum are reserved to the people of the borough as prescribed by law. The Assembly by ordinance shall regulate the procedure for their exercise.

### Section 6.02

#### Recall

An official who is elected or appointed to an elective borough office may be recalled by the voters of the borough as provided by law.

## ARTICLE VII PLANNING

### Section 7.01

#### Planning Commission

There shall be a Planning Commission consisting of seven members appointed by the Mayor and confirmed by the Assembly. The powers and duties of the Planning Commission, and the terms, qualifications and compensation of its members shall be provided by ordinance.

### Section 7.02

#### Comprehensive plan

The Assembly by ordinance shall adopt and implement, and from time to time modify, a comprehensive plan setting forth goals, objectives and policies governing the future development of the borough.

Section 7.03

Platting regulation and subdivision regulation

There shall be a platting authority constituted as provided for by ordinance. The Assembly by ordinance shall provide for the regulation of the subdivision of land within the borough.

## ARTICLE VIII EDUCATION

Section 8.01

Public school system

There shall be a system of public education for the borough, conducted in the manner provided by law. The system of public education shall be operated by a school board of eleven (11) members.

Section 8.02

School board

1. Qualifications. A school board member shall be a qualified borough voter and a resident of the borough. No school board member may hold any compensated school district employment while serving on the school board.
2. Term. Each school board member shall be elected to three year staggered terms.
3. Election. Each School Board member shall be elected at-large by the qualified voters of the borough and shall be residents of the district to which the seat they seek is assigned pursuant to Section 2.02 of this Charter. Such elected School Board member represents all the voters of the borough.
4. The Assembly, may, by ordinance, adopt additional procedures pertaining to the nominations and election of School Board members.
5. Vacancies. The office of school board member shall become vacant upon death, resignation, or removal from office in any manner authorized by law or by this Charter, or by forfeiture of office as prescribed for Assembly members in section 2.05 of this Charter. Vacancies shall be filled in a manner prescribed by law.

Section 8.03

Budget

The superintendent of schools shall submit an annual budget which shall first be approved by the School Board at such time as the board may direct, but in no case at a date later than that prescribed by State law. The proposed school budget shall be a public record available from the time of its submission to the board for public inspection and distribution. The board shall hold public hearings on the budget before approval and submission to the Assembly for final action.

Section 8.04

Joint conference

The Assembly and board may meet jointly at public meetings to deliberate upon matters of mutual interest.

## ARTICLE IX FINANCE

### Section 9.01

#### Fiscal year

The fiscal year of the borough shall begin on July 1 and end on June 30 of the following calendar year.

### Section 9.02

#### Submission of budget, capital improvements program and message

Not later than 60 days before the end of the current fiscal year, the mayor shall submit to the Assembly a budget for the following fiscal year, a capital improvements program and an accompanying explanation message of both. The Assembly may grant an extension of not to exceed 30 days if compelling reasons exist.

### Section 9.03

#### Scope of budget

1. Complete financial plan. The budget shall be a complete financial plan for all the operations of the borough, showing all reserves, all estimated revenues from all sources, and all proposed expenditures for all purposes.
2. Form. The budget shall contain at least the following:
  - A. a comparative statement of actual expenditures and actual revenues for the preceding fiscal year.
  - B. estimated expenditures and estimated revenues for the current fiscal year.
  - C. a brief explanation of each item.
3. Balanced budget. Proposed expenditures shall not exceed total estimated revenues and reserves.

### Section 9.04

#### Scope of capital improvements program

1. The capital improvement program shall be a plan for capital improvements proposed for the following six (6) fiscal years, together with the estimated cost of each improvement and the proposed method of financing it. It shall contain at least the following:
  - A. a summary of current capital improvements which are unfinished.
  - B. a simple, clear summary of the detailed contents of the program.
  - C. capital improvements pending or proposed to be undertaken within the ensuing fiscal year, together with the estimated cost of each improvement and the proposed method of financing it.
2. Capital improvements to be financed in the following fiscal year, shall be included in the budget as well as in the capital improvements program.

Section 9.05

Scope of message

The mayors message shall contain an explanation of the budget both in fiscal terms and in terms of work to be done, a description of the important features of the budget, an outline of the proposed financial policy of the borough for the following fiscal year, and an explanation of each capital improvement to be undertaken within the following six fiscal years.

Section 9.06

Hearing

1. By June 15, a public hearing shall be held on the budget and capital improvements program. All persons interested shall have an opportunity to be heard. At least ten days prior to the hearing, the Assembly shall:

- A. publish a summary of the budget and capital improvements program and a notice setting out the time and place of the public hearing; and
- B. deliver copies of the notice and summary of the budget and capital improvements program and the mayor's message to newspapers of general circulation in the borough and to the commercial radio and television stations operating in the borough, and by posting in three public places in each community.

2. Publish shall have the same meaning as provided for in Section 3.03.3 of this Charter.

Section 9.07

Assembly action on budget

The Assembly, by ordinance, shall adopt a budget not later than June 15. If it fails to do so, the budget submitted by the mayor shall be deemed adopted by the Assembly as the budget for the following year.

Section 9.08

Assembly action on capital improvement program

The Assembly, by ordinance, shall adopt a capital improvements program not later than June 15 before the end of the current fiscal year. If it fails to do so, the capital improvements program submitted by the mayor shall be deemed adopted by the Assembly.

Section 9.09

Certification and distribution

The budget and capital improvements program as adopted shall be certified by the mayor and borough clerk, and shall be a public record and shall be made available at the borough clerk's office for distribution to the public at no more than cost.

Section 9.10

Supplemental and emergency appropriations

1. If during any fiscal year there are available revenues not anticipated in the budget estimates, the Assembly, by ordinance, may make supplemental appropriations for the year up to the amount of the additional revenues.
2. Upon declaration by the Assembly that a public emergency exists and describing the emergency in clear and