

ALASKA LEGISLATURE COMMITTEE FILES 1987-88 86/2

4449 HCRA HB 1 (FILE 3)

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516 Denali Street
Anchorage, AK 99504

Bristol Bay Native Corporation
P.O. Box 100220
Anchorage, AK 99501

Choggiung Corporation
P.O. Box 247
Dillingham, AK 99576

Gene Peltola, President
Association of Village Council Presidents
P.O. Box 219
Bethel, AK 99559

Kiutsarak, Inc.
General Delivery
Goodnews Bay, AK 99620

Arviq, Inc.
P.O. Box 9
Platinum, AK 99651

Togiak Natives Limited
P.O. Box 109
Togiak, AK 99678

Twin Hills Native Corporation
General Delivery
Twin Hills, AK 99576

Manokotak Natives Ltd.
General Delivery
Manokotak, AK 99628

Saguyak, Inc.
General Delivery
Clark's Point, AK 99569

Commissioner William G. Demmert
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File: LBC: Northwest Bristol Bay

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPT. OF COMMUNITY AND REGIONAL AFFAIRS

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PHONE: (907) 443-5457

April 4, 1988

Robert Packard
Concerned Citizens of Delta Junction
4852 Becky Lane
Delta Junction, AK 99737

Dear Mr. Packard:

In January of this year Governor Steve Cowper received a letter from you requesting that the State of Alaska allow the area encompassed by the Delta/Greely School District a chance to exercise self-determination in the selection of its local government structure.

Enclosed with that letter was a petition signed by over 500 area residents also petitioning for, among other things, "the funds to . . . study and implement a form of self government equally acceptable to the majority of the people living in the Delta/Greely School District, the State of Alaska, and the Constitution of the State of Alaska." This sentiment was reinforced by an advisory vote on February 16 in which 421 residents of the region registered their support of a task force to research or study a minimum form of self government, and 46 indicated otherwise. Clearly, there is sincere interest in exploring forms of government suitable to your area of the Unorganized Borough.

A number of other regions throughout the state have formally requested this agency to undertake studies of the viability of forming boroughs in their regions. As you know, interest in this topic stems from a variety of reasons but, in particular, seems to result from the mandatory borough bill pending in the legislature (2d SSHB 1) and the desire to increase the ability to generate revenues to support local public services.

In addition to the area defined by the Delta-Greely School District, five areas of the state have expressed significant interest in further examining the formation of regional

Mr. Robert Packard
April 4, 1988
Page Two

government. In fact, all others have asked specifically for a study of the feasibility of borough formation. These areas consist of the following:

- Northwest Bristol Bay (Portions of REAA #s 4 & 6, including Goodnews Bay, Platinum, Togiak, Twin Hills, Manokotak, Clark's Point, Ekuk and Aleknagik);
- Copper River Basin (REAA #17);
- Bering Sea Region (Aleutian Region west of Akutan);
- Yukon-Koyukuk (REAA # 12, with separate consideration of smaller areas within the region)
- A portion of the Chatham REAA #18 (Hoonah and Angoon) and Kake (REAA #19)

As a result of this widespread interest, we have developed a proposal which we feel will allow us to respond to the needs of areas of the state interested in possibly forming a borough. Although we have no funds to offer you for study of your regional government situation at this time, the Department of Community and Regional Affairs would be able to provide you with an in-house study of the feasibility of borough formation in your area.

The feasibility study would contain two elements. First the Department would issue a booklet which would provide general background information concerning borough government. It would contain such information as:

- what a borough is;
- borough powers and duties;
- alternative types of boroughs;
- typical sources of revenue;
- information concerning apportionment of the governing body; and
- procedures and standards for forming a borough.

The second publication would be written specifically for your region. It would examine the Delta-Greely region to determine the feasibility of forming a borough in that particular area. This publication should contain no more than twelve pages and would address such matters as projected services, revenues, and expenditures; how communities might be represented by the borough assembly; and an estimate of the municipal land entitlements of the area. It would also address any special considerations which may apply to the region (e.g. unique boundary issues). A copy of this report outline is enclosed.

Mr. Robert Packard
April 4, 1988
Page Three

Also enclosed is a copy of the schedule for this project. Since we want to complete similar studies for the six regions at one time, we anticipate that it will take approximately one year to conclude the project. You will note from the timeline that we are asking each region to be an active participant in the study effort. We feel that full participation by the Concerned Citizens of Delta Junction and other interested parties in the region is essential to the success of your study.

If you wish to proceed with this project, we will assign a member of our regional office to assist you in gathering the requested information as well as to work with you in other aspects of the project. You will be contacted by the regional staff person and asked to provide the information noted below. Don't be alarmed at the amount or the detail of the information we need. This individual will help to gather this data and information.

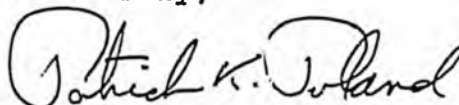
- ° The name of the prospective borough.
- ° A projected date for incorporation of the borough.
- ° A map clearly indicating the boundaries of the prospective borough.
- ° Information concerning the population of the proposed borough.
- ° A statement of which municipal powers it is anticipated the prospective borough will undertake and the schedule for same.
- ° Estimates of the level of services envisioned by the prospective borough.
- ° A statement of the means by which the prospective borough would likely raise locally generated revenues (e.g. sales taxes, use taxes, et cetera).
- ° A statement of any special consideration regarding the study area as those factors may relate to borough incorporation. This may include major economic development which could seriously impact local economies or lifestyles, transportation patterns unique to the area which constitute a significant issue relating to borough boundaries, et cetera.

Mr. Robert Packard
April 4, 1988
Page Four

As you will see from the enclosed project timeline, it is our intention that this information be provided to us by May 16. Again, you will be receiving complete assistance in this matter. Until then, Carol Akerelrea, a staff member of our Anchorage Office who is coordinating your study, will telephone you in approximately one week to confirm your participation in the study. Following this contact, you will be advised of the regional staff member assigned to work with you. This individual may meet with you in the study area several times throughout the project either to assist in gathering information for our report or to present/discuss the findings of the report.

In the interest of keeping others in the area informed of this matter, we have taken the liberty of sending copies of this letter to the individuals noted on the distribution list. We look forward to working with you and other communities in the region on this important project if you decide to participate. If you have any questions on this letter or the attached, please contact your Ms. Akerelrea at 561-8586.

Sincerely,



Patrick K. Poland
Acting Director

Enclosures:

Outline for borough feasibility report
Project Timeline
Distribution list

cc: Distribution List

Distribution List:

The Honorable Richard Shultz, Representative
Alaska State House of Representatives
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Alaska State Senate
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The Honorable Heinrich Springer, Chair
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The Honorable Arliss Sturgulewski, Chair
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File: LBC: Delta-Greely

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PHONE: (907) 443-5457

April 4, 1988

Mr. Duste E. Bonin
Co-Chairman
Copper Basin Borough Information Committee
P.O. Box 126
Copper Center, AK 99573

Dear Mr. Bonin:

This is to follow up several pending issues relating to your interest in considering the formation of a borough in the Copper River region.

As you know, on February 10 we requested information from the Department of Revenue concerning the current and prospective future valuations of oil and gas property within the Copper River REAA. Attached is a copy of the response to our request from the Department of Revenue.

We have yet to receive an opinion from the Department of Law concerning our December 9, 1987 inquiry on the prospect of levying a use tax on fuel used to operate Pump Station #12. We contacted the Department of Law last this week concerning the status of our request. We were advised that while some preliminary research has been conducted on the matter, other priorities of the Department of Law have not enabled them to fully respond to the issue. They expect it will be several weeks before they are able to prepare an opinion on the matter.

Even if the opinion concerning the use tax favors the prospective borough, we urge you to be careful about relying too greatly on such a tax as a source of revenue for the prospective borough. A favorable opinion from the Department of Law offers no guarantee that the levy of the tax will not be challenged, and perhaps successfully so, in court.

The last time you and Bob Niebrugge were in the office, you had a number of questions concerning the prospective borough. Those questions are repeated below along with our opinions.

Mr. Duste E. Bonin
April 4, 1988
Page Two

- Q. Can the assembly of a home rule borough serve as the planning commission?
- A. The law makes distinctions between the duties of a general law borough and a home rule borough in carrying out planning functions. First and second class boroughs are required to "provide for planning, platting and land use regulation in accordance with AS 29.40" [see AS 29.35.180(a)]. While, the law provides that a home rule borough "shall provide for planning, platting and land use regulation" it does not specify that it be done in accordance with AS 29.40 [see AS 29.35.180(b)]. Further, limitations on home rule boroughs with respect to planning exist only in regard to title to vacated areas (AS 29.40.160 (a)-(c)) and subdivisions of state land (AS 29.40.200) [see AS 29.10.200 (39)-(40)].

The statutes are quite specific for general law boroughs as to the composition and appointment of a planning commission which is separate from the Assembly, no similar provisions exist for home rule boroughs. Thus, we conclude that a home rule borough enjoys great flexibility in the manner in which it carries out its planning functions. We believe that this may include having the assembly assume the duties of a planning commission.

Notwithstanding, we feel that there are several practical considerations which should be carefully evaluated prior to structuring the planning functions in the manner anticipated by the question. Therefore, we would appreciate the opportunity to discuss the matter with you further at some future time.

- Q. Can provisions be made which require an amendment to a home rule charter to be approved by 2/3 or even 3/4 of the voters?
- A. Article X, Section 9 of the State Constitution states, in part, "All charters, or parts or amendments of charters shall be submitted to the qualified voters of the borough or city, and shall become effective if approved by a majority of those who vote on the specific question".

Thus, we believe that it is not permissible to require more than a simple majority for the approval of amendments to the charter.

- Q. Can restrictions be placed in the charter concerning the issuance of bonds?

Mr. Duste E. Bonin
April 4, 1988
Page Three

Y. It appears that a home rule borough enjoys considerable flexibility in its authority to limit indebtedness. General law governments are constrained in this respect by the provisions of AS 29.47. However, only two sections of AS 29.47 apply to home rule governments (security for bonds - AS 29.47.200(b) and construction - AS 29.47.260).

Q. Can an assembly of a home rule borough meet only once a year?

A. We are aware of no provisions in law which relate to the number of meetings which the assembly of a home rule borough must conduct. AS 29.20.160(b), which applies only to general law governments, states in part, "A governing body shall hold at least one regular meeting each month unless otherwise provided by ordinance."

Thus, we believe that it is permissible for a home rule borough assembly to meet only once a year.

Q. What are the stipulations for dissolving a borough?

The provisions of law concerning dissolution of boroughs apply to both home rule and general law boroughs [see AS 29.10.200(6)]. Standards and procedures for dissolution of boroughs are established in AS 29.06.450 - 530 and 19 AAC 10.260 - 280. A copy of the referenced regulations are enclosed for your information (you already have the statutes).

At this time we also wish to address the desire on the part of residents of the region for a formal study of the feasibility of forming a borough in the region. Late last year you submitted a letter to Marty Rutherford requesting that the State of Alaska conduct a borough feasibility study of REAA #17. Enclosed with that letter was a "resolution" signed by 90 residents of the area also petitioning for a study. We advised you at the time that we did not have the funds for the performance of the study by a private contractor. However, we did offer staff resources to assist you.

A number of other regions throughout the state have also requested our assistance in conducting borough feasibility studies. As you know, interest in this topic stems from a variety of reasons but, in particular, seems to result from the mandatory borough bill pending in the legislature (2d SSHB 1) and the desire to generate revenues to help support local services in an era of declining state revenues.

Mr. Duste E. Bonin
April 4, 1988
Page Four

In addition to the Copper River Basin, five areas of the state have expressed significant interest in further examining the formation of a borough. These areas consist of the following:

- Northwest Bristol Bay (Portions of REAA #s 4 & 6, including Goodnews Bay, Platinum, Togiak, Twin Hills, Manokotak, Clark's Point, Ekuk and Aleknagik);
- Delta-Greely Region (REAA #15);
- Bering Sea Region (Aleutian Region west of Akutan);
- Yukon-Koyukuk (REAA # 12, with separate consideration of smaller areas within the region)
- A portion of the Chatham REAA #18 (including Angoon and Hoonah) and Kake (REAA #19)

As a result of this widespread interest, we have developed a proposal which we feel will allow us to respond to your needs and to the needs of the five other regions. That is, the Department of Community and Regional Affairs will prepare two "borough" publications. The first will provide general background information concerning borough government. It will contain such information as:

- what a borough is;
- borough powers and duties;
- alternative types of boroughs;
- typical sources of revenue;
- information concerning apportionment of the governing body; and
- procedures and standards for forming a borough.

The second publication will be written specifically for each region. It will examine each of the study areas to determine the feasibility of forming a borough in that particular area. This publication should contain no more than twelve pages and will address such matters as projected services, revenues, and expenditures; how communities might be represented by the borough assembly; and an estimate of the municipal land entitlements of the area considered for incorporation. It will also address any special considerations which may apply to the region (e.g. unique boundary issues). A copy of this report outline is enclosed.

Mr. Duste E. Bonin
April 4, 1988
Page Five

Also enclosed is a copy of the schedule for this project. Since we want to complete studies for the six regions at one time, we anticipate that it will take approximately one year to conclude the project. You will note from the timeline that we are asking each region to be an active participant in the study effort. We feel that full participation by the Copper River Borough Information Committee and other interested parties in the region is essential to the success of your study.

In this respect, we have assigned Ms. Carol Akerelrea of our Anchorage office to assist you in gathering the requested information as well as to work with you in other aspects of the project. Once you have confirmed your interest in this study with her, you will be asked to provide the information listed below. Don't be alarmed at the amount or the detail of the information we need. Ms. Akerelrea will help to gather this data and information.

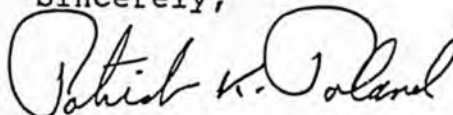
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Mr. Duste E. Bonin
April 4, 1988
Page Six

As you will note from the enclosed project timeline, it is our intention that this information be provided to us by May 16. Again, you will be receiving complete assistance in this matter. Ms. Akerelrea, who is coordinating your study, will telephone you in approximately one week to confirm your participation. Following this contact, she will plan to meet with you.

In the interest of keeping others in the area informed of this matter, we have taken the liberty of sending copies of this letter to the individuals noted on the distribution list. We look forward to working with you and other communities in the region on this important project. If you have any questions on this letter or the attached, please contact Ms. Akerelrea at 561-8586.

Sincerely,



Patrick K. Poland
Acting Director

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File: Copper Basin Borough

STATE OF ALASKA

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April 4, 1988

The Honorable Liv C. Gray
Mayor
City of Hoonah
P.O. Box 360
Hoonah, AK 99829

Dear Mayor Gray:

This is to follow up the letter of February 17 from Commissioner Hoffman in response to your recent request that we conduct a borough feasibility study for the region encompassing Hoonah.

We understand from discussions with Mike Tavoliero, the Hoonah City Manager, that it is intended the study area encompass the territory generally within the boundaries of the Chatham Regional Educational Attendance Area. Excluded from this would be territory in the REAA north of Dry Bay. Also, Mr. Tavoliero has expressed interest in including Excursion Inlet in the study area, an area which presently lies within the boundaries of the Haines Borough. Kake, which lies within the adjacent Southeast Island REAA, is also proposed to be included within the study area.

A number of other regions throughout the state have made similar requests of this agency. Interest in this topic stems from a variety of reasons but, in particular, seems to result from the mandatory borough bill pending in the legislature (2d SSHB 1) and the desire to increase the ability to generate revenues to support local public services.

In addition to your region, five areas of the state have expressed significant interest in examining the formation of a borough. These areas consist of the following:

- ° Northwest Bristol Bay (Portions of REAA #s 4 & 6, including Goodnews Bay, Platinum, Togiak, Twin Hills, Manokotak, Clark's Point, Ekuk and Aleknagik);

The Honorable Liv C. Gray
April 4, 1988
Page Two

- Copper River Basin (REAA #17);
- Delta-Greely Region (REAA #15);
- Bering Sea Region (Aleutian Region west of Akutan);
- Yukon-Koyukuk (REAA # 12, with separate consideration of smaller areas within the region)

As you can see, the interest in this topic is widespread. We have developed a proposal which we feel will allow us to respond to your needs and to the needs of the other regions concerning this matter. That is, the Department will prepare two "borough" publications. The first will provide general background information concerning borough government. It will contain such information as:

- what a borough is;
- borough powers and duties;
- alternative types of boroughs;
- typical sources of revenue;
- information concerning apportionment of the governing body; and
- procedures and standards for forming a borough.

The second publication would be written specifically for each region. It would examine each of the study areas to determine the feasibility of forming a borough in that particular area. This publication should contain no more than twelve pages and will address such matters as projected services, revenues, expenditures, how communities might be represented by the borough assembly and municipal land entitlements of the area considered for incorporation. It would also address any special considerations which might apply to the region (e.g. unique boundary issues). A copy of the report outline is enclosed.

Also enclosed is a copy of the schedule for this project. Since we want to complete similar studies for the six regions at one time, we anticipate that it will take approximately one year to conclude the project. You will note from the timeline that we are asking each region to be an active participant in the study effort. We feel that full participation by the City of Hoonah and other interested parties in the region is essential to the success of each study.

In this respect we will assign a member of our regional office to assist you in gathering information we will need to complete

The Honorable Liv C. Gray
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Page Three

the study. You will be contacted by the regional staff person and asked to provide the information noted below. Don't be alarmed at the amount or the detail of the information we need. This individual will provide complete assistance in gathering this data and information.

- ° The name of the prospective borough.
- ° A projected date for incorporation of the borough.
- ° A map clearly indicating the boundaries of the prospective borough.
- ° Information concerning the population of the proposed borough.
- ° A statement of which municipal powers it is anticipated the prospective borough will undertake and the schedule for same.
- ° Estimates of the level of services envisioned by the prospective borough.
- ° A statement of the means by which the prospective borough would likely raise locally generated revenues (e.g. sales taxes, use taxes, et cetera).
- ° A statement of any special consideration regarding the study area as those factors may relate to borough incorporation. This may include major economic development which could seriously impact local economies or lifestyles, transportation patterns unique to the area which constitute a significant issue relating to borough boundaries, et cetera.

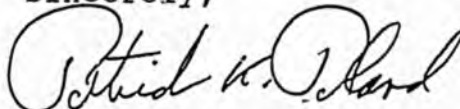
As you will note from the enclosed project timeline, it is our intention that this information be provided to us by May 16. Again, you will be receiving complete assistance in this matter. Gene Kane, a staff member of our Anchorage Office who is coordinating your study, will telephone you in approximately one week to confirm your participation in the study. Following this contact, you will be advised of the regional staff member assigned to work with you. This individual may meet with you in the study area several times throughout the project either to assist in gathering information for our report or to present/discuss the findings of the report.

The Honorable Liv C. Gray
April 4, 1988
Page Four

Because others will be vitally interested in this study effort, we have taken the liberty of sending copies of this letter to the individuals noted on the distribution list. We intend to coordinate our efforts in the matter fully with municipalities and unincorporated communities which have an interest in the study. These include the Haines Borough (due to the interest in detaching Excursion Inlet from the Haines Borough) and the City and Borough of Juneau (due to the competing interest in the Greens Creek Mine). Additionally the City of Yakutat has expressed interest in forming a Coastal Resource Service Area which encompasses a portion of the study area.

We look forward to working with you and other communities in the region on this important project. At this point, if you have any questions on this letter or the attached, please contact Gene at 561-8586.

Sincerely,



Patrick K. Poland
Acting Director

enclosures:

Outline for borough feasibility report
Project Timeline
Distribution list

cc: Distribution List

Distribution List:

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File: Hoonah Borough



CITY OF MC GRATH

P.O. BOX 57 MC GRATH, ALASKA 99627

PHONE (907) 524-3825

Sina

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March 15, 1988

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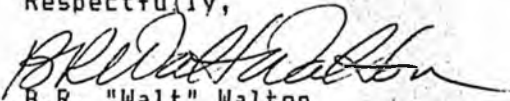
Senator John Binklev
Alaska State Legislature
P.O. Box V
Capitol, Room 516
Juneau, Ak. 99811

Subject: 2 SS for HB1

Dear Senator Binklev:

At a regular City Council meeting on February 16, 1988 the 2 SS for HB 1 was discussed. It was the consensus of the Council that the Mayor send a letter of opposition to passage of the bill. The Council also objected to using state monies to fund development of boundaries for the forming of new boroughs when there is no support in this area for additional levels of government.

Respectfully,


B.R. "Walt" Walton
Mayor

cc: Representative Kay Wallis

B

Boroughs bill draws heavy rural protest

By Robert Laurie
Times Juneau Bureau

JUNEAU — A legislative proposal that would create up to 20 new boroughs in the state, replacing 22 Rural Education Attendance Areas (REAA) and 19 small city school districts, is coming under fire from rural Alaskans.

It all boils down to a debate over higher taxes versus lower education costs, and increased local responsibility vs. more bureaucracy.

The bill's sponsor, Rep. Ron Larson, D-Palmer, concedes the bill is not likely to pass this session, but he says it's sparking a needed discussion on the merits of local government compared to state government.

He says his bill is simply a continuation of a process begun with statehood in 1959.

The state constitution gives local government powers to boroughs and cities. In 1963 the legislature passed the Mandatory

Borough Act establishing eight boroughs covering the most populated areas of the state. Five more boroughs have been established since then, the most recent being the Aleutians East Borough last fall.

Still, more than half the state's land area remains without an organized local government.

As in the boroughs, locally elected boards run the schools in the so-called unorganized borough, but the state pays 100 percent of the educational costs. In organized boroughs, local taxpayers split the costs with the state.

Larson said that's unfair.

"You can't have local control without local responsibility," he said.

He points to Department of Education figures that show the state spends 32 percent of its education budget for the roughly 18 percent of Alaska's school stu-

See Bill 1, page B-4

Bill 1: Local vs. state control

Continued from page B-1

dents in REAA's and small city schools.

Larson says administrative costs in rural Alaska are too high. He says there are too many superintendents and other administrators, and many are paid too much for their responsibilities.

"In my mind, the money should be spent for education, not administration," said Larson.

He said costs in rural areas have soared out of line because local school boards "didn't have to worry where the money is coming from." Their funds came from the state.

"They didn't have taxpayers looking over their shoulders," he said.

But a number of Alaskans testifying on the measure during a legislative teleconference fear the proposal could result in more government peering over their

shoulders and interfering in their lives.

"Leave us alone, just leave us alone," said Mike Coombs of Healy, "We don't need more bureaucrats in Alaska."

Calling from a pay phone in Nenana, A.P. McDonald said Larson's bill, House Bill 1, was "another case of Anchorage trying to tell rural Alaska what to do."

"Decency prevents me from expressing my dismay and disgust with House Bill 1," he added.

Rep. Kay Wallis, D-Fort Yukon, also opposes the measure.

"I hate it," she said, "because there's no tax base out there to support (a borough government)."

Jack Forness of Nenana asked "Why can't the school situation be solved by a school tax rather than form a new borough?"

Until it was repealed during the oil boom of the early 80's, a

school tax of \$10 per person was levied on every Alaskan. Forness said a \$100 per person school tax "wouldn't be out of line."

Larson claims that if his bill is adopted most rural Alaskans would not have to pay any higher taxes than they now do.

"Even if they don't raise much money, it will make those school boards more accountable," he said.

Several school boards and local governments passed resolutions opposing the measure.

Bob Weinstein, superintendent of the Southeast Islands School District said his board unanimously opposes the bill. He said such local governments cost more to operate than they generate in revenues.

Larson's home borough assembly, the Matanuska-Susitna borough, supports the measure. Mayor Dorothy Jones said it will make local government more accessible to the people.

2/19/88



The Juneau Report is published by Standard Alaska Production Company (SAPC) Government Affairs Department to provide an overview of issues and legislation as they relate to the petroleum industry. Opinions of authors expressed here do not necessarily reflect the opinions of the company. The Juneau Report is edited by Jim Palmer. Inquiries should be directed to him, SAPC Government and Public Affairs 564-5403.

In this issue:

- *Commentary*, "Coping with change," Page 2
- *Standard Alaskans speak out*, Page 2

Long term, gradual reduction

\$358 million budget savings?

How it can be done

Alaska's state operating budget could be reduced by \$275 million yearly in 10 years and as much as \$350 million in 15 years if current state loan and debt programs can be retired on the current schedules, and if state lawmakers can get one spending program — the Longevity Bonus — under control by adopting one of several spending modifications.

service will be dropping fast in increments of \$12 to \$30 million over the next several years. By 1998, state general obligation debt service will have dropped to \$44 million, and zero by 2001. While zero debt service is technically possible, it is politically unlikely because by then the state will probably have initiated a modest capital program tied

Continued on page 6

Savings could come under the following programs: State general obligation bond debt service, \$132 million less in 10 years and \$147 million less in 15; State school debt support payments, \$77 million less in 10 years, \$116 million less in 15; State student loan subsidies, \$45 million less in 10 years, \$54 million less in 15; Longevity Bonus program, assuming modifications are adopted, \$0-\$20 million savings in 10 years (depending on which proposal for modification is adopted) and \$40 million less in 15 years.

Debt service reductions are substantial, but it is likely that some new debt may be required, both on state and local levels, before 2005. This would require some amount of ongoing debt service, though at levels below those of today. However, potential savings in the student loan program and the Longevity Bonus program, if it is modified, are very likely.

State Debt Service

State general obligation debt — for bonds sold to finance public buildings, roads and other state services — cost the state \$47.9 million in debt service during the current fiscal year. These bonds are on a rapid payoff schedule tied to the decline in Prudhoe Bay production. Annual debt

1988 session convenes

Alaska legislators convened in Juneau on January 11 for the 1988 legislative session. Major issues before the Legislature this spring include possible major changes in the state workmens' compensation laws and "tort" reform, which involve changes in civil liability procedures.

Workmens' compensation insurance costs have soared for Alaskan businesses and have become a major problem for companies amid the state's current recession. Senate and House Labor and Commerce Chairmen Senator Tim L'elly and Representative Dave Donley, both of Anchorage, have developed proposed changes to the law that would, hopefully, lower insurance costs for Alaskan firms.

Continued on page 6

Tale of three cities

How local governments handled budget problems

Editor's Note: This article discusses how three principal Alaska local governments, each with their own unique circumstances, have reacted to state budget cuts and reductions in state revenue sharing to local government coffers.

By Mike Bradner

This is an article about three Alaska local governments — Fairbanks, Kenai and the Matanuska-Susitna Borough. Like all Alaska local governments, these three governments have been impacted by major state budget cuts over the last several years. Local governments have been forced to react, using up fund balances and cash reserves, imposing budget cuts of their own, increasing existing local tax levies, and debating the prospects of new taxes. This is how three governments are coping.

Changing Revenue Realities

Since statehood, and most certainly since the beginning of oil production in Cook Inlet, Alaska local governments were able to look to the state government for steadily increasing revenue support. This "rising revenue" expectation lasted until 1986.

Alaska's large oil revenues have meant local governments have had a steadily rising revenue curve for almost three decades. More significantly, for the last two decades local governments had the luxury of greatly increasing revenues, while at the same time being able to decrease their own tax loads.

In most state and local governments in this country, increasing spending while reducing individual taxes would be impossible, and in government theory, this is a contradiction. But among Alaska local governments this "contradiction" was a functioning reality.

Alaska local governments were not only able to lower taxes and increase spending at the same time, but during these years were even able to accrue considerable

"savings." In addition, increasingly in the 1980s local governments focused on another "perk" — the annual competition for state dollars to fund municipal capital needs.

Now this trend is reversed. The outlook is for a decline in state shared revenue with local governments, both in the near term and the longer term perspective. The ultimate decline of the immense Prudhoe Bay field has always meant a period of "adjustment" in Alaska's future.

The problem both state and local governments face is

that the sizable oil production drop, inherent in Prudhoe Bay oilfield decline, is unlikely to be offset by production from existing marginal fields, or even by significant new discoveries. The luxury of the Prudhoe Bay field is its huge size, the curse is that the production stream is so large that decline cannot realistically be offset. This does not mean Prudhoe decline cannot at some point or time be offset, but only that prudent exploration expectations would appear to set high odds against such a find, or make the

Continued on page 3



Representative Randy Phillips (R)—Chugiach-Eagle River and Representative Dave Pearce (R)—Anchorage, discuss legislation during a House floor recess.

How three boroughs handled lower revenues

Continued from page 1

"timing" of such a discovery outside the timeframe of the current problem.

This reversal in revenue outlook represents a fundamental change. This change will leave its mark on how state and local government politics are conducted in the future.

1986: The Watershed Year

1986 was the "watershed" year for state and local revenue relationships. The oil price collapse of July 1986 marked a point where local governments had to (1) increasingly expect proportionately less revenue from state government, and (2) rely more on their own spending and tax decisions.

The collapse of oil prices in mid-1986 forced former Governor Sheffield to impose emergency budget cuts across the board, through budget impoundments. These included 10% cuts for municipal and school support funds for local government. These cuts were a shock for Alaskan communities, not only because they were large, but also because they came after their own budgets were already adopted. This caught communities with their legal mill levies set for the year, and in the case of schools, their professional contracts generally "in place." The only choice left to many communities was to cut their already established budgets.

The three local government communities we will discuss are all regional borough governments, exercising municipal powers and school powers. Each has smaller cities of differing classes within their borders.

FAIRBANKS: The Toughest Situation

Among our three regions, Fairbanks may represent the most complex situation. During the past spring, summer, and fall, Fairbanks has been mired in a full-blown public policy debate over raising revenues, service levels, and layoffs, none of which the community preferred to do.

This period of turmoil in Fairbanks has seen both the Borough Assembly and City Council adopt sales taxes and has then seen both of those sales taxes rejected by public vote. This brought Fairbanks back to the budget table and put both governments, already four months into a budget year, up against the task of making serious budget cuts.

What happened in Fairbanks goes back to the Sheffield impoundments. The emergency impoundments caught the Fairbanks Borough government with its budgets in place, and its property tax mill levy set. However, the impoundments also caught the borough with no fund balance. A prior Borough administration had spent the "fund balance."

"... Fairbanks may represent the most complex situation; Fairbanks has been mired in a full-blown public policy debate over raising revenues . . ."

In a climate of increasing revenue, an eroded fund balance would present no great crisis. However, such fund balances are maintained precisely to meet demands of fiscal emergencies. For Fairbanks, the "unexpected" happened, and Fairbanks was "caught short" with no balances to fall back on.

Complicating this situation was the fact that "by policy" the school district did not keep a fund balance of its own, but instead depended on the Borough's. Generally, this would be considered good public policy, since parent governments usually are not inclined to allow subsidiary units to maintain much of a margin of excess funds over cash flow.

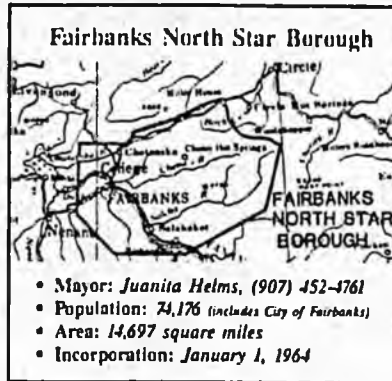
During the nine months prior to the Sheffield impoundments the Fairbanks Borough had been trying to rebuild its fund balance. After some considerable dialogue with the public, the Borough set aside some funds for a fund balance and had a goal of rebuilding an adequate surplus balance over a period of several years.

The Fairbanks School District, in the spring and summer of 1986, had problems of its own. The district had already gone through a tough spring of budget cuts and fine-tuning with the parent Borough assembly. This was due in part, to the Borough's poor cash position. Finally, with a budget "in-hand," and state revenues seemingly assured, the Borough and School District budgets were finalized and tax levies put in place.

However, there was an additional problem that plagued the Fairbanks School District. Litigation over a school bussing contract had left the district with \$2.2 million unfunded and uninsured liability.

What all this meant was that in July 1986, when the Sheffield impoundments hit, the Fairbanks Borough and the School District were already "behind the eight-ball." They had no fund balances, no margin. These coupled with modest cuts and budget restructuring, might have temporarily "patched-up" the immediate budgets and buy time.

The Borough managed to patch its budget together, but the school district entered the 1986-87 school year with



projections that at times projected a deficit running to \$4 million. While Fairbanks had a strong case that its school problems were "special," state administrative relief was almost impossible. The problem was that the "legal foundation" of impoundment by the state rested in these impoundments being uniform. As soon as the state executive branch tried to pick, choose, and judge individual cases, it was in danger of appropriating — something the administrative branch clearly may not constitutionally do.

With tax levies set for the year, the Borough and School District had only two sources of relief to look to — the courts or the Legislature. The School District took both routes. The School District challenged the Sheffield emergency impoundments in court, and also sought legislative relief.

As the Legislature warmed up to its job in January 1987, the revenue outlook remained bleak. Facing an uncertain revenue future, the Legislature generally was in a "waiting mode" — waiting to see what the spring revenue forecasts would bring. The resulting environment in Juneau was such that Fairbanks could not easily come forward and plead some kind of "special case." However, during the 1987 session certain general supplemental funding actions did allow Fairbanks to regain some financial ground.

The district was also partially successful in its litigation challenging the Sheffield impoundments. But ironically this success did not help the district's financial situation. The court ruled the Sheffield impoundments unconstitutional, but found that the Legislature had remedied the situation by ratification of the impoundments.

In other words, the ratification action was tantamount to legal reappropriation of the funds by the Legislature.

The upshot was that as March rolled in the school district budget was still seriously in deficit. After a year's effort, the parent Borough government had accrued a marginal fund balance, but it also faced fiscal problems of its own going into the next year. What the borough did was bail out the school district with a sizable appropriation. This action wiped out its own effort to salvage a fund balance, but at least brought the fiscal problem down

squarely into the Borough's own court.

Before reviewing the play-by-play of Fairbanks futile effort to adopt a major new tax, a quick review of the Fairbanks budget is useful.

Fairbanks Profile

Like many other local areas, Fairbanks once had high taxes. In the late 1960s Fairbanks suffered a combined city-borough mill levy of as high as 24-mills plus 5% sales tax. State revenue sharing in the 1970s softened those taxes. In 1979, the combined Borough/city mill rate, which included the school levy, and was 15.6-mills, plus the 5% sales tax. However, with the "big oil money" of the early 1980s Fairbanks taxes dropped markedly. In 1981 both the Borough and city suspended their sales taxes (effective 1982), and the mill for the city in that year was "zero." The Borough mill levy that year was just 6-mills, of which 5-mills was the school levy.

In 1983 the city had a 1-mill levy, for a Borough city area combined, a mill levy of 7.7-mills. Since 1983, the city has held to a property tax mill levy of 2.5-2.8-mills. The Borough/School District in the mid-1980s was able to hold the mill levy to a modest rate, and in 1985 dropped to a 2.8-mill general levy — a tax-reducing action which helped erode the Borough's cash balances.

As the Fairbanks Borough government sought to put its budget together this year they were working with a \$66 million figure. The budget's main components were the local contribution for school support at \$24 million, debt service at \$16.5 million, and actual Borough operations at \$18 million.

Fairbanks debt almost equals operations, but in Fairbanks this debt is confined almost solely to school construction. This means that the debt appropriation is largely reimbursable by the state. However, this also means that any sizable state reduction in debt support suddenly shifts a sizable burden to local tax mills.

The Fairbanks Borough currently has 321 employees. Last year they reduced 39 authorized positions, and this year will cut more by the time the current budget settles down. However, last year many of these deletions were absorbed by attrition. This year actual employees will be laid off.

Fairbanks has also had a "wage freeze" in place for two years, and recently signed a contract continuing that freeze for three years. Despite the economic recession, the school district has not shown a decrease in students. The count this fiscal year is actually "up" by about 50 students, for a total of 13,903 students in this past October's count. However, in the past three years, teaching staff has dropped from 895 to 818, and classified staff from 425 to 355. Unions also took a wage freeze. The squeeze of the past few years has pushed the pupil teacher ratio upward from 22 to about 25:26.

We previously mentioned that with the benefits of large oil revenues, Alaska local governments could accomplish the seeming contradiction of increasing spending while lowering taxes. The opposite of that situation is the plight of facing "increasing" service demands, but with a "falling" revenue situation. The gradual impact of the incoming light infantry division to Fort Wainwright at Fairbanks may mean Fairbanks faces this latter situation. Larger school populations may mean rising school costs amidst eroding revenues.

While all governments had their excesses under the influence of the "big oil dollar" years of the 1980s, Fairbanks generally was not an extravagant case. The extra money that came to Fairbanks did not go for fancy new facilities that would permanently impact the municipal

Continued on page 4



FAIRBANKS BUDGET DILEMMA — To address the problem of declining revenues, the Fairbanks Borough Assembly and City Council last year proposed reestablishing a sales tax; but area voters rejected those proposals.

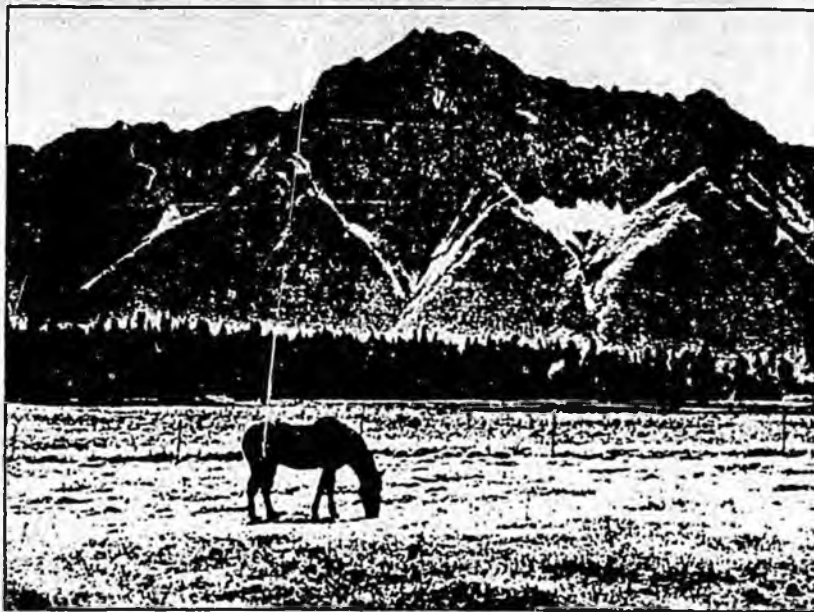


Photo courtesy of Anchorage Times

operating budget. Instead, in Fairbanks state funds generally went into roads, water and sewer, and other basic needs.

Basically what happened to Fairbanks is that the state revenue crisis just happened to "catch" the Borough when it was having a crisis of its own. This crisis was the combination of the Borough's fund balance situation, the short-fall of the School District, and the impact of the school bus litigation award.

The City of Fairbanks, as distinct from the North Star Borough, was a bit better off. They had socked away a \$5.5 million permanent fund, which cannot be used without voter approval, and built up a sizable fund balance in the early 1980s. However, this latter balance has been drawn down by the city in recent years, a route chosen by the city rather than raise taxes.

The Sales Tax Battle

Fairbanks was the first Alaska area to lead a major effort to institute new taxes. Both the Borough and city in 1987 sought to reimpose their sales taxes, which were suspended in 1981/82.

By March of last year the Fairbanks Borough was running out of time. The year-end deficit for the school district had to be dealt with if school final payrolls were to be met, and the Borough and School District had to have a new budget in place by mid-June. The budget clock was running out.

In early April the Borough assembly moved to reimpose the 2% sales tax, in suspension since 1981. The vote was almost unanimous. Almost at the same time the Fairbanks City Council acted to reimpose their former 3% sales tax. The City of Fairbanks mayor then vetoed the city tax, but in an unusual show of unity the council overrode the mayor's veto. For a brief time it seemed that Fairbanks had done the impossible, reimposing a major tax, and without great public turmoil.

"... resistance was mounting to both the Borough and city's sales tax actions."

The new Borough sales tax was to be effective June 1. This would allow a month of sales tax income to accrue in the current budget year, thus helping to resolve the Borough and School District's "year end" deficits. With the revenue issue seemingly resolved, the assembly appropriated \$2.2 million to the School District. This action resolved the district's pressing fiscal problem, but wiped out the Borough's partially restored fund balance. The Borough eventually moved the fiscal problem directly to its own arena, and armed with new revenue from the sales tax, proceeded to build a new budget.

However, resistance was mounting to both the Borough's and city's sales tax actions. As a result, in May the assembly reversed its sales tax action, suspending for one year, imposition of the new 2% sales tax. However, this action left the Borough administration with a seriously underfunded budget, which resulted in \$15 million in budget vetoes by Mayor Juanita Helms.

The Borough Assembly, confronted with the reality of budget vetoes and pressed against the June 15th deadline for setting the property tax levy, reversed its sales tax action again, reluctantly reinstating the 2% sales tax, this time with an effective date of August 1st. With the revenues back "in place," the Assembly then acted to override portions of Mayor Helms' budget vetoes. Finally, the Borough had a budget and revenues "in place."

However, by this time the Interior Alaska Taxpayers Association, a citizen group, was ready for action. The city 3% sales tax action came under attack by an initiative action, with the issue being squeezed onto a city special utilities bond election in the summer. The city sales tax went down to defeat, and at the same time language strengthening the cities "tax cap" ordinance was also adopted.

The Borough 2% sales tax also came under attack. An initiative was filed by the Taxpayer's Association to put the issue on the October 6th ballot. Then the taxpayers' group sought an injunction to stop beginning collection of the tax in August. The trial court sided with the Borough, but appeal to the Supreme Court halted collection of the tax until after the October 6th municipal elections.

This, of course, made new problems for the Borough. Even if their sales tax had been approved in October, there would be two months of revenues, anticipated by the Borough, that would be lost. In the meantime, a second city sales tax initiative had been mounted to put a reduced, and more narrowly based, city sales tax on the October 6th ballot. The hope was that both the city 2% tax measure and Borough 2% sales tax measure would be approved.

What happened was that neither measure carried. Voters rejected both the city 2% sales tax and the Borough 2% sales tax. This left the Borough in the budget "soup," so to speak. They were now four months into the budget year with a budget based on revenues the citizens had disallowed.

Both the city and Borough have now had to take serious budget steps to adjust their budget downward.

The lesson of the Fairbanks revenue and budget battles is that new taxes will not come easily, and likely not without the public being involved directly in the debate. Secondly, for the public to believe that taxes are needed, it appears that the public may have to personally experience the problems of lost service. In other words, budget sacrifice must be in "real terms" with which large segments of the public can identify. Third, for these conditions to be present there is the factor of "time." The issues, the public, and policymakers all need some reasonable period of "time" over which these conditions evolve.

Unfortunately, in the Fairbanks situation an eroded fund balance, and the sudden imposition of impoundments in 1986, meant that the community did not have "time," or the ingredients that could provide the "time." The result then was political turmoil.

THE MAT-SU BOROUGH

The Matanuska-Susitna Borough has fared considerably better than Fairbanks, although ultimately the Mat-Su Borough will also face the need to raise new local revenues.

The most fundamental difference between the Mat-Su Borough and the Fairbanks Borough is that the Mat-Su government went into the current period of revenue construction with a sizable "fund balance." This fund balance has allowed the Mat-Su to ease budget pressures. While the Mat-Su Borough will probably face difficult tax issues within the next two years, the ample fund balance will have allowed "time" for public debate and involvement, for functional adjustments within the government, and for Borough policymakers to work out the difficult choices.

This is not to suggest that Mat-Su Borough can avoid a hefty local political fight over taxes, but only that the community has the advantage of time.

There have already been difficult choices. One of these decisions will be glaringly apparent to the public. The new

Colony Senior High School and the new Colony Junior High School, built halfway between Wasilla and Palmer, will not be opened. The schools will be mothballed and maintained by the Borough for a cost-saving purpose.

Another situation facing the Borough may, oddly enough, be a school budget cut imposed by state law. The new school foundation act requires a 4-mill equivalent local school tax levy, but prohibits in the name of equal education across the state, a levy in excess of 6-mills. The catch for Mat-Su is that it is already nearly at a 6-mill equivalency, but falling property value assessments mean that next year this 6-mill equivalency will raise considerably less local dollars. The rub is that the Borough may have the same number of students, and still have additional fund balance monies, but be prevented by state law from acting to bolster the school budget.

The Mat-Su also has a very high debt service, largely for schools constructed to meet the skyrocketing Mat-Su school population growth of the 1980s. The Borough spends \$9.1 million for its everyday operations. In comparison, it spends \$24 million for its debt service. While the majority of this debt service figure is paid by the state under the school construction support program, the state's failure to fund the program fully in recent years poses a great uncertainty for high education-debt Boroughs. Of entitlement, then quite suddenly an additional 20% factor is shifted back to locally raised revenues. Since the Borough's operating budget is only \$14.9 million this year, clearly a 10%/20% shift of such a large debt service figure can have a potentially devastating wallop on a local government such as the Mat-Su Borough.

The Mat-Su Budget

The total Mat-Su Borough budget in FY '86 was \$88.1 million. In FY '87 it was \$98.9 million, and this year the total is \$91.8 million. These figures represent total appropriations — state and local school monies, debt service, and the Borough operating budget.

BOROUGH OPERATIONS: During these same last three years the Borough operating budget, the share devoted to general municipal services, has been \$15 million (FY '86), \$17 million (FY '87), and \$14.9 million for the current year.

Mat-Su Borough

- Mayor: Dorothy Jones, (907) 345-4801
- Population: 44,280
- Area: 20,544 square miles
- Incorporation: January 1, 1964

DEBT SERVICE: Over this same three-year time period, debt service went from \$16 million to \$24 million for the last two years. In the late 1970s and early 1980s the Mat-Su grew explosively as a bedroom community of Anchorage. As a result school debt to build needed schools grew dramatically.

SCHOOL BUDGET: The school budget in combined state/local funds for the last three years has run \$56.9 million (FY '83), \$57 million (FY '87), and \$52.2 million for the current year. The local revenue share of these figures was \$16.7 million (FY '86), \$17.9 million (FY '87), and currently \$19.4 million. However, it is worthy of note that between FY '85 to FY '86 the Mat-Su local outlay for schools jumped \$10.6 million to \$13.9, with the total school budget FY '85 to FY '86 jumping from \$42.7 million to \$49.5 million. These dramatic increases reflected the tremendous rate of school population growth in the valley region.

SCHOOL PERSONNEL: The Mat-Su School District has trimmed certified teaching staff from 587 in FY '86 to 550 and cut classified support staff from 342 to 304. In addition the Mat-Su School District is in the second year of a wage freeze.

PERSONNEL: To save labor costs the Borough has had in-place a one-year wage freeze, and was able to negotiate an agreement that new employees would come into positions at 70% of the previously established wage level. The Borough has also trimmed employees from 134 to 118, since 1986.

TAXES: The basic mill levy for schools and general Borough services in the Mat-Su this year is 5.3-mills, and has remained at that level over the past three years. This levy goes largely for school needs. Borough residents, of course, pay a much higher rate, depending on the respective service areas within the Borough in which they live, and the levy imposed for those specific purposes. The Borough has no sales tax.

Continued on page 5

However, the big difference that sets Mat-Su off from Fairbanks has been its "fund balance."

This balance totalled \$27.9 million at the beginning of the current fiscal year. The fund balance has stayed fairly close to this level for the past three years. Borough policymakers, however, point out that about \$9 million of this figure they consider operational budget reserve — the reserve cash needed to float an annual budget. This means about \$19 million really represents "spendable" reserves, from their perspective.

It is these reserves that brought the Mat-Su Borough, and its school system, through the difficult period of the Sheffield impoundments, and it is the fund balance that has allowed the Mat-Su to keep its general Borough tax levy at 5.3-mills for the past three years. The Borough also does not levy a sales tax.

The budget adjustment clock is also ticking for the Mat-Su. This year the Borough budget will require a \$10 million drawdown on Borough reserves. This will mean the Borough will face increasingly difficult budget issues over the next two years. Ultimately, unless state revenue sharing suddenly increases, the Mat-Su will face the problem of further cuts, tax increases, or more likely — a combination of both. Such issues will not be easy in Mat-Su, famous for its stormy local politics. But with the advantage of "time" the Mat-Su may be able to hammer out a public consensus that permits a more sober public dialogue than occurred this year in Fairbanks.


The Mat-Su also has special problems that impact its budget and creates uncertainties in legislative funding sources. The Mat-Su Borough is a very large region, and therefore the Borough must bus school children long distances. The level of school bus cost is therefore a greater burden to the Mat-Su Borough than to other Boroughs. As a result, when the Legislature tinkers with state support for school bus support, Mat-Su officials get nervous.

Next, the Mat-Su has a significant school debt — \$24 million this year for a district of 8,627 students. This compares with \$18 million for Fairbanks for a district of 13,903. The difference is that Fairbanks schools have grown more slowly over a longer time period. The community has many schools "paid for." In contrast, Mat-Su experienced tremendous school population growth in the early 1980s, almost doubling in size within the decade. This has meant Mat-Su schools are new, were built under recent-year high costs, and under 1980's interest rates and terms.

But the real difficulty for school-debt burdened communities, such as the Mat-Su, is the level of state support for this school debt, and secondly, whether this support is "stable." If the Legislature opts to underfund the school debt support program, then funds are prorated among the districts. In the case of the Mat-Su this, depending on the situation, could shift an enormous obligation, in proportion to local revenue raising ability, to local revenue sources.

Like all boroughs struggling under the Alaska recession, Mat-Su is approaching another problem. Declining prop-

Kenai Peninsula Borough



KENAI PENINSULA BOROUGH

- Mayor: *Don Gilman, (907) 262-4441*
- Population: *38,987*
- Area: *14,697 square miles*
- Incorporation: *January 1, 1964*

erty values will mean that next year Mat-Su will be forced (under state law) to recognize this depreciation of value in its assessments. This will mean that each mill taxed will raise less money. This accelerates the revenue problem.

Lastly, the Mat-Su suffered a tax base that is drained away to Anchorage. Mat-Su is a bedroom community. The Borough has "homes" to tax and children of those homes to support in school systems. But the "work place" of many of its citizens are untaxable, since many residents work in Anchorage or on the North Slope.

A Fund Balance

Kenai, like Mat-Su, also had the good fortune of having a "fund balance" that softened the upheavals of recent years. However, also like the case of Mat-Su, these reserves likely only forestall what may be inevitable — higher local taxes. The Kenai fund balance is smaller than that of Mat-Su. However, due to a unique set of circumstances, the Borough last year was able to actually add \$4 million to its fund balance, bringing it to a \$16 million total.

What happened was that the Borough garnered \$1.2 million more in savings from its own budget cuts than was expected. Then the state changed the fish tax formula, bringing in another unbudgeted \$750,000. Finally, there was a reallocation in state school debt reimbursement, resulting from a situation involving payments to the North Slope Borough.

This was good news for Kenai, which like the Mat-Su, carries a school debt burden of \$26.9 million annually — for a school population of 8,001 students. Kenai has also had to absorb soaring school growth over the past decade.

Another similarity between the Mat-Su and Kenai is that Kenai also will not open two recently completed new school complexes. The Nikiski senior/junior high school, and the Skyview senior/junior high school will likely remain closed. The schools will be physical evidence that budget choices before the community are very real. The fixed cost tab for opening these schools is estimated at \$1.7 million. There will also be a cost to maintain the schools in a "closed" status. But, this may help lift the budget debate out of the abstract for the large segment of the Kenai public. These schools, and the public debate that surrounds their status, may contribute to the evolution of the future "tax debate" on the peninsula.

"One difference . . . Kenai kept a 2% sales tax, devoting the resources to its schools . . ."

KENAI PENINSULA BOROUGH

The Kenai Peninsula Borough, like Fairbanks and Mat-Su, has had to weather the fiscal storms that began with the Sheffield budget impoundments in July 1986. This Borough, like the Mat-Su, is a sprawling regional government including the entire Kenai Peninsula. The main business of the Borough is running schools, and next, the basic service areas, such as roads. Other functions are run by home rule and first class municipalities within the Borough, including the cities of Kenai, Soldotna, Homer, Seldovia, and Seward.

One Difference: A Sales Tax

One marked difference, however, between Kenai, Fairbanks and Mat-Su, is that through the "big money years" of the early 1980s Kenai kept in effect a 2% sales tax, devoting the resources of that tax to its schools. This may also ease Kenai's future political situation, since increasing local revenues will require increasing "in place" taxes, rather than imposing entirely new taxes. The public, at least, is conditioned to the taxes as traditional revenue sources.

The Kenai Borough Budget

The total Kenai Peninsula Borough budget in FY '86 was \$55.8 million, including both state and local school funds. In FY '87 the budget went to \$53.4 million, and then dropped to \$50.5 million. However, these totals did not really show Kenai budget cuts, since increasing debt and insurance costs pushed totals back upward despite cut-backs. These figures include Borough operations, the local school contribution, and debt service, but do not include the state share of local school costs. Mat-Su and Fairbanks figures include state school funds, and therefore should not be compared to the Kenai total budget figure.

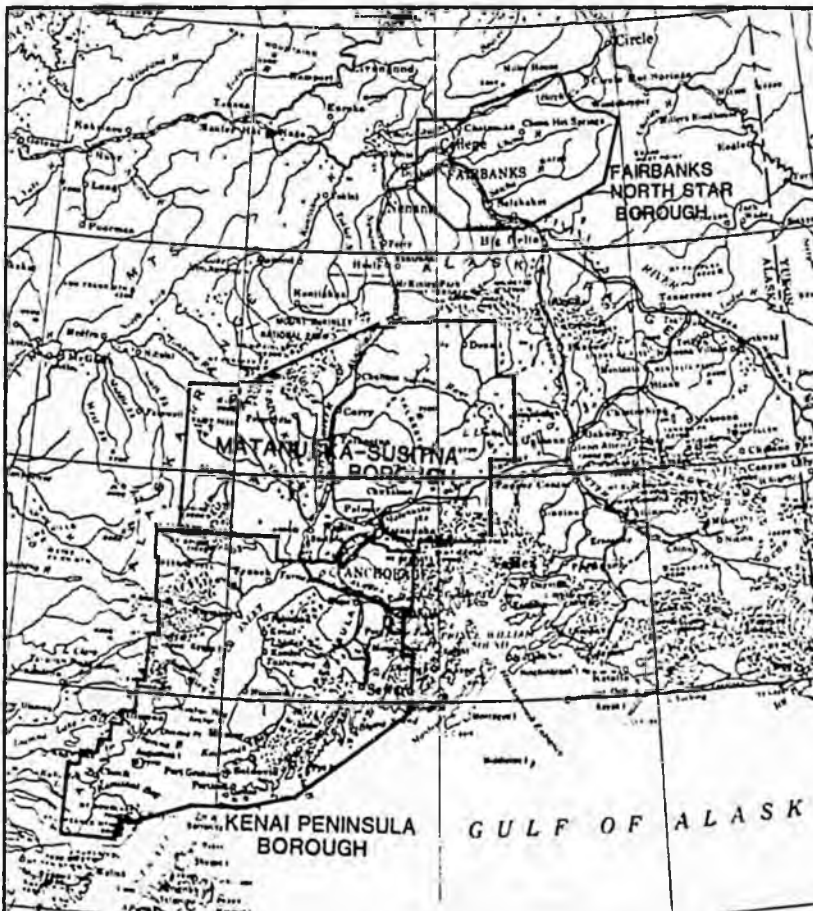
KENAI BOROUGH OPERATIONS: The total operating budget for municipal functions for the Kenai Borough for FY '86 was \$15.2 million, for FY '87 the budget was \$14.9 million, and in the current year the Borough budget for operations was \$13.1 million. The Kenai Borough carries school maintenance and insurance costs with its budget.

TAXES: As previously indicated Kenai has a 2% sales tax devoted to school support. This year property taxes were 5.75-mills for Borough general operations. In 1985 the Borough levy for administration was zero. However, Kenai also levies a personal property tax.

SCHOOL BUDGET: In FY '86 the Kenai school budget hit a high of \$55.8 million, the Sheffield impoundments in FY '87 resulted in a drop to \$53.4 million, and in the current year the budget has been pared to \$50.5 million. The Kenai local contribution for the past three years was \$18.5 million (FY '86), \$17.9 million (FY '87), and \$19.4 million this year. In the current year Kenai increased its local contribution by \$1.5 million while state support fell by \$2 million.

DEBT SERVICE: School debt is a big problem for the Kenai Borough government. Debt in FY '86 was \$17.5 million, but as debt came on line from school construction to meet the anticipated growth, costs went to \$26.1 million in FY '87. For the current year it is \$26.9 million. This debt load will continue into the early 1990s.

BOROUGH PERSONNEL: Kenai Borough employment has held fairly steady. In FY '86 the Borough had 178 employees, FY '87 174 employees, and currently Borough general government functions have 186 employees. Borough employees are now working under a three-year contract that provides for a freeze on both merit pay increases and cost of living.



Continued on page 6

\$358 million savings

Continued from page 1

to voter-approved general obligation bonding. Obligation bonding would entail a continuing, annual debt service requirement.

State school debt support — where the state of Alaska picks up the majority of local government debt issued to build schools — will also be falling fast. The state paid out \$118.1 million in the current fiscal year for local school debt support. If the current schedule is maintained, this will drop to \$41.1 million in 1998 and \$2.6 million in 2005. Again, if this program is continued by the Legislature, the approach toward zero debt payment in 2005 is unlikely because new schools and school improvements will have been made. But the amounts are likely to be well below current levels.

Student Loan Program

State payments to subsidize student loans, if current schedules prevail, will fall from \$56.7 million in the current year to \$11.8 million in 1998 and \$3.7 million in 2005. This schedule also assumes a rising level of annual student loans, increasing from \$82 million this year to \$113.5 million in 1998 and almost \$140 million in 2005.

What makes more loans possible with less state subsidy is the increasing amounts of annual repayments being made each year as more and more Alaska students complete their education and begin repayments. Elimination of student loan "forgiveness" (under which 40% of a student's loan was "forgiven" if the person remained in the state for five years) also gives a boost to incoming revenues to the program. In 10 years, this very successful state loan program should be almost self-supporting. This would occur sooner if the volume of loans do not grow as quickly as estimated by state education officials.

Under new legislation enacted last year, the Department of Revenue has the authority to issue revenue bonds for student loans, in effect refinancing the program. This could have the effect of lowering the near-term cost of the program. But it would increase the longer-term yearly subsidy needed by \$12-\$20 million over what is required if the program stays as it is now — using direct state appropriation to pay the subsidy. Rising interest rates may make the revenue bond option increasingly more costly in the long run.

Longevity Bonus Program

Alaska's Longevity Bonus program, which pays \$250/month to Alaska senior citizens, is one state entitlement program which is fast rising in cost. About \$55 million is needed to fund it in the current fiscal year, up from \$47.5 million last year. If the program stays as it is, its cost will have increased to \$76.1 million in 10 years, and to \$95 million in 15 years, due to a projected rising population of over-65 Alaskans.

State lawmakers could get this under control if they adopted one of several proposals for modifications put forth in the Legislature last year. But House action on a Senate-passed bill failed in the final hours of the 1987 session, and various bills are still before key House committees as the Legislature reconvenes in Juneau this spring.

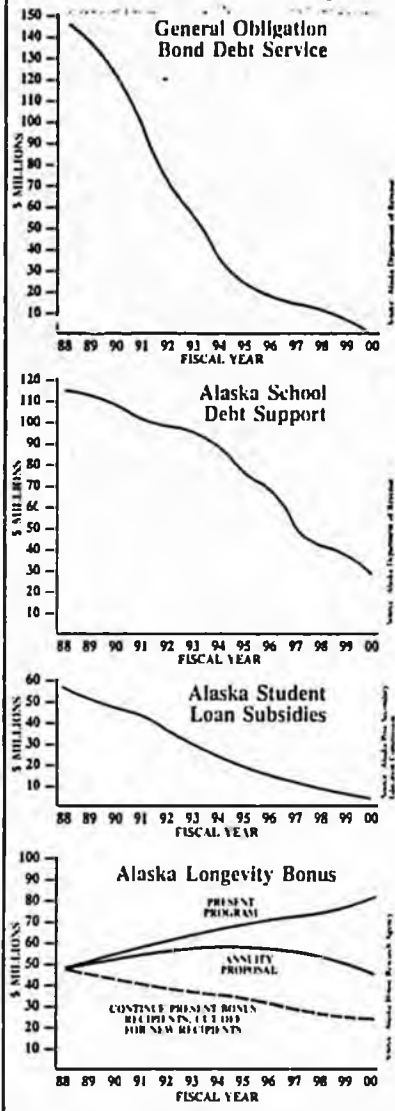
If a Senate-passed bill modifying the program, setting up an annuity financed by contributions of Permanent Fund dividends, were adopted by the House, cost of the program would be reduced to about \$15 million in 15 years, though

it would remain at about current levels for the next 10 years.

A flat cutoff — no new bonuses paid to people turning 65 after January 1, 1988 — proposed in the House would gradually reduce costs to \$28 million in 10 years and \$14 million in 15 years.

By Tim Brudner

Cutting Cost of State Programs



Tale of 3 Cities

Continued from page 3

SCHOOL PERSONNEL: Over the past two years classified school staff in the Kenai School District has been pared by 65 employees, and professional certified personnel (teachers) are down by 53. Personnel in the school system have also agreed to wage and benefit reductions, which included a step-increase freeze last year, with administrators and teachers this year taking a combined 5% wage and benefit decrease.

SCHOOL GROWTH: School population in the Kenai schools was 8,320 last year, and this year is 8,003. Projections call for 8,000 students next year.

Considerable debate has surrounded school issues on the Kenai Peninsula this year, ranging from opening the new school facilities, to budgeting for school activities. This year Kenai athletic team travel will largely have to be raised from community contributions.

The Kenai Borough shares with the Mat-Su the higher burdens of cost of school debt, school bussing, and the difficulty of a declining "value" in its residential tax base. On the other hand, the Kenai has the advantage of an industrial tax base, including Cook Inlet oil and gas facilities, and shore based industrial plants based on petroleum. As opposed to the Mat-Su, the Kenai Borough gets to tax a high value "workplace" of many of its residents.

The Conclusion

General conclusions are always difficult to apply to complex political situations. However, it does appear that Fairbanks is simply "first" in line along an inevitable path to the future. Sooner or later other local governments must walk the same path. Hopefully, those that walk the path later may find the way a bit easier.

Fairbanks was pressed into making decisions in a narrow time frame. The community was robbed of whatever benefit more "time" might have provided. The result was budget turmoil, a failed revenue effort, and possibly some damage to public services.

If there are lessons from the Fairbanks experience it is that: (1) "time" for tax decisions is needed, (2) the public needs real evidence that tough decisions are being made, have been made; and community needs time to digest this reality, and (3) that tax decisions are unlikely without considerable public debate and involvement. If there is a lack of time, then public involvement may take the form of a full blown tax brawl. But if there is "time," then public involvement may be more gradual, on individual issues spread over this period.

Both Kenai and Mat-Su Boroughs have the luxury of added "time," thanks to a sizable fund balance. Both Kenai and Mat-Su will face issues this year concerning the opening of recently completed school complexes. This, then, provides a source of community debate over a very real issue: Whether to open schools and pay more, or mothball the schools and pay less.

However, all these local governments share a critical problem in the coming years... a problem that accelerates their budget and revenue problems. This is the problem of a tax base declining in value. As the Alaska economic recession depreciates local property values, local governments (under state law) must recognize this depreciation. This means a tax mill next year may raise considerably less money than this year. The result is that communities may have to raise tax rates just to stay even.

Editor's Note: Mike Brudner is a long-time writer on Alaska policy and is former speaker of the Alaska House of Representatives.

1988 session convenes: Workmens' comp, tort reform are issues

Continued from page 1

Soaring insurance costs are also promoting another look at Alaska "tort," or civil damage, laws. Present laws allow large damage awards, which drive up liability insurance costs for many businesses in the state.

On the state budget, there's good news: Unless oil prices crash, and remain depressed for an extended period of time, there should be sufficient revenue for a "maintenance" operating budget, with no significant cuts for major state spending categories. Governor Steve Cowper has presented a \$2.1 billion Fiscal Year 1989 budget in the Legislature, to include \$1.83 billion in operating funds (including municipal and school revenue-sharing), \$147.3 million in debt service, \$206 million in loan subsidies and a \$70 million capital budget.

To pay for this, the Department of Revenue expects FY '89 revenues of about \$2.19 billion, mostly oil income from the North Slope. If prices fall below an average of \$17 barrel over the fiscal year (from July '88 to July '89), revenues could be lower, however.

One windfall is the receipt of \$321 million in disputed Beaufort Sea oil lease bonus payments held in federal escrow accounts, but now released to the State of Alaska. Although part of this will be paid into the Alaska Permanent Fund (state law requires part of lease bonuses, as well as royalties, to go to the Permanent Fund), at least \$150 to \$170 million will be available for additional spending, state revenue officials say. This could go to expanded capital spending, possibly including a proposed "jobs" bill advocated by Governor Cowper to help economically-distressed Southcentral and rural Alaska communities.



Senator Mitch Abund (R)—Anchorage, makes a floor statement during last year's Legislative session.

Alaska State Legislature

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Representative Virginia M. Collins

MEMBER
Community and Regional
Affairs
Special Committee
on Telecommunications
Finance Sub-Committee
for Labor
Anchorage Caucus,
House Chair

March 5, 1988

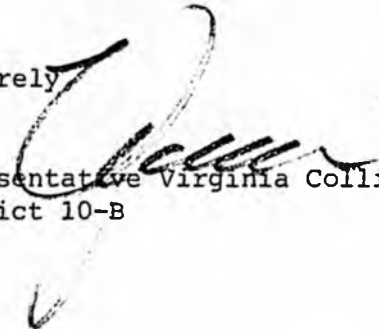
Bobby Jo Kramer
P.O. Box 435
Pilot Point, Alaska 99649

Dear Bobby Jo:

I received your written testimony for the House Community and Regional Affairs Committee, regarding borough formation, and have forwarded it to the chair of the committee, Representative Springer.

Thank you for your interest. In the future, you may wish to send your written testimony directly to the chair of the committee. It is a bit more expedient. His address is also P.O. Box V, Juneau, Alaska 99811.

Sincerely,


Representative Virginia Collins
District 10-B



FEB 26 1988

Alaska State Legislature

MAR - 7 1988 CRA

Please enter into the record my testimony to the Community & Regional Affairs
committee name
committee on Borough Formation, dated 2/22/88
bill/subject

Our area did not receive fair notice of the Aleutians East Borough formation. Consequently, that borough was formed and the boundaries set which inadvertently took in some of our REAA's boundary. Because of this I feel there is an error of commissions which the Local Boundary Commission practises on a regular basis.

Studies on this matter should be through DCRA in the future. That agency is somewhat more accessible to rural people.

In either case, the Legislature should direct the agency handling borough formation studies to obtain more input from local entities such as school districts & village councils. This should be done in the drafting stage rather than after as we all know that printed drafts rarely have major changes made to them.

Thank you for this opportunity to let you know my thoughts.

Signed:

Bobby J. Kramer
Testifier

Representing (Optional)

P.O. Box 435, Pilot Point, AK 99649

Address

(907) 797-2213

Phone No.

Board revises budget

By Nancy McGuire

The Bering Sea Lions Club donated \$20,000 to the Nome Public Schools athletic travel fund. This has eased the burden on the financially strapped school system.

The board revised the budget to allow funding for occupational therapy and work with the handicapped. This will allow special therapists to travel to Nome to work with our students.

The general fund was revised for adjustments in increased insurance costs. There were increases in unemployment insurance. Persons whose positions were eliminated last year are eligible for unemployment this year.

To adjust for some of the deficits the teachers' contract eliminates severance pay. This and any unused travel money and an additional \$35,000 would give the necessary money.

Boardmember Mary Knodel sought assurance that the money taken from the student travel fund wouldn't leave the students in dire straits. Shigley said the Lions Club donation has its own separate accounting set up.

Shigley also noted that there is increased revenue and attendance when home games are held at the Rec Center.

Shigley also pointed out that there is more cost for bussing students because the district goes beyond its obligation and busses students who live close to school. The board feels it is money well spent for the safety of children.

Shigley reported the district is fuel rich and money poor. Last year the system paid about \$1.26 per gallon, but this year Nome Joint Utilities ordered and stored 300,000 gallons of #2 diesel fuel for 96 cents a gallon plus 35 cents per gallon for transportation.

The district was stuck with a contract for #1 diesel fuel for the elementary school for \$1.06 per gallon for 50,000 gallons for seven months on a contract with Nome Native Community

Enterprises. Says Shigley, "I felt we had to honor the contract."

Since the district has more fuel than it needs it would have a substantial carry-over into next year.

Another budget item was the pay for lunch duty aides. It was not included in the budget and it was speculated that the former superintendent, Larry LaBolle never intended to hire any.

Nothing concrete was reported from the City on its share of school financing. The City hopes to generate revenue for the schools from ticket sales for an Iditarod Classic.

Art in Public Places funds are

proposed for the new school. Lots of ideas have been generated but no recommendations have yet been made.

Shigley said he was informed that the competition for money in Juneau is greater than has ever been seen. The proposal for Forward Funding is unlikely to pass because the economy is not stable enough for the state to make a two-year commitment.

The governor wants educational endowment from the Permanent Fund and Shigley says we rank number five in the Department of Education budget for capital improvement.

Says Shigley, "We operate by

the pork barrel method and we need someone to run

interference for us." He says Bill Thompson would probably be most effective because he's an "old barn rat" who knows the Juneau legislature in and out and could lobby in our behalf. Thompson is familiar with Nome's situation.

Elementary Principal Dave Newton said there is a continuing effort to support individual academics. There is a study hall after school five days per week and an academic corner during lunch hour. He noted few discipline problems. The school is also taking a more aggressive stance on attendance

problems and contacting parents when the need arises.

High School Principal Doug Walker has tackled truancy by

going to student's homes and talking with parents and social services.

June Wardle reported that school is "rolling" with activities such as the spelling bee practice.

Boardmembers Knodel and Tobuk suggested the superintendent write a letter expressing opposition to HSB 101's concept of forced boroughing.

Nancy Mendenhall chaired the meeting in the absence of board president Chuck Holmes.

HB 1

Boys go to state

The Nome Nanooks were seeded third going into the regional 3-A tournament last weekend at Kotzebue. They took on the second seeded Bethel Warriors Friday night which was the fifth meeting between the teams for the season.

Each team had won two games against each other and were evenly matched for the most important game of the season.

Bethel came out and played a very aggressive man-to-man defense and kept the Nanook offense off-balance for most of the first half. Bethel picked up a lot of fouls in the first half and had a couple of players with three fouls by the end of the first half.

Nome trailed the warriors at half by a score of 35-32. Nome came out and went strong to the key hole for the entire second half and Bethel couldn't control the Nanooks' inside game.

Nome lead at the end of the third quarter by a score of 51-43.

During the 4th quarter Nome was able to finish off the

Warriors and took the game by a score of 77-58.

Duke McCormack had a strong second half and led the Nanooks with 20 points. Rose followed with 19 points and Jerry Verdim added 17 points to give the Nanooks a strong inside game.

Scott Hicks added 13 points to round out the scoring for the Nanooks.

Nome met Dillingham for the Championship game, for the second year in a row. The defending champions had already beaten Nome twice during the season in Dillingham.

Nome had a hard time getting into the game Saturday night. Dillingham came out and played a very tight full court, man-to-man defense. Dillingham hadn't shown any man-to-man during the season, but had worked on it during the Anchorage Christian Tournament and caught the Nanooks by surprise.

Nome got the ball inside several times during the first

quarter, but the quick taller Wolverines were able to reject Nome's attempts and took away the confidence of the Nanooks. Nome only scored four points

during the first quarter and trailed by a score of 16-4. From that point on, the Nanooks couldn't make up the difference and lost the game by a score of 56-43.

Over-all it was one of the poorest showings by the Nanooks, since early in the season. McCormack was sick with the flu and had a far below normal performance, scoring four points for the game. Kirk Rose who had several shots

rejected got out of his game and failed to score a point for the Nanooks. Verdim and Hicks each added 14 points for the Nanooks, while Wrightman added 26 for Dillingham.

Playing as poorly as Nome did they should have been blown out by 30-40 points. The tournament showed the Nanooks that if they play well they can compete, but they can not have

Continued on page 11

• Credit unions

Continued from page 3

the core of the local advisory committee will comprise most of the current BSFCU Board of Directors.

A local credit committee will review loan applications once weekly. However, members will have the option of having the Fairbanks credit committee review and act on applications. Nevertheless, Miller said that loans will be closed in the Nome branch.

Miller said that one of the first orders of business will be to look at ways to offer more competitive interest rates.

In closing, Haselberger said that the credit union has been served through the years by volunteers too numerous to mention, and as a result BSFCU has been able to accomplish this merger in order to expand services.

• Port Clarence

Continued from page 8

lighthouse purposes by President Coolidge in 1925, was ideally situated. The station was named Port Clarence to avoid confusion with the Coast Guard Light Station Located at Cape Spencer in southeast Alaska.

A contract was awarded to Raber-Klef, Inc. and B-E-C-K Contractors for \$2.8 million on May 15, 1961 to construct the station buildings. A second contract was negotiated with Sperry Gyroscope Co. and Dresser-Id-co, Inc. to construct and erect the 1,350 foot transmitting tower. Construction of the station started in mid-June. Erection of the tower started on 30 September and was completed on December 15, amid freezing winds and icing conditions. On-air signal testing began in late December.

In 1981, the Coast Guard investigated the possibility of building a new station at Nome and decommissioning Port Clarence. After careful analysis of the costs involved, the decided it would be cheaper to overhaul and support the existing Port Clarence facilities. In 1982, the station received a 'facelift' of small maintenance projects designed to keep the station livable until major rehabilitation projects could be designed and contracted.

The first phase of the major rehab was completed this past November. A \$2.8 million contract was awarded to Cooper Construction of Anchorage, with

Alaska Mechanical, Inc. also of

Black Angus Inn
 Steak House & Lounge
 Free Limo Service & Cable T.V.
 1430 Gambell St, Anchorage AK 99501
 272-7503
 Winter rates \$39.99
 starting Oct. 1—May 1988
 Stay at Black Angus
 Receive Bingo ticket
 Good for one night

Reach For A Star.
 Northstar Travel.



14th Annual
Iditarod



5w/CRA
FEB 26 1988

Alaska State Legislature

Please enter into the record my testimony to the Community & Regional Affairs
committee name

committee on House Bill 1, dated 2/24/88
bill/subject

I'm opposed to House Bill 1.
This proposal is a waste of state money.
many or all areas in unorganized boroughs
do not have the residents to exercise
enough revenue to maintain a responsibility
over local level affairs.
I believe we should and need to bring
back a school tax, which we had in
the past.

Thank you

Signed: Ron Clark
Testifier
Box 326
~~Representing (Optional)~~
Healy, Alaska 99743
Address
683-2439
Phone No.



for CRA

FEB 26 1988

Alaska State Legislature

Please enter into the record my testimony to the House Community and Regional Affairs committee name

committee on H. B. 1, dated 2-24-88
bill/subject

I don't think REAA's should be converted into 3rd class boroughs:

- 1) high-unemployment in rural areas*
- 2.) low-income*
- 3.) local people need to be involved*
- 4.) mixed economy - how will the state tax subsistence?*

Signed: Oscar Frank, Jr
Testifier

self
Representing (Optional)

320 2nd Ave. (Annex) Fbxs.
Address

452-8251
Phone No.

HYDABURG CITY SCHOOL DISTRICT
BOARD OF EDUCATION

put ✓
Sp. / CRA
FEB 29 1988

Resolution 88-1

OPPOSING SPONSOR SUBSTITUTE HOUSE BILL 1

WHEREAS, SSHB 1 does not differentiate between resource rich areas of Alaska and those who are resource poor with the result that wealthy and poor areas are treated the same; and,

WHEREAS SSHB 1 encourages the elimination of small REAA districts and small city districts; and would also eliminate the concept of local control of education as it exists today; and,

WHEREAS, SSHB 1 would directly lead to the imposing and collection of property and/or other kinds of taxes on residents within such forced third-class boroughs; and,

WHEREAS, the cost of employing tax collectors or tag administrators in many communities would likely result in very little revenue being left for other purposes; and,

WHEREAS, SSHB 1 does not address distinct cultural differences and methods of working within huge areas without access possibilities; and,

WHEREAS, SSHB 1 would not lead directly to either better local government or better schools; and,

WHEREAS, there is a very good possibility that SSHB 1 would result in poorer quality schools and local government in those parts of Alaska that are least able to afford such services;

THEREFORE BE IT RESOLVED, that the Hydaburg City School District Board of Education opposes SSHB 1.

Attested to by:

James Twissby
President
Board of Education

Christine R. Tolson
Secretary to the
Board of Education

Adopted on this day: 2-18-88

HYDBURG CITY SCHOOL DISTRICT
BOARD OF EDUCATION

1988 ✓

Resolution 88-2

SUPPORT FOR FORWARD FUNDING FOR PUBLIC EDUCATION

WHEREAS, early planning of programs, hiring of personnel and providing of supplies, equipment and maintenance are all required to provide our youth with quality education; and,

WHEREAS, the above are dependent upon a school district's and municipality's early knowledge of it's anticipated revenues for the following school year; and,

WHEREAS, school districts' revenues from the State Foundation formula are not traditionally known until May, and after the date budgets must be completed by school districts; and,

WHEREAS, finance systems do exist which will provide early knowledge of a school districts' revenues for the following fiscal year, and where necessary reductions or increases are made in future years and not the next fiscal year;

THEREFORE BE IT RESOLVED, that the Hydaburg City School District Board of Education supports legislation to provide knowledge of foundation revenues, municipal assistance and revenue sharing for the following fiscal year by February 15 of each year.

Attested to by:

Perry J. Insby
President
Board of Education

Christine R. Tolson
Secretary to
Board of Education

Adopted on this day: 2-18-88

Diff

HYDABURG CITY SCHOOL DISTRICT
BOARD OF EDUCATION

Resolution 88-3

REDEFINITION OF SCHOOL BUS ORDINANCES

WHEREAS, AS 28.15.046 (a) was developed and passed without knowledge of the impact on schools which use 15 passenger vans for student transportation other than to and from regular daily school; and,

WHEREAS, the impacted schools above, had no opportunity for input into deliberations preceding passage of this legislation; and,

WHEREAS, the impact upon these schools caused great inconvenience and cost, and in some cases near impossibility to live within the letter of the law; and,

WHEREAS, the intent of the legislation was to insure safety training for regular school bus drivers, not volunteer drivers of vans;

THEREFORE BE IT RESOLVED, that the Hydaburg City School District Board of Education supports changes in this legislation which will allow community and/or teacher volunteers to transport students to activities in 15 or less passenger vans without bus driver training as required of regular school bus drivers.

Attested to by:

Perry Finley
President
Board of Education

Christine R. Tolson
Secretary to
Board of Education

Adopted on this day: 2-18-88

DA/✓ *Sp/CRA*

COASTAL YUKON MAYORS' ASSOCIATION

RESOLUTION 88-2

A RESOLUTION REQUESTING THE DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS TO FUND THE INDEPENDENT AND OBJECTIVE STUDY OF POTENTIAL BOROUGH FORMATION FOR THE COASTAL YUKON AREA OF ALASKA.

WHEREAS, The Legislature of the State of Alaska, as well as various administrative programs within State government are placing an increasing emphasis upon Borough formation by unorganized areas of the State; and,

WHEREAS, The Coastal Yukon Mayors' Association has an abiding concern with the welfare and best interests of the people of the Coastal Yukon Area of Alaska; and,

WHEREAS, Any decision about Borough formation must take into account the sense of common peoplehood felt by the residents of much of this area; and,

WHEREAS, The Coastal Yukon Mayors' Association does not feel it can make a decision based upon the information and analysis presented thus far by political subdivisions of the State; and,

WHEREAS, The Coastal Yukon Mayors' Association must develop a position on this current and important issue, based upon objective and impartial information on the relative costs and benefits of alternative forms of organization;

NOW THEREFORE BE IT RESOLVED THAT The Coastal Yukon Mayors' Association requests a grant in the amount of \$50,000 from the State of Alaska to fund the independent study and analysis of Borough formation by the people of the Coastal Yukon Area of Alaska.

PASSED THIS 27TH DAY OF FEBRUARY, 1988, AT MOUNTAIN VILLAGE, ALASKA BY A VOTE OF 14 YEAS AND 0 NAYS.

Stan Peters

Stan Peters, President

Elizabeth Chikigak

Elizabeth Chikigak

Copy to Comm. Hoffmann ✓ 2/29

Sp/CPA

NOME PUBLIC SCHOOLS
Box 131, Nome, Alaska 99762 • Telephone (907) 443-2231

February 8, 1988



FEB 22 1988

Representative Heinrich Springer, Chairman
House Community & Regional Affairs Committee
P.O. Box V
Juneau, Alaska 99811

Dear Representative Springer:

SSHB1 as presently written would reverse a long trend toward increased local responsibility and control in Alaska. It would eliminate first class cities such as Nome and force them to join areas that are currently less organized and to be governed by those who have far less experience in managing public affairs. Nome is the oldest continuously operating school district in the State of Alaska. We are proud of our city government and independent school district. For over eighty-five years the people of this city have exercised local control and assumed the responsibilities of their status, taxing themselves, as needed, to make programs work.

We believe SSHB1 does not effectively differentiate between resource rich or wealthy areas of Alaska and those that are resource poor. This bill encourages the elimination of small REAA districts and small city districts, and it would eliminate the concept of local control of education as we know it today. We do not believe SSHB1 would lead to either better local government or better schools, but would result in poorer quality schools and local government in those parts of Alaska least able to afford such services.

The Nome Board of Education goes on record opposing SSHB1.

Respectfully Submitted By:

Charles W. Holmes

President
Board of Education

Nancy M. Rendahl

Secretary
Board of Education

#	Date In	Doc. Type	Date	Subject	DESCRIPTION	From	Copied	Init.
(1)	1-20-88	Bill	1/20	Bill		Doc	✓	3
(2)	1-25-88	Review	1/29	KRA Staff Review		DCI	✓	3
(3)	1-27-8	Memo	1/27/	TO Spn From Cook - legal Sec.		Legal Sec	✓	3
IV	1-27-8	POMS	vary	POMS (4)			✓	3
(5)	1-28	pkt.	1-28	Constitution - selected			✓	3
(6)	1-29	PP.		DCRA		DCRA	✓	3
(7)	1-29	FN		DCRA			✓	3
VIII	1-29	ltr	1-14-8	TO Spn. From Nels Anderson		And	-	3
A	1-29-8	WR		Wit Reg.	3 pgs		-	
B	1-29-8	Min		Min 1-2				
(9)	2-14-8	Rpt.	2/2/8	House Research. 88-154				
10a-3		News	vary	Newspaper articles 8-9				
XIa	2-14-8	Responses	vary.	XI a-j Responses				
(12)		ltr		Larsons ltr				
(13)	2/16	Rpt.	Feb 98	House Research 88-A Under Mand. Wright Act.				
XIV	2/17	Respon.	vary.	Responses 1-4		POM T Herrman		
(15)	2/23	memo/Real	2/17/8	City of Eagle resolution + Larson Response				
C	2/17/8	Min						
D	2/17	WR						
E	2/24	Min						
F	2/24	WFO						

(#) = Distributed, all files

(Ltr) = Master, Backup, Next Com. Files

File Contents

2dSSHB 1 - Organization of the Unorganized Borough

<u>No.</u>	<u>Description</u>
1.	Bill - 2dSSHB 1
2.	Staff Review
3.	Memo from Legal Services - Constitutionality
(IV).	POMs (4)
5.	Constitution - pertinent sections
6.	Position Paper - DCRA
7.	Fiscal Note - DCRA
VIII.	Letter-To Springer, From Nels Anderson
9.	Report - House Research Agency 88.154 2d SSHB 1
10a-g.	Newspaper articles, a-g.
XIa-j.	Responses, a-j.
12.	Rep. Larson's Letter on 2d SSHB 1.
13.	House Research Report 88-A, "A New Mandatory Borough Act: Local Education Costs and Potential Revenues of Newly Created Boroughs," February 1988.
XIV.	Responses, 1-4.
15.	Rep. Larson response to/City of Eagle Resolution.

1/20/8 John Dailey
 Mile 200 Parks Hwy
 Nealy, AK 99743
 (907) 683-2327

1 report
 a) Bill ✓
 wife Jennie Jensen

Jeff Smith, Spec. Asst to Mayor
 NW Arctic Borough
 Box 1110, OT2 99752
 442-2500

10/26/87
 1/22/89 [x 1/29]

CONTACTS:*****

<u>Name</u>	<u>Organization</u> <u>Address</u>	<u>Phone</u> <u>Attend/Remarks</u>	<u>Date Contacted</u>
<u>Mary Lou Cooper</u>	<u>Capital Information Group</u> <u>526 Main St. June 99801</u>	<u>586-1210</u> <u>1/22 [x 1/24]; 2/6 mail (T)</u>	<u>87-SSMB1-</u> <u>1/5/88 - copy Paul Pratt + Larson etc</u> <u>820 - Alaska</u>
<u>Wm. Baumgartner</u>	<u>Whale Pass Homeowners Assoc.</u> <u>Gen. Del. Whale Pass, AK 99950</u>	<u>no contact: Marine operator, Petersburg</u> <u>direct - 462 Bost</u> <u>msg - Mariab "DR" WKE. 2011</u>	<u>772-2361</u>
<u>George Ervin</u>	<u>AFN</u>	<u>infer. of mtg (1/5/88) - no phone yet. File Echo</u> <u>1/22 [1/24] sent copy of file 2/6 mail (T)</u> <u>274-3611 1/22 - [x 1/24] msg.</u>	
<u>Jim Stimpfle</u>	<u>Box 729 Nome AK 99762</u>	<u>443-5701 40</u> <u>443-2002 wk } with msg phone</u> <u>1/22 [1/29 - Becken] 2/6 mail (T)</u>	

Scott Burgess
 AML

a/c mail (T).

Cindy Reeves
 40 Box 211575
 Auke Bay, AK 99821

2/8/8 just heard of HBI. From Prince of Wales, Holland.
 Send 2455HBI, HCRN Rpt 12/10, (T), Larson etc, min 1/29.

1/28/8 John Dailey
 Mile 200 Parks Hwy
 Healy, AK 99743
 (907) 683-2327

D repair
 a) Bill ✓
 wife Jenasi Jensen

Jeff Smith, Spec. Asst to Mayor
 NW Arctic Borough
 Box 1160, PTZ 99752
 442-2500

10/26/87
 1/22/88 [x 1/29]

CONTACTS: *****

Name	Organization Address	Phone	Date Contacted Attend/Remarks
Mary Lou Cooper	Capital Information Group 5216 Main St. Inu PFB01	586-1210	87-55461 1/5/88 - copy Print Post-Lassen etc 1/22 [1/29] ; 2/6 mail (T) 820 - Alaskan
Wm. Baumgartner	Whole Pass Homeowners Assn. Gen. Del. Whole Pass, AK 99950		msg contact: Marine operator, Petersburg 112-8341 direct - 462 Bobt msg - Ineriah "D" WKE 2011
George Evers	AFN	274-3611	infor. of mtg (1/5/88) - no phone yet. File Echo 1/24 [1/29] sent copy of bill 2/6 mail (D) 1/22 - [x 1/29] msg.
Jim Stimpfle	Box 729 Nome AK 99762	443-5701 ho 443-2002 wk	both msg phone 1/22 [1/29 - Becka] 2/6 mail (T)

Scott Burgess
 AML

a/o mail (T)

Cindy Reeves
 40 Box 211575
 Auke Bay, AK 99821

2/8/88 Just heard of HBI. From Prince of Wales, Holland.
 Send 245546! HCR's Rep 12/10, (T), Lassen etc, min 1/29.

To: Representative Henry Springer, Chairman
House Community and Regional Affairs Committee

From: David C. Harrison, Professional Assistant
House Community and Regional Affairs Committee

Date: January 29, 1988

Re: 2nd SSHB 1 " An Act providing for the incorporation or
annexation of all areas in the unorganized borough; and
providing for an effective date."

Sponsors: Larson, Menard and Donley

REVIEW:

Section 1(a): BOUNDARY PROPOSAL. (a) The local boundary commission shall study the unorganized borough to determine how the entire area should be organized into new home rule boroughs and unified municipalities.

Constitutional Standards: Alaska's Constitution on local government under Article X indicate the following conditions:

The purpose of sec. 1, is to provide for minimum of local self-government and that a liberal construction shall be given to the powers of local-government.

The purpose of sec. 2, requires that all local government powers shall be vested in boroughs and cities.

Section 3, states that the entire state shall be divided into boroughs and cities.

Constitutional standards for establishing boroughs within Alaska include population, geography, economy, transportation, and other factors.

Additionally, each borough shall embrace an area and population with common interests to the maximum degree possible.

Finally, under sec. 3, the legislature shall classify boroughs and prescribe their powers and functions.

Current Law: Under state law, additional standards for borough incorporation are required.

AS 29.05.031. Incorporation of a borough. (a) An area that meets the following standards may incorporate as a home rule, first class, or second class borough:

(1) the population of the area is interrelated and integrated as to its social, cultural, and economic activities, and is large and stable enough to support borough government;

(2) the boundaries of the proposed borough conform generally to natural geography and include all areas necessary for full development of municipal services;

(3) the economy of the area includes the human and financial resources capable of providing municipal services; evaluation of an area's economy includes land use, property values, total economic base, total personal income, resource and commercial development, anticipated functions, expenses, and income of proposed borough;

(4) land, water, and air transportation facilities allow the communication and exchange necessary for the development of integrated borough government.

(b) An area may not incorporate as a third class borough.
(4 ch 74 SLA 1985)

Court
Decisions:

Chapter 145, SLA 1974, by which the Eagle River-Chugiak Borough was organized, contravened the provisions of Alaska Constitution, Article II, Section 19, since it was special and local legislation creating a new local government without regard to the general statutory provisions that prescribe the method that otherwise governs the creation of new governmental entities from existing ones. *Abrams v. State*, Sup. Ct. Op. 1142 (File No. 2407), 534 P. 2d 91 (1975), decided under former, similar law.

Section 1(a):
(continued)

Local Boundary Commission shall deliver to the governor and the legislature a preliminary boundary proposal for the unorganized borough which includes the following:

(1) a designation of areas proposed for annexation to existing boroughs or unified municipalities; and

(2) proposed boundaries for new boroughs to be formed in the unorganized borough.

Section 1(b):

(b) In preparing the preliminary boundary proposal the commission shall consult with existing municipalities within or bordering the unorganized borough, regional educational attendance areas, and coastal resource service areas. The commission shall conduct at least one public hearing in the area of each proposed new borough.

Section 1(c):

(c) The commission may submit any proposed annexation compatible with preliminary boundary proposal to the legislature under AS 44.47.567 - 44.47.583.

Current Law: AS 44.47.567. Allows the commission to consider a local government boundary change requested of it by the legislature. Also, the local boundary commission has the power to recommend borough boundaries to the legislature. 1959 Op. Att'y Gen., No. 30.

AS 44.47.569. The chairman of the commission or the commissioner of community and regional affairs with the consent of the chairman may call a meeting or hearing of the local boundary commission. All meetings and hearings shall be public.

AS 44.47.571. The local boundary commission shall keep minutes of all meetings and hearings.

AS 44.47.573. Requirements of notice of public hearings or meetings to be held in the area should be given at least 15 days before the meeting. Other required notices are intended.

AS 44.47.575. Three members of the commission constitute a quorum to conduct business at the meeting. Two members for a hearing.

AS 44.47.577. Boundary change - A majority of the membership of the local boundary commission must vote in favor of a proposed boundary change before it may be presented to the legislature.

AS 44.47.579. Expenses - commission members may receive expenses and per diem - no pay.

AS 44.47.581. Hearings on boundary changes. A local government boundary change may not be proposed to the legislature unless a hearing on the change has been held in or near the vicinity of the area affected by the change.

AS 44.47.583. When boundary change takes effect. When a local government boundary change is proposed to the legislature during the first 10 days of any regular session, the change become effective 45 days after the presentation or at the end of the session, whichever is earlier, unless disapproved by a resolution concurred in by a majority of the members of each house.

Section 1(d): (d) The commission shall by, March 31, 1990, submit to the governor and the legislature its final boundary proposal. The proposal must provide for the entire area of the unorganized borough, excluding areas annexed under (c) of this section, to be included within new home rule boroughs.

Section 2(a): PROVISIONAL HOME RULE CHARTERS. (a) By March 31, 1990, the Department of Community and Regional Affairs shall deliver to the governor and the legislature a provisional home rule charter for the new boroughs designated in the final boundary proposal. At least one public hearing in the area of each new borough shall be conducted. The charter shall provide that each new borough exercise only those powers a home rule borough must exercise by law.

Current Law: AS 29.35.150 Scope of areawide powers. A borough shall exercise the powers as specified and in the manner specified in AS 29.35.150 - 29.35.180 on an areawide basis. (10 ch 74 SLA 1985 which took effect January 1, 1986.)

AS 29.35.160. Education. (a) Each borough constitutes a borough school district and establishes, maintains, and operates a system of public schools on an areawide basis as provided in AS 14.14.060.

AS 29.35.170. Assessment and collection of taxes. (a) A borough shall assist and collect property, sales, and use taxes that are levied in its boundaries, subject to AS 29.45.

(b) Taxes levied by a city shall be collected by a borough and returned in full to the levying city. This applies to home rule borough. (10 ch 74 SLA 1985)

AS 29.35.180. Land use regulation. (b) A home rule borough shall provide for planning, platting, and land use regulations. (10 ch 74 SLA 1985).

Section 2(b): (b) The voters of an area designated as a new borough in the final boundary proposal may petition the department for an amendment to the provisional charter for that new borough. If the department determines that at least 15 percent of the voters who voted in the last general election in the area have signed the petition, the department shall submit the proposed amendment to the director of elections.

Current Law: AS 29.10.100. Municipal charter adoption. (a) A home rule charter may be amended as provided in the charter, except that no amendment is effective unless ratified by the voters.

Section 3: ELECTIONS. The director of elections shall schedule an election of initial borough officials to be held under AS 29.05.120 in each new borough designated in the final boundary proposal during or before the general election held in 1990. Any proposed amendments to the provisional charter of a new borough received by the director under sec. 2(b) of this Act shall be submitted to the voters at the election of the initial borough officials.

Current Law: AS 29.05.120 Election of initial officials. (a) Nominations for initial municipal officials are made by petition. The petition shall be in the form prescribed by the director of elections and shall include the name and address of the nominee and a statement of the nominee that the nominee is qualified under the provisions of this title for the office that is sought.

(e) The initial elected officials take office on the first Monday following certification of their election.

Section 4(a): INCORPORATION OF NEW BOROUGHES. (a) A new borough designated in the final boundary proposal is incorporated as a home rule borough on the first Monday following certification of the election held under sec. 3 of this Act. The provisional home rule charter prepared by the Department of Community and Regional Affairs under sec. 2 of this Act, together with any charter amendments approved by the voters, operates as the charter for the new borough.

Section 4(b): (b) AS 29.05.140 and 29.05.190 - 29.05.210 apply to boroughs incorporated under this section.

Current Law: AS 29.05.140. TRANSITION. (a) Powers and duties exercised by cities and services areas that are succeeded to by a newly incorporated municipality continue to be exercised by the cities and services areas until the new municipality assumes the powers and functions, which may not exceed two years after the date of incorporation. Ordinances, rules, resolutions, procedures, and orders in effect before the transfer remain in effect until superseded by the action of the new municipality.

It is noted that the new municipality shall be required to give written notice of its assumption of the rights, powers, duties, assets, and liabilities under this section and AS 29.05.130. It is noted that AS 29.05.130 provides integration of special and service areas into the new municipality within a two year period. (b) indicates that the new municipality may exercise in a former service area all of the rights and powers exercised by the service area at the time of integration, and as successor to the service area . . . (4 ch 74 SLA)

AS 29.05.190 refers to Organization grants to boroughs which provide incremental grants which total \$600,000.

AS 29.05.200 refers to establishing an Organization grant fund for boroughs.

AS 29.05.210 provides transitional assistance to boroughs of various kinds - mostly technical in nature.

Section 5: The division of legal services of the Legislative Affairs Agency shall prepare a bill conforming the Alaska Statutes to the changes made by this Act. The bill shall be presented to the House and Senate Rules Committees for introduction on the first day of the Second Session of the Sixteenth Legislature.

Section 6: This Act takes effect immediately under AS 01.10.070(c).

STATE OF ALASKA
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

January 27, 1988

SUBJECT: Incorporation of the unorganized
borough (2d SSHB 1)

TO: Representative Heinrich Springer
Chairman, House Community & Regional Affairs
Committee

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

This bill requires the Local Boundary Commission to study the unorganized borough and provide for the incorporation or annexation of all territory in the unorganized borough. You have asked whether the scheme poses constitutional questions.

Article X, sec. 3, Constitution of the State of Alaska, provides in pertinent part:

The entire State shall be divided into boroughs, organized or unorganized. They shall be established in a manner and according to standards provided by law

.....

Under this constitutional authority, it appears proper for the legislature to, by law as is done in this bill, direct the LBC or another agency to provide for the organization of new boroughs. The LBC is required to comply with standards provided by law, AS 29.05.031, in carrying out this responsibility.

A tougher question is posed as a result of the independence granted to the LBC in art. X, sec. 12, Constitution of the State of Alaska, which provides:

A local boundary commission or board shall be established by law in the executive branch of the state government. The commission or board may consider any

Representative Heinrich Springer

Page 2

January 27, 1988

proposed local government boundary change. It may present proposed changes to the legislature during the first ten days of any regular session. The change shall become effective forty-five days after presentation or at the end of the session, whichever is earlier, unless disapproved by a resolution concurred in by a majority of the members of each house. The commission or board, subject to law, may establish procedures whereby boundaries may be adjusted by local action. (Emphasis added)

Under this bill, the LBC retains its discretion in presenting proposed boundary changes to the legislature. Under section 1(c) it is permitted, but not required, to present proposed annexations that are compatible with its obligation to include all areas of the unorganized borough within existing or new boroughs. The opportunity for legislative disapproval of these proposed annexations follows in accordance with art. X, sec. 12 of the constitution. With respect to the establishment of the new boroughs, the legislature is kept informed of the LBC actions, but the LBC is not required to submit these new boundaries for legislative approval, so no problem under art. X., sec. 12, is created regarding the LBC's discretion in submitting proposals to the legislature. (Sec. 1(d) and sec. 4 of 2d SSHB 1)

A question arises with respect to whether the legislature may require the LBC to consider a proposed local boundary change (by directing the commission to develop new borough boundaries), since that is a matter that may be discretionary under the language of art. X, sec. 12 underlined in this memorandum. So far as I know, the scope of the discretion of the LBC under that provision has not been considered by the Supreme Court. It may be that the court would find that the legislature may require the LBC to consider certain boundary changes if the LBC is not also required to present those changes to the legislature for approval. However, it cannot be determined with certainty how the court would react to this scheme.

This constitutional question could be avoided by modifying the bill to require the Department of Community and Regional Affairs to prepare the boundary proposal after consulting with the LBC. The department does not enjoy the special constitutional protection granted to the discretion exercised by the LBC. Please let me know if you would like a draft committee substitute accomplishing this.

TBC:bb
WKB2:009



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

17-a SSHB 1

P.O. Box Y, State Capitol
Juneau, Alaska 99811-3100
Mail Stop 3100
(907) 465 991

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.¹ Currently, there is only one third class borough--the Haines Borough.

¹Third 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.²

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.³ 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.

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

³The "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 Kashunamuit 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.

FIGURE 1. Areas proposed to become third class boroughs under House Bill No. 1.

borough formed from a rural education attendance area

//
 borough formed from a combining city school districts with their surrounding rural education attendance area

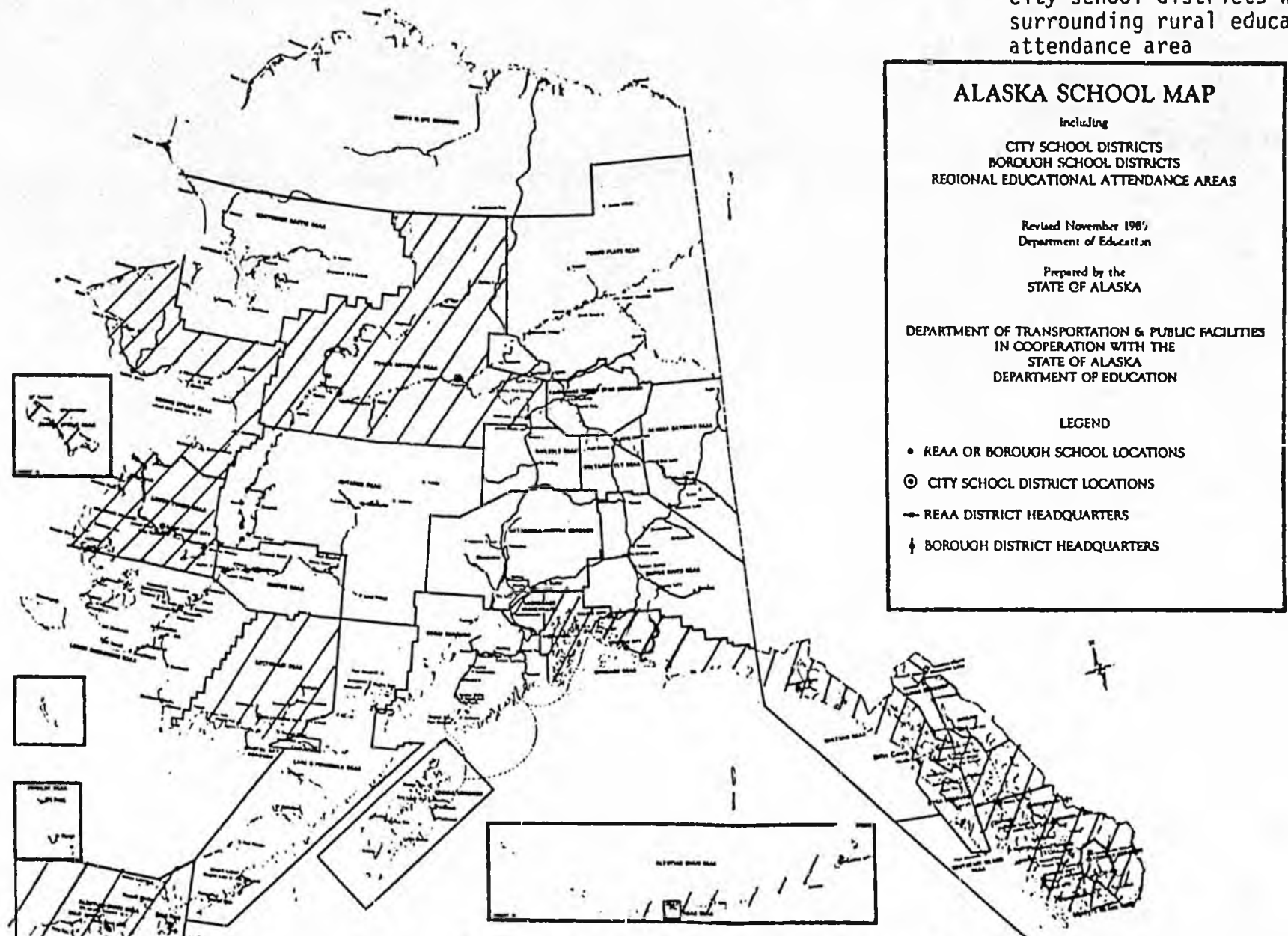


TABLE 1. PROBABLE CONFIGURATION OF RURAL EDUCATION ATTENDANCE AREAS (REAAS) AND CITY SCHOOL DISTRICTS INTO THIRD CLASS BOROUGHES UNDER HOUSE BILL 1

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	Kake, 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 BOROUGHS COMPARED TO VALUES OF EXISTING BOROUGHS

SCHOOL DISTRICT	FULL TAXABLE VALUE	AVERAGE DAILY MEMBERSHIP (ADM)	VALUE PER ADM
PROPOSED THIRD-CLASS BOROUGHS			
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	2,155,766
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 BOROUGHS	\$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	12,895	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, (88.041B; 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
Aleutian Region					
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
Total	206,485,320		501		412,146
Bering Strait					
Nome	151,635,000	63	782	39	193,907
Area outside cities	88,842,297	37	1,224	61	72,584
Total	240,477,297		2,006		119,879
Chatham					
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	9,735,518	8	352	38	28,226
Total	131,333,718		934		140,614
Chugach					
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
Total	1,841,524,122		1,257		1,465,015
Lower Yukon					
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
Total	89,378,063		1,587		56,319

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
Southeast Island					
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
Southwest Region					
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
Yukon-Koyukuk					
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 (REAs)	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	8,638	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	353,683,415	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 Kuskokwim	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, (88.041D; 08038703).

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

- Two of the proposed boroughs--Adak and Annette Is'and--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
PROPOSED THIRD-CLASS BOROUGHES									
No City Districts Within									
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
Combined with City Districts									
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
TOTAL--PROPOSED BOROUGHES	\$29,870,296	\$19,122,428			\$31,721,619	\$145,944,747	\$132,500,346	(\$13,444,401)	-9.2

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		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
Aleutian Region									
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			
Total	825,941	2,125,830	825,941	6,073,800	587,130	4,766,995	4,719,442	(47,553)	-1.0
Bering Strait									
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			
Total	961,909	7,162,680	961,909	20,464,800	4,282,033	16,004,430	15,649,061	(355,369)	-2.2
Chatham									
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			
Total	525,335	2,617,440	525,335	7,478,400	1,030,166	6,065,658	6,025,916	(39,742)	-0.7

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 HILLS	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
Chugach									
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	2,127,020			
Area Outside Cities	96,860	575,610	96,860	1,644,600	183,932	1,479,061			
Total	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									
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			
Total	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									
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			
Total	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

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		
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					
Kenana	72,398	606,270	72,398	1,732,200	6,566	1,653,893					
Area Outside Cities	3,538,146	2,410,800	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 1.⁴ 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

⁴It 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.

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	176,987	11,500	15,390	14.0	3rd class borough
Sitka	121,954	8,000	15,269	13.1	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	7,413	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
7 areas into third class boroughs; and providing for an
8 effective date."

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

10 * Section 1. THIRD CLASS BOROUGHS 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).



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

Clocks in #3

Pouch Y, State Capitol
Juneau, Alaska 99811
(907) 465-3991

February 28, 1986

MEMORANDUM

TU: Representative Don Clocksin
ATTN: Bob Cole
FROM: Brad Pierce *BP*
Legislative Analyst
RE: Impact of State Grants, Loans, Municipal Assistance, Revenue
Sharing, Rents, Leases, Office Supplies, Food and Fuel Expenditures
Research Request 86-047

You requested this agency to provide an election district breakdown of the following categories of State expenditures during FY 85:

- State grants;
- State loans;
- Municipal Assistance;
- Revenue Sharing; and
- Rents, leases, office supplies, food and fuel.

We have been able to compile all but a portion of the final category (office supplies, food and fuel) into an election district format. Data on State expenditures for commodities are maintained by each individual department and are unavailable by election district at the present time. Commodity expenditures amounted to \$96.2 million statewide in FY 85, or approximately three percent of total operating expenditures. All departments have changed over to an automated accounting system for FY 86, which should enable us to compile this type of information on an election district basis in the future.

Table 1 summarizes the information you requested; it shows the distribution among election districts of \$1.056 billion in State grants; \$830 million in loan programs; \$60 million in Revenue Sharing; and \$90

million in Shared Taxes.¹ Together these programs disbursed \$2.25 billion in FY 85. The table shows that the North Slope-Kotzebue Election District (22) received the largest per capita share (\$6,364) while Anchorage (7-15) received the smallest (\$3,339). As individual programs are analyzed, the ratio between high and low per capita expenditures by district tend to diverge, i.e., the per capita loan expenditure for the Matanuska-Susitna district (16) was \$2,711 while the expenditure in the Interior Rivers district (24) was \$228 or a ratio of 11.89:1. This particular case can be explained by the relatively large number of AHFC and Agricultural loans in the Mat-Su area portrayed in Table 3. Each of the major expenditure categories you requested is broken out in as much detail as possible below.

State Grants

Table 1 lists FY 85 State expenditures for grants of all types. These represent the flow of State grant dollars to each election district, but do not include goods and services purchased for the direct administration or operation of State Government.²

We are unable to distinguish between capital and operating expenditures for State grants. This is because of the way individual grants are awarded and administered. For example, a grant to a school district may cover several different types of expenditures such as teacher training, purchase of specific pieces of equipment and/or construction of a school improvement. Another limitation of the GIS is that State and federal funds for specific grant programs are pooled in the State's general fund so that expenditures at the election district level are a mixture of State and federal funds.

¹Municipal Assistance is only one account of the Department of Revenue--Shared Taxes Program. Administration of the Municipal Assistance account was transferred to the Department of Community and Regional Affairs (DCRA) in November 1985. The DCRA maintains population estimates for Alaska communities which are a major factor in the Municipal Assistance formula.

²The Grants Information System (GIS) of the Office of Management and Budget (OMB) was used to compile these data. The GIS is an automated information system that monitors federal, State, and local funding of public services. [Information for each grant program in FY 86 will be collected through an interface with the Alaska Statewide Accounting System (AKSAS). Data for FY 85 were hand-entered into the system and may not be as accurate as the electronically transmitted information will be next year.] The purpose of the GIS is to provide an overview of how dollars are being allocated by grantor, location, purpose, or recipient.