

**ALASKA LEGISLATURE COMMITTEE FILES 1987-88 8672**

**4478 HCRA HB 381 - HB 419**

50

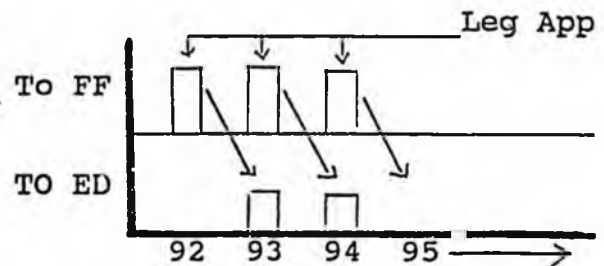
Forward Funding

Through a constitutional amendment, I propose a division of permanent fund earnings as follows: 40% to dividends; 30% for inflation proofing; and 30% to an education fund. This constitutional amendment would have a limited life of three years and would have to be approved by Alaska's voters. After three years, the distribution of earnings would return to its present formula: 50% to dividends; a variable amount to inflation proofing; any remaining funds would go to the earnings reserve account.

The proposed change to 40/30/30 would begin FY 89 and end in FY 91. Money accumulated in the education fund over this time period would then be used to forward fund education beginning FY 92. This process is summarized below:

<u>Education Fund</u>	<u>Cum Total</u>
FY89.....\$168	\$168
FY90.....\$184	\$352
FY91.....\$254	\$606
Interest	\$ 44
Total	<u>\$650</u>

Forward Funding



Beginning FY 92, school districts could begin budgeting for the FY 93 school year as early as July 1, 1991 (FY 92). If the basic need in FY 92 is \$500 million, the fund balance would be approximately \$150 million. The legislature, during the normal budgeting cycle, would refill the forward fund. This process would continue through subsequent fiscal years. Note that the balance in the forward fund should be greater than the basic educational needs for any given year. That means if shortfalls should occur (e.g. enrollment exceeds projections) sufficient revenue to cover the shortfall would be available.

Forward Funding: Effects On Permanent Fund\*

Under my forward funding proposal, Dividends, Inflation Proofing and the Permanent Fund balance would be affected:

Table 1\*

FY      40/30/30      Permanent Fund As Is      Difference

Permanent Fund Balance

89	8,918	9,054	136
90	9,431	9,768	337
91	9,963	10,544	581
92**	10,756	11,368	612
95	13,381	14,098	717

Dividends

89	\$807	\$842	\$ 35
90	816	889	73
91	764	881	117
92**	751	877	126
95	805	940	135

Reserve Account

92	610	510	10
99	712	396	316

---

\* Source- House Research (see attached figures)

\*\* Changes back to current law

As a result of lower earnings (less inflation proofing) the Permanent Fund Balance by FY 95 would be approximately \$717 million less than under current law (Table 1).

The annual Dividend payments decrease in FY 91 and FY 92; beginning FY 93 they continue to increase. While the Dividends are less than current law, House Research projections show that by FY 2005 the difference would amount to \$100.

While the Permanent Fund balance and the Dividend would be less under my proposal, the Reserve Account balance would be greater compared to current law. For example, in FY 99 the reserve balance would be \$712 million under my proposal compared to \$396 million under current law - a \$316 million difference. This results since inflation proofing consumes a greater proportion of the earnings under the status quo. By FY 2005 there would be approximately \$300 million in the earnings reserve account compared to zero under current law (see attached House Research projections).

#### Constitutional Amendment

There are several reasons why a constitutional amendment is necessary:

- \* It would provide the opportunity for Alaska's people to decide whether the Permanent Fund earnings should be used to forward fund education;
- \* No legislature can bind a future legislature. Unless the mechanism establishing the forward fund is in the constitution there would be no guarantee beyond the first year of appropriation that future legislatures would dedicate additional revenues to the fund; and
- \* A constitutional amendment would protect the dividend and inflation proofing while the fund was being established.

My proposal would provide school districts "forward funding" of education as well creating a "buffer" since excess revenue in the fund would be available to offset unanticipated shortages.

House Research Projections

Forward Funding

FY 89 to FY 91

Column A: Fiscal Year

Columns E and F: Compares final Permanent Fund balance under 40/30/30 and status quo for current fiscal year.

Column I: Inflation Proofing under 40/30/30

Columns L and M: At the end of FY 88, \$32 million would remain in the reserve account (K). The final balance for FY 89 (M) is shown to be \$561 and is carried through to FY 92 under the assumption it is not appropriated by the legislature.

Columns M and N: Compares current law reserve balance with 40/30/30 proposal.

Columns S and T: Compares Dividends under 40/30/30 and current law.

Column U: Shows amount transferred to forward fund at the end of each fiscal year beginning FY 89.

TABLE A--Education Fund  
 PERMANENT FUND BALANCE, RESERVES AND DIVIDEND PROJECTIONS  
 (in millions of nominal dollars)

% of earnings to dividends: 50.0% 403 89-91 30% DOR REVENUE FORECAST, SEPTEMBER 1987  
 ceiling on dividends: none FULL INFLATION PROOFING OCCURS IF EARNINGS+RESERVES EXCEED DIVIDENDS  
 inflation proofing priority: 2 50% OF EARNINGS (PRIOR TO INFLATION PROOFING) GO TO DIVIDENDS  
 inf. prf. % (if priority=3): 0.0% 302 89-91 REMAINING EARNINGS GO TO RESERVES FOR FUTURE INFLATION PROOFING BUT MAY GO TO GENERAL FUND  
 I=dividends smoothed; 0=no: 1  
 I=reserves to Gen Fund; 0=no: 0  
 DOR Forecast (30% or 50%): 30%  
 % of Earnings to Education: 0%  
 C=PF0 pre education; I=post: 0

Fiscal Year	FUND BALANCE					DISPOSITION OF EARNINGS					RESERVE ACCOUNT			DIVIDEND PROGRAM					DIVIDEND AS IS: Each C-Ed-	Transfer to Education Fund	
	Starting Balance	Contributions	Inflation Proofing	PERM FUND AS IS:		Available Earnings	To Dividends	Inflation Proofing	To Available Reserves	Starting Balance	Reserve Transfer	RESERVE ACCOUNT AS IS:		Admin Cost	Available Thousands			Each PFC Check			
				Final Balance	Final Balance							Final Balance	Final Balance		Earnings	Cost	Distribution				for Checks
1978	0	54	0	54	54	2	0	0	2	0	0	0	0	0	--	0	--	--	--	--	--
1979	54	84	0	139	139	8	0	0	8	0	0	0	0	0	--	0	--	--	--	--	--
1980	139	344	0	483	483	32	0	0	32	0	0	0	0	0	--	0	--	--	--	--	--
1981	483	1,285	0	1,769	1,769	150	0	0	150	0	59	59	59	0	--	0	--	--	--	--	--
1982	1,769	1,201	0	2,969	2,969	368	482	0	(113)	59	185	244	244	482	3	478	478.8	\$1,000	\$1,000	--	--
1983	2,969	821	231	4,021	4,021	471	191	231	49	244	110	354	354	191	3	189	435.8	\$336	\$336	--	--
1984	4,021	656	151	4,839	4,839	530	163	151	215	354	203	558	558	163	3	150	493.1	\$331	\$331	--	--
1985	4,839	668	235	5,741	5,741	658	218	235	205	558	206	765	765	218	8	211	523.5	\$401	\$401	--	--
1986	5,741	323	216	6,281	6,281	1,021	304	216	500	765	(765)	0	0	394	8	297	533.4	\$555	\$555	--	--
1987	6,281	1,435	148	7,864	7,864	1,069	394	148	527	0	529	529	529	394	15	378	531.5	\$702	\$702	--	--
1988	7,864	230	348	8,442	8,442	810	429	348	32	529	32	561	561	429	16	413	531.2	\$778	\$778	--	--
1989	8,442	213	263	8,918	9,054	878	447	263	168	561	0	561	575	447	17	431	533.4	\$827	\$827	16E	16E
1990	8,918	247	274	9,431	9,768	912	455	274	184	561	0	561	533	455	18	437	535.7	\$915	\$915	18A	18A
1991	9,431	239	293	9,963	10,544	977	430	293	254	561	0	561	510	439	19	411	537.9	\$751	\$991	25A	25A
1992	9,963	237	555	10,756	11,368	1,029	425	555	48	561	48	610	510	425	20	405	540.1	\$751	\$377	0	0
1993	10,756	240	599	11,596	12,241	1,110	457	599	54	610	54	664	507	457	21	435	542.2	\$905	\$500	0	0
1994	11,596	229	644	12,469	13,149	1,196	509	644	43	664	43	707	502	509	22	487	544.4	\$954	\$1,004	0	0
1995	12,469	220	692	13,381	14,098	1,284	567	692	26	707	26	732	493	567	23	544	546.7	\$995	\$1,075	0	0
1996	13,381	214	762	14,357	15,115	1,421	634	762	24	732	24	757	499	634	25	610	548.9	\$1,110	\$1,157	0	0
1997	14,357	212	839	15,408	16,209	1,521	686	839	(5)	757	(5)	752	476	686	26	661	551.1	\$1,197	\$1,243	0	0
1998	15,408	212	900	16,520	17,368	1,625	740	900	(15)	752	(15)	738	442	740	28	712	553.3	\$1,287	\$1,333	0	0
1999	16,520	207	963	17,691	18,587	1,734	796	963	(25)	738	(25)	712	396	796	30	767	555.6	\$1,380	\$1,428	0	0
2000	17,691	201	1,031	18,923	19,970	1,849	856	1,031	(38)	712	(38)	674	337	856	32	824	557.9	\$1,477	\$1,527	0	0
2001	18,923	195	1,101	20,219	21,221	1,968	913	1,101	(47)	674	(47)	628	268	913	33	890	560.1	\$1,570	\$1,622	0	0
2002	20,219	187	1,175	21,581	22,641	2,092	973	1,175	(56)	628	(56)	571	187	973	36	939	557.4	\$1,657	\$1,721	0	0
2003	21,581	170	1,253	23,012	24,133	2,222	1,036	1,253	(67)	571	(67)	504	95	1,036	38	998	561.7	\$1,767	\$1,824	0	0
2004	23,012	176	1,336	24,523	25,698	2,358	1,101	1,336	(79)	504	(79)	425	0	1,101	40	1,061	567.0	\$1,872	\$1,931	0	0
2005	24,523	172	1,422	26,118	27,241	2,501	1,170	1,422	(91)	425	(91)	334	0	1,170	43	1,127	559.3	\$1,990	\$2,047	0	0

Source: Alaska Permanent Fund Corporation October 31, 1987 Financial Statement  
 Department of Revenue, September 1987 Revenue Forecast

13-Jan-86 Prepared by the House Research Agency (88.074)

#606

David



Alaska State Legislature  
House of Representatives  
COMMITTEE ON HEALTH, EDUCATION  
AND SOCIAL SERVICES

OFFICIAL BUSINESS

POUCH V  
JUNEAU, AK 99811  
465-3759

MEMORANDUM

TO: Rep. Niilo Koponen, Co-Chair, House HESS Committee  
Rep. Johnny Ellis, Co-Chair, House HESS Committee

FROM: Jim Nordlund, House HESS Staff

RE: Proposals for early and forward funding

DATE: January 13, 1988

\*\*\*\*\*

We have received several proposals dealing with the issue of early and/or forward funding for public school programs. Each of these proposals attempts either to establish an additional funding source for educational programs or to provide greater certainty to school district budget deliberations, or a combination of the two. These two related, yet distinct objectives sometimes get confused in discussions about educational funding.

Below is a brief description of each of the proposals which is to accompany the draft bill packets provided to Committee members.

1) Three months early -- CSHB 255 is the Governor's bill which is currently under consideration by the HESS Committee. If passed by the legislature and signed by the Governor before March 15th, this bill would establish state funding levels for school districts approximately three months earlier than usual. This type of early appropriation would need to be enacted every year in order to achieve early budget certainty each year.

2) One year early -- This bill, which will soon be introduced by the Governor, would establish funding levels this session for FY 90, with a delayed effective date. Certainty in funding levels could not be assured due to the difficulties in making projections one year in advance.

3) One year early, additional pass through -- This bill, which will soon be introduced by Representative Sund, is similar to #2 above except that it provides for a one year early commitment for revenue sharing and municipal assistance as well as for the foundation program.

4) Early deadline -- SB 2 was introduced by Senator Abood and is currently under consideration by the HESS Committee. This bill would require the legislature to pass an appropriation for the foundation program, school debt reimbursement and other education programs by March 16th for the succeeding fiscal year. There is no penalty if the legislature fails to act by this deadline. The bill also changes the date from April 1 to April 15 for the borough school board to submit the following year's budget to the borough assembly.

5a) Full funding, suspense account -- This proposal would establish an account to forward fund the school foundation program. Legislative appropriations made to this fund would be held "in suspense" and not be distributed to the school foundation account until a specific year designated in the appropriation. Presumably, the funds would be suspended for the second succeeding fiscal year, thus creating a mechanism for forward funding. The fund could be built up over successive fiscal years to equal full funding.

5b) Suspense appropriation -- This appropriation measure would be the first installment in building up the suspense account. It would appropriate to the account the partial settlement money recently received by the State in the Dinkum Sands lawsuit, other than that which must go into the permanent fund.

6) Full funding, constitutional amendment -- This proposal, which is being initiated by Representative Ulmer, would provide for a different forward funding mechanism. It would create an education forward fund which would achieve full funding through six consecutive yearly dedications from permanent fund earnings. The proposal calls for a constitutional amendment, and thus a vote of the people, to divide the permanent fund earnings for six years between dividends, inflation proofing and the education forward fund at 40%, 30% and 30% respectively.

7a) Buffer account -- This proposal would create a public school buffer account which could be tapped by the legislature if either the foundation, school debt reimbursement or the pupil transportation programs were funded at less than full funding in any fiscal year. The uncertainty caused by the possible marginal funding differences in these programs each year would be relieved due the existence of this account.

7b) Buffer appropriation -- This appropriation measure would fund the buffer account with \$60 million from Dinkum Sands settlement money. This amount represents the sum of the percentages of the FY 89 full funding levels for each of the foundation, school debt and pupil transportation programs which is equal to the historically greatest shortfalls in each of the programs. Greater certainly could be achieved by this "marginal" amount without without the costs of fully funded, forward funding mechanism. The necessary amount could be appropriated in one year from Dinkum Sands money.

8) One-time windfall -- This appropriation bill would appropriate the recently received Dinkum Sands settlement money, other than that which must go into the permanent fund, into the foundation program for disbursement in FY 90. This is, effectively, a one-time, partial forward funding proposal.



ALASKA STATE LEGISLATURE  
HOUSE OF REPRESENTATIVES  
RESEARCH AGENCY

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

January 18, 1988

MEMORANDUM

TO: Representative Fran Ulmer  
ATTN: Dennis Burns  
FROM: David Teal, Director *Teal*  
RE: Forward Funding of Education  
Research Request 88.103

As you know, the legislative appropriation of funds for primary and secondary education often occurs late in the budget cycle of municipalities charged with operating school systems. Municipalities and school districts claim that preparing their budgets is difficult when the amount of money that will be received from the State--which constitutes a major portion of their operational funds--is uncertain. You asked for a brief discussion of options that could mitigate the uncertainty of school funding in Alaska. You were particularly interested in the concept of forward funding, i.e., the use of a cash reserve fund as an intermediate step in the funding process. The intermediate step would allow expenses during the upcoming fiscal year to be paid from cash reserves while current appropriations would be placed in the reserve fund to become the cash to be used a full year in the future.

The forward funding concept was discussed by the legislature as early as 1979. Three features make it attractive to various advocates--it can limit expenditures, reduce volatility, and mitigate uncertainty. Each feature is discussed below.

Forward funding can act as an effective expenditure limit because the accumulation of the cash reserves required to initiate forward funding implies that expenditures be less than revenues during a transition period. This feature was more attractive in 1979--when the concept was being applied to the entire State budget and when, unlike today, several years of high oil prices and high State revenues were predicted. In addition, I do not believe that advocates of forward funding for education intend that implementation should reduce funding for education. For these

Representative Ulmer  
January 18, 1988  
Page 2

reasons, I limit discussion of this feature to pointing out that creation of a cash reserve fund for education is likely to reduce the amount of money that can be appropriated for other purposes.

Forward funding can reduce volatility in the flow of funds available for expenditure, but only with the addition of mechanisms to transfer funds from year to year. Without mechanisms to smooth the flow of funds, forward funding simply delays the impact of funding level changes by one year.

Forward funding can eliminate uncertainty regarding the total amount of money available in a given year, but does not address the allocation of funds among school districts. Allocation is a direct function of the number of education units within each district, while the number of units is largely determined by enrollment.

Based on testimony at the January 14 House HESS committee teleconference, there appears to be some confusion regarding the concepts of "forward funding" and "full funding." Forward funding and full funding are distinct concepts; "forward funding" refers only to the timing of appropriations while "full funding" refers to the level of appropriations, specifically to the statutorily-set value of \$60,000 per education unit.

Although State aid to individual school districts is based on a formula, the use of forward funding does not guarantee full funding of the formula. If appropriated funds are insufficient to fully fund the formula, a district which knew the total amount of money to be allocated and had a perfect forecast of its own enrollment would still not know the amount of State aid it would receive because each district's allocation would depend upon enrollment in every district.

To the extent that statewide enrollment predictions are used to determine the level of appropriation, predicting enrollment currently adds a degree of uncertainty to the funding process. Forward funding could increase budget uncertainty by requiring that enrollment predictions apply not to the upcoming school year, but to the one following it.

In summary, forward funding of the education formula does not appear to offer school districts or municipalities any significant advantage in the budgeting process. If, however, the concept of full funding were instituted, the perceived need for forward funding would diminish. The legislature would then have a target appropriation level which, if fully funded, would ensure that each district receives a predictable amount of money. Of course, each district's final allocation would be determined by actual enrollment, so that exact funding levels would be unknown until enrollment counts were available.

Forward funding alone would not resolve budgeting problems because any funding deficiencies not covered by a supplemental appropriation would cause a pro rata reduction in allocations to school districts. Forward funding might provide some warning that a shortage would occur, but it would not prevent shortages from occurring. Shortages could be prevented by: 1) consistently overfunding the program; or 2) using a secondary pool of funds to offset unintentional underfunding.

As an example of use of a secondary pool of funds, assume that estimates of the number of education units and a unit value of \$60,000 result in a FY 89 appropriation of \$428 million. If actual statewide enrollment exceeds projections, a budget shortage will occur in every district regardless of when the appropriation is approved. A secondary pool of funds could be used to offset any shortfall of appropriations, thus guaranteeing full funding in FY 89. In order to ensure full funding in the future, the secondary pool would have to be devised in a way that: 1) prevents unused funds from lapsing into the General Fund; or 2) relies upon a source of future revenue to replenish the fund. Providing for continuity may require a Constitutional amendment to allow dedication of funds to education. In order to add certainty to the districts' budgeting process, the dedication of revenue would not have to be sufficient to fund the entire foundation formula, it need be no larger than an amount which would offset unintentional underappropriation. In effect, the secondary pool of funds could be relied upon to correct minor errors in predictions of the amount required to fully fund education; the concept offers full funding as opposed to forward funding.

The existence of a secondary fund would not ensure that money from the fund would supplement annual appropriations to education rather than replace them. Constitutional dedication of revenue sufficient to consistently fully fund the education formula would approach the degree of budget certainty that school districts apparently seek. Even dedication of revenue to education cannot ensure that districts will receive a level of funding that can be known early in their budget cycles. Federal rules regarding the equalization of State aid require that aid per student be within a fixed range. Because State aid must be adjusted when actual enrollment is known, the level of funding for any school district cannot be guaranteed early in the district's budget cycle.

#### Discussion of Various Proposals

A January 13, 1988 memorandum (attached) from Jim Nordlund to the co-chairmen of the House HESS committee described several proposals for funding public education. For the purpose of discussion, I have divided the proposals into three categories.

Proposals (1) through (4) would implement early funding, which means that school districts would know the level of statewide appropriation earlier in their budget cycle. In this regard, the concept is similar to forward funding, which would be implemented by proposals (5a), (5b), (6) and (8). The major difference between the concepts is that forward funding would use money accumulated in one fiscal year to fund education in future years, while early funding does not cross fiscal years. Forward funding offers

earlier warning of funding shortages. It also requires the accumulation of cash reserves, which means that implementing the concept would reduce the amount of funds available for purposes other than education.<sup>1</sup> Neither concept addresses the issue of full funding, i.e., they offer no assurance that available funds would be sufficient to allocate \$60,000 per education unit.

Proposals (7a) and (7b) offer buffered funding as a means to ensure full funding. That is, they would create a secondary funding source that would be tapped if appropriations were insufficient to provide State aid of \$60,000 per education unit. As long as money in the buffer account is sufficient to offset any funding shortages, this concept offers far greater budget certainty to school districts than simple forward funding. Timing of appropriations would no longer be of concern; districts would know that they would receive a fixed amount of State aid per education unit in each and every year. These buffer proposals do require forward funding, but cash reserve requirements are limited to the amount required to cover unanticipated shortages rather than the full amount required to fund the formula.

Governor Cowper's proposed education endowment offers a type of buffered funding. The endowment plan is similar to proposal (6) in that Permanent Fund earnings would be used as source of funds for education. However, the Governor's plan would use interest earnings from the endowment as a secondary source of funds rather than using the accumulated funds to begin the forward funding process. This proposal would be implemented without reducing the amount of General Funds available for purposes other than education. As with other buffered funding proposals, school districts' budget certainty would be enhanced, but only if the legislature's annual appropriation plus funding from the secondary source were sufficient to fully fund the education foundation formula.

Dedicated funding offers the greatest degree of budget certainty, but only if the dedicated revenue were sufficient to fully fund the formula. Any shortage of dedicated revenue would cause a dedicated funding plan to be conceptually identical to the Governor's proposal.

\* \* \*

If you wish to discuss the concepts addressed in this memorandum, I would be pleased to meet at your convenience.

Attachment

-----  
<sup>1</sup>Proposal (6) would implement forward funding without reducing current expenditures. This would be accomplished by using a portion of the earnings of the Permanent Fund to create a reserve fund.

HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

EDUCATION FUNDING PROPOSALS

1/27/88

	EARLY	ADDITIONAL	FORWARD	FULL	CERTAINTY	PROGRAMS	REV. SOURCE	COMMENTS
CSHB 255 Governor	3 Month			X	High	F, DR, PT	GF	Needed Yearly
HB 370 Governor	1 Year				Low	F	GF	Projection Problems
HB 381 Sund	1 Year				Low	F, Rev. Share Muni. Asst.	GF	Projection Problems
SB 2 Abood	3 Month				High	F, DR	GF	Schoolboard Deadline changed
HB 376, 377 House HESS		X	X		Low	F	Lawsuit	Suspense Acct. in Gen. Fund
Proposal Ulmer		X	X	?	Low	F, ?	PFE	Constit. Amend. <del>(Not required)</del>
HB 378, 379 House HESS		X		X	High	F, DR, PT	Lawsuit	Buffer Account Offset problem
HB 407 Governor		X	?			F	PFE	Referendum in Per. Fund
HB 358 Ulmer		X				F	Lawsuit	\$ to School Fund

JOHN SUND, REPRESENTATIVE

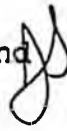
2504 2nd Avenue  
Ketchikan, Alaska 99901  
(907) 225-5552

---

While in Juneau  
P O. Box V  
Juneau, Alaska 99811  
(907) 465-4919

MEMORANDUM

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

From: Representative John Sund 

Date: January 25, 1988

Subj: Request to schedule House Bill 381 which relates to  
forward funding education, revenue sharing and  
municipal assistance.

-----

House Bill 381 would appropriate state funds for municipal assistance, revenue sharing and education a year earlier than under present practice thereby helping municipalities and schools plan their budgets. Communities are now trying to budget for next year without knowing the amount of state contributions.

Advance notice of funding can alleviate much of the financial uncertainty that municipalities and school districts face during their budget deliberations and assist in setting tax rates. The Legislature passes the budget in May and the Governor finalizes it in June. That is after many municipalities have tried to set their budgets and tax rates.

House Bill 381 would offer communities predictability and certainty.

Please consider scheduling HB 381 at your earliest convenience.

# School Account Proposal

---

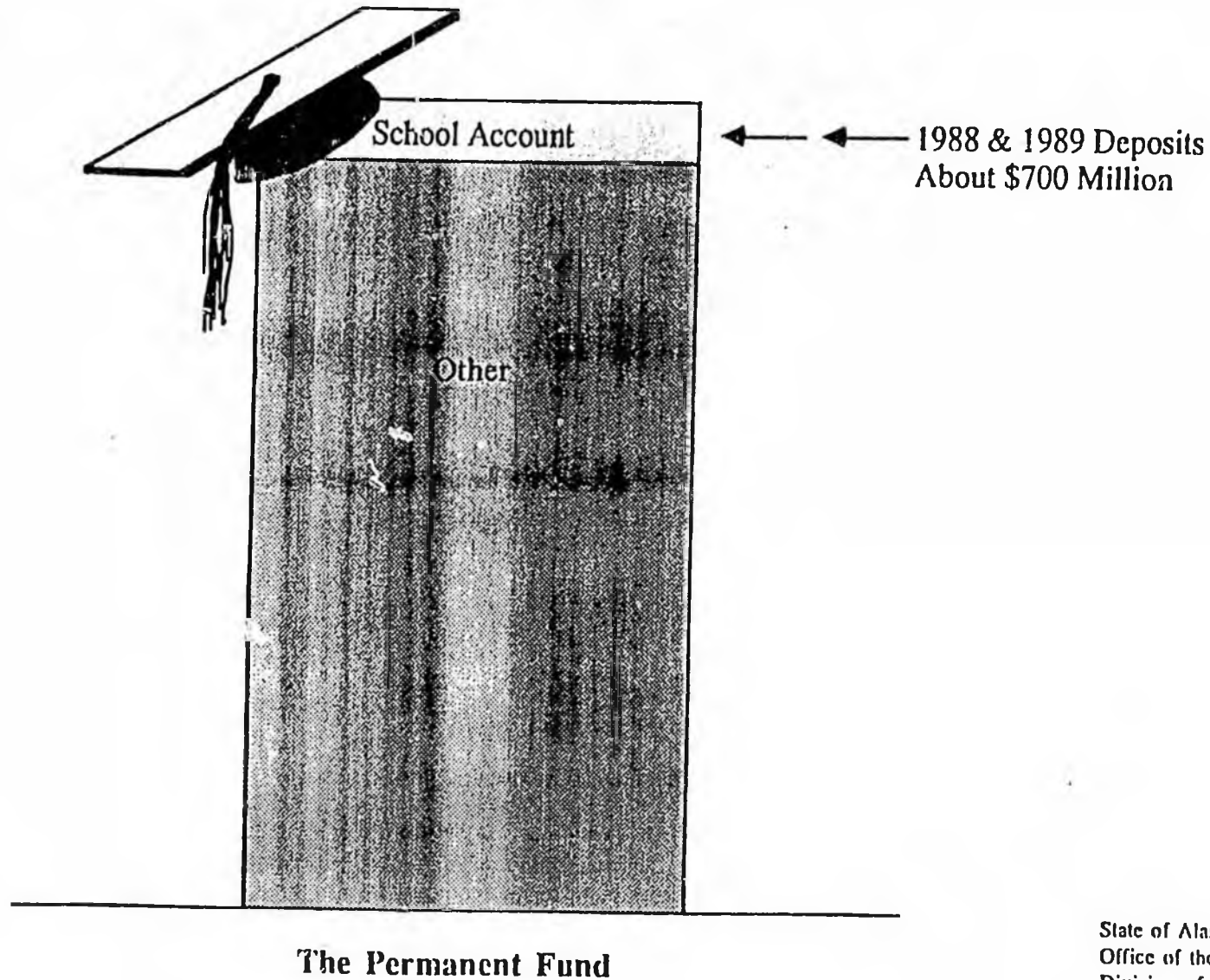
- Proposal establishes a school account within the principal of the Permanent Fund.
  - 1988 and 1989 Permanent Fund earnings, after distribution of dividends, will go to the school account.
  - Future earnings from the school account will be available for financing elementary and secondary schools.
  - About \$60 to \$70 million will be available annually for public education financing.
  
- The account does not change Permanent Fund dividends very much.
  - The dividend continues to grow larger, just not quite as large.

Year	Dividend Without School Account	Dividend With School Account	Difference
1988	\$ 771.08	\$ 771.08	\$ 0
1989	\$ 833.87	\$ 828.06	\$ 5.81
1990	\$ 882.47	\$ 868.84	\$ 13.63

- The school account provides the first significant step in forward funding for education.
  - The proposal provides lasting benefits to Alaska by contributing to stable funding for education.
  - The proposal creates a long-term account which can be the recipient of other windfall monies and additional future deposits. If the annual deposits to the Permanent Fund principal were allocated to the school account over the next seven to ten years, the school account earnings would essentially forward fund Alaska's public education system.

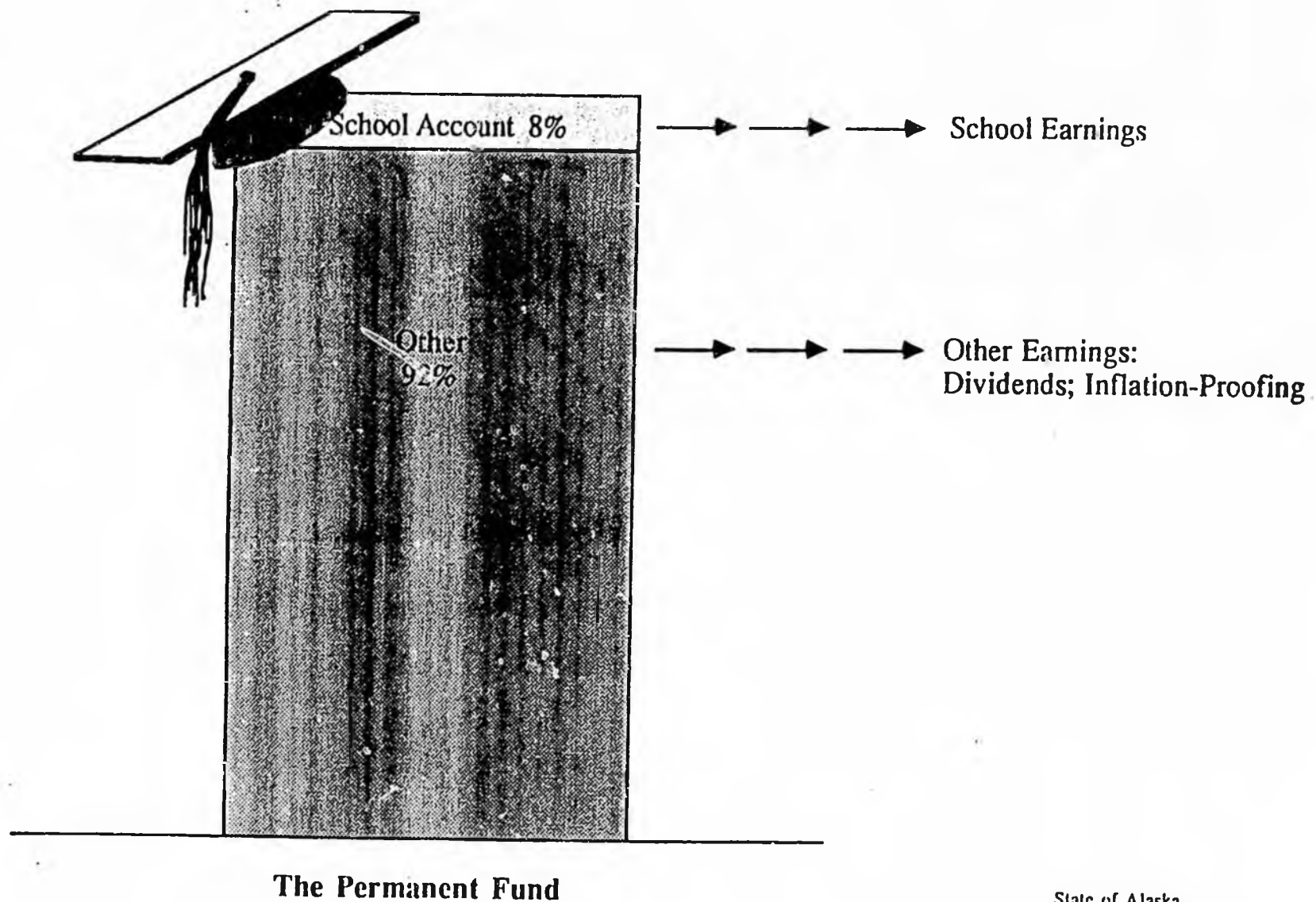
269494H  
 4  
 2

# 1988 and 1989 Deposits Would Establish School Account in Permanent Fund Principal



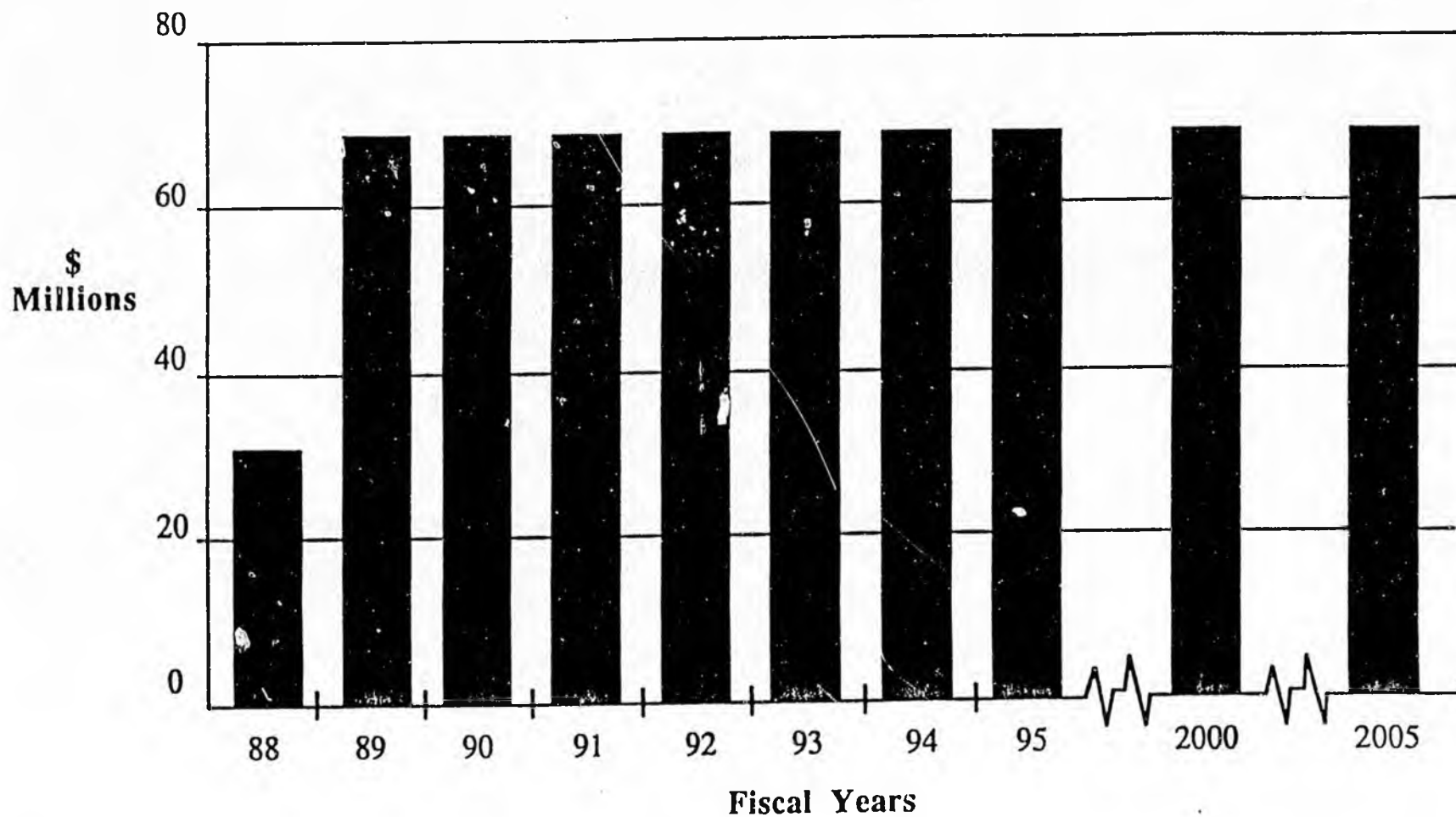
State of Alaska  
Office of the Governor  
Division of Policy 1/25/88

# School Account Proposal Establishes Two Earning Streams



# School Account Earnings Available for Education

## From 1988 and 1989 Deposits



Source: Alaska Permanent Fund Corporation

State of Alaska  
Office of the Governor  
Division of Policy, 1/25/88



Official Business

# Alaska State Legislature

## House

P.O. BOX V  
State Capitol  
Juneau, Alaska 99811

### MEMORANDUM

TO: House State Affairs Committee Members

FROM: Representative Fran Ulmer, Chair  
House State Affairs Committee

SUBJECT: HB 358: "An Act making special appropriations of windfall receipts to the principal of the permanent fund, the budget reserve fund, and to the public school fund; and providing for an effective date."

DATE: January 21, 1988

---

Sections 1, 2 and 3 make a special appropriation of windfall receipts received by the state from the North Slope royalty case and the Dinkum Sands Case to the principal of the Permanent Fund, to the Budget Reserve Fund and to the Public School Fund.

Sections 4 and 5 appropriate windfall receipts received by the state during fiscal year 1989 from tax proceedings against oil and gas production or pipeline companies under AS 43.20 (corporate income tax), and AS 43.55 (oil and gas properties production tax), and AS 43.55 (oil and gas properties production tax).

The provisions of HB 358 apply only to revenue received after the effective date of this bill. Therefore the above appropriations do not include the \$322 million recently received by the state as revenue sharing.

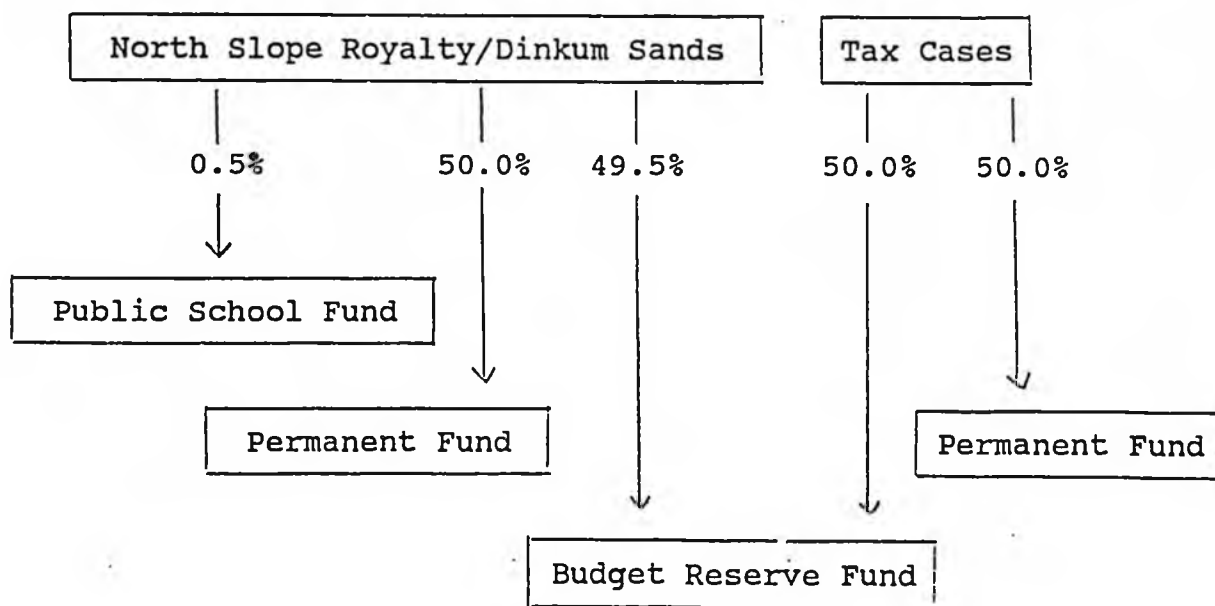
The proposed legislation would accomplish the following:

- 1) Dedicate funds to the principal of the Permanent Fund at a time when revenue decline reduces the likelihood of comparable deposits; and
- 2) Create a cushion against budget shortfalls.

TABLE 1 \*

HB 358 appropriates various oil and gas windfall receipts and pending tax case receipts to the following funds:

SETTLEMENTS AND CONCLUSIONS



\*  
SOURCE: DOR

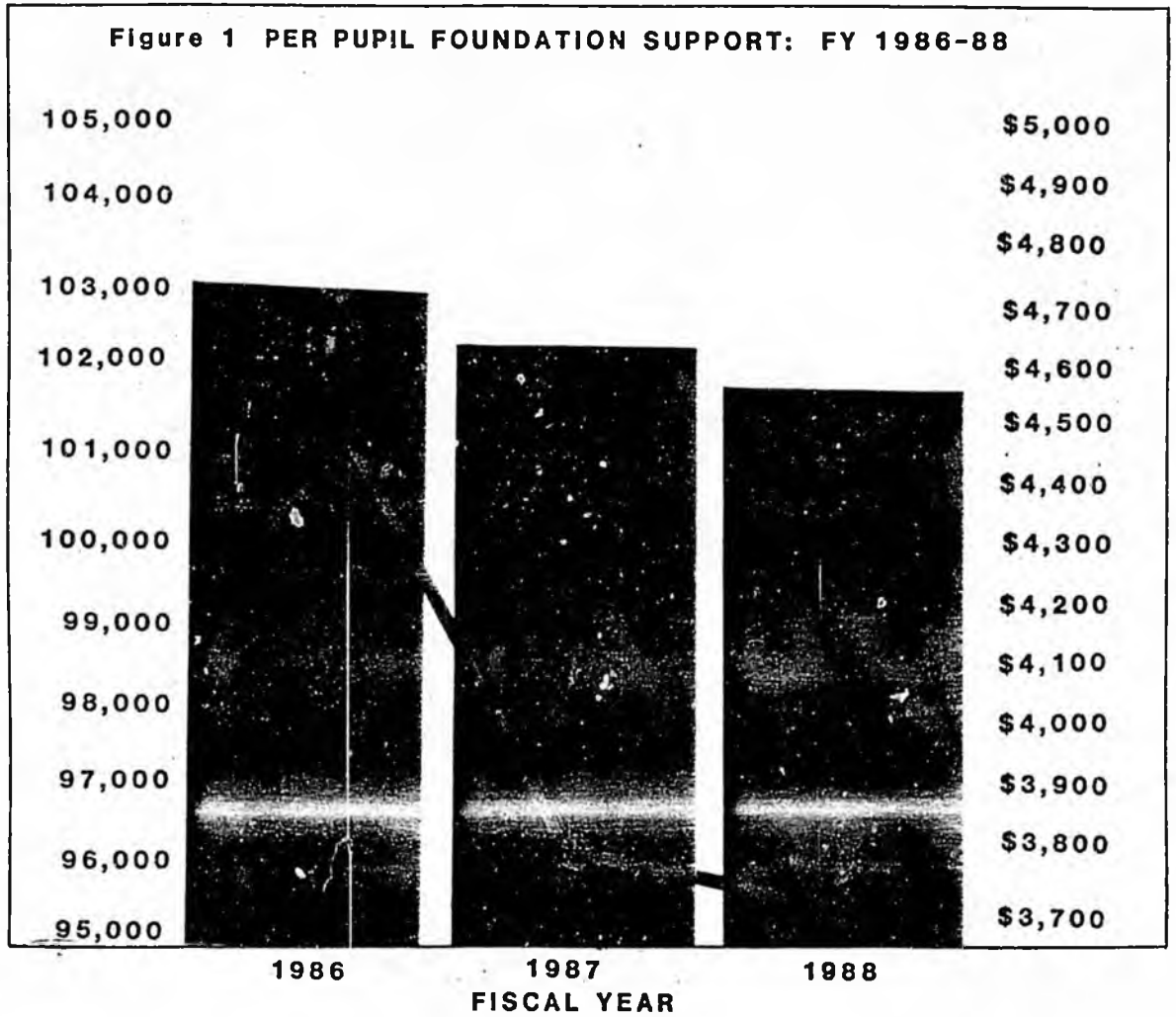
3

HB 381

STATE GENERAL FUND APPROPRIATION

	1986	1987	1988
FOUNDATION SUPPORT	475,234.7	386,518.2	384,742.4
STATE ADM	103,149	102,212	<del>122,160</del> 102,160
PER PUPIL SUPPORT	\$4,607	\$3,782	\$3,766

Reflects 18% decrease in funds  
1% decrease in enrollment



JOHN SUND, REPRESENTATIVE

2504 2nd Avenue

Ketchikan, Alaska 99901

(907) 225-5552

---

While in Juneau

P. O. Box V

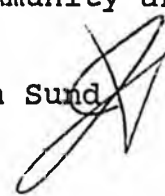
Juneau, Alaska 99811

(907) 465-4919

APR 12 1988

M E M O R A N D U M

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

From: Representative John Sund 

Date: April 12, 1988

Subj: HB 381 - forward funding education, revenue sharing  
and municipal assistance.

-----

The purpose of House Bill 381 is to forward fund municipal assistance, revenue sharing and education by the amounts passed in the FY 89 budget.

As I suggested during the last hearing, the committee may wish to leave the appropriation amounts blank and send a letter of intent that the amounts be filled in with FY 89 budget figures after they are determined.

Further, the House Community & Regional Affairs Committee may wish to suggest to the Finance Committee what those budget levels should be. I, personally, do not have specific recommendations.

HB

392



# STATE OF ALASKA THE LEGISLATURE

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

## LEGISLATIVE AFFAIRS AGENCY LEGISLATIVE REFERENCE LIBRARY

May, 1988

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

Mary Van Nimwegen

House C+RA	2-8-88	3:00p.m.
" "	2-26-88	3:00p.m.

Det ✓ Rev. ✓ Fil ✓

BILL PREPARATION/ACTION\*

Bill # HB 392

Date Referred: 1/25/88 Out: 1/1

Title: Municipal Procurement of Certain Services

Ellis -

Referrals: CRA 49C

CONTACTS:\*\*\*\*\*

<u>Name</u>	<u>Organization</u>	<u>Phone</u>	<u>Date Contacted</u>
	<u>Address</u>	<u>Attend/Remarks</u>	

<u>DCRA Plasmann</u>	<u>PP (FN) ng 1/26 [?]</u>	<u>1/27 3:00 [2/10] 2/15 req again</u>	<u>2/8 coming FN PP</u>
----------------------	----------------------------	--	-------------------------

<u>Ellis - Debra</u>	<u>1/27 [x 2/8]</u>	<u>2/8 Ellis will be here at 3:00</u>	<u>2/22 [2/26]</u>
----------------------	---------------------	---------------------------------------	--------------------

<u>Rich Pitter Am Institute of Architects</u>	<u>will be here to meet.</u>		
---	------------------------------	--	--

\*\*\*\*\*

REMARKS: drafter made changes  
Earliff - asked if it affected Smaller com. - inc. expenditures

ANALYSIS: \_\_\_\_\_ Completed: \_\_\_\_\_

MEETINGS:\*\*\*\*\*

<u>Date</u>	<u>Action</u>
<u>* 2/8/88</u>	<u>Springer would like to talk to some vil. - Sched next wk</u>
<u>2/24/88</u>	<u>passed out 3 DP</u>





File Contents

HB 392 - Municipal Procurement of Certain Services

<u>No.</u>	<u>Description</u>
1.	Bill - HB 392
2.	Packet from Sponsor Explanation Statutes (including 36.30.270) AML Resolution
3.	Bill Review - HCRA Staff (Harrison)
4.	Public Law 92-582
5.	Alaska Municipal League - Position Paper
6.	DCRA - Position Paper
7.	DCRA - Zero Fiscal Note

To: Henry

Re: HB 392/CSSB 358 (CRA)

From: Martha

Date: Feb. 8, 1988

Rep. Ellis would like the Committee to adopt the CS enclosed in the file. This CS is as a result of recommendations by the drafter to the sponsor, to clarify "home rule" application.

The Senate CRA has already adopted the CS. Ours would be exactly the same if adopted as requested by Rep. Ellis. A copy of the Senate CRA CS is attached.

Rich Ritter, from the American Institute of Architects will be here to testify.

SB 358 is in (S) L&C now.

The only comment in (S)CRA was from Zharoff. He wondered how it would affect small communities and if it would increase expenditures. Kind of a rhetorical questions, I guess. Ellis' office said there was really no response. Ellis' office is checking with McKie Campbell (SCRA) on Zharoff's comment.

Bill Review

Bill No: HB 392

Title: "An Act relating to municipal procurement of architectural, engineering, and land surveying services."

Sponsor: Ellis, Koponen and Collins

\*\*\*\*\*

Municipalities involved in procuring architectural, engineering and land surveying services are required to comply with AS 36.30.270, Architectural, engineering, and land surveying contracts. To be exempted the municipality must adopt an ordinance establishing a selection process for itself or its administrative unit.

Lines 15-17 define "administrative unit."

Lines 18-20 indicate "selection process."

Ideas for this may have come from PL 92-582 or from AS 36.98.043.

Attached herewith: PL 92-582  
AS 36.30.270

1024 WEST SIXTH AVENUE  
ANCHORAGE, ALASKA 99501  
(907) 274-4031

WHILE IN SESSION  
P.O. BOX V  
JUNEAU, ALASKA 99811  
(907) 465-3704

# ALASKA STATE HOUSE

OFFICE OF MAJORITY WHIP



② HB 392

CO-CHAIR  
HEALTH, EDUCATION & SOCIAL SERVICES

LABOR & COMMERCE  
SUBCOMMITTEE ON FOREIGN TRADE

REPRESENTATIVE JOHNNY ELLIS

## M E M O R A N D U M

TO: The Honorable Henry Springer, Chair  
Community and Regional Affairs Committee

FROM: Rep. Ellis (JB)

RE: HB 392: "An Act relating to municipal procurement of architectural, engineering, and land surveying services."

DATE: January 27, 1988

I respectfully request that the Community and Regional Affairs Committee hold a hearing on CSHB 392.

Passage of this legislation will bring municipalities in compliance with AS 36.30.270, which was created by the Fourteenth Alaska Legislature. AS 36.30.270 requires the state to use a registered architect, engineer, or land surveyor when awarding contracts and outlines a procedure for professional contracts. A copy of AS 36.30.270 is attached, (Attachment A).

The procedure requires the state to negotiate a contract with the most qualified and suitable firm for a fair price with consideration given to the firm's proximity to the project, and employment practices with regard to minorities and women.

Under the proposed statute, (HB 392), a municipality may exempt itself, or part of itself, from the requirements of AS 36.30.270 by adopting an ordinance that establishes a selection process.

The CS for HB 392 adds provisions to bring home rule municipalities in compliance with the same conditions by amending AS 29.10.200, (Attachment B).

Both state agencies and professional societies testified in favor of the legislation which passed into law in 1986.

Attachment C is Resolution 88-37 of the Alaska Municipal League adopted in November during the Municipal League convention.

If you require further information, please contact Deborah Bonito at X3704.

5-1669B  
Bannister  
1/27/88

Original sponsors: Ellis, Koponen  
and Collins

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 392 ( )

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to municipal procurement of archi-  
7 tectural, engineering, and land surveying services."

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

9 \* Section 1. AS 29.10.200 is amended by adding a new paragraph to read:

10 (49) AS 29.71.040 (procurement requirement).

11 \* Sec. 2. AS 29.71 is amended by adding a new section to read:

12 Sec. 29.71.040. PROCUREMENT REQUIREMENT. (a) A municipality  
13 and its administrative units shall comply with AS 36.30.270 unless the  
14 municipality specifically exempts itself or an administrative unit  
15 from AS 36.30.270 by adopting an ordinance establishing a selection  
16 process for the municipality or for the unit. In this section,

17 (1) "administrative unit" includes a department, institu-  
18 tion, board, commission, division, authority, public corporation,  
19 utility, or other administrative unit of a municipality;

20 (2) "selection process" means a selection process for the  
21 procurement of architectural, engineering, and land surveying ser-  
22 vices.

23 \* (b) This section applies to home rule and general law municipal-  
24 ities.

25  
26 \* These sections of the CS bring home rule  
27 municipalities into compliance with the state  
28 law also.  
29

RESOLUTION OF THE ALASKA MUNICIPAL LEAGUE

RESOLUTION NO. 88-37

A RESOLUTION OF THE ALASKA MUNICIPAL LEAGUE SUPPORTING  
SELECTION OF DESIGN PROFESSIONALS THROUGH  
A QUALIFICATION-BASED PROCESS.

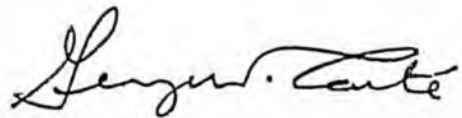
WHEREAS, this process attempts to assure that selection of design professionals based on qualifications (while providing for negotiation of fair and reasonable compensation) will obtain the best professional services for the most equitable fee, and

WHEREAS, the federal government implemented a procedure for selection of design professionals on the basis of qualifications, as set forth in Public Law 92-582, and

WHEREAS, the State of Alaska adopted a procedure for selection of design professionals based on qualifications, as set forth in A.S. ~~36-908.043;~~  
36.30.270

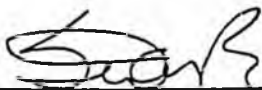
NOW, THEREFORE, BE IT RESOLVED that the Alaska Municipal League supports the selection of design professionals through a qualification-based process as expressed in federal and state law and urges its members to support state legislation adopting this process for municipalities while at the same time providing for local option for those municipalities which choose to adopt their own ordinance addressing this selection process.

Adopted this 13th day of November 1987.



George W. Carte', President

ATTEST:



Scott A. Burgess, Executive Director

*Final*

M E M O R A N D U M

15 January 1987

TO: ALL Senators *(individually addressed)*  
FROM: Senator Arliss Sturgulewski

Attached is draft legislation which adds a section to Title 29 requiring municipalities to comply with AS 36.30.270 the section of the procurement code outlining the process by which state agencies select architects, engineers, and land surveyors. This legislation is substantially similar in concept to SB 204, passed in 1986, which placed the same requirements on state agencies. It was also known as the "mini-Brooks bill".

That process includes negotiating a contract with the most qualified firm or individual and awarding the contract for fair and reasonable compensation after determining the value of the services, the scope and the complexity of the project. Also included in the section are procedures to follow when negotiations with the most qualified firm or person are not successful and when price may be included as an added factor.

Under the proposed statute, a municipality may exempt itself, or part of itself, from the requirements of AS 36.30.279 by adopting an ordinance that establishes a selection process.

Also attached is Resolution 88-37 of the Alaska Municipal League adopted in November during the Municipal League convention as well as a copy of AS 36.30.270.

I welcome co-sponsors; if you have any questions, please call Melissa Fouse of my staff at 465-3818.

RESOLUTION OF THE ALASKA MUNICIPAL LEAGUE

RESOLUTION NO. 88-37

A RESOLUTION OF THE ALASKA MUNICIPAL LEAGUE SUPPORTING  
SELECTION OF DESIGN PROFESSIONALS THROUGH  
A QUALIFICATION-BASED PROCESS.

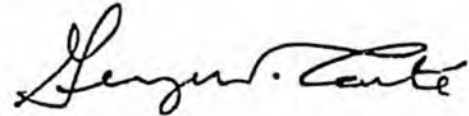
WHEREAS, this process attempts to assure that selection of design professionals based on qualifications (while providing for negotiation of fair and reasonable compensation) will obtain the best professional services for the most equitable fee, and

WHEREAS, the federal government implemented a procedure for selection of design professionals on the basis of qualifications, as set forth in Public Law 92-582, and

WHEREAS, the State of Alaska adopted a procedure for selection of design professionals based on qualifications, as set forth in (A.S. 36.908.043; *Repealed?*)

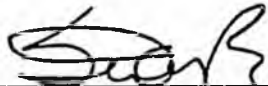
NOW, THEREFORE, BE IT RESOLVED that the Alaska Municipal League supports the selection of design professionals through a qualification-based process as expressed in federal and state law and urges its members to support state legislation adopting this process for municipalities while at the same time providing for local option for those municipalities which choose to adopt their own ordinance addressing this selection process.

Adopted this 13th day of November 1987.



George W. Carte, President

ATTEST:



Scott A. Burgess, Executive Director

412

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_  
Title: "An Act..municipal procurement..  
engineering..land surveying services."  
Sponsor: Sturgulewski, Hensley etc  
Requestor: \_\_\_\_\_

Agency Affected: Community & Regional Affairs  
BRU: \_\_\_\_\_

Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

\_\_\_\_\_

Prepared by: Jim Plasman, Deputy Director  
Division: Municipal & Regional Assistance

Phone: 465-4750  
Date: 1-27-88

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

Date: 1-27-88

Distribution (by preparer):  
Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)


Alaska  
MUNICIPAL  
League

⑤ HB 392

TELEPHONE  
(907) 586-1325

105 MUNICIPAL WAY, SUITE 301  
JUNEAU, ALASKA 99901

TO: Representative Henry Springer, Chair  
Members of the House Community and Regional Affairs Committee

FROM: Scott A. Burgess, Executive Director 

DATE: February 8, 1988

SUBJECT: HB 392 - Municipal Procurement of Architectural, Engineering and  
Land Surveying Services

On behalf of its 135 municipal members, the Alaska Municipal League supports the selection of design professionals through a qualifications-based process, and, therefore, supports HB 392. I have attached a copy of AML Resolution No. 88-37\* passed at the AML Annual Conference in November 1987.

HB 392 requires municipalities to comply with the State's professional services procurement practices laid out in AS 36.30.270 while providing for local option for those municipalities which choose to adopt their own ordinance establishing a selection process. While the AML has resisted similar legislation mandating procurement practices on municipalities for professional services as well as other procurement practices such as competitive bidding as an unnecessary and unjustified restriction on local control, the AML does not oppose HB 392 for the following reasons:

- 1) the AML membership adopted Resolution No. 88-37 in November 1987 supporting selection of design professionals through a qualification-based process; and,
- 2) HB 392 provides municipalities the option of exempting themselves from the state standards by adopting their own ordinance establishing a selection process that better meets their individual needs, resources and situations.

The AML supports HB 392. Thank you.

\* The reference to AS 36.908.043 is presumably a typo and a reference to AS 36.98 repealed by Chapter 106 SLA 1986, now AS 36.30.270.

Attachment

# STATE OF ALASKA

⑥ HB 392  
STEVE COWPER, GOVERNOR

## DEPT. OF COMMUNITY & REGIONAL AFFAIRS

### MUNICIPAL & REGIONAL ASSISTANCE DIVISION

- |   |   |   |   |
|---|---|---|---|
| <input type="checkbox"/> 949 E. 36th AVENUE, SUITE 400<br>ANCHORAGE, ALASKA 99508-4302<br>PHONE: (907) 561-8586 | <input type="checkbox"/> P.O. BOX 348<br>BETHEL, ALASKA 99559-0348<br>PHONE: (907) 543-3475     | <input type="checkbox"/> P.O. BOX 10041<br>DILLINGHAM, ALASKA 99576-1041<br>PHONE: (907) 842-5135 | <input type="checkbox"/> 1514 CUSHMAN STREET, ROOM 210<br>FAIRBANKS, ALASKA 99701-6286<br>PHONE: (907) 452-7126 |
| <input type="checkbox"/> P.O. BOX BH<br>JUNEAU, ALASKA 99811-2110<br>PHONE: (907) 465-4750                      | <input type="checkbox"/> 710 MILL BAY RD.<br>KODIAK, ALASKA 99615-6340<br>PHONE: (907) 486-5738 | <input type="checkbox"/> P.O. BOX 350<br>KOTZEBUE, ALASKA 99752-0350<br>PHONE: (907) 442-3698     | <input type="checkbox"/> P.O. BOX 41<br>NOME, ALASKA 99762-0041<br>PHONE: (907) 443-5457                        |

February 5, 1988

### POSITION PAPER

RE: House Bill 392

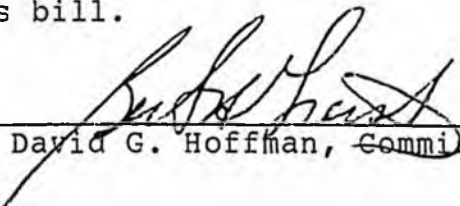
SPONSOR: Representatives Ellis, Koponen and Collins

#### Program Effects of Bill

This bill would make the provisions of AS 36.30.270, regarding the procurement of architectural, engineering and land surveying services applicable to municipalities and their administrative units, unless they choose to exempt themselves from coverage by ordinance.

#### Comments

Generally, the thrust of Title 29, as recodified in 1985, was to increase local determination of standards and requirements of this nature and to reduce reliance upon state standards. However, this bill provides that municipalities may choose to exempt themselves from the coverage of AS 36.30.270 by passage of an ordinance establishing a selection process. The department does not oppose this bill.

  
\_\_\_\_\_  
David G. Hoffman, Commissioner

STATE OF ALASKA  
1988 LEGISLATIVE SESSION

BILL VERSION: HB 392  
PUBLISH DATE: \_\_\_\_\_

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_  
Title: "An act..municipal procurement..  
architectural..land surveying services."  
Sponsor: Ellis, Koponen & Collins  
Requestor: \_\_\_\_\_

Agency Affected: Community & Regional Affairs  
BRU: \_\_\_\_\_

Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

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

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

\_\_\_\_\_

Prepared by: Jim Plasman, Deputy Director Phone: 465-4750  
Division: Municipal & Regional Assistance Date: \_\_\_\_\_

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

- Distribution (by preparer):
- Legislative Finance
  - Legislative Sponsor
  - Requestor
  - Office of Management and Budget
  - Impacted Agency(ies)

HB

419



STATE OF ALASKA  
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

LEGISLATIVE REFERENCE LIBRARY

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

May, 1988

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

Mary Van Nimwegen

House C+RA 2-16-88 3:00p.m.

D 2/2 R (P) P. W. attached

BILL PREPARATION/ACTION\*

Bill # HB 419

Date Referred: 2/1/88

Out: 1/1

Title: Community Economic Disaster Loan Fund

H Rules

Referrals: CRA FIN

CONTACTS:\*\*\*\*\*

Name	Organization Address	Phone	Date Contacted	Attend/Remarks
------	-------------------------	-------	----------------	----------------

DCRA	Plasman	<sup>in com</sup> 111 FIN 213-213		do schedule
------	---------	--------------------------------------	--	-------------

<del>Gov.</del> <del>H Rules</del>		<input checked="" type="checkbox"/> Trans <input checked="" type="checkbox"/> FN		attached
---------------------------------------	--	--	--	----------

<del>Gov</del> DCED				DCH req info on possible disaster fund for commercial loans Kelly, Harty: 2/1
---------------------	--	--	--	---

DCRA - Admin				asked about disaster in off of Gov 2/1
--------------	--	--	--	--

Richard Oney - Mayer	<sup>city</sup> Pilot Station	Box 5040, Pilot Station	99650	544-3211
----------------------	----------------------------------	-------------------------	-------	----------

Molly				

\*\*\*\*\*  
REMARKS:

ANALYSIS: \_\_\_\_\_ Completed: \_\_\_\_\_

MEETINGS:\*\*\*\*\*

Date	Action
<u>2/15/88</u>	<u>1st pub. Hrg. - hold</u>

\*See other side for additional information.

CONTAC.TXT



# Alaska State Legislature

## House of Representatives

### Committee on Community & Regional Affairs

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

March 4, 1988

The Honorable Richard Oney  
Mayor of the City of Pilot Station  
P.O. Box 5040  
Pilot Station, Alaska 99650

Re: HB 419-Community Economic Disaster Loan Fund

Dear Mayor Oney:

Your message of concerns on the above legislation was received today. I was unable to reach you by phone so I have enclosed a copy of the minutes from the first (and only) public hearing on HB 419. Testimony on that bill can be found on pages 9 through 14 of the attached February 15, 1988 Committee minutes.

As you will note from the minutes, the Committee had numerous concerns about the bill and decided to hold it in Committee. It has not been rescheduled for another hearing at this time.

I will put your name on the list of people to be contacted for hearings on HB 419, and will let you know as soon as it is scheduled for hearing again. If you have further questions after reading the minutes, please do not hesitate to contact me at 465-4833. Thank you for your interest.

Sincerely,

A handwritten signature in cursive script that reads "Martha Fischbach".

Martha Fischbach  
Committee Secretary

Enclosure

Dave/Mantha  
549-3211

3/4/88  
11:30 A.M.

Richard Oney, Mayor  
City of Pilot Station  
P.O. Box 5040  
Pilot Station, AN 99650

RE: HB 419 - Creating Economic  
Disaster Revolving Loan Fund

Wants to be kept up to date  
on bill. Has bill been heard.  
What would bill do for his  
Community. What constitutes as  
a economic disaster. Would  
community fishermen who had  
bad season be considered, Unemploy-  
ment, etc. Wants More Information  
on HB 419

2-9-88

MARTHA - Let the  
record show on  
HB 419 I called

Commerce Dept - request  
info on possible disaster  
fund for commercial  
loans. Kelly Hegarty

Dept ~~Adm~~ CRR Adm Section  
& Support Carol Canoll  
Asked about Disaster in the  
office of the Gov.

DCJ



Official Business

**COMMITTEE:**

HOUSE COMMUNITY & REGIONAL AFFAIRS

**DATE:** Tuesday, Feb. 16, 1988

**SIGN-IN**

**Subject of meeting:**

~~HB 357 Grants for Local Service Roads & Trails~~

~~\*HB 439 Increase Munic. & Community Entitlements~~

\*HB 419 Community Economic Disaster Loan Fund

NAME (PLS PRINT)	YOUR TITLE & ADDRESS	PHONE	REPRESENTING	DO YOU WANT TO TESTIFY?
JIM PHASMAN	POB BH JUNEAU	4750	DCRA	Y 25
Carol Carroll			DCRA	

File Contents

HB 419 - Community Economic Disaster Loan Fund

<u>No.</u>	<u>Description</u>
1.	Bill - HB 419
2.	Governor's Transmittal Letter
3.	Fiscal Note -DCRA (Admin/Support) - Fiscal Impact
4.	Memo to Cowper from Cabinet Subcommittee on Economic Dislocation - Committee Recommendation, 10/15/87
5.	Memo to McAlpine from Com. Hoffman, Econ. Disloc. Survey - Preliminary Report, 11/24/87
	Packet - FOSTER Program (DCRA)
7.	Memo/packet to Cowper from Miller/Worl, DECISION MEMORANDUM, Economic Dislocation
8.	Bill Review - HCRA, David Harrison
9.	Memo from Legal Svcs to Springer, 2/14/88
10.	Ltr to Gov. Cowper from SW AK Municipal Conference 12/30/87

STEVE COWPER  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

February 1, 1988

② HB 419

CL  
JHB 419

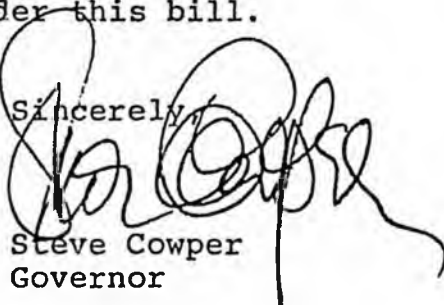
The Honorable Ben Grussendorf  
Speaker of the House  
Alaska State Legislature  
P.O. Box V  
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that establishes the community economic disaster revolving loan fund in the Department of Community and Regional Affairs. The creation of this fund forms the centerpiece of a new program of financial and technical assistance to communities across the state that are teetering on the edge of declaring bankruptcy. My intention is to offer assistance to these communities in a way that helps them recover their fiscal strength and provides a sound foundation for future operations.

Each community eligible for this assistance might suffer from conditions that are unique to a particular region or locality of the state. For that reason, the bill allows the department wide latitude to provide the specifics for the loan program through the adoption of administrative regulations. Loans from the fund, together with expert guidance from the department, will provide the elements of a successful recovery. Of course, this effort will not provide easy solutions for the affected communities. The communities will need to work closely in partnership with technical advisers and make hard choices concerning their methods of operation.

I urge you to favorably consider this bill.

Sincerely,  
  
Steve Cowper  
Governor

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_ Agency Affected: Community and Regional Affairs  
 Title: "An Act establishing the community economic disaster revolving loan fund." BRU: Administration and Support  
 Sponsor: Rules Committee Components: Community Economic Disaster  
 Requestor: Governor Loan Fund, Administrative Services

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES		\$34.1	\$35.1	\$36.1	\$37.1	\$38.3
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		\$34.1	\$35.1	\$36.1	\$37.1	\$38.3
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		\$34.1	\$35.1	\$36.1	\$37.1	\$38.3
FEDERAL FUNDS						
OTHER						
TOTAL		\$34.1	\$35.1	\$36.1	\$37.1	\$38.3

POSITIONS:

FULL-TIME		1.0	1.0	1.0	1.0	1.0
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Carol Carroll, Deputy Director Phone: 465-4709  
 Division: Administrative Services Date: January 15, 1988  
 Approved by Commissioner: David G. Hoffman Date: January 15, 1988  
 Agency: Community and Regional Affairs

Distribution (by preparer):  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

## FISCAL NOTE ANALYSIS

A. Assumptions

Enactment of this legislation will require the Department of Community and Regional Affairs to oversee the issuance and tracking of an estimated 20 to 40 loans per year. In addition, we will be required to assure that all payments are made in accordance with a properly executed spending plan developed by the community and professional staff in the regional offices. When payback of loans begins in one to two years, it will be this department's responsibility to account for the receipt of those funds and to assure that payback proceeds in accordance with the contract.

B. Staff Requirements

In order to respond to the responsibilities enumerated above it will be necessary to establish a new Accounting Technician I position in the Administrative Services Division to review contracts, process payment and receive and record payments at the appropriate time.

Computation of Salary Costs

1. Accounting Technician I, Range 12-A		
	Salary	\$24.9
	Benefits	9.3
	Total	<u>\$34.1</u>

No other position costs will be necessary.

Position Title Accounting Technician I			No. of Positions 1	Range/Step 12A	Barg. Unit GGU
Time Status Full-time	Staff Months 12		Location Juneau		Election District 4
Type of Expenditure			Amount		
1	2	3			
Salary	\$24.9				
Benefits	9.3				
Premium Pay					
Other					
Total Personal Services		\$34.1	\$34.1		
Travel					
Contractual					
Commodities					
Equipment					
Other					
Total Cost			\$34.1		
Funding Source for Total Cost					
Federal Receipts	1002				
G. F. Match	1003				
General Fund	1004	\$34.1			
GF Program Receipts	1005				
Other					
Justification  This position will be the accounting contact for the Loan Fund. The position will oversee payment and tracking of loans to communities; assure that all payments are made in accordance with a properly executed spending plan developed by the community and professional staff in the regional offices. When payback of the loans begins in one to two years, this position will be responsible for controlling receipts and to assure that all loans in repayment proceed as agreed. This position will record loans on the state accounting system and be responsible for year-end reconciliation of the account					

**Request For  
New Position**

Agency Community and Regional Affairs  
 BRU Administration and Support  
 Component Administrative Services

Page 3 of 3  
 Revised Date

**FY 89**

No. 1  
 HB 419  
 HOUSE 2/1/88

(4) HB 419

STEPHEN McALPINE  
LIEUTENANT GOVERNOR



STATE OF ALASKA

P. O. BOX AA  
JUNEAU 99811  
(907) 485-3520

TO: The Honorable Steve Cowper  
Governor of Alaska

FROM: Cabinet Subcommittee on  
Economic Dislocation

DATE: October 15, 1987

SUBJECT: Committee Recommendation

OVERVIEW

Over the past six weeks, the Cabinet Subcommittee on Economic Dislocation has met on several occasions to address the economic distress occurring in many Alaskan communities. There is an emergent economic crisis in rural Alaska; it is one of the most significant issues facing the State. There are two immediate manifestations of the crisis:

1. POTENTIAL DEFAULT OF LOCAL GOVERNMENTS. Approximately 40 small local governments are in danger of default. This danger is manifested by unpaid Internal Revenue Service withholdings (some on the order of \$100,000), unpaid FICA withholdings, past due bills to creditors, unpaid salaries to employees, discontinued insurance premiums, no funding to address audit exceptions, and perhaps most importantly, an inability to maintain and operate their newly constructed capital projects (water & sewer facilities, schools, health clinics, electrical utilities, etc).
2. INCREASING INDIVIDUAL POVERTY. Many of the communities throughout the State which have sent petitions to the Governor's office asking that they be declared economic disaster areas, indicate that residents of these communities face serious personal deprivation as winter approaches. They attribute this to a loss of personal income and reductions in public sector programs.

There were three categories of disasters discussed: natural, individual and community economic dislocation. The State has existing programs in place that assist those facing natural and individual disasters. The Department of Military & Veterans Affairs (DMVA) has the capability to respond to natural disasters, (i.e., floods, earthquakes, fires). The Department of Health and Social Services (DHSS) and/or the Department of Labor (DOL) respond to individual economic distress through such institutional programs as Aid to Family with Dependent Children, Food

Stamps, Unemployment Benefits, etc. No current program exists that addresses the needs of communities suffering a wide scale economic dislocation, therefore, this committee focused on the broader question of economic dislocation of communities.

It is important to note that many inquiries were received from individuals and business enterprises who have also suffered economic distress. It was generally agreed that it is not the function of this Committee to mitigate the economic situation of private businesses. It is, however, necessary that a department or committee, with the appropriate technical knowledge, address this issue in the near future.

A wide range of discussion was held by the Committee with respect to defining economic dislocation, as well as the extent of the State's response to an economically dislocated community. While the Committee will not, in this overview, recap all of those discussions, suffice it to say that the Committee agreed that it would be unwise to create a new pool of money available for economic relief to communities upon application. The fear was that every community in Alaska would declare themselves an economic disaster and apply for payment.

### RECOMMENDATIONS

In addressing how the State should assist a community suffering from economic dislocation, it was noted that strict definitional criteria could exclude communities that were in an obvious state of economic distress because they would not fit within the parameters of a specific definition. Therefore, it is the belief of the Committee that certain minimal standards should be established which would permit a greater degree of objectivity in declaring a community an economic disaster, but at the same time, would not restrict the State's response efforts.

1. It is the consensus of the Committee that there should be a lead agency, and that the Department of Community and Regional Affairs (C&RA) is best suited for this task.
2. The process would begin with a community submitting an application in the form of a resolution. The resolution would be submitted to C&RA and would request the Governor to declare the community an economic disaster. Applications would only be accepted from a community's governing body (i.e., city council, borough assembly, IRA council or traditional council). The resolution must state a willingness to submit to a full financial review, and abide by the recommendations made by C&RA to mitigate the disaster even when this includes layoff of employees and the shut-down of facilities. In conjunction with the resolution, the community should submit a complete statement of why, in their opinion, they are experiencing an economic disaster and a proposed mitigation plan identifying the community's efforts to resolve the situation.
3. C&RA would upon receipt of the resolution, community statement and mitigation plan, conduct a thorough analysis of the situation, and determine whether the community has the resources to overcome the problem locally, or whether State involvement is necessary. In that process, C&RA would be

*litigation liability  
Shane 10/2/91  
T... 10/2/91*

*budget for help*

*Undermine Game Board*

given authority to request technical assistance from other departments. For example, the Department of Environmental Conservation (DEC) may be asked to analyze water and sewer facilities to determine whether portions of those facilities could be safely shut down or integrated into a smaller system. DOL may be asked to provide statistical analysis which would be useful to C&RA concerning unemployment or other demographic information. The Department of Fish & Game (ADF&G) may be asked to determine wildlife and fisheries resources available for a possible special subsistence harvest, if appropriate. DHSS may be asked to provide technical assistance in expediting individual programs, such as food stamp distribution. DMVA would be called upon in the event that life, health or public safety of a community is threatened.

*in concert w/ advisory - turn head off me*

4. Upon completion of C&RA's analysis, they would provide the Governor with information that would include a description of the problem, a recommended course of action, possible solutions to prevent recurrence and a recommendation as to whether a declaration of economic disaster ought to be made.

5. When C&RA determines it applicable, the Department has the discretion to provide, or make arrangements, for management training for municipal officials.

*Provision*

6. The Committee understands that in many instances only the availability of additional funding will overcome the current crisis situation. Therefore, it is our recommendation that communities that qualify for economic disaster status may be permitted to borrow an amount equal to 50% of the community's FY87 municipal assistance and revenue sharing, with repayment being amortized over a five-year period. It is important to note here that it is implicit in the Committee's recommendation that revenue sharing and municipal assistance not be significantly reduced. (See Attachment 1 for documentation of impact of reduction in municipal assistance and revenue sharing on rural communities.) The source of this forward funding could be the newly created reserve account, a general fund appropriation, or other funding source. The loan fund allocated to C&RA would then be awarded by the Commissioner pursuant to a detailed spending plan by the community in conjunction with C&RA staff and only those expenditures which had the prior approval of the Department would be paid. Tracking, monitoring and auditing would conform to a similar process in place within DMVA for dealing with natural disasters.

7. When a community applies for economic disaster status, the Department of Commerce and Economic Development (DCED), in conjunction with DOL, should also review the application to determine whether a proclamation should be issued pursuant to AS 44.33.285 et seq.

*10/20/80*

(8.)

In the course of the review of applications for rural development block grants that additional points be allowed to those communities who have been declared an economic disaster.

Likas

9. The administration continue to support passage of SB263 which would provide an opportunity for granting agencies to relieve some communities' financial difficulties. (See Attachment 2)

complicated  
RFW

10. DCED and ADF&G review the present situation of the fishing industry in southeast and western Alaska to determine the appropriateness of loan payment deferrals and recommendations for reallocation of stocks both by gear and species.

iii

11. In the event of widespread individual hardship, a contact should be established in your office to alert the proper agency's designees to work in conjunction with voluntary organizations who are active in disasters.

12. The administration should promote a ~~jobs bill that would~~ emphasize necessary capital projects normally completed by Alaska residents with additional consideration given to projects in communities declared economic disasters. This proposal should focus on small to medium sized projects that are going to be required in any event, and are merely accelerated by this process.

DEPARTMENT FISCAL NOTES

The attached fiscal note document the funding needs to effectuate this proposal. (See Attachment 3). It is estimated that the loan funds required would amount to      million dollars. Technical assistance and administrative funds are estimated at one million two hundred and seventy three thousand. These funds would cover both FY88 and FY89.

CONCLUSION

The timing on this matter is critical. It is apparent that many communities (all of which are western villages), are on the brink of bankruptcy. Therefore, it is imperative that a decision regarding whether to proceed with this concept be implemented in an expeditious fashion. It is our hope that the timing of our recommendations are such as to provide you with adequate time to prepare your policy for dealing with economically distressed communities by November 11th, the date of the Alaska Municipal League conference.

"early legis. enactment of"

also "reduce ...  
at ... no ..."

Fiscal Note

Local Government Assistance

Department of Community and Regional Affairs  
Municipal and Regional Assistance Division

for  
Economic Dislocation Committee  
October 13, 1987

FY/88 SUPPLEMENTAL

Assuming beginning activities on February 1, 1988, the following reflects five months of new positions and the associated support funds:

<u>Objective</u>	<u>Funding</u>
Personal Services	\$147.0
Travel	66.0
Contractual Services	45.0
Supplies	-0-
Equipment	-0-
TOTAL	<u>\$258.0</u>

Note: This fiscal note reflects Local Government Specialists placed in five regional offices (Nome, Bethel, Dillingham, Fairbanks and Anchorage) that will provide direct assistance to the communities as well as one accountant which will provide very technical support to the on-site technicians. Additionally, the provision of effective direct technical assistance in rural Alaska requires extensive travel. This fiscal note allows for adequate travel to support staff while working in the affected communities. Finally, the development and distribution of technical assistance materials in support of the financial and accounting assistance is an integral part of the financial assistance and, therefore, is included in this request. The publications will be resource documents which remain with the communities; addressing such issues as estimating O&M costs for capital facilities, developing revenue options and projections, and establishing cash controls and accountability techniques.

FY/89 PROPOSED BUDGET

Personal Services	\$352.9	
Travel	158.0	
Contractual Services	149.0	
Supplies	2.0	
Equipment	139.0	(Data Processing)
Grants/Contracts	120.0	(Community Profiles
TOTAL	<u>\$920.9</u>	Computer Program)

NOTE: This portion of the fiscal note fully funds (for a 12 month period): six positions noted above in the FY 88 Supplemental, fully funds the increased travel associated with assisting communities with their financial problems, and provides funding for the contractual services associated with developing a full spectrum of financial publications necessary to provide communities with resource materials.

Additionally, the proposed FY 89 budget includes a Community Profiles Computer Program. In recent years, a major source of cash in rural Alaska was capital projects which created numerous short term construction jobs and a few longer term service positions. However, it is now clear that the sudden influx of capital projects created a fiscal time bomb in many rural communities and the communities are now about to feel its impact. With tighter constraints on funding and more stringent oversight, the magnitude of the problems resulting from a general lack of management and financial record keeping skills is coming to light. This situation has been exacerbated by the additional financial pressure placed on communities by the maintenance and operating costs of these same capital projects. Furthermore, if local governments lose the capacity to adequately maintain their recent installed infrastructure, these capital projects will fall quickly into disrepair and ruin, representing a loss to the State of well over 800 million dollars.

To establish a more precise base for future evaluation of community assistance needs and program responses, the Department proposes to establish and maintain a community profile database containing current information on the maintenance and operation characteristics, including costs, of all public facilities in each community. The condition of the extensive infrastructure erected in rural Alaska in recent years, and the impact on communities of maintaining and operating that infrastructure, are largely unknown factors. This database would also track information on the number of facilities which are inadequately maintained or are abandoned as a result of declining oil revenues.

With this information, and other local government and land-use information that would be included, the Department would be able to target its outreach assistance and training program to address the most serious problems such as how to maintain basic health and safety services and facilities. This database would also provide a basis for criteria for funding future capital projects or for appropriating funds to assure that at least the existing capital investments related to health and public safety are operated and maintained. This effort could be contracted out at an estimated cost of \$2,000 per community. If unincorporated communities are included, the number is around 250; however, the Department's short range strategy is address the most hard hit communities first. This year's funding request would provide funding for 60 communities with a focus on Interior regions. Once installed, the update and maintenance of this database could be covered by existing staff at no additional ongoing costs. (BRU: Local Government Assistance, 120.0)

Finally, the Department proposes to increase the capabilities of its regional office structure to respond effectively to the rural crisis. The strategy to achieve this is to improve the electronic communications and data processing capabilities of the Department's regional offices.

The strategy includes development of a centralized grants/contracts data base and information system. This provides funding for the purchase of new data processing equipment; upgrades in existing hardware and software; and maintenance of purchased equipment. (BRU: Administration and Support, 139.0)

# MEMORANDUM

HB 419  
State of Alaska

Community and Regional Affairs

TO: The Honorable Stephen McAlpine  
Lieutenant Governor  
Chairman, Economic Dislocation  
Committee

DATE: November 24, 1987

FILE NO: 0010A/DGH/TKP/pp

STATE OF ALASKA

TELEPHONE NO: 465-4700

FROM: David G. Hoffman  
Commissioner

SUBJECT: Economic Dislocation  
Survey - Preliminary  
Report

NOV 24 '87

## LIEUTENANT GOVERNOR

Attached is a copy of the Preliminary Report on the Economic Dislocation Survey. This report provides a general picture of the struggle communities are facing as they continue their efforts to maintain public facilities and provide public services during these days of declining revenues.

As you are aware, Department staff are in the process of conducting a more extensive analysis of all available data (including information obtained from the Department's of Administration, Environmental Conservation, Revenue and Labor). The results of that analysis, together with specific recommendations for minimizing the problems communities are facing, will be presented in a final report in late December.

Since you received a copy of the report during the Alaska Municipal League Convention, the main purpose of this memorandum is to invite specific recommendations regarding what issues should be addressed in the final report.

In addition to the report, I have attached a copy of the survey questionnaire. Please feel free to identify any specific questions or combination of questions on which you would like us to report.

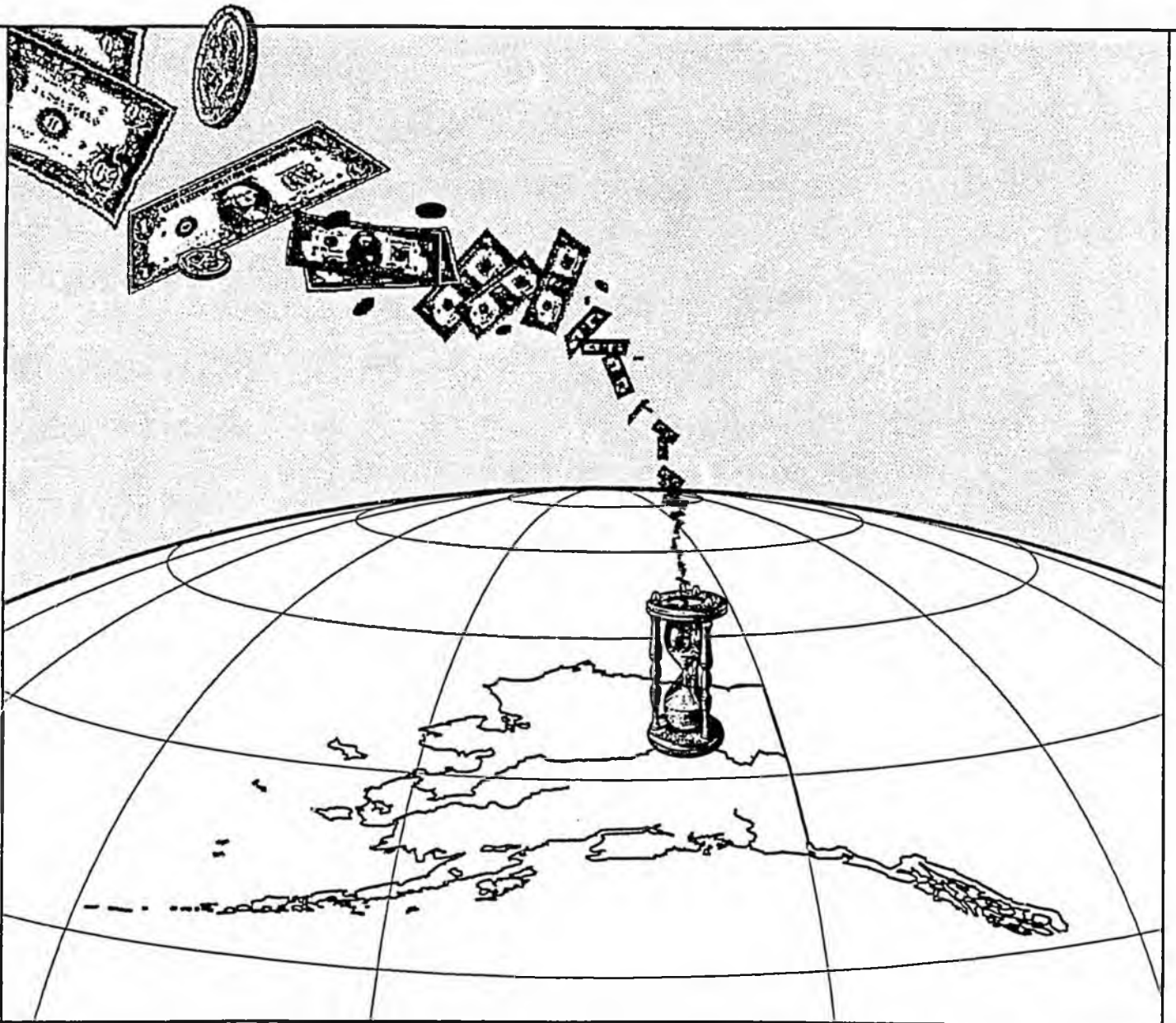
Attachments: as stated

cc: Marty Rutherford, Director  
Municipal and Regional  
Assistance Division

Mike Harper, Director  
Rural Development Division

Remond Henderson, Director  
Administrative Services

# Preliminary Report On The Economic Dislocation Survey



State of Alaska  
Steve Cowper, Governor

Department of Community and Regional Affairs  
David G. Hoffman, Commissioner

November 1987



## Preliminary Report On The Economic Dislocation Survey

### Summary

The Department of Community and Regional Affairs surveyed 128 cities across the state for the Economic Dislocation Survey. The results of this survey indicate the downturn in the state's economy have resulted in significant effects to Alaska's small cities. As the full impacts of the State's economy filter out to small cities there could be even more significant results.

Basic public health and safety services such as fire, police, health, water and sanitation have been reduced across the State in an effort to accommodate declining revenues. Cities in the Yukon-Kuskokwim Delta, Bering Straits region, Northwest Arctic Borough, and the Doyon region appear to be the most negatively impacted. However, every region of the State reports an increase in the number of cities with residents who are having difficulty paying for municipal services.

The smaller second class cities are more dependent upon State Revenue Sharing than the large municipalities. If further reductions occur in this program it could result in even greater cuts to basic municipal services. Because of local economic conditions it is unlikely that most cities will be able to increase taxes or service charges to fund public health and safety services.

Finally, the survey indicates that a significant number of cities are reporting population movements into or out of communities in search of work. It appears that the largest share of migrating families from small cities are moving to Alaska's urban centers.

### Introduction

During October, 1987, the Department of Community and Regional Affairs, Division of Municipal and Regional Assistance, conducted a telephone survey of top city officials of Alaskan municipalities. The survey was designed to gather information on the economic impacts currently experienced by those municipalities outside of the major metropolitan areas.

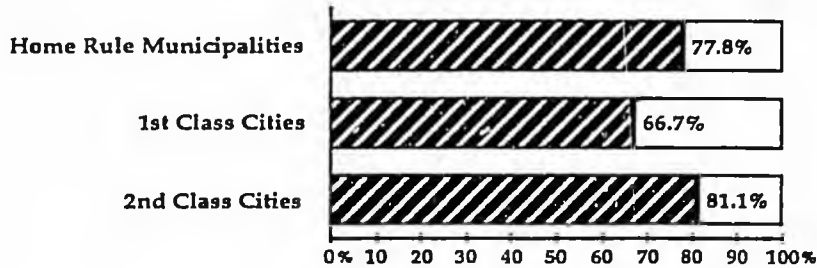
This preliminary survey data has been presented on a statewide basis, by regions of the state, and by community size. The intent of the survey is to focus upon the more profound and widespread economic issues confronting Alaskan communities. The Department plans to release a more complete report and analysis of the survey data in December.



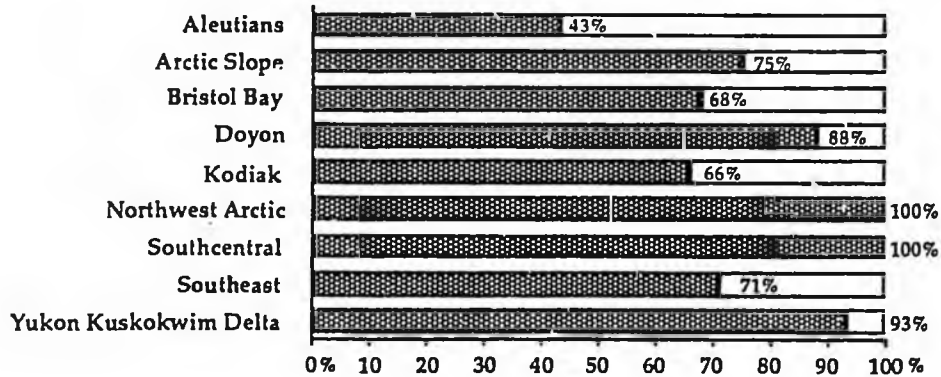
### Municipal FY 88 Budget Reductions

With the recent downturn in the state's economy there has been a reciprocal reduction in municipal revenues and expenditures. For the cities in the survey sample, it appears that an overwhelming majority have reduced budgets this fiscal year. The Department will be incorporating additional data once the analysis of this year's Revenue Sharing and Municipal Assistance applications is complete. The following three charts present municipal budget reductions statewide, by region, and by city size:

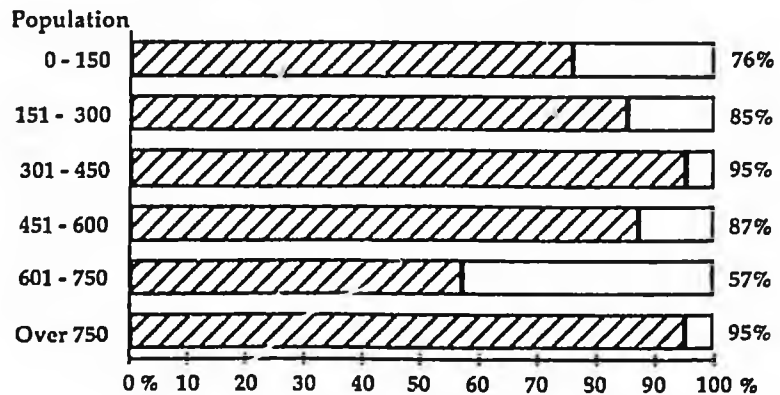
**Chart 1. Percentage of Surveyed Municipalities with Budgets Reduced From Previous Year**



**Chart 2. Percentage of Surveyed Municipalities (By Region) With Budgets Reduced From Previous Year**



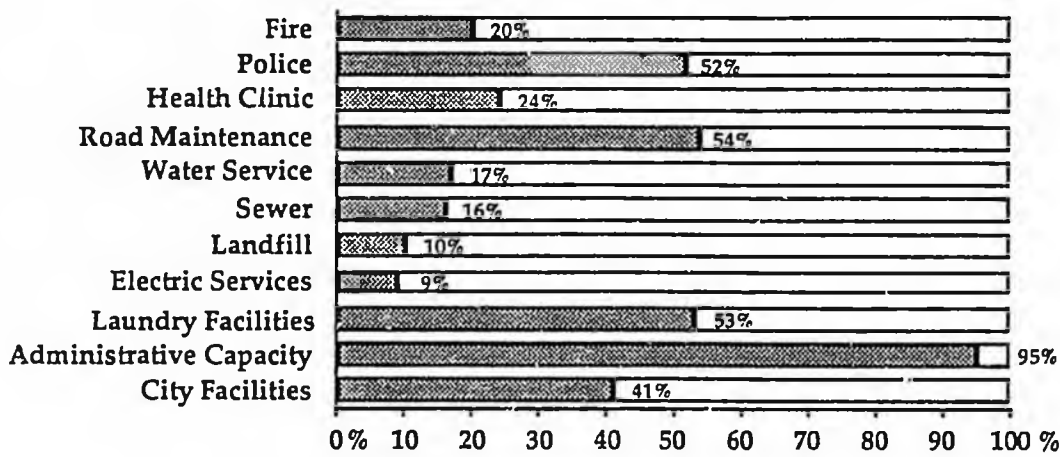
**Chart 3. Percentage of Surveyed Municipalities (By Community Size) with Budgets Reduced From Previous Year**



### Municipal Services Reductions

The reductions in State Revenue Sharing (SRS) and Municipal Assistance (MA) combined with the downturn in locally generated municipal revenues have resulted in a reduction in the services provided by cities. Of the cities surveyed, 95% have had to reduce at least one service. The charts below indicate which services have been reduced this year; statewide, and by region:

**Chart 4. Percentage of Surveyed Municipalities Statewide which Have Reduced Services This Year**



**Chart 5. Percentage\* of Surveyed Municipalities (By Region) Which Have Reduced Essential Services**

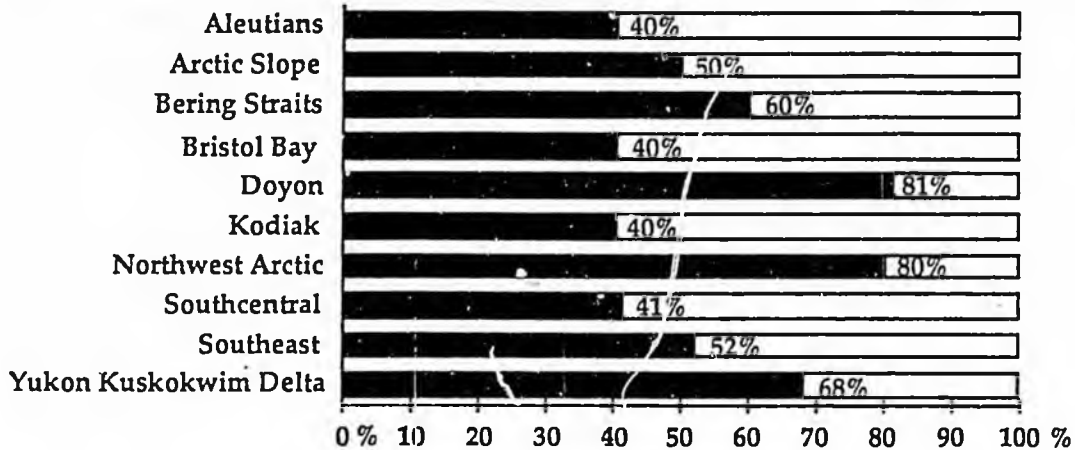
For each service, the three regions with the greatest percentages of reductions are highlighted

	Fire	Police	Health	Maintain Roads	Water	Sewer
Aleutians	- 0 -	40	17	40	17	- 0 -
Bering Straits	27	90	67	67	13	- 0 -
Bristol Bay	26	33	12	32	7	- 0 -
Doyon	21	20	23	37	24	11
Kodiak	33	- 0 -	25	67	17	20
Northwest Arctic	- 0 -	100	44	44	33	50
Southcentral	7	22	38	36	8	9
Southeast	16	58	28	47	17	29
Yukon Kuskokwim Delta	42	56	35	52	22	9

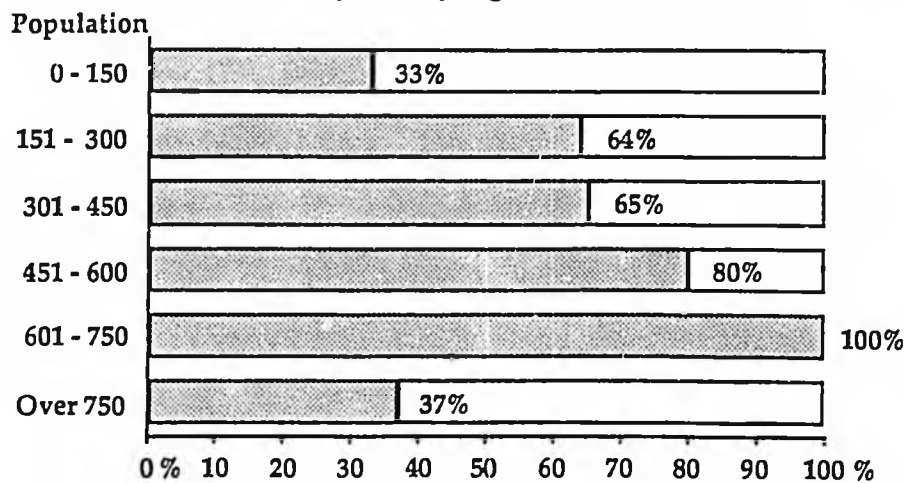
Note: The above percentages are based upon those cities providing services. Services for the Arctic Slope region are provided by the North Slope Borough.

The reduced ability of families to pay municipal service charges compounds the problem of reduced city revenues. The following charts identify where the impacts of reduced ability to pay for municipal services are being experienced:

**Chart 6. Percentage of Surveyed Municipalities (By Region) Reporting An Increased Number Of Families Experiencing Difficulty In Paying For Services**



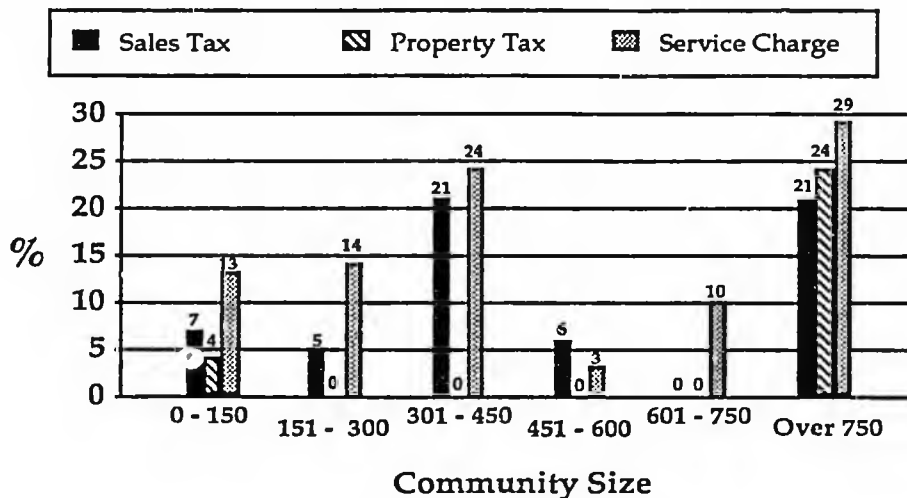
**Chart 7. Percentage of Surveyed Municipalities (By Community Size) Reporting An Increased Number Of Families Experiencing Difficulty In Paying For Services**



### Municipal Efforts And Ability to Increase Revenues

Even though 43% of the cities surveyed report that their citizens are not as well off this year as last year, the survey shows that a significant number of municipalities have increased local revenues. Traditionally, cities raise needed revenues by introducing or increasing sales taxes, property taxes and service charges. The lack of a strong local economic base and little taxable property make it difficult for small rural cities to increase revenues through these traditional means. To institute new or higher taxes could further stress a fragile economic structure. The chart below identifies how many of the cities surveyed have been able to increase locally generated revenues.

**Chart 8. Percentage of Surveyed Municipalities (By Community Size) Which Have Raised Taxes And Service Charges**



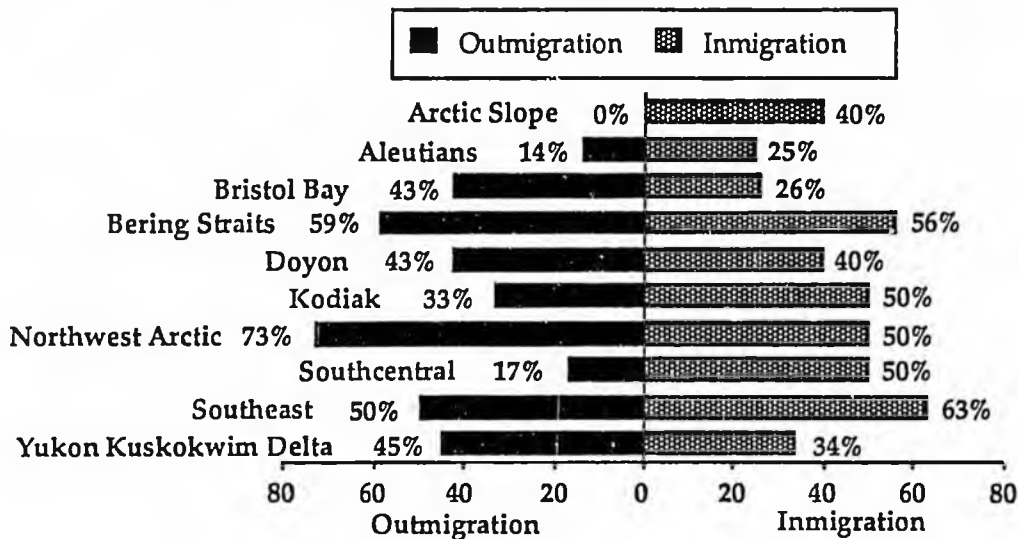
### SRS/MA Impact on Municipal Budgets

Each year the State Revenue Sharing (SRS) and Municipal Assistance (MA) programs provide municipalities with essential operating revenues. The reduction in funding for each of these two programs from FY '86 to FY '88 amount to a little less than 32%. These reductions have an especially large impact on the second class cities as a significant portion of their budgets come from these program sources.

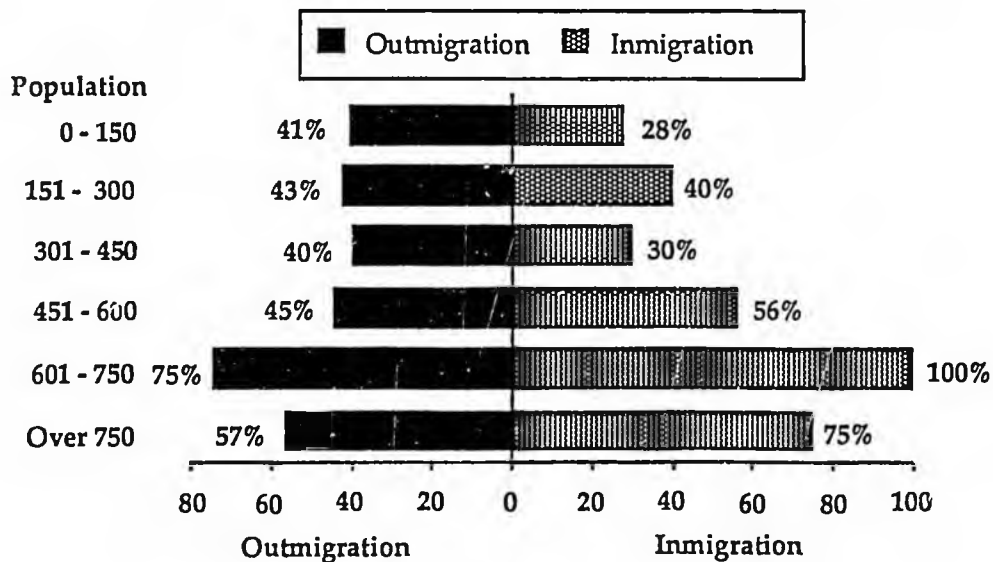
### Migration of Residents From Rural Small Cities

The recent migration of urban residents from the state's major cities to points outside of Alaska is directly related to the downturn in the state economy. Residents of Alaska's smaller cities are also migrating out of state, or into the larger Alaskan cities. Forty two percent of the cities surveyed reported that local residents were economically worse off this year than they were in the previous year. The following charts indicate the pattern of migration occurring in rural small cities as reported by the municipalities surveyed:

**Chart 10. Percentage of Surveyed Municipalities (By Region) Reporting Population Migration**

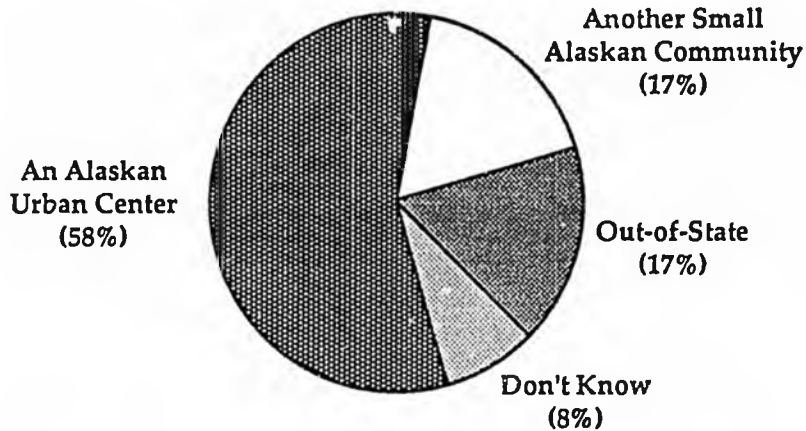


**Chart 11. Percentage of Surveyed Municipalities (By Community Size) Reporting Population Migration**



The municipal officials surveyed reported that a only a small percentage of migrating residents were remaining in rural Alaska. The greatest number of people were moving into urban regional centers and the state's larger cities. The chart below indicates where people were reported primarily to be moving.

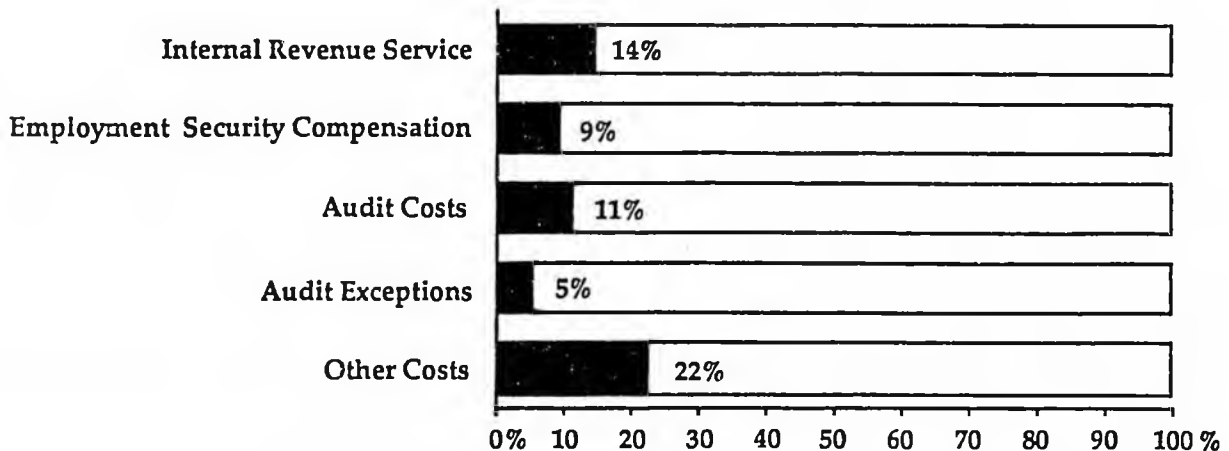
**Chart 12. Destination Of Outmigrants  
As Reported By Surveyed Municipalities**



**Additional Municipal Debts**

A significant number of small rural cities have incurred additional debts this year, placing increased pressure on limited budgets. The following chart identifies what percentage of the cities surveyed have encumbered what kinds of increased debt:

**Chart 13. Percentage of Surveyed Municipalities Statewide  
Reporting Difficulty In Paying Debts**



## Municipal Recommendations

Each city surveyed was asked how the local economic situation could be improved. As expected there was a wide range of responses. However, there were several important areas of concurrence:

- The State needs to help cities develop facilities which enhance the utilization of local natural resources and provide a sound economic base. For instance, a dock in Akutan or a tourism project in Emmonak.
- Increase the amount of State Revenue Sharing and Municipal Assistance funding or, at a minimum, not reduce those funding sources. Many cities also expressed a desire to have SRS funding for roads brought back to full funding.
- Provide financial management technical assistance to the smaller cities.
- Help cities reduce the cost of insurance rates.
- Fund capital construction programs which will provide jobs to local residents.

## Future DCRA Reports and Response to Survey

DCRA will do a thorough analysis of the community survey data prior to the Legislative session. Survey data will be combined with Revenue Sharing program data to identify trends and prepare a report with sufficient detail to support deliberations by the Governor and Legislature. The future report will address the amount of funds which are needed to preserve the capital investment which the State has made in community facilities. An assessment of the ability of local governments to raise the funds to maintain these facilities will also be included in the final report.

Many of the recommendations made by the surveyed communities are currently being addressed by DCRA. The Department's new Rural Economic Development Initiative (REDI) program is designed to address the need for funds to support local economic development. Municipal and Regional Assistance Division staff are developing training materials and will be providing financial management assistance to many of the communities surveyed.

In addition, the Department will be coordinating with the Department of Environmental Conservation and Public Health Service to identify communities who may be shutting down water, sewer or washeteria services in order to provide them emergency assistance. Coordination with other agencies will be initiated as the nature of local problems is more thoroughly assessed during the next two months.



ECONOMIC DISLOCATION SURVEY

INTERVIEWER: \_\_\_\_\_

COMMUNITY: \_\_\_\_\_

REGION:    \_\_\_ Arctic Slope Region           \_\_\_ Doyon  
          \_\_\_ Northwest Arctic           \_\_\_ Bering Straits  
          \_\_\_ Y-K Delta                   \_\_\_ Bristol Bay  
          \_\_\_ Aleutians                   \_\_\_ Kodiak  
          \_\_\_ Southcentral               \_\_\_ Prince William Sound  
          \_\_\_ AHTNA                       \_\_\_ Southeast

POPULATION: \_\_\_\_\_ CLASS:   \_\_\_ First Class City  
(Round to nearest 50)           \_\_\_ Second Class City  
                                      \_\_\_ Community Association  
                                      \_\_\_ Traditional/IRA Council

PERSON INTERVIEWED  
IS THE:                   \_\_\_ Mayor (or chief elected official)  
                          \_\_\_ City Manager (or organization official)  
                          \_\_\_ City Clerk           \_\_\_ City Administrator  
                          \_\_\_ Councilmember       \_\_\_ Vice Mayor

LENGTH OF TIME IN POSITION:  
   \_\_\_ Less than 1 yr.           \_\_\_ 1 to 3 yrs.  
   \_\_\_ 3 to 5 yrs.               \_\_\_ More than 5 yrs.

The purpose of this survey is to determine what affect the slow down in the Alaskan economy is having in rural communities.

There are several parts to the survey, all of which attempt to get a more accurate picture of the financial health of rural communities. Information collected from the survey will be compiled to give regional profiles. Information on individual communities will not be a part of the report.

To help determine what the economic situation in your region of the State, please answer the following questions.

I. MUNICIPAL INCOME

1. Is your operating budget less this fiscal year than last years' budget?   \_\_\_ Yes   \_\_\_ No   \_\_\_ Don't Know

If your budget is less, which of the following best describes the budget amount?

\_\_\_ 50% or less than last years budget  
\_\_\_ 50% to 75% of last years budget  
\_\_\_ Between 75% and 100% of last years budget  
\_\_\_ Don't Know

2. Has your city increased, or is your city going to increase its tax rate for this fiscal year?

Sales Tax Yes \_\_\_ No \_\_\_ Amount of Increase \_\_\_\_\_

Property Tax Yes \_\_\_ No \_\_\_ Amount of Increase \_\_\_\_\_

3. Thinking about the future of your community over the next couple of years, how would you describe its financial situation?

\_\_\_ Critical \_\_\_ Serious \_\_\_ Concerned \_\_\_ Acceptable \_\_\_ No Problem

II. MUNICIPAL/COMMUNITY SERVICES

1. Does your community provide fire protection? Yes \_\_\_ No \_\_\_

If yes, has your community had to reduce the level of this service in any way? Yes \_\_\_ No \_\_\_

Have energy costs been a factor in the reduction of this service? \_\_\_ Yes \_\_\_ No \_\_\_ Don't Know

How has the community reduced the level of this service?

- |                       |   |
|-----------------------|---|
| ___ Reduced Positions | ___ Reduced Salaries                            |
| ___ Reduced Training  | ___ Equipment not Replaced                      |
| ___ Reduced Insurance | ___ Materials not Replaced                      |
| ___ Reduced Hours     | ___ Reduced Operational and Maintenance Dollars |

If the current financial situation continues will you be able to continue this service? \_\_\_ Yes \_\_\_ No \_\_\_ Don't Know

2. Does your community provide police protection beyond having a VPSO position?

\_\_\_ Yes \_\_\_ No \_\_\_ Don't Know

If yes, has your community had to reduce the level of this service in any way? \_\_\_ Yes \_\_\_ No \_\_\_ Don't Know

If yes, how has the community reduced the cost of providing this service?

- |                       |   |
|-----------------------|---|
| ___ Reduced Positions | ___ Reduced Salaries                            |
| ___ Reduced Training  | ___ Equipment not Replaced                      |
| ___ Reduced Insurance | ___ Materials not Replaced                      |
| ___ Reduced Hours     | ___ Reduced Operational and Maintenance Dollars |

If the current financial situation continues will you be able to continue this service? \_\_\_ Yes \_\_\_ No \_\_\_ Don't Know

3. Does your community provide funding for the provision of a community health clinic?

Yes  No  Don't Know

If yes, has your community had to reduce the level of this service in any way?  Yes  No  Don't Know

Have energy costs been a factor in the reduction of this service?  Yes  No  Don't Know

How has the community reduced the level of this service?

<input type="checkbox"/> Reduced Positions	<input type="checkbox"/> Reduced Salaries
<input type="checkbox"/> Reduced Training	<input type="checkbox"/> Equipment not Replaced
<input type="checkbox"/> Reduced Insurance	<input type="checkbox"/> Materials not Replaced
<input type="checkbox"/> Reduced Hours	<input type="checkbox"/> Reduced Operational and Maintenance Dollars

---

If the current financial situation continues will you be able to continue this service?  Yes  No  Don't Know

4. Does your community provide road maintenance?

Yes  No  Don't Know

If yes, has your community had to reduce the level of this service in any way?  Yes  No  Don't Know

Have energy costs been a factor in the reduction of this service?  Yes  No  Don't Know

How has the community reduced the level of this service?

<input type="checkbox"/> Reduced Positions	<input type="checkbox"/> Reduced Salaries
<input type="checkbox"/> Reduced Training	<input type="checkbox"/> Equipment not Replaced
<input type="checkbox"/> Reduced Insurance	<input type="checkbox"/> Materials not Replaced
<input type="checkbox"/> Reduced Hours	<input type="checkbox"/> Reduced Operational and Maintenance Dollars
<input type="checkbox"/> Reduced Testing	

---

If the current financial situation continues will you be able to continue this service?  Yes  No  Don't Know

5. Does your community provide water service?

Yes  No  Don't Know

If yes, has your community had to reduce the level of this service in any way?  Yes  No  Don't Know

Have energy costs been a factor in the reduction of this service?  Yes  No  Don't Know

How has the community reduced the level of this service?

- |  |  |
|--|--|
| <input type="checkbox"/> Reduced Positions | <input type="checkbox"/> Reduced Salaries        |
| <input type="checkbox"/> Reduced Training  | <input type="checkbox"/> Equipment not Replaced  |
| <input type="checkbox"/> Reduced Insurance | <input type="checkbox"/> Materials not Replaced  |
| <input type="checkbox"/> Reduced Hours     | <input type="checkbox"/> Reduced Operational and |
| <input type="checkbox"/> Reduced Testing   | <input type="checkbox"/> Maintenance Dollars     |
- 

If the current financial situation continues will you be able to continue this service?  Yes  No  Don't Know

Has the community raised rates for this service in the last year?  Yes  No  Don't Know

How does your city bill for this service?  
 Flat Rate  Metered Charge  No Billing  Don't Know

Does your city have a special billing rate for institutional users (schools) and commercial users (canneries)?  
 Yes  No  Don't Know

[What are the rates for the following users:  
 Residential  Institutional  Commercial]

6. Does your community provide sewer service?  
 Yes  No  Don't Know

If yes, has your community had to reduce the level of this service in any way?  Yes  No  Don't Know

Have energy costs been a factor in the reduction of this service?  Yes  No  Don't Know

How has the community reduced the level of this service?

- |  |  |
|--|--|
| <input type="checkbox"/> Reduced Positions | <input type="checkbox"/> Reduced Salaries        |
| <input type="checkbox"/> Reduced Training  | <input type="checkbox"/> Equipment not Replaced  |
| <input type="checkbox"/> Reduced Insurance | <input type="checkbox"/> Materials not Replaced  |
| <input type="checkbox"/> Reduced Hours     | <input type="checkbox"/> Reduced Operational and |
|  | <input type="checkbox"/> Maintenance Dollars     |
- 

If the current financial situation continues will you be able to continue this service?  Yes  No  Don't Know

Has the community raised rates for this service in the last year?  Yes  No  Don't Know

How does your city bill for this service?  
 Flat Rate  Metered Charge  No Billing  Don't Know

Does your city have a special billing rate for institutional users (schools) and commercial users (canneries)?  
 Yes  No  Don't Know

[What are the rates for the following users:  
 Residential  Institutional  Commercial]

7. Does your community provide landfill services?  
 Yes  No  Don't Know

If yes, has your community had to reduce the level of this service in any way?  Yes  No  Don't Know

If yes, how has the community reduced the level of this service?

- |  |  |
|--|--|
| <input type="checkbox"/> Reduced Positions | <input type="checkbox"/> Reduced Salaries        |
| <input type="checkbox"/> Reduced Training  | <input type="checkbox"/> Equipment not Replaced  |
| <input type="checkbox"/> Reduced Insurance | <input type="checkbox"/> Materials not Replaced  |
| <input type="checkbox"/> Reduced Hours     | <input type="checkbox"/> Reduced Operational and |
| <input type="checkbox"/> Reduced Pick up   | <input type="checkbox"/> Maintenance Dollars     |
- 

If the current financial situation continues will you be able to continue this service?  Yes  No  Don't Know

Has the community raised rates for this service in the last year?  Yes  No  Don't Know

How does your city bill for this service?  
 Flat Rate  Metered Charge  No Billing  Don't Know

Does your city have a special billing rate for institutional users (schools) and commercial users (canneries)?  
 Yes  No  Don't Know

[What are the rates for the following users:  
 Residential  Institutional  Commercial]

8. Does your community own the electrical utility service?  
 Yes  No  Don't Know

If yes, has your community had to reduce the level of this service in any way?  Yes  No  Don't Know

Have energy costs been a factor in the reduction of this service?  Yes  No  Don't Know

How has the community reduced the level of this service?

- |  |  |
|--|--|
| <input type="checkbox"/> Reduced Positions | <input type="checkbox"/> Reduced Salaries        |
| <input type="checkbox"/> Reduced Training  | <input type="checkbox"/> Equipment not Replaced  |
| <input type="checkbox"/> Reduced Insurance | <input type="checkbox"/> Materials not Replaced  |
| <input type="checkbox"/> Reduced Hours     | <input type="checkbox"/> Reduced Operational and |
|  | <input type="checkbox"/> Maintenance Dollars     |
- 

If the current financial situation continues will you be able to continue this service?  Yes  No  Don't Know

Has the community raised rates for this service in the last year?  Yes  No  Don't Know

How does your city bill for this service?

Flat Rate  Metered Charge  No Billing  Don't Know

Does your city have a special billing rate for institutional users (schools) and commercial users (canneries)?

Yes  No  Don't Know

What would happen to this service if power cost equalization funds were reduced?

Severe reduction  Moderate reduction  
 No reduction  Don't Know

9. Does your community own and operate a laundry facility?

Yes  No  Don't Know

If yes, has your community had to reduce the level of this service in any way?  Yes  No  Don't Know

Have energy costs been a factor in the reduction of this service?  Yes  No  Don't Know

How has the community reduced the level of this service?

<input type="checkbox"/> Reduced Positions	<input type="checkbox"/> Reduced Salaries
<input type="checkbox"/> Reduced Training	<input type="checkbox"/> Equipment not Replaced
<input type="checkbox"/> Reduced Insurance	<input type="checkbox"/> Materials not Replaced
<input type="checkbox"/> Reduced Hours	<input type="checkbox"/> Reduced Operational and
<input type="checkbox"/> Reduced Pick up	<input type="checkbox"/> Maintenance Dollars

If the current financial situation continues will you be able to continue this service?  Yes  No  Don't Know

Has the community raised rates for this service in the last year?  Yes  No  Don't Know

[What are the rates for the following:

Washers  Dryers]

10. Does your city or community organization employ administrative personnel?

Yes  No  Don't Know

If yes, has your community had to reduce this expense?

Yes  No  Don't Know

If yes, how has the community reduced the cost of providing this service?

<input type="checkbox"/> Reduced Positions	<input type="checkbox"/> Reduced Salaries
<input type="checkbox"/> Reduced Training	<input type="checkbox"/> Equipment not Replaced
<input type="checkbox"/> Reduced Insurance	<input type="checkbox"/> Materials not Replaced
<input type="checkbox"/> Reduced Hours	<input type="checkbox"/> Reduced Operational and
	<input type="checkbox"/> Maintenance Dollars

If your community has had to reduce positions, how many have been cut back this year? \_\_\_\_\_

11. Does your city/community own and operate facilities, such as a community hall? \_\_\_ Yes \_\_\_ No \_\_\_ Don't Know

If yes, has your community had to reduce the expense of providing this service in any way?  
\_\_\_ Yes \_\_\_ No \_\_\_ Don't Know

Have energy costs been a factor in the reduction of this service? \_\_\_ Yes \_\_\_ No \_\_\_ Don't Know

How has the community reduced the level of this service?

- |                       |   |
|-----------------------|---|
| ___ Reduced Positions | ___ Reduced Salaries                            |
| ___ Reduced Training  | ___ Equipment not Replaced                      |
| ___ Reduced Insurance | ___ Materials not Replaced                      |
| ___ Reduced Hours     | ___ Reduced Operational and Maintenance Dollars |

If the current financial situation continues will you be able to continue to maintain these facilities?  
\_\_\_ Yes \_\_\_ No \_\_\_ Don't Know

III. COMMUNITY FINANCIAL HEALTH

1. Are your community's residents as well off this year as last year?

\_\_\_ Better \_\_\_ About the Same \_\_\_ Worse

If worse, why do you feel this situation has occurred?

- |                        |                       |
|------------------------|-----------------------|
| ___ Bad Fishing Season | ___ No fires to fight |
| ___ No local Projects  | ___ Fewer School Jobs |
| ___ _____              | ___ _____             |
| ___ _____              | ___ _____             |

2. Has your city/community been asked by other agencies or non-profits to help fund additional services this year?  
\_\_\_ Yes \_\_\_ No \_\_\_ Don't Know

If yes, what services have you been asked to add?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. This year, have you noticed an increase in the number of families that are having difficulty paying service charges on time? \_\_\_ Yes \_\_\_ No \_\_\_ Don't Know

4. Does the city cut off services to residents who can not pay for services?  Yes  No  Don't Know
5. Have there been families moving out of the community this year to look for work?  
 Yes  No  Don't Know

If yes, have most moved to one of the following:

Urban center  Another Village  Out of State  Don't Know

6. Have families moved into your community looking for employment this year?  
 Yes  No  Don't Know
7. Does your city/community need additional technical assistance to deal with present and future economic problems?  
 Yes  No  Don't Know
8. Has your community ordered sufficient fuel for this winter?  
 Yes  No  Don't Know
9. Is your community having trouble with debts associated with the following: (check if problem exists)
- |  |   |
|--|---|
| <input type="checkbox"/> IRS Debt          | <input type="checkbox"/> ESC Debt                 |
| <input type="checkbox"/> Large Audit Costs | <input type="checkbox"/> Cost of Audit Exceptions |
| <input type="checkbox"/> Other _____       |   |

10. What could be done to help the economic situation in your community?
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

11. Does your city/community carry any liability insurance?  
 Yes  No  Don't Know
12. Does your city/community carry any property loss insurance?  
 Yes  No  Don't Know