

ALASKA LEGISLATURE COMMITTEE FILES 1987-88 86/2

4479 HCRA HB 419 - HB 429

5

FOSTER Program: Questions and Answers

QUESTION: WHAT DOES "FOSTER" STAND FOR?

ANSWER: "Financial Outreach Services To Enhance Recovery"

QUESTION: WHAT IS "FOSTER"?

ANSWER: FOSTER is a program to help communities that have immediate and critical financial problems. It is a two part package for financially distressed communities: 1. A loan fund for those communities facing economic disaster; 2. Financial management assistance for those communities that need that help.

Loans from the loan fund will be used to pay one-time, short term city debts. Repayment will begin after two years, with a payback period of five to ten years.

Financial management training and specialized technical assistance will be provided to help communities deal with severe money problems. This training and assistance will be provided by five financial specialists ("Municipal Finance Analysts") located in regional offices of the Department of Community and Regional Affairs. These specialists will operate as part of a team with other Department staff to provide a complete range of services including city management, financial management, bookkeeping, and planning.

QUESTION: WHAT HAPPENS IF COMMUNITIES DON'T PAY THE LOAN BACK?

ANSWER: No payment is due for two years. After two years, the community has the option of setting up a repayment schedule, or paying off the loan in a lump sum, or the State may withhold a small percentage of that community's revenue sharing each year until the loan is repaid.



QUESTION: WHY IS THE PROGRAM NEEDED?

ANSWER: FOSTER is an attempt to meet the need for immediate financial help to numerous cities that have severe problems caused by the recent economic downturn. A cabinet subcommittee, chaired by Lt. Gov. Stephen McAlpine and involving several state departments and staff from the Governor's Office, held meetings around Alaska to gather information on the state of economically distressed communities. The subcommittee found that many communities are nearing financial collapse.

A survey of communities conducted by the Department of Community and Regional Affairs shows the extent of the problem in more detail. Results of that survey are expected to be released in a few weeks.

QUESTION: WHY A LOAN PROGRAM; WHY NOT GRANTS?

ANSWER: Many of the problems facing communities today result, at least in part, from thinking that State money would always be available. Grants could serve to reinforce those beliefs, which would only put off the day that the problem must be faced and solved. Loans will provide "breathing space" to local governments, giving them time to get administrative systems in order and develop an approach to meet needs and obligations. The technical assistance program will contribute to the process by providing training and specialized knowledge. While grants tend to create dependency, loans can promote self-reliance and self-esteem, giving communities the sense that they can solve their own problems.

QUESTION: HOW CAN COMMUNITIES WITH SEVERE FINANCIAL PROBLEMS PAY BACK LOANS?

ANSWER: Loans would be limited to half of the amount received by the city the previous year from the state's municipal assistance and revenue sharing program, and would have a grace period of two years before repayment begins. The average loan amount is expected to range from a low of \$15,000 to a high of \$40,000. Since payments would be spread out over a period of five to ten years, the burden of repayment is not expected to be overwhelming for communities once their financial systems are in order.

QUESTION: WHY SHOULD THE STATE BAIL OUT COMMUNITIES?

ANSWER: This is not a "bail out" program. It provides time for communities to get the training and the help to put their own affairs in order. In most cases, the problems are a result of the lack of trained personnel in the community with the necessary technical skills to manage a community's finances. A secondary cause may be the recent availability of large grants leading to the unprecedented growth of facilities which must now be maintained.

QUESTION: WHAT COMMUNITIES WILL BE ELIGIBLE AND HOW DO THEY APPLY?

ANSWER: Exact eligibility requirements have not yet been established by the Department. Assistance will be directed towards those communities which have been identified as financially distressed. Application will be made by the local governing body which must agree to a financial review by the Department. In severe cases, the community may have to agree to financial oversight by the Department.

QUESTION: DOES DCRA WANT TO TAKE OVER COMMUNITIES?

ANSWER: " No. The Department firmly believes that the operation of local governments is a responsibility of the mayor and council. There is no intention to impose conditions on communities without the approval of the governing body.

QUESTION: HOW WILL THE ASSISTANCE BE MADE AVAILABLE?

ANSWER: Two categories of assistance are being considered for the program. The less structured category will require a commitment by the council and mayor to work with the department to resolve the financial problems. This is similar to existing agreements for the Department's Circuit Rider Training Program.

The more structured will involve helping the council and mayor develop a financial management plan and assist them to qualify for a loan from the community economic disaster loan fund. This may help to "take the heat off" of communities, assuring creditors, such as the IRS, that problems will be resolved and debts will be paid.

Key to the program, however, will be the involvement of the council, mayor and staff of the community. Past experience has shown that unless local residents are involved in the problem solving process, no lasting resolution will result.

QUESTION: WILL A COMMUNITY'S FINANCIAL SITUATION BE MADE PUBLIC?

ANSWER: As public bodies, the State and cities have to conduct operations in the light of day. Financial transactions are public information and a community's financial situation is a matter of public record.. However, the Department will not publicize the plight of any particular community. The intent is not to embarrass any community but to help the community solve its problems.

QUESTION: WHY CAN'T DCRA PROVIDE ASSISTANCE WITHOUT ADDITIONAL FUNDING?

ANSWER: In order to address the problem of municipalities facing financial disaster, a significant commitment of resources will be necessary. To avoid severe cuts in other services, the Department needs additional staff and additional expertise and also needs the funds for the loan program. The staff and loan funds will complement each other to provide the complete assistance package necessary.

QUESTION: HOW MUCH FUNDS ARE BEING REQUESTED?

ANSWER: For Fiscal Year 1989, the Governor has requested \$1,251,000. \$600,000 for the community disaster loan fund, and \$651,000 for the technical assistance program.

QUESTION: WHEN WILL THE PROGRAM START AND WHEN CAN COMMUNITIES APPLY FOR ASSISTANCE?

ANSWER: The Department is already providing limited assistance to some communities. The FOSTER program will be implemented as soon as the Legislature approves the program and the appropriate bill is signed into law by the Governor. Because of the urgent need, the Department is establishing loan eligibility criteria and will be ready to hire staff as soon as funds are received. The Department will make every effort to ensure that communities needing assistance are fully involved in the program well before December 1988.

QUESTION: WHAT INTEREST RATE WILL BE CHARGED FOR THE LOAN PROGRAM?

ANSWER: While the exact interest rate for loans has not been determined, the Department expects that low or no interest will be charged.

CORRECTION

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

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QUESTION: WHAT WILL THE "FOSTER" STAFF ACTUALLY DO?

ANSWER: FOSTER staff will be based in regional offices to deliver services directly to financially ailing communities. Examples of the services these people will provide include:

- detailed analysis of existing financial condition of cities;
- recommendations to local governments resulting from the analysis, regarding such areas as financial management systems, sources of revenue, and financing local utilities and services;
- assistance to cities in implementing recommendations and local financial plans;
- training staff and elected officials in municipal finance management.

QUESTION: WHY NOT GIVE THE "FOSTER" STAFF MONEY DIRECTLY TO COMMUNITIES?

ANSWER: Given the extent of the problem, the amount of money requested is extremely limited. On a per community basis, it will not amount to very much at all. The most efficient use of these funds is to support a team of financial management experts who will provide a high level of specialized assistance and training to many communities.

QUESTION: WHY NOT CONTRACT OUT INSTEAD OF HIRING NEW STAFF?

ANSWER: There are many situations in which contracting services is better than hiring staff. This is not one of those situations. The FOSTER program will be better served through a staff of financial specialists assigned to regional offices. The Department's cost analysis indicates that more communities could be served by staff than through contracted services. Accessibility of the services in rural regions will also be assured, which is not always easy to do on a contractual basis.

The financial specialists will be integrated into the Department's organization, becoming part of the assistance team. This will allow for efficient transfer of information between existing staff and the new specialists. For the continuous long-term approach needed to resolve community financial problems, regionally based permanent Department employees are more appropriate than contractors.

MEMORANDUM

State of Alaska

TO: The Honorable Steve Cowper
Governor

DATE: December 22, 1987

FILE NO.: 0241J/DGH/gmw

7 HB 419

THRU: Garrey Peska
Chief of Staff

TELEPHONE NO.: 465-4700

SUBJECT: DECISION MEMORANDUM:
Economic Dislocation

FROM: Rebecha Miller, Associate Director *By lw*
Rosita Worl, Special Assistant *lw*

RECEIVED
1-4-88ck
LT. GOV'S OFFICE

A. SUMMARY OF ISSUE

The Cabinet Committee on Economic Dislocation submitted its final recommendations to you on October 15. We have reviewed those recommendations and are proposing several revisions. The primary revisions are as follows:

- Reduce the number of elements in the economic dislocation package from twelve to six by combining several elements and dropping two relatively insignificant elements.
- Deal with complex fisheries allocation problems in another forum.
- Provide funding for the package by reallocating money in the proposed FY89 Department of Community and Regional Affairs (C&RA) budget

We request that you approve and sign the rural recovery package outlined in the attached draft of a memo from you to the Cabinet Committee on Economic Dislocation. Also attached is financial information relevant to the package.

B. SUMMARY OF PROPOSED PACKAGE

The six point package we are proposing consists of the following elements:

1. Establish a new process for declaring community economic disasters.
2. Reallocate \$1,251,000 from designated grants to fund a \$600,000 economic disaster loan fund and \$651,000 to fund Financial Outreach Services to Enhance Recovery (FOSTER).
3. Reallocate \$224,500 in job training funds in the FY 89 C&RA budget to provide supplemental funding for the Rural Economic Development Initiative (REDI) program.
4. Authorize a FY 88 supplemental appropriation of \$258,000 to immediately implement FOSTER.

Rural Community Recovery Act

5. Commit to a major effort to pass Administration bill SB 263 which increases oversight on municipal grants and provides agencies with more flexibility in dealing with audit exceptions.
6. Promote the inclusion in the supplemental capital budget of projects which reduce the operation and maintenance costs of existing publicly-owned facilities and projects in economically distressed communities.

C. TIMING OF DECISION

We request a decision on this package during a meeting scheduled for 11:00 a.m. on Wednesday, December 23, 1987. A decision within this time frame would allow for the following:

- Incorporation of a Christmas theme into the announcement of the recovery program.
- A more comprehensive response to rural fuel problems.
- A formal rural policy firmly in place prior to the Anchorage Daily News series on rural problems which is scheduled to begin running in January.

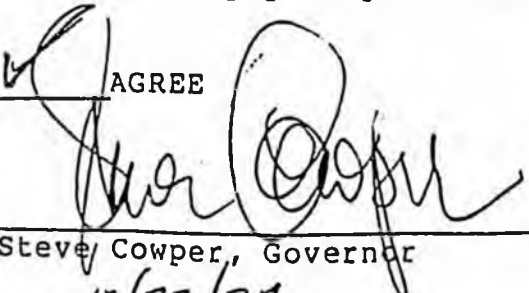
In recent weeks the economic situation in rural Alaska has deteriorated seriously. We are dealing daily with communities that are on the verge of some sort of disaster. Dozens of communities face financial collapse, and at least sixteen communities will run out of heating oil this winter. We also expect many communities to default on state bulk fuel loans.

The Department of Community and Regional Affairs has just completed a comprehensive four-month study on hardships currently facing municipal governments. This study is based on a telephone survey of 138 communities. Findings from this study include the following:

- 95 percent of the municipalities have reduced one or more essential services. Staffs have been reduced to bare minimums and routine facility maintenance is often neglected.
- 25 percent of the communities expect to totally eliminate police, fire protection, or health clinic services in the future.
- 40 percent of the communities reported substantially increased difficulties in collecting fees for essential community services.
- 20 percent of communities report overdue debts that they cannot pay -- primarily to the IRS.

AGREE

DISAGREE



Steve Cowper, Governor

Date 12/23/87

MEMORANDUM

State of Alaska

TO: Members of the
Cabinet Committee on
Economic Dislocation

DATE: December 23, 1987

FILE NO.: 0240J/PKP/CC/gmw

THRU:

TELEPHONE NO.: 465-4700

SUBJECT: SIX POINT RURAL
RECOVERY PACKAGE

FROM: The Honorable Steve Cowper,
Governor

I would like to thank all of you for the many hours you spent in preparation of the thoughtful and useful recommendations you submitted to me. Your recommendations provide the basis for this Rural Recovery Package. I have decided to focus this package on issues relating to local governments and, as such, I am considering the important fisheries issues raised in your recommendations elsewhere.

I have delayed making a final decision on your recommendations so that I could consider the issues you raised in the context of the overall budget process. I have also waited to see the results of the final report by the Department of Community and Regional Affairs on economic dislocation.

My Rural Recovery Package consists of the following actions.

1. ESTABLISH A PROCESS TO DECLARE COMMUNITY ECONOMIC DISASTERS

The Department of Community and Regional Affairs (C&RA) will be the lead agency in the process of determining whether a community economic disaster exists. The process will begin with the receipt by C&RA of a resolution requesting the Governor to declare a community economic disaster. Applications will only be accepted from a community's governing body.

The resolution would include a statement of the community's agreement to undergo a full financial review, and to implement the recommendations made by C&RA to mitigate the economic disaster. This could include layoff of employees and the shut-down of facilities. C&RA will be sensitive to the potential for legal liabilities which might arise from such state actions and will take appropriate steps to mitigate any such liability. The resolution will also include a clear statement by the community of the reasons for the economic disaster.

C&RA will conduct a thorough analysis of the situation to determine whether the community itself has the resources to overcome the problem, or whether State involvement is necessary. C&RA will be given authority to request technical assistance from all state agencies. Assistance from other agencies could range from technical

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assistance in managing particular services (e.g., sewer and water facilities), to assistance in expediting individual programs (e.g., food stamp distribution). C&RA will also consult appropriate federal agencies. The department will then provide my office with information that includes a description of the problem, a recommended course of action, possible solutions to prevent recurrence, and a recommendation as to whether a declaration of community economic disaster should be made.

2. REALLOCATE \$1,251,000 TO CAPITALIZE AN ECONOMIC DISASTER LOAN FUND AND INCREASE FINANCIAL TECHNICAL ASSISTANCE

In many instances, only the availability of additional funding will avert financial default. Therefore, a community economic disaster loan fund of \$600,000 will be established within C&RA. Once a declaration of community economic disaster has been made, a community may be permitted to borrow an amount equal to 50 percent of its prior year's municipal assistance and revenue sharing, with repayment amortized over a five to ten-year period. No repayment will be required for one to two years after the loan is made. Disbursements will be made from this fund for short-term, one-time expenditures. Loans will be awarded by the Commissioner of C&RA pursuant to a detailed spending plan prepared by the community in conjunction with C&RA staff. A formal promissory note must be signed by each community receiving a loan. Detailed regulations governing the administration of this loan fund will be promulgated by C&RA.

The Financial Outreach Services to Enhance Recovery (FOSTER) program will operate in conjunction with the loan fund. This program will provide detailed financial management training and oversight to distressed communities. Six new financial management and training positions will be created within C&RA under this program at an annual cost of \$651,000. These personnel will administer the economic disaster assessment process, provide training, oversee the use of economic disaster loan funds and, where necessary, will serve in a capacity similar to that of bankruptcy trustees.

Funding for the Community Economic Disaster Loan Fund (\$600,000) and for the FOSTER program (\$651,000) will be obtained in the FY 89 budget through the reallocation of \$1,251,000 in the designated grants line item in the C&RA budget. (Financial back up is attached.)

3. REALLOCATE \$224,500 TO ENHANCE THE REDI PROGRAM IN C&RA

The primary goal of this recovery package is to assure the survival of local governments. However, in many areas, the survival of local governments is tied directly to the health of the local economy. The financial existence of many communities is threatened by the increasing inability of residents to pay user fees for local government services.

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To promote the development of rural economies, \$224,500 will be transferred from job training programs in C&RA to the REDI program. This will allow C&RA to focus its efforts on the poorer communities of the state where successful economic development requires a great deal of technical assistance. If adequate technical assistance is available, it will then be possible to award extra points in the REDI competitive grants process to those communities that have been declared community economic disaster areas. If adequate technical assistance is not available, preferential treatment of these communities would almost certainly result in throwing good money after bad. (Financial back up is attached.)

4. AUTHORIZE A FY 88 SUPPLEMENTAL APPROPRIATION OF \$258,000 TO ALLOW THE EXPEDITED START - UP OF THE FOSTER PROGRAM

The current condition of many local governments is so critical that state assistance is needed immediately. With the timely passage of a supplemental appropriation, it will be possible to have the FOSTER program operational by March. (Financial backup is attached.)

5. PROVIDE STRONG SUPPORT FOR SB 263 WHICH INCREASES STATE OVERSIGHT OF MUNICIPAL GRANTS.

I am firmly committed to work for the passage of Administration bill SB 263 which increases state oversight of municipal grants and could provide an opportunity for granting agencies to relieve financial difficulties for some communities.

6. FUND CAPITAL PROJECTS WHICH REDUCE THE OPERATING AND MAINTENANCE EXPENSES OF LOCAL GOVERNMENT AND PROJECTS WHICH ARE LOCATED IN ECONOMICALLY DISLOCATED COMMUNITIES.

The Administration will promote legislative enactment of funding for necessary capital projects which are normally completed by Alaska residents. Additional consideration should be given to projects in economically dislocated communities and to projects which would result in significantly reduced operating and maintenance costs for local governments. The focus should be on small to medium sized projects that are going to be required in any event, and are merely accelerated by this process.

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FY 1989 REALLOCATION OF DESIGNATED
GRANTS COMPONENT
(BACK-UP TO RECOMMENDATION # 2)

FOSTER Personal Services	\$352.9
Travel	158.0
Contractual Services	49.0
Supplies	2.0
Grants/Contracts	89.1
Total FOSTER	651.0
Community Economic Disaster Loan Fund	600.0
Total Recommendation # 2	\$1251.0

Reallocate \$1,251.0 of the amount in the Designated Grants component to fund FOSTER, \$651.0 and the Community Economic Disaster Loan Fund, \$600.0. The amount remaining in the Designated Grants component would fund Alaska Legal Services, \$475.0, Special Olympics, \$72.0, and the Rural Airport Assistance Program, \$38.2.

The following describes in more detail the positions, associated costs and database information that would be provided through adoption of this recommendation:

1. Five Local Government Specialists and one Accountant. These positions would be placed in various field offices to assist communities with severe management problems. Support costs would provide necessary travel, and development or purchase of financial training materials which would focus on budgeting, revenue sources, cost controls, and accountability. (These same positions are requested in the FY 88 Supplemental request, Recommendation #4) This recommendation would fund them for the following 12 months in FY 89.
2. Community Profile database. This would allow information gathered on communities to be in a readily accessible form. This information would include the following types: existing capital projects and their condition; maintenance and operation costs; land ownership and use; and abandoned facilities. The cost per community is estimated at \$2.0. The Department could include 45 communities in the database, concentrating on interior regions, with the \$89.1 requested in the Grants/Contracts line.
3. The Community Economic Disaster Loan Fund would provide a small amount to make loans to communities that qualify as economic disaster areas. Limits would be placed on the amount of loan available. Pay back would begin within 1 to 2 years.

FY 1989 REALIGNMENT OF \$224,500 IN
THE JOB TRAINING PARTNERSHIP COMPONENT
(BACK-UP TO RECOMMENDATION # 3)

REDI Personal Services	134.7
Travel	36.0
Contractual Services	50.8
Supplies	3.0
Total REDI	\$224.5

The total amount of the above request could be found within the Department's FY 89 budget if the following budget component amounts were realigned. On that basis, the following is proposed:

Realign the Job Training Partnership Act, Dislocated Worker Component, General Fund increment of \$300.0 by transferring from the grant line item, \$134.7 to personal services, \$36.0 to travel, \$50.8 to contractual and \$3.0 to supplies. This realignment would leave \$75.5 in the grant line item and allow the Department to retain the economic program initiated during FY 88.

The funds requested for the REDI program would fund two economic development specialists located in Fairbanks (this position was included in the FY 88 budget) and Bethel (this is a new position request) to spearhead the effort of this department to increase business and employment opportunities; promote self-sufficiency and diversification in local economies; and to expand the capacity of local communities to plan and support economic development. Also included in the personal services category is funding for one clerk typist for support of the professional positions. Necessary travel, contractual and supply costs are included.

PROPOSED SUPPLEMENTAL FOR FY 1988
(BACKUP FOR RECOMMENDATION # 4)

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

Personal Services	\$147.0
Travel	66.0
Contractual Services	<u>45.0</u>
Total	\$258.0

This supplemental request 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 in Juneau which will provide assistance on complex accounting issues to the on-site technicians. The remaining support costs will allow adequate travel for personnel and enough funds to develop and distribute financial and accounting material directed toward rural Alaska. These materials will address estimating O&M costs, revenue options and projections and establishing accountability techniques.

STATE OF ALASKA

OFFICE OF THE GOVERNOR
JUNEAU

STEVE COWPER
GOVERNOR

NEWS RELEASE



FOR INFORMATION CONTACT
David Ramseur
Press Secretary

Laury Roberts Scandling
Deputy Press Secretary

Office of the Governor
Box A, Juneau, AK 99811

Bus. Phone (907) 465-3500

FOR IMMEDIATE RELEASE
Dec. 28, 1987
No. 87-132

COWPER PROPOSES RURAL RECOVERY PROGRAM TO ASSIST VILLAGES

JUNEAU--Gov. Steve Cowper today unveiled a Rural Community Recovery Package designed to assist rural communities facing immediate financial troubles and to promote long-range administrative stability in Alaska's villages.

The proposal includes shifting state funds to address immediate financial problems in rural communities, creation of a new program to provide financial management training to distressed communities, improved oversight of community finances and a new approach to addressing rural economic disasters.

"Many communities in Alaska are facing economic hardships, but the rural areas have been hit especially hard by cuts in state programs forced by falling oil prices. The problems of the villages have been complicated by their lack of a stable tax base and poor fishing seasons in some areas," Cowper said.

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"Rural communities that take advantage of this program will have to agree to adopt sound fiscal practices. This isn't a bail-out. It's a way to make the villages more self-sufficient," the Governor said.

Here's what the proposal includes:

* Reallocation of \$1.25 million in designated grants to create an economic disaster loan fund and provide technical financial assistance to rural communities.

The \$600,000 fund, administered by the Department of Community and Regional Affairs, could loan communities an amount up to half their prior year's municipal assistance and revenue sharing entitlement. Loans would be for one-time, short-term expenditures and after a grace period of up to two years, would be repaid over five to 10 years.

The other \$651,000 would fund a Financial Outreach Services to Enhance Recovery (FOSTER) program to provide financial management training and oversight to affected communities.

Shifting of the funds would occur in the fiscal 1989 budget. In the meantime, the Governor will ask the Legislature for a supplemental appropriation of \$258,000 to expedite creation of the technical assistance program.

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* Reallocation of \$224,500 from job training programs to the Rural Economic Development Initiative, a newly formed program within C&RA designed to stimulate economic development. Shifting of the funds will permit the state to focus on financially distressed communities that require considerable technical assistance.

* Establish a new process for quickly addressing community economic disasters. C&RA will oversee requests for economic disaster assistance in order to speed up possible state assistance.

Applications for disaster relief must be made by a community's governing body and the department will undertake a thorough review of any such request with the assistance of other state agencies.

* Continued push for passage of Senate Bill 263, sponsored by the Cowper administration, that increases state oversight of municipal grants and gives granting agencies flexibility to relieve some financial difficulties for communities.

The Rural Community Recovery Program is the product of a cabinet subcommittee chaired by Lt. Gov. Stephen McAlpine which Cowper appointed last summer. The group, composed of representatives of several state departments and Governor's Office staff, held a number meetings around Alaska to gather information on the plight of Alaska's rural communities.

The group found that dozens of communities are nearing financial collapse, that at least 16 may run out of heating oil this winter and that many others could default on state bulk fuel loans.

A four-month study based on a telephone survey of 172 communities by C&RA found that 95 percent of the municipalities have reduced one or more essential services, eliminated staff and often neglect routine maintenance.

A quarter of the surveyed communities expect to eliminate police, fire or health clinic services in the future, 40 percent reported difficulties in collecting fees for essential services and 20 percent report overdue debts they cannot pay, primarily to the IRS.

"The solution to these problems is not throwing more money at them, for two reasons: we don't have the money and it won't work," Cowper said. "We've got to help create a solid rural economy independent of state dollars and this proposal is a step in that direction."

To qualify for the programs, communities must undergo a complete financial review by C&RA. Assistance may involve financial oversight of a community by that department.



Alaska State Legislature

House of Representatives

Committee on Community & Regional Affairs

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

To: Representative Henry Springer, Chairman
HCRA

From: HCRA Staff - David Harrison

Date: February 15, 1988

Subject: BILL REVIEW
HB 419 - "An Act establishing the community economic disaster revolving loan fund; and providing for an effective date."
[Rules by request of the Governor]

* Section 1. AS 44.47 relates to powers and duties of the Department of Community and Regional Affairs.

(Line 12) Sec. 44.47.060 amends the statute to provide and establish a Community Economic Disaster Revolving Loan Fund. The amending section provides for the Department of Community and Regional Affairs Department to administer the loans as well as to prescribe and adopt regulations of the Community Economic Disaster Revolving Loan Fund.

Comments: It is intended that the legislature will provide appropriations to fund this community economic disaster loan to originate funds for this purpose. Terms and regulations will be prescribed and adopted by the Commissioner of the DCRA.

(Line 22) Sec. 44.47.060(b) "... the total amount of all loans made from the fund to a municipality or unincorporated community in one state fiscal year may not exceed 50 percent of the aid provided to that municipality or community under AS 29.60.010 -- 29.60.375 for the state fiscal year ending June 30, 1987." (It seems here that the quoting of statutes covers existing conditions and requirements of all classes of municipalities.)

Accordingly, reference should be made concerning the State constitutional requirements of municipal and state debts. Alaska's Constitution, Article 9, section 8... "The state may as provided by law and without ratification, contract debt for the purpose of... meeting natural disasters." Nothing in the state constitution indicates that the state nor the municipality can contract or obligate themselves concerning economic disaster.

Article 9, section 9, "No debt shall be contracted by any

political subdivision of the state, unless authorized for capital improvement by its governing body and ratified by a vote of those qualified to vote and voting on the question."

If the bill becomes law the question would be asked, "Could the governing body cause the subdivisions and municipalities to become indebted without a vote of those being encumbered by the debt?"

Article 9, section 10. The State and its political subdivisions may borrow money to meet appropriations for any fiscal year in anticipation of the collection of the revenues for that year, but all debt so contracted shall be paid before the end of the next fiscal year.

Article 10, Section 2. All local government powers shall be vested in boroughs and cities. The State may delegate taxing powers to organized boroughs and cities only.

The question is: Can the State loan money to non-legal governmental entities for the purpose of delegating organized boroughs and cities responsibilities without a test of the democratic process and legal due process in local governmental responsibilities as delegated under the state constitution? It would seem that the constitutional and statutory safeguards regarding establishment of organized boroughs and legally established cities with duly elected officials sworn to uphold the federal and state constitutions and the respective laws could be tested because of the debt prohibitions and safeguards of voters in the political subdivisions of the state.

The question may also be considered whether it is sound democratic policy for the state to delegate even incidentally debt obligations responsibilities that are reserved for democratically elected officials to nonelected officials that work for private nonprofit entities. Non-elected private individuals are not required to be sworn to such public service. Due process of the law provides many safeguards within the public domain. The democratic process must not be subverted therefore the State constitutional mandate that organized boroughs and legally established cities are recognized as legal entities for local government. To continue to do otherwise would undermine the constitutional safeguard of local representative government.

(Line 27) Sec. 44.47.060(c) Sets limitation of \$50,000 loan to a municipality or unincorporated community that did not receive aid under AS 29.60.010 - - 29.60.375 for the state fiscal year ending June 30, 1987. No doubt some of the same constitutional questions as were raised in a previous section of this bill can be asked here also.

Comment: It is understood that the "economic disaster fund" is to be requested through an amendment in the Governor's budget bill. The amount requested in the amendment is \$600,000. If one large municipality were to request a community economic disaster loan fund, there would not be sufficient funds for rural cities and unincorporated communities for

which this bill was designed to provide for in terms of their economic community needs.

Comment: FY/88 Supplemental request funding is for \$258,000. Objectives are stated in a letter to the Governor from Cabinet Subcommittee on Economic Dislocation, Item #2, page 5. Additional funding proposed for FY/89 includes requests for additional personnel and related items for a total of \$920,900 as listed on page 6. Rationale for requests are given in the same letter to the Governor dated October 15, 1987. I have asked Legal Services of the Legislative Affairs Agency to provide HCRA Committee with a State Constitutional review of the debt issue discussed herein.

⑨ HB 419

STATE OF ALASKA
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 14, 1988

SUBJECT: Community Economic Disaster Revolving Loan
Fund (HB 419)

TO: Representative Heinrich Springer

FROM: Tamara Brandt Cook ^{TBC}
Director
Division of Legal Services

HB 419 establishes an economic disaster revolving loan fund. The Commissioner of Community and Regional Affairs is authorized to make loans from the fund to municipalities or certain entities in unincorporated communities to be used in overcoming economic disasters.

The bill itself does not seem to present any constitutional problems. There is no question but that the state money appropriated to the fund satisfies the public purpose requirement. However, it should be noted that municipalities themselves are extremely limited in the extent that they may constitutionally assume debt and as to the uses that they may make of borrowed money. Article IX, Section 9 of the state constitution provides:

SECTION 9. LOCAL DEBTS. No debt shall be contracted by any political subdivision of the State, unless authorized for capital improvements by its governing body and ratified by a majority vote of those qualified to vote and voting on the question.

This provision may, as a practical matter, make it difficult for many municipalities to obtain money from the fund quickly enough to be useful in an economic disaster situation and, since this money may only be used for capital improvements, a loan from the fund might not be helpful in many situations. (See City of Juneau v. Hixson, 373 P.2d 743 (Alaska 1962)) I also wonder how a municipality or unincorporated community that is experiencing an economic disaster will be able to repay the loan.

TBC:lmb
L6/045



10 HB 419
**SOUTHWEST ALASKA
MUNICIPAL CONFERENCE**

Box 89 • Unalaska • Alaska 99685

December 30, 1987

Governor Steve Cowper
State of Alaska
P.O. Box A
Juneau, Alaska 99811

STATE OF ALASKA
RECEIVED
JAN 7 1988

LIEUTENANT GOVERNOR

Dear Governor Cowper:

I am writing to express my support for your proposed \$1.7 million request to provide loans and technical assistance to rural communities identified by Lt. Governor McAlpine's task force as needing assistance.

Having spent several years working in rural Alaska as a manager, I am aware of the problems facing these communities. Your proposed "IMF" approach is sound.

Let me offer a few suggestions that might strengthen the program.

1. The individuals selected to assist the various communities should be divided into teams. Each team should consist of the following types of skilled individuals:

- Accountant;
- Municipal Manager with rural experience; and
- Local Government Assistant (DCRA).

The advantage of this approach is that the community has several skills and perspectives to draw upon. Each team would spend three - four weeks in each community.

2. Enlist the assistance of the Alaska Municipal Managers Association. The State's managers have previously offered the assistance of "range-riders" to beleaguered communities.

3. Follow-up is critical. The team assigned to each community would be responsible for ensuring compliance with the teams' recommendations. Funding should be contingent upon implementation of recommended changes.

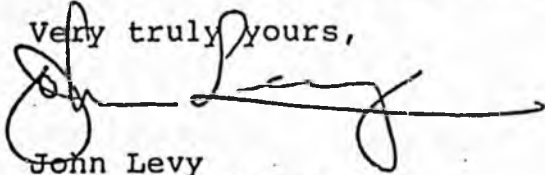
4. Instruction is important. As Senator Adams has pointed out, a large part of the problem is the turn-over of personnel which leaves a limited pool of qualified local applicants. This problem may, in many instances, be

Phone (907) 581-1251, 581-1357

unavoidable. However, I have found from my own experience that often new employees can be hired far enough in advance to provide a smooth transition in responsibilities.

Again, I compliment you and your staff for recommending this pragmatic response for assisting these troubled communities.

Very truly yours,

A handwritten signature in black ink, appearing to read "John Levy", with a long horizontal flourish extending to the right.

John Levy
Executive Director
1007 W. 3rd., Suite 201
Anchorage, Alaska 99501
274-7555

cc: Lt. Governor Stephan McAlpine
Comm. David Hoffman, DCRA

HB

422

2/2
D R ~~HTB~~ P ~~AI~~

BILL PREPARATION/ACTION*

Bill # HB 422

Date Referred: 2/1/88 Out: / /

Title: Payment for Purchases; Munis/Schools/etc.

Donley.

Referrals: CRA HES FIN

CONTACTS:*****

<u>Name</u>	<u>Organization</u> <u>Address</u>	<u>Phone</u>	<u>Date Contacted</u> <u>Attend/Remarks</u>
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<u>DCRA - Pleasman.</u>	<u>PP AV 2/3</u>		
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<u>EDUC Steve Hale 2/20</u>	<u>PP AV 2/3; no position 2/3; 3/2</u>		<u>Have called Ed for comments; extends 30 day post require to school District</u>
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<u>Robert Greene</u>	<u>Asst. of AK School Bd.</u>		
<u>Sharon Young</u>	<u>- yes interested, 2/3;</u>		

<u>Donley</u>	<u>36P 2 D.H. 2/3 msg; PP + website 2/3;</u>		
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<u>Mark Begich</u>	<u>-</u>		
<u>Bruenbergs off</u>	<u>3/3 have called his off -</u>		

REMARKS: _____

ANALYSIS: _____ Completed: _____

MEETINGS:*****

<u>Date</u>	<u>Action</u>
<u>* 3/14/88</u>	<u>1st pub hearing. CSHB 422 (CRA) 1 AP, 3 NR</u>

Original sponsors: Donley, Gruenberg
and Collins

BY THE COMMUNITY AND REGIONAL
AFFAIRS COMMITTEE

IN THE HOUSE

CS FOR HOUSE BILL NO. 422 (C&RA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FIFTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to payments for purchases by school districts and municipalities; and providing for an effective date."

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

* Section 1. PURPOSE. The purpose of this bill is to require municipalities and school districts to pay for their purchases of goods and services in a timely manner.

* Sec. 2. AS 14.03 is amended by adding a new section to read:

Sec. 14.03.085. PAYMENTS FOR PURCHASES. Payments for purchases by a school district are subject to the requirements applicable to state agencies under AS 37.05.285(a) - (d) and 37.05.285(f)(1) - (2). When applying AS 37.05.285(a) - (d) and 37.05.285(f)(1) - (2) to a school district, "state" and "state agency" are read as "school district", and "state official" is read as "school district official". In this section, "school district" means a borough school district, a city school district, or a regional educational attendance area.

* Sec. 3. AS 14.08.101 is amended to read:

Sec. 14.08.101. POWERS. A regional school board may

(1) sue and be sued;

(2) contract with the department, the Bureau of Indian Affairs, or another [ANY OTHER] school district, agency, or regional board for the provision of services, facilities, supplies or utilities;

(3) determine its own fiscal procedures including but not

1 limited to policies and procedures for the purchase of supplies and
2 equipment; except as provided by AS 14.03.085, the regional school
3 boards are exempt from AS 37.05 (Fiscal Procedures Act) and AS 36.30
4 (State Procurement Code);

5 (4) appoint, compensate and otherwise control all school
6 employees in accordance with this title; these employees are not
7 subject to AS 39.25 (State Personnel Act);

8 (5) adopt regulations governing organization, policies and
9 procedures for the operation of the schools;

10 (6) establish, maintain, operate, discontinue and combine
11 schools subject to the approval of the commissioner;

12 (7) recommend to the department projects for construction,
13 rehabilitation, and improvement of schools and education-related
14 facilities as specified in AS 14.11.010(a), and plan, design, and
15 construct the project when the responsibility for it is assumed under
16 AS 14.11.020;

17 (8) by resolution adopted by a majority of all the members
18 of the board and provided to the commissioner of the department,
19 assume ownership of all land and buildings used in relation to the
20 schools in the regional educational attendance area;

21 (9) provide housing for rental to teachers, by leasing
22 existing housing from a local agency or individual, or by entering
23 into contractual arrangements with a local agency or individual to
24 lease housing that will be constructed by the local agency or indi-
25 vidual for that purpose;

26 (10) exercise those other functions that may be necessary
27 for the proper performance of its responsibilities.

28 * Sec. 4. AS 29.10.200 is amended by adding a new paragraph to read:

29 (49) AS 29.71.040 (payments for purchases)

1 * Sec. 5. AS 29.71 is amended by adding a new section to read:

2 Sec. 29.71.040. PAYMENTS FOR PURCHASES. Payments for purchases
3 by a municipality are subject to the requirements applicable to state
4 agencies under AS 37.05.285(a) - (d) and 37.05.285(f)(1) - (2). This
5 section applies to home rule and general law municipalities. When
6 applying AS 37.05.285(a) - (d) and 37.05.285(f)(1) - (2) to a munici-
7 pality, "state" and "state agency" are read as "municipality", and
8 "state official" is read as "municipal official".

9 * Sec. 6. This Act does not apply to contracts entered into before
10 July 1, 1988.

11 * Sec. 7. This Act takes effect July 1, 1988.
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Official Business

COMMITTEE:

HOUSE COMMUNITY & REGIONAL AFFAIRS

DATE: MON., March 14, 1988

SIGN-IN

Subject of meeting:

~~HB 429 Tax Exemption/Old Bldgs Removed from Land~~

~~HB 227 Joint Insurance Arrangements~~

*HB 422 Payment for Purchases; Schools/Municip.'s

NAME (PLS PRINT)	YOUR TITLE & ADDRESS	PHONE	REPRESENTING	DO YOU WANT TO TESTIFY?
<i>Jenkins</i> CARY JENKINS	<i>supports</i>	586-4100	<i>Nat. Fed. Business</i> NFI B	<i>yes</i>
Scott Burgess	<i>opaint.</i>	6-1325	AML	Yes
Mark Johnson		463-4888	<i>Muni of Anch</i>	<i>yes</i>
Karl Rose			<i>School district</i>	
Marla Huss	144 N. Brinkley Soldotna	463-3529	KPP	no
Rep Douglas				
Mark Beggs				
<i>Jeanne Torga</i>	<i>Box 134 Gustavus, AK</i>		<i>Sub-</i>	<i>no.</i>

HOUSE COMMITTEE REPORT ^(CS) HB 422

(5)

Date referred: 2/1/88

FURTHER REFERRALS: HESS Finance

DATE: MAR 14 1988

The Community and Regional Affairs Committee has considered HB 422

"An Act relating to payments for purchases by public corporations of the state, the Alaska Commercial Fishing and Agriculture Bank, school districts, and municipalities; and providing for an effective date."

RECOMMENDS:

- replace with CS HB 422 (CRA) the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS: Collins

[Handwritten signature]

SIGNING OTHER RECOMMENDATIONS:

Zawacki *[Handwritten signature]* No Rec

Cato *[Handwritten signature]* No Rec

Springer *[Handwritten signature]* No Rec

Springer

[Handwritten signature]
Chairman's signature

1.3 HB422

5-1711L
Bannister
3/14/88

adopted
3-14-88

Original sponsors: Donley, Gruenberg
and Collins

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 422 ()

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

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7 districts and municipalities; and providing for an
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12 services in a timely manner.

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17 When applying AS 37.05.285(a) - (d) and 37.05.285(f)(1) - (2) to a
18 school district, "state" and "state agency" are read as "school dis-
19 trict", and "state official" is read as "school district official".
20 In this section, "school district" means a borough school district, a
21 city school district, or a regional educational attendance area.

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24 (1) sue and be sued;

25 (2) contract with the department, the Bureau of Indian
26 Affairs, or another [ANY OTHER] school district, agency, or regional
27 board for the provision of services, facilities, supplies or utili-
28 ties;

29 (3) determine its own fiscal procedures including but not

1 limited to policies and procedures for the purchase of supplies and
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3 boards are exempt from AS 37.05 (Fiscal Procedures Act) and AS 36.30
4 (State Procurement Code);

5 (4) appoint, compensate and otherwise control all school
6 employees in accordance with this title; these employees are not
7 subject to AS 39.25 (State Personnel Act);

8 (5) adopt regulations governing organization, policies and
9 procedures for the operation of the schools;

10 (6) establish, maintain, operate, discontinue and combine
11 schools subject to the approval of the commissicner;

12 (7) recommend to the department projects for construction,
13 rehabilitation, and improvement of schools and education-related
14 facilities as specified in AS 14.11.010(a), and plan, design, and
15 construct the project when the responsibility for it is assumed under
16 AS 14.11.020;

17 (8) by resolution adopted by a majority of all the members
18 of the board and provided to the commissioner of the department,
19 assume ownership of all land and buildings used in relation to the
20 schools in the regional educational attendance area;

21 (9) provide housing for rental to teachers, by leasing
22 existing housing from a local agency or individual, or by entering
23 into contractual arrangements with a local agency or individual to
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STATE OF ALASKA
1988 LEGISLATIVE SESSION

(1,2) HB 422
BILL VERSION: CSHB 422
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An act..payments for purchases..
Fishing & Agr Bank..municipalities.."
Sponsor: Donley & Gruenberg
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)

Jim Plasman

Prepared by: Jim Plasman, Deputy Director
Division: Municipal & Regional Assistance
Phone: 465-4750
Date: 3/14/88

Approved by Commissioner: *David G. Hoffner*
Agency: Community & Regional Affairs
Date: 3-14-88

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

File Contents

HB 422 - Payment for Purchases; Schools/Municip. 's

<u>No.</u>	<u>Description</u>
1.	Bill - HB 422
1.1	Fiscal Note - (coming from DCRA)
2.	Bill Review - Harrison
3.	Memo to HCRA from Donley, 3/4/88
4.	Memo to Springer from Donley, 2/9/88


⑤ HB 422

Alaska MUNICIPAL League

TELEPHONE
(907) 586-1325

105 MUNICIPAL WAY, SUITE 301
JUNEAU, ALASKA 99801

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

FROM: Scott A. Burgess, Executive Director 

DATE: March 14, 1988

SUBJECT: HB 422 - Payment for purchases

The Alaska Municipal League opposes SB 422 because the imposition of the state procurement code unduly restricts local autonomy.

HB 422 extends a portion of the state procurement code adopted for state agencies last year to municipalities and school districts. The AML neither opposed or supported the state procurement code legislation because it did not apply to municipalities. While only a portion of the procurement code would be made applicable to municipalities under this legislation, municipalities, in general, oppose mandated and unnecessary restrictions on their operations, including their ability to negotiate contracts. This is supported by Article X of the Alaska Constitution. As written, the legislation is also confusing.

The Alaska Municipal League is opposed to HB 422.

(1.2) HB 422

5-1711X
Bannister
3/14/88

Original sponsors: Donley, Gruenberg
and Collins

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 422 ()

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 payments for purchases by public
7 corporations of the state, the Alaska Commercial
8 Fishing and Agriculture Bank, school districts, and
9 municipalities; and providing for an effective date."

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

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12 palities, school districts, public corporations, and the Alaska Commercial
13 Fishing and Agriculture Bank to pay for their purchases of goods and ser-
14 vices in a timely manner.

15 * Sec. 2. AS 14.03 is amended by adding a new section to read:

16 Sec. 14.03.085. PAYMENTS FOR PURCHASES. Payments for purchases
17 by a school district are subject to the requirements applicable to
18 state agencies under AS 37.05.285(a) - (d) and 37.05.285(f)(1) - (2).
19 When applying AS 37.05.285(a) - (d) and 37.05.285(f)(1) - (2) to a
20 school district, "state" and "state agency" are read as "school dis-
21 trict", and "state official" is read as "school district official".
22 In this section, "school district" means a borough school district, a
23 city school district, or a regional educational attendance area.

24 * Sec. 3. AS 14.08.101 is amended to read:

25 Sec. 14.08.101. POWERS. A regional school board may

26 (1) sue and be sued;

27 (2) contract with the department, the Bureau of Indian
28 Affairs, or another [ANY OTHER] school district, agency, or regional
29 board for the provision of services, facilities, supplies or

1 utilities;

2 (3) determine its own fiscal procedures including but not
3 limited to policies and procedures for the purchase of supplies and
4 equipment; except as provided by AS 14.03.085, the regional school
5 boards are exempt from AS 37.05 (Fiscal Procedures Act) and AS 36.30
6 (State Procurement Code);

7 (4) appoint, compensate and otherwise control all school
8 employees in accordance with this title; these employees are not
9 subject to AS 39.25 (State Personnel Act);

10 (5) adopt regulations governing organization, policies and
11 procedures for the operation of the schools;

12 (6) establish, maintain, operate, discontinue and combine
13 schools subject to the approval of the commissioner;

14 (7) recommend to the department projects for construction,
15 rehabilitation, and improvement of schools and education-related
16 facilities as specified in AS 14.11.010(a), and plan, design, and
17 construct the project when the responsibility for it is assumed under
18 AS 14.11.020;

19 (8) by resolution adopted by a majority of all the members
20 of the board and provided to the commissioner of the department,
21 assume ownership of all land and buildings used in relation to the
22 schools in the regional educational attendance area;

23 (9) provide housing for rental to teachers, by leasing
24 existing housing from a local agency or individual, or by entering
25 into contractual arrangements with a local agency or individual to
26 lease housing that will be constructed by the local agency or indi-
27 vidual for that purpose;

28 (10) exercise those other functions that may be necessary
29 for the proper performance of its responsibilities.

1 * Sec. 4. AS 29.10.100 is amended by adding a new paragraph to read:

2 (49) AS 29.71.040 (payments for purchases)

3 * Sec. 5. AS 29.71 is amended by adding a new section to read:

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5 by a municipality are subject to the requirements applicable to state
6 agencies under AS 37.05.285(a) - (d) and 37.05.285(f)(1) - (2). This
7 section applies to home rule and general law municipalities. When
8 applying AS 37.05.285(a) - (d) and 37.05.285(f)(1) - (2) to a munici-
9 pality, "state" and "state agency" are read as "municipality", and
10 "state official" is read as "municipal official".

11 * Sec. 6. AS 37.05.285(f) is amended to read:

12 (f) In this section

13 (1) "dispute" means a determination by the state official
14 responsible for authorizing the payments for the purchase of goods or
15 services that the performance or price charged is not in compliance
16 with the terms of the contract or purchase order;

17 (2) payment is considered made on the date when the payment
18 is personally delivered to the seller or agent of the seller or on the
19 date the payment is mailed;

20 (3) "state agency" has the meaning given in AS 37.05.400
21 and also includes the legislative and judicial branches, public corpo-
22 rations of the state, including the Alaska Railroad Corporation, and
23 the Alaska Commercial Fishing and Agriculture Bank.

24 * Sec. 7. AS 42.40.920(b) is amended to read:

25 (b) Unless specifically provided otherwise in this chapter, the
26 following laws do not apply to the operations of the corporation:

27 (1) AS 19;

28 (2) AS 30.15;

29 (3) AS 35;

1 (4) AS 36.30, except as specifically provided in that
2 chapter;

3 (5) AS 37.05, except as provided in AS 37.05.285;

4 (6) AS 37.07;

5 (7) AS 37.10.010 - 37.10.060;

6 (8) AS 37.10.085;

7 (9) AS 37.20;

8 (10) AS 37.25;

9 (11) AS 38;

10 (12) AS 44.62.040 - 44.62.320.

11 * Sec. 8. This Act does not apply to contracts entered into before
12 July 1, 1988.

13 * Sec. 9. This Act takes effect July 1, 1988.
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STATE OF ALASKA
1988 LEGISLATIVE SESSION

(1.1) HB 422

BILL VERSION: HB 422
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An act..payments for purchases.. Fishing & Agr Bank..municipalities.."
Sponsor: Donley & Gruenberg
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 Blasman, Deputy Director Phone: 465-4750
Division: Municipal & Regional Assistance Date: 3/14/88
Approved by Commissioner: David G. Poffus Date: 3-14-88
Agency: Community & Regional Affairs

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



Alaska State Legislature

House of Representatives

Committee on Community & Regional Affairs

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

TO: Rep. Henry Springer, Chairman HCRA

FROM: David C. Harrison, P.A., HCRA

REVIEW:

HB 422 "An Act relating to payments for purchases by public corporations of the state, the Alaska Commercial Fishing and Agriculture Bank, school districts, and municipalities; and providing for and effective date." Sponsors: Donley and Gruenberg

*Section 1. AS 14.03 is amended to read by adding a new section to read:

Sec. 14.03.085 PAYMENTS FOR PURCHASES. Payments for purchases by a school district are subject to the requirements applicable to state agencies under AS 37.05.285 (a) - (d) and 37.05.285(f)(1) - (2).

Comment: Present state statutes require agencies of the state to pay contractors on time or pay the contractor interest on the outstanding balance after 30 days. AS 37.05. and related sections of the law are attached. HB 422 would require school districts, municipalities to do likewise.

*Sec. 2. AS 14.08.101 is amended to read:

Sec. 14.08.101 POWERS. A regional school board may
(1) sue and be sued;
(2) contract with the department, the Bureau of Indian Affairs, or another school district, agency, or regional board for the provision of services, facilities, supplies or utilities;

(3) determine its own fiscal procedures including but not limited to policies and procedures for the purchase of supplies and equipment; except as provided by AS 14.03.085, (refers to the above new section as added) the regional school boards are exempt from AS 37.05 (Fiscal Procedures Act) and AS 36.03 (State Procurement Code).

Comments: Sec. 2. AS 14.08.101 provides general recognized legal conditions relating to contractual relations of school boards. On line 3 through line 25 page 2 of HB 422 item 4 through (10) provides for conditions relating to contractual

relations between contractors and the school district. Legal staff member who wrote up this bill indicated that section relating to contractual relations with school boards should be spelled out in law. Also certain sections of the present statutes should be amended regarding payments for purchases as it relates to school districts and municipalities.

*Sec. AS 29.10.100 is amended by adding a new paragraph to read: (49) AS 29.71. (payments for purchases)

Sec. 4. AS 29.71 is amended by adding a new section to read:

Sec. 29.71.040 PAYMENTS FOR PURCHASES. Payments by a municipality are subject to the requirement applicable to state agencies under AS 37.05.285(a) - (d) and 37.05.285(f)(1) - (2). This section applies to home rule and general law municipalities. When applying AS 37.05.285(a) - (d) and 37.05.285(f)(1) - (2) to a municipality.

Comment: Specifically spells out municipalities being required to abide by present purchase payments required of the State of Alaska. The rest of this section relates to payments as considered and defines "state agency"

It is possible that Alaska Railroad Corporation and Alaska Commercial Fishing and Agriculture Bank should not be included within this bill. This bill specifically spells out school districts and municipalities under state law. Sec.

6. AS 42.40.920.(b) is amended to read:

(b) Unless specifically provided otherwise in this chapter, the following laws do not apply to the operations of the corporation:

Comment: It is evident that some of the provisions of state laws regarding state agencies purchase payments requirement would not apply to municipalities or school districts as given or spelled out in HB 422. Authors of this bill feel it is important to have school districts and municipalities pay their contractors in timely manner and that there is² a definite need for payment of purchases to be done on a uniform basis.

③ HB 422 Sj/CRA
REPRESENTATIVE DAVE DONLEY

ALASKA STATE LEGISLATURE

DISTRICT ELEVEN • SPENARD

NORTHWOOD • SPENARD • THOMPSON • TURNAGAIN • UPPER MIDDTOWN • WINDEMERE

P.O. BOX V, JUNEAU 99811

(907) 465-3892



CHAIRMAN
LABOR AND COMMERCE
COMMITTEE

MEMBER
STATE AFFAIRS COMMITTEE

MAR - 7 1988 HEALTH, EDUCATIONAL
AND SOCIAL SERVICES COMMITTEE

DATE: March 4, 1988
TO: Members of the Community Regional
Affairs Committee
FROM: Representative Dave Donley
SUBJECT: HB 422, An Act Relating to Payments for
Purchases by Municipalities and School Districts

HB 422, would require Municipalities and School Districts to pay for the purchases they make within 30 days or pay interest on the outstanding balance due to the contractor.

Last year this legislative body passed a similar piece of legislation that requires the State of Alaska to pay it's contractors on time or pay the contractor interest on the outstanding balance after 30 days.

With the increasing amount of complaints I have received in my office I felt it was necessary to introduce this piece of legislation. With the economy in the condition that it is it's crucial that we keep the money that is owed to the small business on the "street" rather than in the accounts of some local government. Its not the job for the small business to finance the local governments on the money they are owed.

Its clear and simple, if the money is owed to the small business pay it. Just as they are expected to pay their bills on time so should the local governments they do business with.

If you would like any additional information please don't hesitate to call me or my legislative aide, Mark Begich at 465-3892.

HB 422 Jw / CRA

REPRESENTATIVE DAVE DONLEY

ALASKA STATE LEGISLATURE
DISTRICT ELEVEN • SPENARD
NORTHWOOD • SPENARD • THOMPSON • TURNAGAIN • UPPER MIDTOWN • WINDEMERE

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FEB 18 1988

CHAIRMAN
LABOR AND COMMERCE
COMMITTEE

MEMBER
STATE AFFAIRS COMMITTEE
HEALTH, EDUCATIONAL
AND SOCIAL SERVICES COMMITTEE

DATE: February 9, 1988
TO: Honorable Henry Springer, Chair
House Community and Regional Affairs Committee
FROM: Representative Dave Donley *JD*
SUBJECT: Request for Hearing on HB 422, encouraging Municipalities
and School Districts to Pay for Purchases on Time

I am writing to request that the Community and Regional Affairs Committee schedule a hearing on HB 422, at your earliest convenience.

House Bill 422 encourages Municipalities and School Districts to pay for purchases in a timely manner. Similar legislation is currently in effect for the State of Alaska, requiring interest to be paid to the contractor if the purchaser was more than 30 days late.

In these times it's crucial that we have the money due to the contractor on the "street" working rather than in the governments accounts.

Please contact me or my aide, Mark Begich, at 3892 should you have any questions or need additional information.

H B

429

2/3 D 2/25 call for bu R 2/3 P 4/3 N

BILL PREPARATION/ACTION*

Bill # HB 429 Date Referred: 2/3/88 Out: _____
 Title: Tax Exemption/old Bldgs Removed from Land
 Sponsor: H LEC Referrals: CRA FIN

CONTACTS:*****

Name		
<u>(H) LEC</u> ^{Mark Begich}	<u>backup; send 2/24; 2/25 [3/2]; 2/25 Mark called, Rep will be there; 3/1 CS in SS</u>	<u>3/7 send 2 CS;</u>
<u>DCRA Plasmun</u>	<u>PP FN 2/3; 2/24 [3/2];</u>	
<u>Dave Soulek. City Agr. City of Palmer</u>	<u>745-3271</u>	
<u>Darryl Schaefermeyer. City of Seward.</u>	<u>224 3331 - call for testimony 3/5</u>	

REMARKS:*****

MEETINGS:*****

Date	Action
<u>2/3/88</u>	<u>1st pub. hearing. Harrison & Wolley work on it -> LEC -> back to Com.</u>
<u>3/9/88</u>	<u>not held - (sine) held over till FR1</u>
<u>3/14/88</u>	<u>CS HB 429 (CRA) 3DP 1DNP</u>

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	3-2-88	3:00 p.m.
" "	3-9-88	3:00 p.m.
" "	3-11-88	3:00 p.m.
" "	3-14-88	3:00 p.m.



Official Business

COMMITTEE:

HOUSE COMMUNITY & REGIONAL AFFAIRS

DATE: MON., March 14, 1988

SIGN-IN

Subject of meeting:

HB 429 Tax Exemption/Old Bldgs Removed from Land

~~HB 227 Joint Insurance Arrangements~~

~~*HB 422 Payment for Purchases; Schools/Municip.'s~~

NAME (PLS PRINT)	YOUR TITLE & ADDRESS	PHONE	REPRESENTING	DO YOU WANT TO TESTIFY?
MIKE WARLEY	STATE ASSESSOR DCRA PO BOX 84, JUNO	465-4787	DCRA	YES
Rep Donley				

HOUSE COMMITTEE REPORT

CS
12 HB 429

(5)

Date referred: 2/3/88

FURTHER REFERRALS: Finance

DATE: MAR 14 1988

The Community and Regional Affairs Committee has considered HB 429

"An Act relating to an optional exemption from municipal property taxation."

RECOMMENDS:

replace with CS HB 429 (CRA) the same title
 attached amendment(s) a new title

do pass
 do not pass
 no recommendation
 individual recommendations
 additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

fiscal impact same as previous fiscal note published _____
 zero fiscal note same as previous zero fiscal note published _____
 zero with analysis

SIGNING DO PASS:

[Signature] Collins
[Signature] Cato
[Signature] Springer

SIGNING OTHER RECOMMENDATIONS:

[Signature] ^{Zawacki} - DO NOT PASS
INCREASES LOCAL GOV'T EXPENSE
SPREADS + INCREASES TAX TO ALL OTHER
INDIVIDUALS.

Springer

[Signature]
Chairman's signature

STATE OF ALASKA
1988 LEGISLATIVE SESSION

13 HB 429 CS

BILL VERSION: CS HB 429
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An act..optional exemption from
municipal property taxation."
Sponsor: Labor & Commerce Committee
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 William Plasman, Deputy Director
Division: Municipal & Regional Assistance

Phone: 465-4750

Date: 3/9/88

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

Date: 3-9-88

Distribution (by preparer):

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

(14) CS#B429

Original sponsor: Labor & Commerce Committee

1 IN THE HOUSE

BY THE COMMUNITY AND REGIONAL
AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 429 (C&RA)

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 an optional exemption from munic-
7 ipal property taxation."

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

9 * Section 1. AS 29.45.050 is amended by adding a new subsection to
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11 (1) A municipality may by ordinance exempt or partially exempt
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14 removal occurs after June 1, 1988; and (3) the removal includes a
15 residence or commercial structure that has been in place more than 30
16 years. An exemption under this subsection may remain in effect for no
17 more than five years and only while the property remains vacant.
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19
20
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22
23
24
25
26

1.4 HB 429
(without historical)

5-1668X
Cook
3/7/88

Original sponsor: Labor & Commerce Committee

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 429 ()

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

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17 more than five years and only while the property remains vacant.

18
19
20 *adopted*
21 *1.4*
22 *3/14/8*
23
24
25
26
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28
29

(11) HB 429

REPRESENTATIVE DAVE DONLEY

ALASKA STATE LEGISLATURE
DISTRICT ELEVEN • SPENARD
NORTHWOOD • SPENARD • THOMPSON • TURNAGAIN • UPPER MIDTOWN • WINDEMERE

P.O. BOX V, JUNEAU 99811
(907) 465-3892



CHAIRMAN
LABOR AND COMMERCE
COMMITTEE

MEMBER
STATE AFFAIRS COMMITTEE
HEALTH, EDUCATIONAL
AND SOCIAL SERVICES COMMITTEE

DATE: March 14, 1988
TO: Representative Springer, Chair
House Community and Regional Affairs Committee
FROM: Representative Dave Donley
SUBJECT: CSHB 429, Response to David McCabe Letter

In reviewing the letter that Mr. David McCabe sent to your committee I feel that each of his concerns have been addressed in the committee substitute that you have before you.

Specifically in response to his concerns I have listed the questions and statements he made in his letter with the appropriate response:

1. A thirty-five year old shed is removed, and a million-dollar farm is off the tax rolls for tens years.

Answer: On line 12 you will find the word "completely". The reason this was added to ensure the example he brought up could not occur. If a property owner would like to get an exemption they must have all the improvements removed.

2. Penny's buys the Alaska Statebank building, incorporates it with the store by a replat, removes the building and Pennys is home free for the next ten years.

Answer: On line 12 using the word "completely" once again will protect this from happening. Once the replat is done the property will once again have improvements on it, thus losing its exemption.

3. A thirty year old house is placed on and then removed from six lots in a row (or twenty) in a carefully orchestrated and documented progression, and six (or twenty) lots take a ten year vacation.

Answer: On line 14 we have used the words "in place" to prevent this from happening. If the structure has not been " in place" on the same lot for more than thirty years it will not qualify.

4. Downtown Fairbanks, from Third Avenue to Airport Road, is leveled except for a few recent structures, and looks like Hiroshima The Morning After. Graehl is a cabbage-patch and Lemeta a pasture.

Answer: I'm not sure if there is a answer for this question. I believe he has made a statement of his concern that we will leave municipalities leveled if we allow this exemption. I don't think we will need to worry about this for one main reason local governments will have control on the enactment of the law and control over its use.

5. One man's new parking lot is tax free, and his neighbor's parking lot is assessed at a higher mill rate to make up for the loss. First man has a ten year advantage over the second in his operation. What is more, the first man can sell his parking lot for more money because it costs less to own.

Answer: We had recognized this problem along with the Department of Community and Regional Affairs and recommended the changes that you see on line 13 of the second CS for HB 429 (referred to in you packets as 1.3 or work draft 5-1668L, this is different then the CS you have adopted).

Mr. McCabe also had a few other concerns in the last half of his letter concerning the use of the word "improvement" and why can't local governments use the enforcement of the nuisance ordinance to have these structures removed.

The word improvement has an implied meaning, its a term that is used in the appraisal industry and also with the municipal assessors to define any taxable structure.

Regarding the enforcement of a nuisance ordinance. Not all municipalities have such ordinance's and the intent of this legislation is to have local governments work with the community to remove these types of properties not work in conflict with each other.

I hope that this memo answer the concers Mr. McCabe has brought to your attention. If there is any additional questions please feel free to conact me.

DAVID T. MCCABE

REAL ESTATE APPRAISER

920 WEST 6TH AVENUE

ANCHORAGE, ALASKA 99501

(907) 272-6633

MARCH 5, 1988

Labor & Commerce Committee;
Community & Regional Affairs Committee;
Finance Committee;
Alaska House of Representatives,
Juneau, Alaska.

This is written in comment on House Bill 429, an Optional Exemption From Municipal Property Taxation.

There is more mischief in this bill than in a tree full of monkeys, and more disruption than a cyclone. The precise aim of the bill is not apparent from the information I have, but apparently it is to encourage the removal of old and obsolete structures and so reduce the effects of overbuilding.

The actual effects of this legislation would be heavy shifts in the property tax burden, compensation to property owners unrelated to the value of the improvements removed or their obsolescence or their oversupply, disruption of neighborhoods, thwarting the intent of zoning and development plans, and much else.

One can imagine some of the scenarios:

1. A thirty-five year old shed is removed, and a million-dollar farm is off the tax rolls for ten years. (line 14)
2. Penney's buys the Alaska Statebank building, incorporates it with the store by a replot, removes the building--and Penneys is none free for ten years. (line 12)
3. A thirty-year old house is placed on --and then removed from-- six lots in a row (or twenty) in a carefully orchestrated and documented progression, --and six (or twenty) lots take a ten-year vacation. (line 14)
4. Downtown Fairbanks, from Third Avenue to Airport Road, is levelled except for a few recent structures, and looks like Hiroshima The Morning After. Graehl is a cabbage-patch and Lemeta a pasture. > (line 12)
5. One man's new parking lot is tax free, and his neighbor's parking lot is assessed at a higher mill rate to make up for the loss. First man has a ten-year advantage over the second in his operation. What is more, the first man can sell his parking lot for more money because it costs less to own. (line 13)

These examples are only superficially facetious. The ingenuity of man would produce all of these and many more. There are other problems: in many communities the record of a property's age are not accurate. The statute may not define "improvement" clearly enough.

There is no connection between the size, value, relative abundance of

(9) HB 429

sp / CRA

1.2 HB429

5-1668B
Cook
3/2/88

Original sponsor: Labor & Commerce Committee

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 429 ()
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - SECOND SESSION
5 A BILL

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12 from taxation real property from which all improvements are completely
13 removed if the removal (1) occurs after June 1, 1988; (2) includes a
14 residence that has been in place more than 30 years; and (3) is ap-
15 proved by the local historical district commission or entity designat-
16 ed to serve as the commission under AS 29.55.010 or, if no local
17 commission exists and no designation has been made, by the office of
18 history and archaeology, division of parks, Department of Natural
19 Resources. An exemption under this subsection may remain in effect
20 for no more than 10 years and only until a new improvement is con-
21 structed on the property or a trailer or mobile home used as a resi-
22 dence is placed on the property.

23
24 adopted 3/7
25 recinded
26 3/14/88

(1.3) HB 429
(with historical)

5-1668L
Cook
3/7/88

Original sponsor: Labor & Commerce Committee

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15 commercial structure that has been in place more than 30 years; and
16 (3) is approved by the assessor after consulting with the local his-
17 torical district commission or entity designated to serve as the
18 commission under AS 29.55.010 or, if no local commission exists and no
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21 under this subsection may remain in effect for no more than five years
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(9) HB 429

SP / CRA

House Bill 429

DAVID T. MCCABE

REAL ESTATE APPRAISER

920 WEST 6TH AVENUE
ANCHORAGE, ALASKA 99501
(907) 272-6633

MARCH 5, 1988

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There is no connection between the size, value, relative abundance of

House Bill 429

the "improvement", or the cost of removal, on one hand, and the size of the benefit removal would confer on the property owner, on the other.

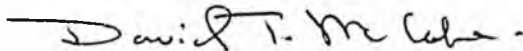
Legislators need not pass this bill to imagine the resentment of all the unbenefited taxpayers.

It should also be noted that not all old buildings are unsound, and some of the newest buildings are obsolete because of size, layout, function, or location. This bill would encourage the removal of sound functional older structures, but would tend to preserve newer problem buildings.

In short, House Bill 429 is a perfect illustration of my father's famous dictum that "There's a Problem for Every Solution." It is clearly a "Don't Pass."

Municipalities can handle any problems of substandard structures through enforcement of nuisance ordinances. They can also pay for or subsidize removal or improvements by specific direct subsidies, if they feel that is in the public interest. That way the expense to the general public would be in relation to the cost of benefiting the same public.

Yours very truly,


David T. McCabe

⑪ HB 429

REPRESENTATIVE DAVE DONLEY

ALASKA STATE LEGISLATURE
DISTRICT ELEVEN • SPENARD
NORTHWOOD • SPENARD • THOMPSON • TURNAGAIN • UPPER MIDTOWN • WINDEMERE

P.O. BOX V, JUNEAU 99811
(907) 465-3892



CHAIRMAN
LABOR AND COMMERCE
COMMITTEE

MEMBER
STATE AFFAIRS COMMITTEE
HEALTH, EDUCATIONAL
AND SOCIAL SERVICES COMMITTEE

DATE: March 14, 1988
TO: Representative Springer, Chair
House Community and Regional Affairs Committee
FROM: Representative Dave Donley
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#	Date In	Doc. Type	Date	Subject	DESCRIPTION	From	Copied	Init
①	2-6-8	Bell	2-3-8	Bill HB 429		Don	✓	3
①.1	3-1	FN	3-1	DCRA FN				
②	2-24-8	Memo	-	HLC				
③	2-24-8	Statute		Current Statutes				
④	2-24	Review		Bill Review				
⑤	2-1	W.D. CS	2/29	Work Draft of CS on SS				
⑥	3/2	LTR	3/2	Obj. - Cole				
⑦	3/2			PL				
①.2	3/2	C.S. ^{W.D.} _{hand}		final CS W.D. 5-1668 B				
A	3/2	WR						
①.3	3/7	CS-	3/7	5-1668L with historical				
①.4	3/7	CS	3/7	5-1668X w/o "				
⑧	3/7	POM	3/1/8	Guy Cunney				
B	3/2	MIM						
⑧								
①.5	3/8	FN		CS HB 429				
①.6	3/8	PP		CS HB 429				
⑨	3/11	LTR	3/11	to LHC Com from McCabe				
⑩	3/11	insert		Public Acts				
⑪	3/14	Memo	3/14	Denley resp to McCabe				
⑫	3/14	CRpt		Com Rpt.				
⑬	3/14	CS FN		DCRA				
⑭	3/14	CS		CS HB 429 (CRA) 3DP 1 DNP				

ORANGE

⑧ = Distributed, all files

⑩ = Master, Backup, Next Com. Files

File Contents

HB 429 - Tax Exemption/Pld Bldgs Removed from Land

<u>No.</u>	<u>Description</u>
1.	Bill - HB 429
1.1	Zero Fiscal Note - DCRA
1.2	CS #5-1668B, Cook, 3/2/88
1.3	CS #5-1668L (with historical)
1.4	CS #5-1668X (without historical)
1.5	Zero Fiscal Note - DCRA (for CSHB 429)
1.6	Position Paper - DCRA (for CSHB 429)
2.	Memo - HL&C
3.	Current Statutes
4.	Bill Review - Harrison (HCRA Staff)
5.	CS Work Draft HB 429, 5-166B, Cook, 2/29/88
6.	Letter - from Cole
7.	Internal Revenue Code
8.	POM - Curney

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: CS HB 429
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An act..optional exemption from
municipal property taxation."
Sponsor: Labor & Commerce Committee
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: 3/9/88

Approved by Commissioner: [Signature]
Agency: Community & Regional Affairs
Date: 3-9-88

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

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

1.6 CS HB 429

STEVE COWPER, GOVERNOR

- P.O. BOX B
JUNEAU, ALASKA 99811-2100
PHONE: (907) 465-4700
- 949 E. 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508-4302
PHONE: (907) 563-1673

March 9, 1988

POSITION PAPER

RE: CS for House Bill 429

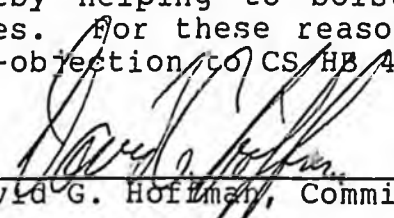
SPONSOR: Labor and Commerce Committee

Departmental Position: Non-objection

Comments

The Department has worked with legislative staff and resolved any serious concerns we had with House Bill 429. At this juncture, we see both positive and negative facets within the concept of the bill. On the negative side, we can see that the administration of the proposed exemption would create some problems for municipalities, and that any exemption granted would narrow a municipality's tax base and shift the tax burden to all remaining taxpayers. Our position regarding such concerns is that if the benefits accruing to a community as a result of granting exemptions of the type contained in CSHB 429 are greater than the cost to the taxpaying public of shifting the tax burden and administering the exemptions, they should be granted.

We think it is reasonable to assume the benefits afforded by the bill could prove to offset those concerns. The bill could provide for blighted areas of certain municipalities to be substantially improved, and, at the same time, cause the removal from the rental and sales marketplace of structures which at the present time are overabundant, thereby helping to bolster the real estate market in some communities. For these reasons, the Department has taken a position on non-objection to CS HB 429.



David G. Hoffman, Commissioner

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An act relating..optional exempt-
ion from municipal property taxation"
Sponsor: Labor & Commerce Committee
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: 3/17/88
Approved by Commissioner: *David C. Hoff* Date: _____
Agency: Community & Regional Affairs

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

② HB 429

HOUSE LABOR AND COMMERCE COMMITTEE

ALASKA STATE LEGISLATURE

Chairman - Representative Dave Donley

P.O. BOX V, JUNEAU 99811

(907) 465-3892



HB 429 (sponsored by the Labor and Commerce Committee)

"AN ACT RELATING TO AN OPTIONAL EXEMPTION FROM MUNICIPAL PROPERTY TAXATION"

HB 429 gives local governments the ability to determine if they would like to give a full or partial property tax exemption for property owners that remove unsafe, deteriorating buildings with no historical value from their property.

The buildings must be at least 30 years or older. The exemption would only last as long as the land was not developed or up to 10 years.

The local governments would decide by ordinance the guidelines of the program.

④ HB 429



Alaska State Legislature

House of Representatives

Committee on Community & Regional Affairs

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

TO: Rep. Henry Springer, Chairman HCRA Mar. 2, 1988
FROM: David C. Harrison, P.A., HCRA *DCH*
SUBJECT: Bill Review - HB 429
"An Act relating to an optional exemption from municipal property taxation." [H L&C Committee]

*Section 1. AS 29.45.050 is amended by adding a new subsection to read:

(1) A municipality may by ordinance exempt or partially exempt from taxation real property from which an improvement that is more than 30 years old has been removed if the removal occurs after June 1, 1988. An exemption under this subsection may remain in effect for no more than 10 years and only until a new improvement is constructed on the property.

COMMENTS: This is one more type of exemption whereby municipalities may exempt or partially exempt certain "conditional" property that would need to be torn down and replaced. If removed under municipal exemption the land property tax payments may be lowered until such a time as the property is improved structurally.

It is not known just what costs would be involved to the municipality through its exemption of such property; however, the municipality could proceed with caution regarding the amount of exemptions for such type of property. The exemption under this subsection may not remain in effect more than 10 years.

5 (Draft new) Detl

It is more likely that this type of legislation would encourage owners to remove old type property rather than let it sit around and remain in condition as stated herein.

5 HB 429

5-1668B ✓

Cook
2/29/88

Original sponsor: Labor & Commerce Committee

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 429 ()

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 an optional exemption from munic-
7 ipal property taxation."

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

9 * Section 1. AS 29.45.050 is amended by adding a new subsection to
10 read:

11 (1) A municipality may by ordinance exempt or partially exempt
12 from taxation real property from which an improvement that is a resi-
13 dence and has been in place more than 30 years is removed if the
14 removal (1) occurs after June 1, 1988; and (2) is approved by the
15 local historical organization or, if no local organization exists, by
16 the office of history and archaeology, division of parks, Department
17 of Natural Resources. An exemption under this subsection may remain
18 in effect for no more than 10 years and only until a new improvement
19 is constructed on the property.
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⑥ HB 429

MAR -2 1968

1:00 pm

Members of the Alaska State Legislature:

I strongly oppose the amending of HB#429 "An Act Relating to an Optional Exemption from Municipal Property Taxation," by the addition of a new subsection, within Section 1. AS 29.45.050. This subsection reads: "(L) A municipality may by ordinance exempt or partially exempt from taxation real property from which an improvement that is more than 30 years old has been removed if the removal occurs after June 1, 1988. An exemption under this subsection may remain in effect for no more than 10 years and only until a new improvement is constructed on the property."

This subsection, as written, encourages property owners to destroy structures which may be significant in International, National, State or local history and thus to destroy Alaska's heritage. Property owners should be encouraged, rather, to restore local historic landmarks for adaptive reuse so these structures can be eligible for Federal tax breaks, loans, and grants.

I would support the measure if it were amended to read - "A municipality may be ordinance exempt or partially exempt from taxation real property from which an improvement that is more than 30 years old and that has been determined, by the State Historic Preservation Officer, to have NO significance in International, National, State or local history, has been removed if the removal occurs after June 1, 1988. An exemption under this subsection may remain in effect for no more than 10 years and only until a new improvement is constructed on the property."

Thank you for your consideration of this very important matter.

Victoria A. Cole, Chief
Division of Cultural Resources
Matanuska-Susitna Borough

DCM ✓
SPV / CRA
⑧ HB 429
PUBLIC OPINION MESSAGE

DEAR: REPRESENTATIVE SPRINGER

NAME: GREG CURNEY
TITLE: .
ADDRESS: 1200 I STREET, #416
CITY: ANCHORAGE ZIP: 99501
PHONE: 272-3758

BILL NO: HB 429

SUBJECT: TAX EXEMPTION/OLD BLDGS REMOVED FROM LAND

MESSAGE: HB 429 CREATES AN INEQUITABLE TAX SYSTEM AND PLACES AN UNFAIR BURDEN ON OWNERS OF UNQUALIFYING PROPERTY. THIS BILL WILL ERODE THE TAX BASE PARTICULARLY OF SMALL, OLDER COMMUNITIES AND WILL RESULT IN THE UNCONTROLLED DESTRUCTION OF ALASKA'S HISTORIC BUILDINGS MOST OF WHICH ARE NOT IDENTIFIED OR LISTED.

POHID: 03131313
DATE: 03/01/88
TIME: 13:13:13
LIONAME: ANCHORAGE L10

COPIES: REPRESENTATIVES

BOUCHER
CATO
COLLINS
DAVIDSON
DONLEY
ELLIS
FURNACE
HERRMANN
KOPONEN
MENARD
ZAWACKI

MAR - 2 1988

⑨ HB429

1980

PUBLIC ACTS 1980—No. 450

Conditional effective date.

Section 2. This amendatory act shall not take effect unless Senate Bill No. 1216 of the 1980 regular session of the legislature is enacted into law.

This act is ordered to take immediate effect.

Approved January 15, 1981.

Compiler's note: Senate Bill No. 1216, referred to in Section 2, was approved by the Governor on January 15, 1981, and became P.A. 1980, No. 450, Imd. Eff. Jan 15.

T.I.F.

[No. 450]

AN ACT to prevent urban deterioration and encourage economic development and activity and to encourage neighborhood revitalization and historic preservation; to provide for the establishment of tax increment finance authorities and to prescribe their powers and duties; to authorize the acquisition and disposal of interests in real and personal property; to provide for the creation and implementation of development plans; to provide for the creation of a board to govern an authority and to prescribe its powers and duties; to permit the issuance of bonds and other evidences of indebtedness by an authority; and to permit the use of tax increment financing.

The People of the State of Michigan enact:

125.1801 Definitions. [M.S.A. 3.540(201)]

Sec. 1. As used in this act:

- (a) "Authority" means a tax increment finance authority created pursuant to this act.
- (b) "Authority district" means that area within which an authority shall exercise its powers and within which 1 or more development areas may exist.
- (c) "Board" means the governing body of an authority.
- (d) "Chief executive officer" means the mayor or city manager of a city, the president of a village, or the supervisor of a township.
- (e) "Development area" means that area to which a development plan is applicable.
- (f) "Development area citizens council" or "council" means that advisory body established pursuant to section 20.
- (g) "Development plan" means that information and those requirements for a development set forth in section 16.
- (h) "Development program" means the implementation of the development plan.
- (i) "Governing body" means the elected body of a municipality having legislative powers.
- (j) "Municipality" means a city.
- (k) "Public facility" means 1 or more of the following:
 - (i) A street, plaza, or pedestrian mall, and any improvements to a street, plaza, boulevard, alley, or pedestrian mall, including street furniture and beautification, park, parking facility, recreation facility, playground, school, library, public institution or administration building, right of way, structure, waterway, bridge, lake, pond, canal, utility line or pipeline, and other similar facilities and