

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990 8672

5597 HOUSE COMMUNITY & REGIONAL AFFAIRS



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1989-1990

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# Alaska State Legislature

House of Representatives  
Community & Regional Affairs

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STATE OF ALASKA  
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 26, 1989

SUBJECT: Sectional summary of HB 1  
TO: Representative Eileen MacLean  
FROM: Tamara Brandt Cook *TBC*  
Director  
Division of Legal Services

Sec. 1. Requires the Local Boundary Commission to conduct a boundary study of the unorganized borough. LBC may submit proposals for annexation compatible with the boundary study to the legislature and may also submit proposals for incorporation of boroughs during the first 10 days of the First Regular Session of the Seventeenth Legislature.

Sec. 2. By January 1, 1990 the Department of Community and Regional Affairs is required to prepare a provisional home rule charter for boroughs incorporated under this Act. The voters of a region scheduled for incorporation may petition for an amendment to the provisional charter for that new borough.

Sec. 3. The director of elections is required to hold an election of initial borough officials in each borough scheduled for incorporation. Any proposed amendments to the provisional charter are also to be submitted to the voters.

Sec. 4. A region is incorporated as a home rule borough on the first Monday following certification of the election.

Sec. 5. A committee on municipalities is established in the department to consider means to eliminate or reduce disincentives and enhance incentives for borough formation. It must submit a report to the Seventeenth Legislature within the first 10 days of the First Session.

Sec. 6. Provides and effective date.

TBC:kb  
wkk4/050

# Alaska State Legislature



Session Address:  
STATE CAPITOL BUILDING  
BOX V  
JUNEAU, ALASKA 99801  
(907) 465-3727

Interim Address:  
BOX 53  
PALMER, ALASKA 99645  
(907) 745-3826 - Palmer  
(907) 376-8628 - Wasilla

Representative Ronald L. Larson  
District 16B

TO: Members of the House Community and Regional Affairs Committee

FROM: Representative Ronald L. Larson R.L.

SUBJ: Summary of House Bill 1

DATE: January 10, 1989

Once again, I have introduced House Bill 1, legislation dealing with borough organization in the Unorganized Borough. As you can see, however, the legislation is substantially different from the House Bill 1 I introduced during the Fifteenth Legislature.

Most importantly, unlike the original House Bill 1, the bill does not mandate borough formation for the entire Unorganized Borough. Rather, it mandates the Local Boundary Commission to conduct a study of the Unorganized Borough to determine which areas should be annexed to existing boroughs or unified municipalities, which should be incorporated as new boroughs, and which should remain in the Unorganized Borough. In completing the study the Commission is required to consult with existing municipalities, regional attendance areas, and coastal resource service areas and to hold at least one public hearing in each area it determines to be suited for annexation or borough formation.

The legislation directs the Local Boundary Commission to submit its recommendations to the legislature during the first 10 days of the First Regular Session of the Seventeenth State Legislature (i.e., January, 1991). The legislature would then have 45 days to act on each recommendation for annexation and borough formation by concurrent resolution of disapproval. If the legislature fails to act on any one recommendation, it would stand as approved by implied consent.

The bill also stipulates that each new borough be incorporated as a Home Rule Borough operated consistent with a provisional home rule charter prepared by the Department of Community and Regional Affairs. (The former House Bill 1 called for the formation of third class boroughs.) It provides means for local voters to amend the provisional charter as well as a process for electing borough officials.

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The new boroughs would be incorporated in October of 1991, but borough officials would have up to two years to assume full powers and functions associated with a borough.

Finally, the legislation would establish a "Committee on Municipalities" in the Department of Community and Regional Affairs "to consider means to eliminate or reduce the disincentives and [to] enhance incentives for the formation of boroughs" and "to consider ways to ensure greater equity in the distribution of financial aid to municipalities." The committee would submit its report of findings and recommendations to the legislature during the first 10 days of the First Regular Session of the Seventeenth Legislature.

The legislation is based largely on the "Statement on Borough Government in Alaska" authored by the State of Alaska Local Boundary Commission. I enclose as part of this packet a copy of that statement for your review.

I am prepared to answer any of your questions regarding House Bill 1 or borough organization in general.

**DEPT. OF COMMUNITY & REGIONAL AFFAIRS**

**OFFICE OF THE COMMISSIONER**

April 27, 1989

POSITION PAPER

- P.O. BOX B  
JUNEAU, ALASKA 99811-2100  
PHONE: (907) 465-4700
- 949 E. 36TH AVENUE, SUITE 400  
ANCHORAGE, ALASKA 99508-4302  
PHONE: (907) 563-1073

RE: HOUSE BILL NO. 1 "An Act relating to the incorporation of boroughs, to annexation of certain areas, and to the committee on municipalities, and providing for an effective date".

SPONSOR: Representative Larson

Program Effects of Bill

Section 1 of the bill requires the Local Boundary Commission (LBC) to conduct a study of the unorganized borough to determine: 1) which regions (if any) satisfy standards for incorporation of boroughs, and 2) which regions (if any) should be annexed to existing boroughs and unified municipalities.

In carrying out the study, the LBC is required to consult with existing municipalities, regional educational attendance areas and coastal resource service areas. The LBC must also conduct at least one hearing in each region found to meet the standards for borough formation and in each area which the commission determines should be annexed to an existing borough or unified municipality.

Under the bill, the LBC is authorized to submit to the legislature any proposal for the incorporation of a borough in a region found to satisfy standards for borough formation. Such proposals must be submitted during the first 10 days of the First Regular Session of the 17th Alaska State Legislature. Any proposal not disapproved by a concurrent resolution adopted by a majority of the members of each house within 45 days from the date of receipt would be approved. Current law permits the LBC to submit recommendations to the legislature in a like manner for annexations to boroughs and unified municipalities.

Section 2 requires the department to prepare a provisional home rule charter for boroughs to be incorporated under the legislation. The charter would provide that the boroughs exercise only those powers required by law (education, planning and taxation (the latter, only to the extent necessary to support local services)).

Voters in a region scheduled for incorporation would be allowed to propose amendments to the provisional charter. Such proposed amendments would be decided at the incorporation election.

Section 3 provides that elections be conducted by the State for the election of initial officials and for proposed charter amendments for each borough to be formed under the Act. The elections must be conducted by the first Tuesday in October 1991.

Section 4 provides that boroughs formed under the legislation are formally incorporated on the first Monday following certification of the election. This section also expressly provides that statutes allowing up to two years for transfer of powers exercised by cities and service areas applies to boroughs formed under the legislation. Further, these boroughs would be entitled to organizational grants in the amount of \$600,000 each and other types of transitional assistance.

Section 5 provides for the creation of a "committee on municipalities" within the department. The committee is to consider 1) means to eliminate or reduce disincentives and enhance incentives for the formation of boroughs and 2) ways to ensure greater equity in the distribution of financial aid to all municipalities.

The committee would be comprised of eight members consisting of the Commissioners of the departments of Community and Regional Affairs, Education, and Revenue (or their designees); the Chairman of the LBC, and the following individuals appointed by the Governor: a member of the Senate, a member of the House of Representatives, an employee or official of a borough or unified municipality with a population of less than 10,000 and an employee or official of a borough or unified municipality with a population of 10,000 or more.

The committee must report its findings to the legislature during the first 10 days of the First Regular Session of the 17th Alaska State Legislature. The committee terminates upon submission of its report.

Section 6 provides that the legislation take effect immediately.

#### Comments

Recent accounts (e.g., Anchorage Daily News "People in Peril" series and the Alaska Federation of Natives report) have clearly delineated the growing social and economic crisis in rural Alaska. In part, these problems stem from the feeling of helplessness and frustration resulting from the lack of control people in rural Alaska, particularly Native Alaskans,

have over their lives. The greater part of rural Alaska remains in the unorganized borough. While the State has assumed the role of local government for the unorganized borough, mechanisms for local control and input on decisions affecting residents of the unorganized borough are often ill defined or inadequate.

At the direction of the Legislature, the department undertook a study of issues in 1987 relating to regional service delivery throughout the State. Since then, the department has also been conducting borough feasibility studies in ten different regions of the State which make up approximately two-thirds of the unorganized borough.

As a consequence of this work, the department has concluded that the creation of regional governments, specifically home rule boroughs, offers an effective means of improving the quality of lives of rural Alaskans. For example, the formation of boroughs would enhance:

1. Local Control. Home rule boroughs provide the most effective way to transfer power to local residents. Decisions about local issues are made by the local assembly which has been elected by local residents, rather than well meaning, but distant bureaucrats. Further, empowerment at the local level may be realized through the transfer to the borough of various State functions accompanied by associated funds.
2. Cultural Sensitivity. Of any form of municipal government, home rule boroughs permit the greatest degree of cultural sensitivity to traditional institutions and values. For example, a home rule charter could provide for local native councils to serve as advisory boards, service area management boards, etc. Such boroughs could also provide for greater local control of education than under other institutional arrangements. Home rule charter provisions may mandate locally relevant curriculums.
3. Local hire and economic development. The transfer of powers and duties (accompanied by funds to enable the borough to carry out such powers and duties), coupled with effective local hire provisions, would provide new jobs for rural Alaskans. Public employment is the largest provider of jobs in rural Alaska. Local governments are not bound by State registers or personnel systems. Similarly, local hire provisions and minority contracting policies not suitable at a statewide level often can be developed and adopted at a regional level. In this manner, home rule boroughs may serve as instruments of local hire and economic development.

4. Response to alcohol abuse. Home rule boroughs could provide a mechanism for a regional response to the problem of alcohol abuse. Regional governments could provide for a comprehensive approach to alcohol control and treatment throughout a region, not simply in individual communities. Such efforts could include coordination of law enforcement efforts of state and local authorities, coordinated cooperation with the judicial system, and pursuit of state and federal funding opportunities on a regional basis.
5. Efficiency of service delivery. The present method of delivering services to the unorganized boroughs does not appear to be particularly efficient. Such services are delivered through more than 200 organizations, many of which operate as single purpose or limited purpose organizations. Home rule boroughs provide a means to lower costs and improve efficiency of government services through improved economies of scale. Many functions which are too expensive, or for which human resources do not exist at the community level, could be provided on a regional basis by circuit riding employees. Better service and increased employment for local residents would be the result.
6. Funding for local services. Recent and expected continued reductions in State revenues have already and will continue to adversely affect the level of funding available for local services. The formation of boroughs will enable regions to tap State, Federal and local revenue sources presently unavailable. It is often possible to develop a structure for the generation of local revenues which minimizes the burden on local residents (e.g., fish tax, bed tax, severance tax, property tax with partial exemption for residential property).
7. Security of regional boundaries. As financial aid from the State continues to decline and other circumstances develop, it is inevitable that existing boroughs will seek to annex portions of the unorganized borough. The Kodiak Island Borough recently successfully annexed a portion of the Alaska Peninsula. The Fairbanks North Star Borough's proposal to annex an area north of its present North Star Borough was narrowly defeated by the Legislature in March of this year. The department is aware of interest by the City and Borough of Juneau and the Matanuska-Susitna Borough to seek annexations in the current year. The Fairbanks North Star Borough may also make another attempt to annex territory. In addition, regions which seek to form new boroughs often include territory which residents

of adjacent regions believe should be rightfully reserved for their use. Such circumstances lead to significant inter-regional conflicts.

These potential benefits notwithstanding, the history of Alaska has clearly shown that residents of the State are unwilling to form boroughs unless there are vastly superior advantages in doing so. Indeed, 96 percent of those Alaskans who reside in boroughs today, live in boroughs which were formed in the 1960's under mandates from the Legislature. The remaining 4 percent of Alaska's borough residents live in boroughs which were formed in areas encompassing vast natural resources capable of supporting boroughs with relatively little cost to the residents.

While significant resources still exist in certain unincorporated regions of the State, there are simply too many disincentives for incorporation under current law to believe that many new boroughs will be formed. Examples of such disincentives are provided in the Statement on Borough Government in Alaska (copy attached) issued last year by the Local Boundary Commission.

House Bill No. 1 has evolved from legislation considered by the 15th Legislature (HB 1, SSHB 1 and 2d SSHB 1). The department offered extensive comments concerning the previous legislation. Most of the previous concerns have been accommodated by the current version of the bill. The following is a statement of the few remaining concerns of the department.

A. Financial Impacts. Economic conditions in rural Alaska are so critical that the department cannot support any action which would result in a loss of financial resources to the unorganized borough. The establishment of regional governments will be supported only if there is no financial penalty for adopting the borough form of government. For this reason, the issue of incentives and disincentives of borough formation must be addressed before the formation of new boroughs.

B. Schedule. With the current legislative session coming to an end, it seems that the earliest this bill will be acted upon is next year. The requirement that the work of the LBC and the Committee on Municipalities be submitted to the First Session of the 17th Legislature means that there would be less than one year to undertake this important work. The department believes that a minimum of two to three years would be necessary to complete this effort. A conceptual plan developed by the department for the completion of the boundary study required by Section 1 of the bill is attached.

POSITION PAPER  
HB 1  
PAGE SIX

C. Regions Should Incorporate Voluntarily. While the department supports the establishment of boroughs, it strongly favors the concept of voluntary boroughs over those created under mandate from the Legislature. Once the Committee on Municipalities has identified changes needed to make boroughs more attractive and viable, and once the LBC has identified regions which meet the standards for borough formation, it is hoped that a number of regions would seek to form boroughs voluntarily. For these reasons, the department recommends that there be no provisions requiring mandatory incorporation.

## CONCEPTUAL PLAN FOR BOUNDARY STUDY

OBJECTIVE: TO IDENTIFY TERRITORY APPROPRIATE FOR ANNEXATION TO EXISTING BOROUGH AND UNIFIED MUNICIPALITIES, AND TO DETERMINE THE BOUNDARIES OF REGIONS IN THE UNORGANIZED BOROUGH WHICH MEET STANDARDS FOR INCORPORATION OF NEW BOROUGH.

STEP ONE: PREPARE A MAP OR MAPS SHOWING THE FOLLOWING:

- All communities in the State
- Major geographic features (rivers, mountain ranges)
- Transportation corridors (highways, air routes, marine routes)
- Boundaries of boroughs and unified municipalities
- Boundaries of ANCSA Regional Corporations
- Boundaries of regional educational attendance areas
- Boundaries of coastal resource service areas
- Boundaries of federal census areas
- Boundaries of military and Indian reservations
- Areas which are culturally interrelated
- Areas which are socially interrelated
- Areas which are economically interrelated
- Traditional land use patterns
- Boundaries of judicial districts
- Boundaries of regional health corporations
- Boundaries of State election districts
- Boundaries of State and federal land use plans
- Boundaries of State and federal parks, wilderness areas, wildlife refuges, recreation areas, preserves, national forests, etc.
- Boundaries of commercial fishing management areas
- The location of the Trans-Alaska Pipeline and all pumpstations

STEP TWO: PREPARE A NARRATIVE STATEMENT DESCRIBING THE MANNER IN WHICH EACH OF THE ABOVE RELATES TO BOROUGH BOUNDARIES.

Some of the above factors have little or no significance to prospective borough boundaries (e.g., judicial districts) while others have great significance. Some means of assigning values to each of these factors should be considered. Too, consideration should be given to the fact that certain of the boundaries will change or are likely to change in the near future (e.g., election districts will be changed following reapportionment in 1991).

STEP THREE: CONDUCT WORKSHOPS IN CONJUNCTION WITH KEY GATHERINGS TO OBTAIN INITIAL INPUT ON BOUNDARIES

These workshops would include 1) the annual local government conference of the Alaska Municipal League; 2) the annual convention of the Alaska Federation of Natives, and 3) the annual convention of the school boards throughout the state.

STEP FOUR: DEVELOP CONCEPTUAL BOUNDARIES

It is possible that the various parties consulted in Step Three may have widely ranging opinions on where tentative borough boundaries should be set. Further, certain of areas of the State may be difficult to place in one region over another. Nonetheless, this step should result in the identification of a single set of prospective boundaries. Where appropriate, secondary choices (i.e., "alternative" boundaries) may be shown.

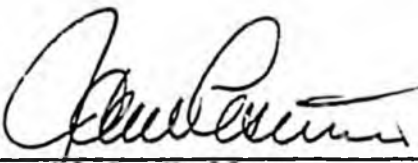
STEP FIVE: PUBLISH MAP(S) OF CONCEPTUAL BOUNDARIES AND NARRATIVE BACKGROUND MATERIAL FOR STATEWIDE DISTRIBUTION.

Publish 5,000 "newspaper-type" publications describing the boundaries and the considerations which went into them. Distribute these materials to each of the 161 municipalities in the state, the 100 or so unincorporated communities, the 4 CRSAs, the 22 REAAs, the ANCSA Regional Corporations and Non-profit corporations. Publish maps in newspapers, do press releases, video tape, etc.

STEP SIX: OBTAIN PUBLIC REACTION TO BOUNDARIES

The LBC would conduct a number of hearings on the conceptual boundaries. Both regional hearings and statewide hearings would be conducted. More than one hearing in each region may be necessary.

STEP SEVEN: FINALIZE PRODUCT

  
For \_\_\_\_\_  
David G. Hoffman  
Commissioner



ALASKA STATE LEGISLATURE  
HOUSE OF REPRESENTATIVES  
RESEARCH AGENCY

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

April 21, 1989

MEMORANDUM

TO: Representative Eileen MacLean

ATTN: Louann Christian

FROM: Karen Oakley *KO*  
Legislative Analyst

RE: Boroughs: Methods to Encourage Their Formation  
Research Request 89.302

You requested an analysis of House Bill 1 and asked what other steps the legislature could take to encourage or facilitate the formation of boroughs.

This memorandum discusses: how existing boroughs were formed; the current and former versions of HB 1 and the effects that HB 1 has already had; and other methods to encourage the formation of boroughs.

In summary:

- Historically, boroughs have been slow to develop by local initiative. Only five of the state's 13 boroughs were formed by local initiative; the others were formed under the Mandatory Borough Act of 1963.
- The introduction of HB 1, which was patterned after the Mandatory Borough Act, has stimulated considerable interest in the formation of boroughs during the last two years. One new borough has already held an incorporation election, and nine borough feasibility studies are underway.
- The legislature could further stimulate interest in borough formation by proposing to institute a tax in the unorganized borough. However, given the current high level of interest, such a step may not be necessary at the present time.
- At this point, the legislature can probably best encourage borough formation by supporting the existing borough studies, revamping the programs that provide aid to local governments, and addressing issues (such as discrepancies in fish tax reporting) that surface during the process of forming the new boroughs.

Representative MacLean  
April 21, 1989  
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### How Existing Boroughs Were Formed

The borough is the form of regional local government in Alaska and was devised by the framers of the Alaska Constitution to provide for

maximum local self-government with a minimum of local government units, and to prevent duplication of tax-levying jurisdictions.<sup>1</sup>

Boroughs are analogous to counties in that boroughs provide areawide government, but unlike counties, boroughs are the only form of areawide government in Alaska, and they alone were delegated the power to levy taxes on an areawide basis.

Deciding that boroughs could not be expected to form immediately upon statehood, and that some rural areas would not be financially or otherwise ready to organize for some years, the framers of the constitution mandated that the state would be divided into boroughs, organized and unorganized. At statehood, the entire state consisted of a single unorganized borough. Since statehood, 13 boroughs have been formed, thereby carving large chunks out of the unorganized borough. These organized boroughs comprise roughly 35 percent of Alaska's land area; approximately 85 percent of Alaska's population lives in these boroughs.

The history of the formation of Alaska's boroughs is summarized in Table 1. To implement the local government article of the constitution, the legislature passed the Borough Act of 1961 which provided for the formation of boroughs under local option. Two years after passage, only a single borough--the tiny Bristol Bay Borough--had formed, and it was obvious that local initiative was not working. There was an increasing demand for local services, particularly in the areas outside cities, an increasing demand for local control of essentially local functions, and perceived needs to equalize tax burdens and to integrate the special service districts (such as the independent school districts) into constitutional forms of local government. These needs provided the impetus for passage of the Mandatory Borough Act.

The Mandatory Borough Act required that the eight most populous regions of the state incorporate as boroughs. Any of the designated regions not incorporated by local option by January 1, 1964 would become boroughs by default on that date. To provide an incentive for incorporation, the legislation provided for grants of both land and money to the new boroughs. By January 1, 1964, four boroughs--the Ketchikan, Sitka, Kodiak and Juneau boroughs--were formed by local option. Incorporation elections failed in the Anchorage, Matanuska-Susitna, Kenai and Fairbanks areas, and these areas became boroughs by default.

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<sup>1</sup>Article 10, Section 1. Alaska Constitution.

TABLE 1

## ALASKA'S BOROUGHs: A HISTORY OF THEIR FORMATION

| BOROUGHs AND HOW THEY WERE FORMED                         | YEAR<br>ORIGINALLY<br>INCORPORATED | CURRENT TYPE<br>OF BOROUGH     | JULY 1, 1987<br>POPULATION |
|---|------------------------------------|--------------------------------|----------------------------|
| <b>FORMED BY LOCAL OPTION UNDER BOROUGH ACT OF 1961</b>   |                                    |                                |                            |
| Bristol Bay Borough                                       | 1962                               | second class borough           | 1,326                      |
| <b>FORMED BY LOCAL OPTION UNDER MANDATORY BOROUGH ACT</b> |                                    |                                |                            |
| Kodiak Island Borough                                     | 1963                               | second class borough           | 14,127                     |
| City and Borough of Sitka                                 | 1963                               | unified home rule municipality | 8,160                      |
| City and Borough of Juneau                                | 1963                               | unified home rule municipality | 29,370                     |
| Ketchikan Gateway Borough                                 | 1963                               | second class borough           | 12,982                     |
| <b>FORMED BY DEFAULT UNDER MANDATORY BOROUGH ACT</b>      |                                    |                                |                            |
| Fairbanks North Star Borough                              | 1964                               | second class borough           | 75,079                     |
| Kenai Peninsula Borough                                   | 1964                               | second class borough           | 43,612                     |
| Metanuska-Susitna Borough                                 | 1964                               | second class borough           | 44,280                     |
| Municipality of Anchorage                                 | 1964                               | unified home rule municipality | 248,263                    |
| <b>FORMED BY LOCAL OPTION SINCE 1964</b>                  |                                    |                                |                            |
| Haines Borough  | 1969                               | third class borough            | 1,991                      |
| North Slope Borough                                       | 1972                               | home rule borough              | 8,308                      |
| Northwest Arctic Borough                                  | 1986                               | home rule borough              | 6,696                      |
| Aleutians East Borough                                    | 1987                               | second class borough           | 2,091                      |

Prepared by the House Research Agency, April 1989 (89.302A).

Since the creation of eight boroughs under the force of the Mandatory Borough Act, only four boroughs have been created by local option. The first of these was the Haines Borough in 1969. In 1972, the North Slope Borough was incorporated to take financial advantage of a world class oil field within its bounds. No boroughs were formed for 14 years. Then, in 1986, the Northwest Arctic Borough was formed due to the impending construction of a world class mine within its bounds. The Aleutians East Borough was formed next, incorporating in October 1987.

Although at this moment there are only 13 boroughs, a 14th borough is expected to be officially incorporated within a couple of weeks. The Lake and Peninsula area near Dillingham just voted to incorporate. As soon as the Division of Elections certifies the results of the election (possibly as soon as May 2), the new Lake and Peninsula Borough will be incorporated.<sup>2</sup>

Thus, borough formation has been, and continues to be, a slow process. Only five of the state's 13 boroughs were formed by local initiative. The four most populous regions of the state (Anchorage, Matanuska-Susitna, Kenai Peninsula, Fairbanks) were forced to organize as boroughs despite local opposition. Four other regions were organized by local option, but only under the threat of the Mandatory Borough Act.

The generally slow development of boroughs and the concomitant equity problems have been of continuing concern to the legislature. Between 1969 and 1979, the legislature considered at least eight bills addressing the organization and financing of regional governments in the unorganized borough. During the period 1979 - 1981, the House and Senate Community and Regional Affairs Committees and the Department of Community and Regional Affairs (DCRA) conducted an extensive study of the "local government" problem, including holding hearings in many villages and contracting with outside experts for reports on various aspects of the problem.<sup>3</sup> Although two regions--the Yukon Flats and the Yukon-Kuskokwim Delta (Association of Village Council Presidents area)--conducted borough formation studies during this period, neither held an incorporation election.

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<sup>2</sup>The incorporation ballot included a measure that would have approved a one percent sales tax in the new borough; voters failed to approve the tax measure. News reports on the election falsely stated that because the tax measure failed, the state would prohibit the borough from incorporating. The state's only opportunity to disapprove of new boroughs is when the Local Boundary Commission reviews the incorporation petition. If the petition is disapproved, no election is held.

<sup>3</sup>The findings of the DCRA study were published in a report entitled "Problems and Possibilities for Service Delivery and Government in the Unorganized Borough," 1981.

Between 1981 and 1987, there appears to have been little interest at the state level in addressing the continuing slow development of boroughs by local initiative. With the introduction of HB 1 in 1987, the stage was set for a replay of many of the same issues and concerns that occupied the 1963 Legislature when it passed the Mandatory Borough Act.

#### House Bill 1

Representative Ron Larson from Palmer is the prime sponsor of HB 1, which was introduced at the beginning of the 15th Legislature. The bill was heard by the House Community and Regional Affairs Committee, and two sponsor substitutes were introduced during 1987 and 1988. The HB 1 under consideration by the 16th legislature is a "stepchild" of the original HB 1 and reflects the work done during the 15th legislature on the bill. Copies of all versions of HB 1 are provided in Attachment A.

The first Sponsor Substitute HB 1, which is the version of the bill that has received the most consideration, was directly analogous to the Mandatory Borough Act. The bill mandated the formation of boroughs from the remaining unorganized borough area by July 1, 1989. The boundaries of the Regional Educational Attendance Areas (REAAs), which are the service areas set up by the legislature to provide for education in the unorganized borough, were to serve as the boundaries of the new boroughs, and the boroughs were to be incorporated as third class boroughs. Third class boroughs exercise only two areawide powers--education and taxation. There is only one third class borough, the Haines Borough, and current statutes prohibit the formation of new third class boroughs.

House Research Agency Report 88-A provided a detailed analysis of SSHB 1, and a copy is provided as Attachment B. This report analyzed the potential revenues and education costs of each of the 21 new boroughs that would have been formed. The report reached an unexpected conclusion:

. . . this analysis of the finances of the proposed boroughs dispels the commonly held notion that borough formation requires substantial sums to be raised locally and that there is a financial disincentive to borough formation. In fact, the converse is true: Under the current laws governing the transfer of State funds to local governments, most areas of the unorganized borough would benefit financially from organization. That some of these areas have not yet organized--despite the financial incentive to do so--suggests either that people are not aware of the financial benefits of organization or that people do not want to organize. Based on this analysis, the generally slow development of boroughs from the unorganized borough should probably be attributed more to sociological than to financial factors.

Representative MacLean  
April 21, 1989  
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At the beginning of the 1988 legislative session, a second sponsor substitute was introduced. This bill pushed the deadline for borough formation back one year to 1990 and changed the boundaries that would be used for the new boroughs and the class of boroughs that would be formed. Under the second sponsor substitute, the Local Boundary Commission (LBC) was required to study what the boundaries of the new boroughs should be, and the new boroughs were to be incorporated as home rule boroughs. The DCRA was given the responsibility of drafting a provisional home rule charter for the new boroughs. House Research Memorandum 88.154, which is provided as Attachment C, analyzes the second sponsor substitute and compares it to the first sponsor substitute.

The current version of HB 1 is similar to the second sponsor substitute considered during the 15th legislature. The current version includes a new section creating a "Committee on Municipalities." This committee, composed of the commissioners of DCRA, Revenue, Education, the chair of the LBC, a member of the House, a member of the Senate, and two representatives of existing boroughs, would be charged with studying the means to eliminate or reduce disincentives to borough formation. The committee would be required to report their findings at the beginning of the 17th Legislature (1991).

In introducing HB 1, Representative Larson hoped to stimulate discussion of and interest in the problems presented by the slow development of boroughs; he did not expect that the bill, as originally written, would pass. As he hoped it would be, HB 1 has been incredibly successful at stimulating interest in and debate about boroughs and their formation; HB 1 is at least partially responsible for the incorporation of the Lake and Peninsula Borough. Most likely, several other boroughs will also be incorporated within the next year or two. Within the past year, the DCRA has been asked by residents from almost all regions within the unorganized borough to prepare borough feasibility studies. According to Dan Bockhorst, with the DCRA, the only areas that have not requested borough feasibility studies are the areas represented by the Southeast Island, Bering Straits, Kuskokwim, and Lower Kuskokwim REAAs. The department expects to finish most of the studies by the end of FY 89. They have just undertaken a study of the Tanana Chiefs Conference region which they expect to complete by December 1989. Attachment D summarizes the status of the borough feasibility studies.

With the great interest in borough government that was stirred up by HB 1, the Local Boundary Commission developed a "Statement on Borough Government," which was adopted at their December 2, 1988 meeting. One of their primary conclusions was that the state programs that distribute aid to local governments need to be modified to ensure that funds are distributed equitably. A copy of this statement is provided as Attachment E.

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### Other Methods to Encourage the Formation of Boroughs

You requested discussion of alternatives to HB 1 as a means to encourage the formation of boroughs. One alternative suggested to you was to create a single borough out of the unorganized borough and to create service areas within this borough for education and other functions. The problem with this proposal is that it basically describes the status quo: the unorganized borough is a single "borough." The legislature, acting as the assembly for this borough, has already created service areas for education--the REAAs--and for coastal management--the coastal resource service areas. The legislature has the power to create other types to service areas as well. For example, we recently analyzed a proposal to provide service areas for solid waste management in the unorganized borough.<sup>4</sup>

The legislature could continue to authorize new types of service areas within the unorganized borough as various needs arise. However, the proliferation of service areas is not entirely consistent with the local government article of the Alaska Constitution. Moreover, the creation of service areas within the unorganized borough, particularly the REAAs, may have actually slowed the development of boroughs. People living within the unorganized borough (outside of first class and home rule cities) have control over their schools but the state continues to pay the entire operating and capital costs of the schools. Under this situation, unorganized borough residents have very little incentive to seek borough formation.

One way that the legislature could stimulate borough formation would be to introduce a bill that would levy a tax within the unorganized borough. (As we have seen with the reaction to HB 1, the simple introduction of a bill proposing to change the status quo can have a major effect.) The legislature, as the assembly for the unorganized borough, has the power to establish a tax in the unorganized borough. Because equity (or rather, the lack of it), particularly in education financing, is the major complaint with the status quo, instituting a tax in the unorganized borough is a logical step. Residents of the unorganized borough would probably react to the tax proposal by seeking to form their own boroughs.

Given the current interest within the unorganized borough in forming boroughs, there is probably no immediate need to further stimulate interest in borough formation by proposing a tax. Some areas in the state are clearly capable of supporting a borough government, and these areas will most likely be incorporated within the next year or two. There are other areas that are not ready to undertake formation of a borough government, and these areas may remain unorganized for several more years.

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<sup>4</sup>See House Research Memorandum 89.090, "Options for Regional Garbage Collection and Disposal Services in the Unorganized Borough," provided as Attachment F.

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At this point, the legislature can probably best encourage borough formation by the following means:

- continue consideration of HB 1;
- continue to provide funds to the DCRA to prepare borough feasibility studies;
- undertake a comprehensive evaluation of the formulas for state aid to municipalities, as recommended by the LBC; and
- closely monitor and react as necessary to the particular issues that arise in the process of forming the new boroughs.<sup>5</sup>

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

Attachments

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<sup>5</sup>For example, in preparing the borough feasibility studies, the DCRA discovered major discrepancies in the reporting of Fisheries Business Tax revenues. Fish tax revenues are an important revenue source for some of the proposed boroughs (also for some existing boroughs), and the financial viability of some proposed boroughs could be misjudged due to the uncertainty of the fish tax projections.

# STATE OF ALASKA LOCAL BOUNDARY COMMISSION

949 EAST 36TH AVENUE, SUITE 405, ANCHORAGE, ALASKA 99508  
TELEPHONE 561-8586

C.B. BETTISWORTH, CHAIRPERSON  
JO ANDERSON, 1ST JUDICIAL DISTRICT  
BEN NAGEAK, 2ND JUDICIAL DISTRICT  
LAMAR COTTEN, 3RD JUDICIAL DISTRICT  
SHELLEY DUGAN, VICE-CHAIRPERSON, 4TH JUDICIAL DISTRICT

## STATEMENT ON BOROUGH GOVERNMENT IN ALASKA

*The Local Boundary Commission (LBC) was established under Alaska's Constitution to deal with certain critical local government matters. Its constitutional and statutory duties include making studies of local government boundary problems and judging proposals for borough incorporation and annexation. The LBC consists of five members appointed by the Governor. It is independent of all State agencies and other boards.*

*Due to a substantial increase in interest concerning borough government, conflicts over regional jurisdiction have begun to surface in several areas of the state (e.g. annexation by existing boroughs vs. incorporation of new boroughs). The LBC feels that dealing with such matters on a piecemeal basis is neither efficient nor effective. Therefore, the LBC has developed this statement in an effort to generate discussion among citizens of the state, policy makers and lawmakers concerning future regional service delivery in Alaska. This statement was formally adopted by the LBC on December 2, 1988.*

### INTRODUCTION

The structure for the delivery of regional services in Alaska is in need of improvement. It can be argued that the evolution of regional government over the past thirty years appears to have fallen short of the intent of the State Constitution. The present system for the delivery of regional services is inequitable and, in some respects, inefficient. While there is a strong need to change the system in order to improve the delivery of local government services to all Alaskans, substantial barriers stand in the way.

### CONSTITUTIONAL INTENT FOR THE FORMATION OF BOROUGHS<sup>1</sup>

The State Constitution provides the framework for borough governments. Article X, Section 3 of the Constitution provides that "The entire state shall be

divided into boroughs, organized or unorganized." Senator Vic Fischer, a member of the Committee on Local Government at the Constitutional Convention, wrote that the initial principles set forth by the Committee included the guideline that "provision should be made for subdividing all Alaska into local units (boroughs) based on economic, geographic, social, and political factors; initially not all need be organized" (emphasis added).<sup>2</sup>

It was clearly the position of the Local Government Committee that "although voluntary incorporation was preferable, organized boroughs should be created without approval in the area if considered necessary by the state." Further, the Committee believed that "the state may want to mandate incorporation if an area is deemed to have reached a position where 'it should take on the burden of its own government'."<sup>3</sup>

### INTENT VS. IMPLEMENTATION

During the first four years of statehood, only one borough had formed. The area encompassed by that borough was a mere 87.5 of Alaska's 586,400 square miles. By 1963, the need for the creation of boroughs in other areas of the state became so apparent that the Legislature was willing to adopt "one of the most controversial statutes ever passed by an Alaskan legislature" — the Mandatory Borough Act.<sup>4</sup> This act required the formation of boroughs in the regions encompassing Ketchikan, Juneau, Sitka, Kodiak, the Kenai Peninsula, Anchorage, the Matanuska and Susitna Valleys, and Fairbanks.

Presumably, boroughs were mandated for those regions because, in the words of the Local Government Committee, they were "considered necessary by the state" and each area was "deemed to have reached a position where it should take on the burden of its own government."

property values. In one case, the law requires that the borough contribute a millage rate equivalent of only 0.33 mills in support of education. *This is only one-twelfth of the amount required for the 31 other municipal school districts.* Elimination of this inequity would save the State in excess of \$10 million annually.<sup>10</sup>

Inequities are found in programs other than those relating to education. The Municipal Assistance Program has elements which are not only inequitable, but extremely arbitrary. Under that program, a borough formed after June, 1977 with a population outside of cities ranging from 2,207 to 4,097 would receive vastly greater aid over what it would receive if its population were either higher or lower by even one person. Thus, a new borough with a population of 2,207 would receive nearly \$1.4 million in annual program funds while a borough with a population of 2,206 would receive less than \$200,000 in annual payments.

Policy concerns abound with respect to factors used in the State Revenue Sharing Program (e.g. population and local tax effort determinations). Concerns over perceived inequities in this program have led to court challenges in the past.

The structure of the State-shared fisheries tax program actually serves as a substantial disincentive to the formation of boroughs in certain areas of the state. Under the present law, some cities outside of boroughs would lose several hundreds of thousands of dollars in annual program payments if their regions incorporated.

### SOME BOROUGH BOUNDARIES ARE NOT REASONABLE

Some of today's boroughs have boundaries which present unique problems for efficient delivery of regional services. An interesting example of this is the Haines Borough. Klukwan, which is located well within the borders of the borough, exists as a "jurisdictional hole" in the borough. Educational services in Klukwan are not provided by the borough, but by the State operated Chatham Regional Educational Attendance Area (REAA). The seat of the school district is located in Angoon, a community approximately 170 air miles distant. It is apparent that a more reasonable approach to serving Klukwan's education needs would likely be through the borough surrounding it.

It should also be noted that the boundaries of four of the eight boroughs formed pursuant to the mandatory

Borough Act were not originally set according to standards used today. Rather, those boroughs had their boundaries set along State election district lines. The LBC substantially modified the boundaries of one of those boroughs upon petition shortly after incorporation. However, the boundaries of the remaining three boroughs are substantially unchanged.<sup>11</sup> Their borders would not necessarily meet today's standards for the formation of boroughs. Boundaries of other boroughs in the state have not necessarily kept pace with development within their regions.

### CURRENT STRUCTURE IS INEFFICIENT

The present configuration of school districts surrounded by larger school districts is one example of the inefficiencies of the current structure. Regardless of the size of each district (which can be either an REAA, a first class/home rule city in the unorganized borough, or a borough) each maintains independent administrative structures. Establishing boroughs throughout the state would consolidate many of the smaller school districts and produce millions of dollars in savings throughout the state. The most dramatic example of this can be found in Southeast Alaska. If a borough were formed along the lines of the Southeast Island REAA (including Metlakatla), eight separate school districts would be consolidated into one. It is projected that savings from reduced administrative costs from this one consideration alone would total \$1,400,000.<sup>12</sup>

### BARRIERS TO CHANGE

Unless there are overwhelming advantages to entice residents of a region to form a borough, it seems clear that if most Alaskans were given a choice, they would prefer to remain outside any regional government. Before the mandatory creation of their borough, residents of Anchorage rejected a proposal to incorporate by a margin of more than 3 to 1. Residents of Fairbanks also rejected a voluntary borough by a margin of nearly 3 to 2.<sup>13</sup> It is even more telling that today nearly 96% of borough residents live in boroughs which were formed under the Mandatory Borough Act.

### CONCLUSION AND RECOMMENDATIONS

The LBC has formed the following conclusions:

- Because of the disparity of resources and problems with current State aid programs, a comprehen-

<sup>6</sup> Ibid, pp. 1 & 3 (proposed FY 89 State aid to REAA schools is \$110,224,629 of the total of \$442,643,697); (projected FY 89 average daily membership for REAA schools is 12,826.55 while projected average daily membership for total schools is 100,904.05).

<sup>7</sup> Cease and Saroff, p. 94 (see also pp. 87-89, 93, 117).

<sup>8</sup> Department of Community and Regional Affairs, Regional Government Study (Anchorage: January, 1988) p. 28. See also, pp. 4 - 7 for a discussion of disparities in the distribution of other resources within boroughs and unincorporated regions.

<sup>9</sup> Technically, a third municipal school district falls under the 35% rule, however, the difference between its required contribution and the 4 mill equivalent is a mere \$3,011. In fact, its required contribution is the equivalent of a 3.999228 mill tax. Thus, in effect, it is paying a 4 mill equivalent.

<sup>10</sup> By requiring each municipal school district to contribute the lesser of: 1) a 4 mill equivalent or 2) "basic need" less federal aid (deductible PL-874), a savings of \$10,234,157 would result in the current year. Such a requirement would still have the districts with large tax bases paying far less than a 4 mill equivalent (0.95 mills in one case and 2.42 mills in the other case). It is believed that this change in the formula could be made without violating federal equalization requirements relating to local support of schools.

<sup>11</sup> The boundaries of the Fairbanks North Star Borough originally included some 23,110 square miles. Two days after the borough was incorporated under the Mandatory Borough Act, the LBC approved the detachment of some 17,082 square miles to the south and the annexation of some 1,333 square miles to the west. The boundaries of the Kenai, Anchorage and Matanuska-Susitna boroughs remain largely unchanged from those established 25 years ago.

<sup>12</sup> See Table C.4 of A New Mandatory Borough Act: Local Education Costs and Potential Revenues of Newly Created Boroughs by House Research Agency of the Alaska State Legislature, February, 1988.

<sup>13</sup> Cease and Saroff, p. 30.

(The following page is a map of Alaska showing which regions of the State are incorporated and which are not.)

## STATE OF ALASKA

STEVE COWPER, GOVERNOR

## DEPT. OF COMMUNITY AND REGIONAL AFFAIRS

## MUNICIPAL AND REGIONAL ASSISTANCE DIVISION

940 EAST 36TH AVENUE, SUITE 400  
ANCHORAGE, ALASKA 99508-4302  
PHONE: (907) 581-3586

PO BOX 348  
BETHEL, ALASKA 99559-0348  
PHONE: (907) 543-3476

PO. BOX 296  
DILLINGHAM, ALASKA 99576-0296  
PHONE: (907) 842-6135

1001 NOBLE STREET, SUITE 430  
FAIRBANKS, ALASKA 99701-4948  
PHONE: (907) 452-7126

PO. BOX 2H  
JUNEAU, ALASKA 99811-2110  
PHONE: (907) 485-4750

710 MILL BAY ROAD  
KODIAK, ALASKA 99815  
PHONE: (907) 486-5736

PO. BOX 350  
KOTZEBUE, ALASKA 99752-0280  
PHONE: (907) 442-3696

PO BOX 41  
NOME, ALASKA 99782-0041  
PHONE: (907) 443-5457

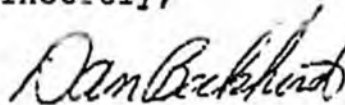
April 19, 1989

Mr. Larry Bussone  
Aide to Representative Larson  
P.O. Box V  
Juneau, AK 99811

Dear Mr. Bussone:

Per your request, enclosed is a summary of the status of our efforts in preparing various borough feasibility studies. Included is a statement of expenditures incurred during the month of February for matters relating to the Reimbursable Services Agreement between the Legislative Budget and Audit Committee and this agency. If you have any questions or need further clarification of the expenditures, please contact me.

Sincerely,



Dan Bockhorst  
Local Government Specialist

Enclosures

STATEMENT OF EXPENDITURES FOR FEBRUARY, 1989  
BOROUGH STUDIES - RSA BETWEEN DCRA AND LB&A

\$306.00 per diem for 1 staff person to travel to Levelock, Igiugig, Kokhonak, Pedro Bay, Iliamna, Port Alsworth and Nondalton to conduct informational meetings regarding incorporation of the Lake and Peninsula Borough.

\$238.00 per diem for 1 staff person to King Salmon, Chignik Lake, Port Heiden, Egegik and Pilot Point to conduct informational meetings regarding incorporation of the Lake and Peninsula Borough.

\$32.01 to Anchorage Telephone Utility for December phone bill.

\$36.75 to Era Aviation to goldstreak the Lake and Peninsula Borough Incorporation Report and Recommendation to Frank Hill of King Salmon for distribution in and around that area.

\$726.95 to State of Alaska, Central Duplicating for printing of the Yukon-Koyukuk, Railbelt, Delta Greely and Copper River draft borough study reports.

\$1,723.00 to Computerland for purchase of Macintosh software.

\$\$4,878.00 to Computerland for purchase of Macintosh terminal and full page radius display screen.

\$434.99 for postage to mail draft borough study reports.

\$1.32 for postage machine expense.

COPPER RIVER BASIN

On December 9, 1988 approximately 90 copies of the draft study were distributed for public review and comment. A meeting to discuss the draft report is scheduled in Clennallen on May 1, 1989.

DELTA GREELY REGION

On December 9, 1988 approximately 80 copies of the draft report were distributed for public review and comment. A meeting to discuss the draft report will be held in Delta Junction either May 10 or 12, 1989.

LOWER YUKON REGION

On March 10, 1989 approximately 60 copies were distributed for public review and comment. The comment period expires April 21. A number of meetings have already been conducted in the region by the Department.

ALEUTIANS WEST REGION

On April 7, 1989 approximately 75 copies were distributed for public review and comment. The comment period expires June 2.

NORTHWEST BRISTOL BAY

Staff is currently working on the draft report. It is anticipated that it will be released for public review and comment no later than April 28.

CHATHAM REGION STUDY

A draft borough feasibility of much of central Southeast Alaska, extending from Dry Bay south of Yakutat and extending south to include the greater Kake area, was mailed to seventy interested parties, including business and community leaders, municipal officials and school district administrators on March 31.

Informational meetings in Kake, Angoon, Hoonah and Pelican have been tentatively scheduled for the week of May 1-5.

DENALI REGION STUDY

On December 9, approximately 55 copies of the first draft of the Denali Region borough feasibility study were distributed for review and comment. The draft study concludes that even though the area clearly meets most of the standards for borough incorporation, financial characteristics of the region are such that "...under the current structure of entitlement funding programs, formation of a borough in the study area is at best marginally feasible."

Recipients included Senator Coghill and Representatives Shultz and Larson. The Fairbanks Regional Office was provided with ten copies. Copies were also distributed to various municipal officials in the region, non-profit corporations, regional and village corporations within the study area and the adjacent Fairbanks North Star Borough and the Matanuska-Susitna Borough, REAA administrators and leading organizations in the adjacent REAA'S. Copies were also provided to other State agency personnel who were involved in providing data contained the report, including the Departments of Natural Resources, Labor and Education. The deadline for receipt of comments was January 23, 1989.

#### YUKON-KOYUKUK STUDY

On December 9, approximately 65 copies of the first draft of the "Koyukon" Region borough feasibility study were distributed for review and comment. The draft study concludes that the area appears to meet the standards for borough incorporation.

Recipients included generally the same types of interested parties discussed above. The deadline for receipt of comments was January 23, 1989.

#### REGIONAL GOVERNMENT IN ALASKA

The publication entitled "Regional Government in Alaska" was completed by staff as a general guide to borough governments. It is intended to serve as a companion document to the other borough feasibility studies. Seven hundred copies were printed and nearly half have been distributed since August.

#### SOUTHWEST REGION/DILLINGHAM STUDY

Printing and distribution of the final report and executive summary of the REAA 6/Dillingham borough feasibility study was accomplished in August, 1988. Copies of the 42 page report and/or eight page executive summary were distributed to some 250 interested parties.

#### TCC BOROUGH STUDY

On March 16, 1989, the Department entered into an agreement for the preparation of a borough feasibility study in the TCC region. This study effort is outside of the provisions of the RSA.

The agreement calls for the evaluation of "no more than three (borough) scenarios" (boundaries, classification, powers and taxation). The largest of the three boundary scenarios encompasses all of REAAs 11, 12, 13, 14 and 16.

The agreement calls for "informational hearings throughout the region to gather comments on the (draft) study" to be conducted between September 20 and November 30, 1989. By December 30, 1989, TCC is to "inform the Department of its intent regarding borough formation".

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The election code today continues to allow the conduct of elections in this fashion. The Commission continues its concerns over this practice. In fact, the Commission would like to see AS 15.20.800 amended to exempt municipal incorporations and dissolutions from mail-in election procedures this legislative session.

Regional Government in Alaska Study

The 1987 Legislature directed the Department to "conduct public hearings and examine the issues of forming regional municipal government in the Unorganized Borough and report back to the Legislature by January 1, 1988" (Page 105, Chapter 95, SLA 1987).

In response to this direction, the Department published two documents. The first entitled *Regional Government in Alaska* provides general information concerning borough government. The second, *Regional Government Study*, deals more with issues relating to borough government in what is now the Unorganized Borough. In addition to identifying issues, this latter report discusses options for dealing with those issues. In 1988 the Department received \$45,000 from the Legislative Budget and Audit Committee to update the *Regional Government Study* and, more significantly, to conduct borough feasibility studies (as requested by local residents) and to educate citizens of the state about borough government in Alaska. With the exception of the Prince William Sound study, all others listed below are being funded by this initiative.

Prince William Sound Borough Feasibility Study (State Election District 6)

In 1986, the City Councils of Valdez, Cordova and Whittier requested funds from DCRA to conduct a feasibility study of borough formation in the area. They were granted an award and subcontracted for the study. The Department provided project administration and technical assistance.

The study began in mid-September, 1986 and was completed in April, 1988. The report concluded that a borough exercising only the mandatory powers of education, taxation, planning, platting and land use regulation at a level of funding to cover basic education needs is a very viable proposition, and at maximum education funding levels is not an unreasonable proposition. These conclusions assume levy of a maximum of 6.18 mill real property tax (at maximum education funding levels) or levy of a maximum 5.14% sales tax (at basic education funding levels).

Southwest REAA Borough Feasibility Study (State Election District 26)

In response to a request from Senator Fred Zharoff in early 1987, the Department began a study of the feasibility and effects of establishing a borough in the area known as the Southwest Region REAA (REAA 6). This area included the communities of Dillingham, Clark's Point, Aleknagik, Ekwok, Koliganek, Levelock, Manokotak, New Stuyahok,

### Portage Creek, Togiak and Twin Hills.

The study was completed in August, 1988. It was prepared by staff of the Department as guided by an advisory committee comprised of residents of the region. The Department subcontracted with the Bristol Bay Native Association to assist in establishing the committee and coordinating and funding its travel and meetings.

The study provided area residents with information about how a borough could be formed in the Southwest Region REAA including the City of Dillingham, how it would operate and what kind of revenues would be available to operate it. The report concluded that formation of a borough exercising only the mandatory powers of education, taxation and planning is financially viable. This conclusion is based upon the assumption of a 1% general borough sales and use tax and 1% sales and use tax on fish. The conclusion projects substantial revenue from State shared raw fish taxes.

In the course of this report, the Department planned to conduct a borough feasibility study of REAA 7 as requested by the Steering Committee. However, while in its preliminary stages of study, a petition for incorporation of the Lake and Peninsula region was filed. Therefore the issues of borough government were evaluated as a result of the Department's report and recommendation to the LBC on the proposed Lake and Peninsula Borough.

### Copper River Basin Borough Feasibility Study (State Election Districts 17 and 6)

Following a number of meetings with Department staff during 1987, residents of the Copper River Basin submitted a petition with ninety-one signatures requesting a borough feasibility study be conducted in the region under the provisions of AS 44.47.700. The petitioners represented the area defined by REAA 17 which includes the communities of Paxson, Slana, Chistochina, Nabesna, Gakona, Gulkana, Glennallen, Tazlina, Copper Center, Kenny Lake, Tonsina, Lower Tonsina, Chitina and McCarthy.

On December 9, the Department issued an initial draft of the study on the feasibility of borough government in the area. It was distributed for extensive review and comment. The Department anticipates publication of the final report in the first half of 1989. This draft report concludes that borough government is indeed feasible in the area defined by REAA 17. Significantly, it finds that under the assumption of minimal powers and services, a borough would have sufficient operating funds its first two years absent property or sales tax. Beginning the third year of operation it is projected that a 0.7 mill property tax would be necessary and the fourth year would require a 0.9 mill property tax to generate sufficient surplus funds to maintain a borough. From that point forward, it is projected that a 0.9 mill levy would be adequate to operate the borough.

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Delta-Greely Borough Feasibility Study (State Election District 17)

In January of 1987, Governor Steve Cowper received a letter from the chairman of the *Concerned Citizens Group of Delta Junction*. This letter states that *In the shadow of House Bill 1 [mandatory borough formation], and the threat of annexation[,] the Concerned Citizens Group of Delta Junction is petitioning the State of Alaska to give us a chance to exercise our right of self determination in the selection of a local government structure.*

Enclosed with that letter was a petition signed by over 500 area residents also requesting, among other things, *the funds to . . . study and implement a form of self government: equally acceptable to the majority of the people living in the Delta/Greely School District, [and] the State of Alaska . . .* This sentiment was reinforced by an advisory vote on February 16, 1988, in which 421 of 467 voting residents in the region indicated their support of a task force to research or study a minimum form of self government. On April 12, 1988, a formal request for a feasibility study was submitted to the Department from the president of the Task Force Committee.

On December 9, the Department issued an initial draft of the study on the feasibility of borough government in the area. It was distributed for extensive review and comment. The Department anticipates publication of the final report in the first half of 1989. This draft report concludes that borough government is indeed feasible in the area defined by REAA 15. Significantly, it finds that under the assumption of minimal powers and services, a borough would have sufficient operating funds its first year absent property or sales tax. Beginning the second year of operation it is projected that a 1 mill property tax would be necessary to generate sufficient surplus funds to maintain a borough. From that point forward, it is projected that a 1 mill levy would be adequate to operate the borough.

Lower Yukon Borough Feasibility Study (State Election Districts 23 and 24)

In February, 1988, the Coastal Yukon Mayors' Association unanimously passed a resolution requesting a \$50,000 grant from DCRA for an independent study and analysis of borough formation in the Coastal Yukon area (communities of Russian Mission, Marshall, Pilot Station, St. Mary's, Pitka's Point, Mountain Village, Kotlik, Emmonak, Alakanuk, Sheldon Point, Scammon Bay, Hooper Bay and Chevak). The issue had been discussed locally and the Mayors' Association considered the present time to be appropriate for further examination of the issue.

The Department responded to the Association's request by offering to perform the study in-house. The mayor's Association accepted the offer and the first draft report of a study in the region was issued in 1988. After extensive review and comment, a second draft report was Commissioned. Revisions to the first draft primarily concerned the

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report format, but in some cases, examination of additional data with specific conclusions was provided. The second draft is anticipated for release in early 1989.

Indications at this point are that, given the relatively low estimated full and true value of taxable property in the region, the absence of significant regional revenues combined with the high cost of living, high unemployment rate and low per capita income, the Department will conclude, (as it did in its first draft report) that borough government in the region is financially infeasible.

Koyukon (Yukon-Koyukuk REAA) Borough Feasibility Study (State Election District 24)

On December 8, 1987, the Galena City Council unanimously adopted a resolution to *pursue through the City Manager the possibility of bringing someone in from the State to do a feasibility study of formation of boroughs*. In February, 1988, then City Manager Lee Wyatt, wrote to the Department requesting that DCRA prepare such a study. The Department agreed. The result was an examination of the feasibility of borough formation in an area that included approximately 75% of the Yukon-Koyukuk Regional Educational Attendance Area. The study specifically excluded the communities of Tanana, Nenana, Manley Hot Springs, Minto and adjacent areas.

The report finds that the study area contains a significant property tax base due to the location of a 130 mile portion of the Trans-Alaska Pipeline in its northeast section. It is estimated that every mill of property tax could generate tax revenues in excess of \$500,000. Such revenues could allow the potential borough to provide basic services and encourage economic growth to the extent that the latter might be desired by residents of the region. The Department projects that with a 6 mill borough property tax, a borough in the study area would generate a slight surplus of funds its first year and sufficient surplus funds in subsequent years to operate a borough.

Denali (Railbelt REAA) Borough Feasibility Study (State Election Districts 17 and 24)

In April, 1988, the Department received a request from the City of Nenana to prepare a borough feasibility study for an area that would encompass *an area along the 'Railbelt' between the boundaries of the Mat-Su Borough and Fairbanks North Star [B]orough*. The scope of the region was further defined to embrace the entire Railbelt REAA and a small portion of the Yukon-Koyukuk REAA. At a May 26, 1988, meeting in Nenana representatives of the City of Nenana proposed the study area be called the *Denali Region*.

On December 9, the Department issued an initial draft of its feasibility report. This draft was widely distributed throughout the region and comments were solicited. The draft report indicates that under the structure of existing formulae governing distribution of

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entitlement funds to borough governments, a borough in the study area would likely face severe financial difficulties if it does not impose a relatively heavy burden of borough taxation. For example, given the comparatively low estimated assessed valuation of the study area (approximately \$63,000,000 compared to a 1987 estimate of \$934,498,200 in the neighboring Yukon-Koyukuk REAA) a property tax would verge on being uneconomic. It is noted that residents of Nenana already pay a 9 mill property tax which annually generates \$117,095 (61.7% of the city's tax revenues.). It is anticipated that the need for a borough in the study area to impose a relatively high borough tax burden would tend to undermine popular support for a borough government and weaken its effectiveness.

Chatham REAA Borough Feasibility Study (State Election District 2)

In February, 1988, the DCRA was requested by the City of Hoonah to prepare a borough feasibility study for the area including that portion of the Chatham REAA south of Dry Bay plus the Greater Kake Area.

Preliminary indications are that a borough in the study area is financially viable and that for a *Chatham Region* borough to execute the powers and services required by law, a levy of moderate property taxes or a combination of property and sales taxes would be necessary. The draft study is scheduled for distribution in February, 1989.

Bering Sea (Aleutian, Pribilof and Adak REAA's) Borough Feasibility Study (State Election District 26)

In 1988 the City of Unalaska formally requested that the Department conduct a borough feasibility study in the area west of the Aleutians East Borough. The Department is in the preliminary stages of this study and anticipates issuing a report in the first half of 1989. Included within the report will be a special examination of the Pribilof REAA as a part of the area examined for borough feasibility.

Northwest Bristol Bay Borough Feasibility Study (State Election Districts 25 and 26)

In October of 1987, DCRA received a request from the Togiak City Council to prepare a borough feasibility study for the area encompassing Togiak, Twin Hills, Manokotak, Alegnagik, Clark's Point, Ekuk and possibly Goodnews Bay and Platinum. The request followed the start of the Department's borough feasibility study in REAA 6 and REAA 7.

The rationale behind the study request was succinctly stated by the City of Togiak. It wrote that *these communities have more in common with one another because of their size and*

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*economic base than they do with other communities in REAA 7.* Therefore, the request was made for examination of a smaller borough in the study area. The Department compiled portions of the report during 1988. It anticipates release of the draft of the complete report in the first half of 1989.

### Suggested Review of Raw Fish Reporting Practices

While compiling the borough feasibility reports, the Department discovered that data from the Alaska Department of Revenue and data from the Alaska Department of Fish and Game concerning the estimates and actual reports of raw fish processing within identified areas differed considerably and consistently. In fact, estimated raw fish tax revenues generated by the discrepant information and data amounted to as much as a potential \$913,040 in annual revenues in one region of the state.

It appears that the differences can be attributed to the reporting practices of floating fish processors. The Department of Revenue indicates that there is substantial reporting of processor activity outside the State's jurisdiction and therefore, outside the possible jurisdiction of any borough. Conversely, Department of Fish and Game data consistently indicate that only a portion of the fish caught in borough study areas is processed outside the State's jurisdiction or in neighboring regions. Improved enforcement (on the part of the State and/or any borough) of accurate fish processing reports would seem to resolve much of the difference.

### Prominent Prospective Actions

The Department routinely receives a large number of inquiries concerning prospective boundary changes and other actions to be brought before the Commission. Often these proposals are never formally initiated. However, the Commission feels that it is appropriate to list some of the more prominent proposals currently under consideration.

#### **Tanana Chiefs Conference Borough (Doyon Corporation Region) (State Election Districts 24 and 17)**

In January, 1989, Tanana Chiefs Conference raised the prospect of borough formation with the Local Boundary Commission. The area of interest was defined by the boundaries of the Doyon Corporation (excluding the Fairbanks North Star Borough and the Delta-Greely Region). This area includes all or portions of five Regional Education Attendance Areas. These are the Yukon-Koyukuk, Railbelt, Yukon Flats, Iditarod and Alaska Gateway REAA's. The Department has received no petition to date.

ALASKANS AGAINST MORE GOVERNMENT  
P. O. Box  
Delta Junction, Alaska 99737

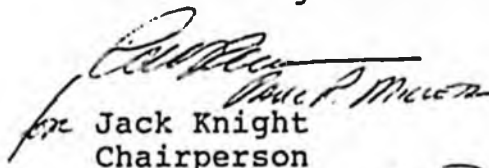
April 20, 1989

Honorable Steve Cowper  
Governor for Alaska  
Pouch A  
Juneau, Alaska 99811

Dear Governor Cowper:

This is in reply to the Department of Community and Regional Affairs study on borough formation in the REAA 15 portion of the State of Alaska. A petition against borough formation or annexation into an existing borough is appended.

Alaskans Against More Government

  
for Jack Knight  
Chairperson

5300 Knight Road  
Delta Junction, Ak

Encl:Petition

cc: Senator Jack Coghill  
Representative Dick Shultz  
Department of Community & Regional Affairs

Prepared by:  
PR Miller  
Carl Bandy

99737

In reference to the feasibility study of borough formation in the Delta/Greely area the following rebuttal is submitted:

On April 11, 1989, a group of Alaskans Against More Government met to discuss the study as presented by the Community and Regional Affairs Department. The separate publication titled Regional Government in Alaska as a reference for this study is not valid as this publication is written by DCRA and is flawed. To be brief - we cannot afford a borough. In 1986 we could have made a borough from REAA 15, and a viable borough, but events since that time indicate that by 1993 the borough would be bankrupt with a small property tax, or bankrupt and needing assistance to survive with a large property tax. The deficit could be more than four million dollars.

The following errors or omissions have been noted.

On page 3 the communities of Dot Lake and Whitestone Farms are omitted.

Page 6, population is now in error due to the severe economic conditions in the area. Also Fort Greely is scheduled to lose Cold Regions Test Center (CRTC) with an estimated loss of 330 military and forty civilians by March 1990.

Page 8 shows two medical clinics. There is now only one clinic with one doctor available. The Deltana Community Corporation is located in the unincorporated community of Clearwater. Big Delta Historical Park is located in Big Delta. Along with Dry Creek we have another religious community of Whitestone Farms and yet another smaller community located near Big Delta. Along with Healy Lake there is a much larger native community of Dot Lake on the Alaska Highway. The Tanana Chiefs Conference, in their proposed borough, want both Healy Lake and Dot Lake in the scenerios.

Page 10 talks of garbage disposal which is performed by the City through a contracting firm and has been so for many years.

Page 11 talks of Jurisdictional Integrity of a Region: This would be insured with the passage of HJR 26 (Schultz). The taxable property of 660 million for the pipeline is a 1966 figure and it has been reduced at a rate of 10% per year since that time. Real estate is in a poor market with lower prices, no buyers. Many houses and apartments are vacant. Another tax problem is - how do we tax agricultural rights farm land? The taxing of the pipeline is misleading as the maximum tax is 20 mill of which the local communities can receive only 5 mill.

Page 12 on land entitlement is a laugh. Where could we get nearly 30,000 acres of land that has not been already titled or is swamp or mountains?

Changing patterns of public policy? With the center of population for the State of Alaska being in one city, and comprising more than half of the state residents, and with taxable property of under three million acres out of the 365 million acres of the state, public policy will be dictated from the population center. There should be no change as to borough assuming educational powers, as the constitution of the State of Alaska places their requirement on the state and not on the local communities. In a recent issue of the Fairbanks Daily News Miner 3492 parcels of property were listed as tax delinquent. This is the future for the REAA 15 district if formed into a borough.

Page 19 shows State Aid going down by one half and the loss being picked up by local residents. Is this any way to sell boroughs to the public? Costs on the Delta REAA 15 are low by at least one million dollars for 1988, but near for 1989.

Page 21, a recreational fisheries tax would not be easily collected unless a surcharge is placed on fishing licenses. Local guide services in Delta are a post office box with the operation based at some distance.

Page 22 is using figures from 1987 and the 10% decrease in the value of the pipeline would have lowered the value by more than 50% by 1993. Therefore, an increase of taxes would be a reality and by 1993 the rate would have to be above 20 mill local taxes for survival.

Page 25 shows no cost of living increases or allowances that go along with the cost of living index annual increases.

Page 26 rent and utilities at 1,000 dollars. This amount could be spent in any one month in the winter. Bonding and insurance is too low, try 6 to 10 thousand dollars.

Page 27 about contract lawyers. The FY 90 cost is about right for the other years with an increase to 20,000 dollars or more for the first FY 90. Where can you get these cheap lawyers?

Page 29 on the Delta/Greely REAA (FY 88). The PL 874 places monies at 10% equals which is 110,457, not 122,730.

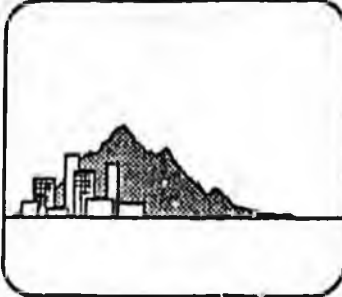
Page 30, personnel services shows a half secretary - Delta presently has three and as a borough we could expect to have at least three. And again, insurance and bonding for only 1,000 dollars? That might cover a month but surely not a year.

Page 32 shows a more realistic figure for an attorney.

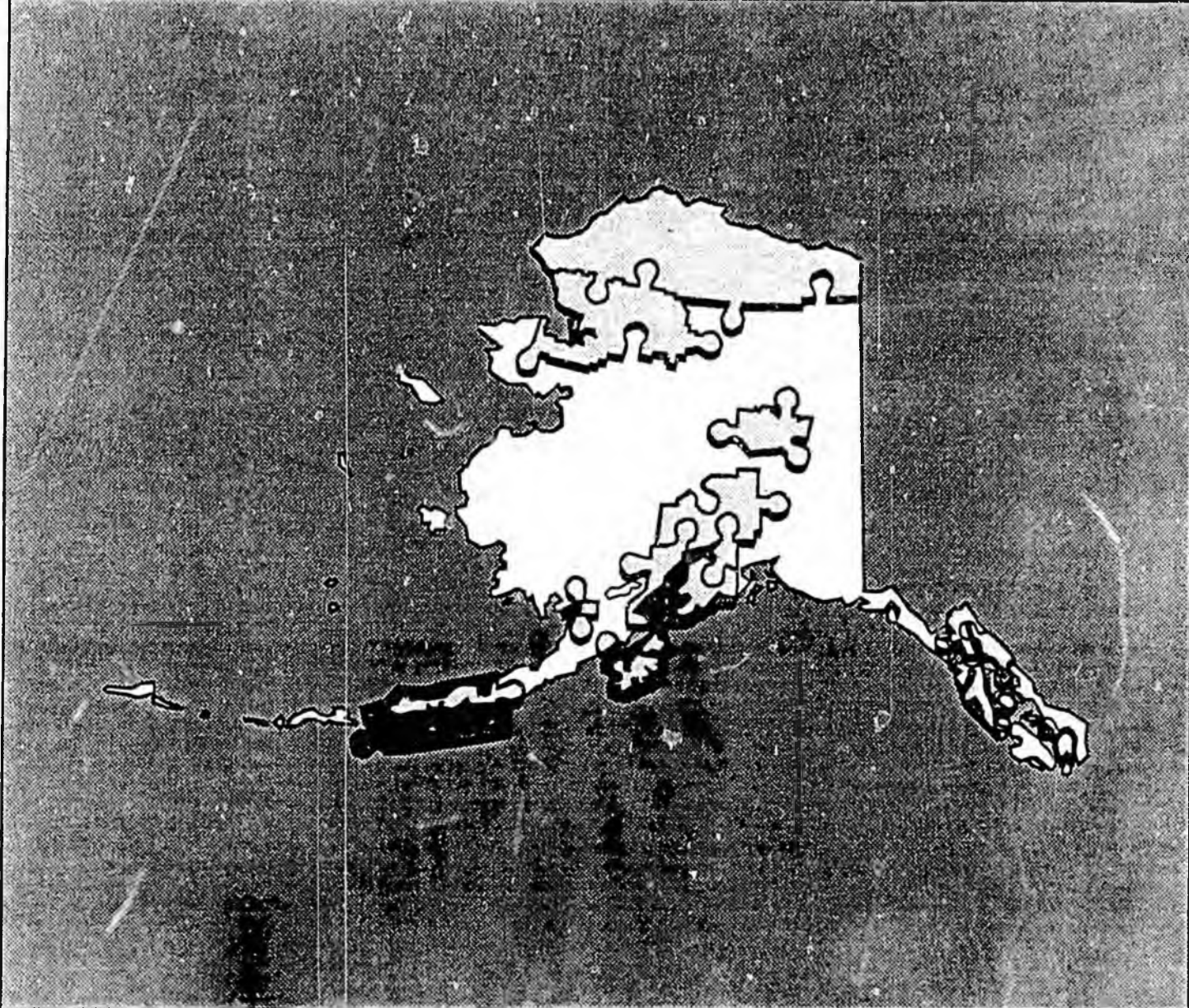
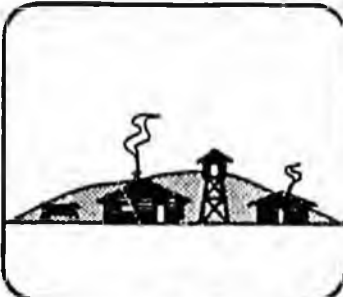
Page 36, the conclusion. This was probably true for 1986 but with a rock bottom economy, about 30% unemployment, Fort Greely losing about half of the troops and about a third of the civilians, many itinerate persons leaving the area, and very poor projections for the future economy; the formation of a borough is presently not feasible. By 1993 at 20 mill tax rate we would have nearly a five million dollar deficit. In other words, we cannot afford a borough, the state cannot afford a borough, so no borough should be formed. By the TCC proposed borough scenarios, they don't want us either as part of the new borough. We are too expensive!

Please find attached petitions signed by local residents as a protest against borough formation.

Alaskans Against More Government



# Regional Government Study



State of Alaska  
Steve Cowper, Governor

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

January 1988



# Regional Government Study

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# Regional Government Study

## EXECUTIVE SUMMARY

At the direction of the Legislature, the Alaska Department of Community and Regional Affairs undertook a study of the issues relating to the formation of boroughs in the unincorporated regions of the state (i.e., the Unorganized Borough). Many of the observations and conclusions reached as a consequence of this study are certain to cause spirited debate over the delivery of public services in Alaska. Listed below are some of our more important observations and conclusions:

1. The establishment of boroughs in regions of the Unorganized Borough would benefit both residents of those regions and the State of Alaska.
2. Incentives for regions in the Unorganized Borough to remain unincorporated are so great that few regions are likely to form boroughs under present law.
3. A number of regions in the Unorganized Borough presently have financial capacities to support borough government which are vastly superior to the financial capacities of most existing boroughs.
4. Many programs for State funding of local government services are outmoded and/or result in very substantial inequities to local governments. These could be modified both to make funding within existing boroughs more fair and to make it financially viable for the poorer regions of the state to form boroughs.
5. The present method of delivering services to the Unorganized Borough is inefficient. Such services are delivered through more than 200 organizations, many of which operate as single-purpose or limited-purpose organizations. This system seems contrary to the intent of several provisions of the State Constitution.
6. While residents of the Unorganized Borough would generally be expected to oppose the mandatory formation of boroughs (as proposed by SSHB 1), nearly 80% of them already live within a structure identical to, or similar to, a borough. Nonetheless, formation of boroughs would still improve the delivery of services to such individuals.

Details concerning these and other important issues relating to the formation of boroughs in the Unorganized Borough are included in our report on the topic.



## INTRODUCTION

In 1987, the Alaska Legislature directed this agency to "examine the issues of forming regional municipal governments in the Unorganized Borough and report back to the legislature by January 1, 1988."<sup>1</sup>

This directive from the legislature was in response to current and pending economic, political and social forces which are causing Alaskans to consider, and in some cases, undergo major changes to their system of delivering public services.<sup>2</sup> The changes being considered and undertaken include:

**VOLUNTARY BOROUGH INCORPORATIONS** - Since June, 1986, two new boroughs were formed in the state.<sup>3</sup>

**LEGISLATION MANDATING THE FORMATION OF BOROUGHS** - SSHB 1, introduced in the 1987 session of the Legislature, would convert all unincorporated regions of Alaska into as many as 20 organized boroughs.<sup>4</sup>

**EXPANSION OF BOUNDARIES OF EXISTING BOROUGHS** - Certain boroughs, apparently motivated to an extent by a desire to increase revenues and to remedy perceived inequities in the present structure of regional government, have expressed interest in annexing portions of the Unorganized Borough.<sup>5</sup>

**ATTEMPTED EXPANSION OF BOUNDARIES OF CITIES TO ENCOMPASS REGIONS** - Some cities, motivated largely by a desire to increase revenues, have sought to annex vast territories.<sup>6</sup> Such proposed annexations have been denied by the Local Boundary Commission largely because of the commitment that regional services should be delivered by boroughs.

**INTEREST IN BOROUGH GOVERNMENT BY UNINCORPORATED REGIONS** - Five regions and several cities within the Unorganized Borough are presently involved in borough feasibility studies or have otherwise expressed interest in exploring government.<sup>7</sup> In certain cases the interest in exploring borough government is apparently motivated by the threat of legislation mandating boroughs. In other cases, the interest is apparently motivated by the threat of being annexed to an existing borough. Still, in other cases, the motivation may be more to improve local services.

Presented here is our report to the legislature on issues concerning the formation of boroughs in the Unorganized Borough. It is our hope that this report will serve to generate informed debate on issues having great significance to the lives of many Alaskans. In it, we identify and examine issues relating to the delivery of services in the Unorganized Borough to which the Department has been exposed. Additionally, we offer some insights into various alternatives for dealing with the issues.

## SECTION I PRESENT STRUCTURE OF SERVICE DELIVERY

The following is a brief summary of relevant aspects of the present methods of service delivery in Alaska, both inside and outside of organized boroughs. For those readers who are interested in greater details, numerous publications exist which provide information on the origination and evolution of the structures and methods of service delivery.<sup>8</sup>

**EDUCATION** - Public education in Alaska is provided by two distinctly different types of organizations — municipal school districts and regional educational attendance areas.

Municipal school districts consist of the 13 boroughs and 19 home rule/first class cities in the Unorganized Borough. These districts educate more than 87% of Alaska's estimated 102,142 students. State law requires that these districts provide minimum levels of financial aid in support of education. The Alaska Department of Education estimates that these municipal school districts will contribute nearly \$136,000,000 toward this effort during the 1987 - 1988 school year.

Regional education attendance areas (REAs) provide educational services in the Unorganized Borough (exclusive of home rule and first class cities). There are presently 22 REAs which educate just under 13% of Alaska's students. Unlike municipal school districts, REAs are not required to provide local financial support for educational costs.

**PLANNING/PLATTING/ZONING** - Municipal governments have the power, and in many cases, the duty to provide planning, platting and land use regulation.<sup>9</sup> Municipalities exercising such powers encompass an estimated 537,806 Alaskans, 93.7% of the residents of the state. Of these, 497,230 live in boroughs, 27,690 live in first class/home rule cities in the Unorganized Borough and 12,886 live in second class cities in the Unorganized Borough.<sup>10</sup>

Coastal Resource Service Areas (CRSAs) may be set up in the Unorganized Borough to provide for regional coastal planning. With the pending assumption of planning powers by the newly formed Aleutians East Borough, four CRSAs will remain. These CRSAs presently encompass the area lying within the Bering Straits REAA, Lower Yukon REAA, Lower Kuskokwim REAA, Southwest Region REAA, Lake and Peninsula REAA and Aleutian Region REAA. These areas contain an estimated 32,289 Alaskans, 16,821 of whom live outside of municipal governments which conduct planning.

All told, an estimated 554,627 individuals or 96.6% of all Alaskans live within municipal governments and/or CRSAs which provide planning services. While the coastal area can rely upon CRSA's for planning, there exists no formal planning authority for the non-coastal areas of the state in the Unorganized Borough outside cities. Although the legislature may establish service areas within the Unorganized Borough to provide special services, no such service areas have been established with the exception of REAs and CRSAs.

The Department of Natural Resources is the platting authority for the Unorganized Borough in the area outside cities.<sup>11</sup>

**OTHER SERVICES** - Thirteen boroughs and 147 cities in the state provide a wide range of services beyond those discussed above. These may include police, fire protection, road maintenance, water, sewer, telephone and electrical utilities, solid waste collection and disposal, ports and harbors, parks and recreation, libraries, cemeteries, mass transit, sidewalks, taxi regulation, health and environmental protection, civic centers, animal control and a host of other services.

Home rule and first class cities in the Unorganized Borough have powers and duties which are virtually identical to boroughs. There are nineteen such cities in Alaska. The population of these nineteen cities totals 27,690, which is more than 36% of the population of the Unorganized Borough.

While second class cities lack certain powers and duties of home rule and first class cities in the Unorganized Borough (principally education) they are similar to boroughs in many important respects. Like boroughs, second class cities are organizations created to provide public services and facilities for their residents. Both are governed by elected officials. Second class cities and boroughs are both recognized by the state and federal governments as legal entities which may represent the interests of all of their residents. Further, both qualify for a broad range of state and federal financial assistance.

There are 87 second class cities in the Unorganized Borough. These cities contain a population of 32,923, which is nearly 43% of the population of the Unorganized Borough. Thus, nearly 80% of the population of the Unorganized Borough lives within a municipal government structure.

An estimated 16,134 Alaskans live in some 90 unincorporated communities in the Unorganized Borough. Of these, an estimated 3,200 live on federal military properties. The remainder, 12,934 live in civilian unincorporated communities. The population of the latter comprises less than 17% of the population of the Unorganized Borough.

In many cases, residents of these unincorporated communities in the Unorganized Borough may receive some or all of the services provided by cities. These services are provided by the state and federal governments through such groups as Traditional or IRA Councils, or regional or local non-profit corporations. Services are rendered with funds from such programs as state revenue sharing, legislative grants, or the Village Public Safety Officers program.

## SECTION II A COMPARISON OF REGIONS IN ALASKA

The nature of the changes to the system of regional services delivery under consideration (as outlined in the introduction to this report) demands awareness of relevant characteristics of the regions which would be affected. Such characteristics include:

- value of taxable property
- value of resources
- per capita income
- average monthly wages
- unemployment rates
- population densities

The appendix to this report contains tables providing such information.<sup>12</sup> Generally, the data in these tables are for the most current available year or years.

The reader is cautioned that these data need to be carefully considered and understood. There are qualifications for practically every table. To the extent that the Department is aware of aspects of these data which may be misleading, they are noted at the bottom of each table. A discussion of the data presented in the appendix follows.

### VALUE OF TAXABLE PROPERTY PER STUDENT

A region's value of taxable property per student is a key indication of the ability of an area to support a borough. Consideration of such information is specifically required by law in judging whether a region meets the standards for formation of a borough.

Table 1 of the appendix presents estimates of the value of taxable property per student for 12 boroughs and 20 regional educational attendance areas in the Unorganized Borough. The estimates for each REAA include values of property and numbers of students in first class and home rule cities within the respective REAA.

The estimated taxable value of property per student in boroughs ranges from \$11,024,197 in the North Slope Borough to \$143,583 in the Northwest Arctic Borough. The ratio of taxable property to students in the North Slope Borough is highly exceptional. The second highest ranked borough was the Municipality of Anchorage at \$497,591. Excluding the North Slope Borough (because of its anomalous value) and the Aleutians East Borough (for which data were unavailable), the average value of taxable property per student within all organized boroughs is \$421,978.

The estimated taxable value of property per student in the twenty regional educational attendance areas identified ranged from \$2,654,954 in the Yukon Flats REAA to \$0 in both the Adak REAA (federal military reservation) and Annette Island (federal Indian reservation). The next lowest ranked region in the Unorganized Borough was the Kuspuk REAA with a per student taxable value of \$53,477.<sup>13</sup>

The following list shows how much more or less (in both dollar amounts and percentages) the value of taxable property per student was in each region of the state as compared to the \$421,978 average value per student of all organized boroughs (except the North Slope Borough).

| NAME                                 | ABSOLUTE<br>DIFFERENCE (\$) | RELATIVE<br>DIFFERENCE (%) |
|--------------------------------------|-----------------------------|----------------------------|
| <i>(Boroughs With Higher Values)</i> |                             |                            |
| North Slope Borough                  | +10,602,219                 | 2,512.5%                   |
| Anchorage Borough                    | +75,613                     | 17.9%                      |
| Kenai Peninsula Borough              | +42,170                     | 10.0%                      |
| Bristol Bay Borough                  | +17,593                     | 4.2%                       |
| <i>(REAAs With Higher Values)</i>    |                             |                            |
| Yukon Flats REAA                     | +2,232,976                  | 529.2%                     |
| Copper River REAA                    | +1,714,788                  | 406.4%                     |
| Chugach REAA                         | +1,040,951                  | 246.7%                     |
| Yukon Koyukuk REAA                   | +492,404                    | 116.7%                     |
| Delta Greely REAA                    | +369,759                    | 87.6%                      |
| <i>(Boroughs With Lower Values)</i>  |                             |                            |
| Juneau Borough                       | -24,006                     | 5.7%                       |
| Ketchikan Borough                    | -52,842                     | 12.5%                      |
| Fairbanks Borough                    | -62,735                     | 14.9%                      |
| Matanuska-Susitna Borough            | -118,090                    | 28.0%                      |
| Haines Borough                       | -150,807                    | 35.7%                      |
| Sitka Borough                        | -152,476                    | 36.1%                      |
| Kodiak Island Borough                | -183,751                    | 43.5%                      |
| Northwest Arctic Borough             | -278,395                    | 66.0%                      |

(continued on next page)

(table continued from previous page)

*(REAs With Lower Values)*

|                       |          |        |
|-----------------------|----------|--------|
| Aleutian Region REAA  | -30,907  | 7.3%   |
| Southwest Region REAA | -257,841 | 61.1%  |
| Southeast Island REAA | -259,052 | 61.4%  |
| Chatham REAA          | -273,074 | 64.7%  |
| Bering Straits REAA   | -302,338 | 71.6%  |
| Lower Kuskokwim REAA  | -313,636 | 74.3%  |
| Pribilof REAA         | -328,865 | 77.9%  |
| Railbelt REAA         | -334,764 | 79.3%  |
| Alaska Gateway REAA   | -334,927 | 79.4%  |
| Lake & Peninsula REAA | -339,196 | 80.4%  |
| Iditarod REAA         | -362,077 | 85.8%  |
| Lower Yukon REAA      | -368,038 | 87.2%  |
| Kuspuk REAA           | -368,501 | 87.3%  |
| Adak REAA             | -421,978 | 100.0% |
| Annette Island REAA   | -421,978 | 100.0% |

**RESOURCE VALUES  
(VALUES OF COMMERCIAL FISHERIES)**

The commercial fisheries resource of a region is one example of a potentially significant source of revenue to municipal governments. For example, the newly formed Aleutians East Borough will rely almost exclusively upon revenues from the State Business Fisheries Tax and its local 2% sales and use tax on raw fish. The Bristol Bay Borough has, for many years, relied heavily on revenues derived from fishing activities.

Data on collections and distributions of State Business Fisheries Taxes during FY 87 indicate that certain areas of the Unorganized Borough have considerable potential for forming regional governments funded largely by state and local taxes on fisheries. For example, had boroughs existed in the unincorporated regions of the state, they would have been entitled to an estimated \$7,028,508.50 in FY 87 proceeds from the State Business Fisheries Tax. This amount is nearly twice the \$3,642,118.02 actually distributed to the 11 organized boroughs which qualified for program funding during the same period.<sup>14</sup>

The prospect of such shared revenues from the state, coupled with the prospect for municipal sales and use taxes on fisheries resources represents a potentially significant source of revenue for prospective boroughs.

Table 2 of the appendix reports the distribution of FY 87 Business Fisheries Taxes to cities within the Unorganized Borough by REAA. The data in this table identify 5 regions of the state with particularly significant fisheries resources. These are the Southeast Island REAA, Aleutian Region REAA (excluding Aleutians East Borough), Chugach REAA, Lake and Peninsula REAA and Chatham REAA.

One weakness of this table is that it is based upon fish processing activities which occur within the boundaries of cities. This may tend to underestimate the potential revenue generating capacity of fisheries in some regions. For example, Table 2 does not recognize the Southwest Region REAA as having a particularly significant fisheries resource. However, it was recently estimated that a borough in that REAA would be entitled to more than \$400,000 annually over the long-term in proceeds from the State Business Fisheries Tax.<sup>15</sup>

Additional data on fisheries resources in Alaska are provided in Table 3. This table supports the contention that the Bristol Bay Region, which includes the Southwest Region REAA, has a very significant fisheries resource.

#### (OTHER RESOURCE VALUES)

Other resources, such as timber and minerals may also offer significant sources of revenue to future boroughs. One such source for the Chatham REAA and Southeast Island REAA is the National Forest Receipts program. Upon incorporation, those two regions (including Annette Island) would be entitled to 69.4% of the funds available for distribution to boroughs in the Tongass National Forest. In the best years, this program could potentially provide those two regions with more than \$4 million in annual revenues. Conversely, in lean times, the program would offer little revenue.<sup>16</sup>

Prospective boroughs whose boundaries would encompass rich mineral resources might use a severance tax as a means of generating local revenues.<sup>17</sup> The Northwest Arctic Borough, which encompasses the world class Red Dog zinc mine and other significant mineral deposits, had considered such a tax before other sources of revenue made it unnecessary.

1984 PER CAPITA INCOME

Table 4 of the appendix lists the 1984 per capita income for 12 boroughs and 11 federal census areas in the Unorganized Borough. Again, such data is important in determining whether a region can support a borough.

The 1984 per capita income ranged from a high of \$26,077 in the North Slope Borough, to a low of \$7,466 in the Wade Hampton Census Area (which corresponds approximately to the Lower Yukon REAA, including Chevak).

The lowest level of per capita income within an area organized as a borough was the Northwest Arctic Borough (\$11,822). The per capita income of the Kodiak Island Borough was only \$4 higher than the Northwest Arctic Borough (NAB).

Seven of the eleven federal census areas in the Unorganized Borough had per capita incomes greater than the Kodiak Island Borough and the Northwest Arctic Borough. Four of the eleven areas in the Unorganized Borough had lower per capita incomes than the Northwest Arctic Borough.

The following list shows how much more or less (in both dollar amounts and percentages) the per capita income was in each census area in the Unorganized Borough compared to that of the Northwest Arctic Borough:

| NAME                                 | ABSOLUTE<br>DIFFERENCE<br>(NAB) | RELATIVE<br>DIFFERENCE<br>(NAB) |
|--------------------------------------|---------------------------------|---------------------------------|
| <i>(Areas With Higher Income)</i>    |                                 |                                 |
| Valdez Cordova Census Area           | +\$5,714                        | 48.3%                           |
| Aleutian Islands Census Area         | +\$4,893                        | 41.4%                           |
| Skagway-Yakutat-Angoon Census Area   | +\$4,302                        | 36.4%                           |
| Wrangell-Petersburg Census Area      | +\$3,990                        | 33.8%                           |
| Prince of Wales/Outer Ketchikan C.A. | +\$2,638                        | 22.3%                           |
| Nome Census Area                     | +\$2,443                        | 20.7%                           |
| Southeast Fairbanks Census Area      | +\$863                          | 7.3%                            |
| <i>(Areas With Lower Income)</i>     |                                 |                                 |
| Dillingham Census Area               | -\$970                          | 8.2%                            |
| Bethel Census Area                   | -\$1,772                        | 15.0%                           |
| Yukon-Koyukuk Census Area            | -\$2,285                        | 19.3%                           |
| Wade Hampton Census Area             | -\$4,356                        | 36.8%                           |

### 1986 ALASKA AVERAGE MONTHLY WAGE

Table 5 of the appendix provides a measure of the monthly payroll in the 12 boroughs and 11 federal census areas in the Unorganized Borough.

The data shows that the 1986 average monthly wage ranged from \$3,695 (North Slope Borough) to \$1,655 (Wade Hampton Census Area). The lowest average monthly wage reported by a region organized as a borough was \$1,729 (Kodiak Island Borough). Except for the Wade Hampton Census Area, all regions of the Unorganized Borough reported higher average monthly wages than those reported for the Kodiak Island Borough area. The average monthly wage in the Wade Hampton Census Area was \$7 (4.3%) less than the wage in Kodiak.

Eight of the eleven census areas covering the Unorganized Borough had average monthly wage rates greater than those of the second lowest ranked borough (Matanuska-Susitna Borough).

### 1986 UNEMPLOYMENT RATES

The rates of unemployment in 1986 in the 12 boroughs and 11 federal census areas in the Unorganized Borough reported in Table 6 of the appendix ranged from a high of 18.3% to a low of 3.5%.

The rate of unemployment among the 12 boroughs reported ranged from 18.3% (Matanuska-Susitna Borough) to 6.1% (North Slope Borough). The rate of unemployment among the 11 federal census areas which encompass the Unorganized Borough ranged from 17.2% (Skagway-Yakutat-Angoon Census Area) to 3.5% (Aleutian Islands Census Area)

The average rate of unemployment among each of the 12 boroughs reported was 11.4%. The average rate of unemployment in the 11 federal census areas which encompass the Unorganized Borough was 12.3%.

### 1986 POPULATION DENSITIES

Population densities can provide some indication of the relative ease with which services may be provided to a region. The assumption is that economies of scale allow services to be provided more easily to regions with higher population densities.

Population densities in the 13 boroughs and 19 REAAs reported in Table 7 of the appendix ranged from a high of 131.77 persons per square mile (Anchorage) to a low of 0.03 persons per square mile (Yukon Flats REAA).

The population density of Anchorage is highly exceptional. The region with the second highest population density was the Adak REAA with 15.46 persons per square mile.

Nine of the thirteen boroughs listed had population densities in excess of 1 person per square mile. The four exceptions were the Haines Borough (0.70 persons/sq.mi.), the Aleutians East Borough (0.23 persons/sq.mi.), the Northwest Arctic Borough (0.18 persons/sq.mi.), and the North Slope Borough (0.09 person/sq.mi.). Only two of the REAAs listed had population densities in excess of 1 person per square mile. The two REAAs with relatively high population densities were Adak (15.46 persons/sq.mi.) and the Pribilof Islands REAA (10.53 persons/sq.mi.).

### CULTURE

In the sense that culture may influence preferences for and attitudes concerning delivery of municipal services, it may be of value to reflect upon the culture of each region as measured by racial composition. Table 8 of the appendix contains a listing of the data obtained from the 1980 Federal Census. These data give us a general picture of the racial composition of the identified areas throughout the state.

Keeping in mind the limitations in obtaining the data (as noted at the bottom of the table), some observations can be made. Ten of the thirteen boroughs in the state have predominantly white (50% or more) populations. Six of the eleven federal census areas in the Unorganized Borough have predominantly white populations. Three of the thirteen boroughs in the state have predominantly native (50% or more) populations. Five of the eleven federal census areas in the Unorganized Borough have predominantly native populations.

### REGIONAL COST OF LIVING DIFFERENCES

Table 9 provides information concerning 1985 cost of living differences throughout Alaska. The data was compiled on the basis of boundaries of 1961 state election districts.

Information provided in Table 9 becomes important when planning for the delivery of services and the relative income available for payment of services when per capita income is considered. Using Anchorage as a baseline, the cost of living in various areas is expressed in terms of ratios to the base. The data support widely held perceptions of cost differentials throughout Alaska. For example, Barrow and Kotzebue held the highest cost of living with Bethel, Nome, Yukon-Kuskokwim, Bristol Bay, Wade Hampton and the Aleutian Islands just behind. The Palmer/Wasilla area, Petersburg/Wrangell, Anchorage, Seward, Kenai/Cook Inlet, Ketchikan, Juneau and Fairbanks area had the lowest costs of living in the State.

### SECTION III OPTIONS FOR DECISION MAKERS

This section of the report considers the current methods of service delivery and identifies and examines alternatives to these methods. As noted in the Introduction to this report, such options are offered in the hope that they will serve as a mechanism to generate discussion on the topic.

#### OPTION 1 - RETAIN STATUS QUO

Certainly one option is to do nothing — to leave matters as they are. However, there appears to be growing concern over the present method of service delivery. The following is a summary of such concerns to which the Department of Community and Regional Affairs has been exposed:

**INEFFICIENT ADMINISTRATIVE STRUCTURE FOR EDUCATIONAL SERVICES:** With the pending assumption of education responsibilities by the newly formed Aleutians East Borough, there will be 54 school districts in the state. Regardless of their size, each of these maintains separate and independent administrative structures.

Establishing boroughs throughout the state would consolidate many of the smaller school districts. For example, if a borough were formed along the lines of the Southeast Island REAA, seven separate school districts, each averaging less than 315 students, would be consolidated into one district with more than 2,200 students.

**INEQUITABLE PROVISIONS REQUIRING FINANCIAL SUPPORT OF EDUCATION:** Alaska's 32 municipal school districts educate more than 87% of the state's students. State law requires that municipal school districts provide minimum levels of financial aid in support of education. It is estimated that each of the boroughs and home rule/first class cities in the Unorganized Borough will, on average, contribute more than \$1,500 per student in support of education during the 1987 - 1988 school year. However, the other 22 districts in the state (REAs) are not required to contribute to the operation of their schools. Forming boroughs throughout the state will eliminate this inequity.

**DISPARITIES IN THE MANNER IN WHICH EDUCATIONAL FUNDS ARE DISTRIBUTED:** The state formulas for funding education result in great disparities in the level of funding per pupil. For example, during the 1987 - 1988 school year, the Matanuska-Susitna Borough is expected to receive less than \$3,600 per student in state and federal (PL 874) funds, while the immediately adjacent Copper River REAA is expected to receive more than \$8,700 per student.<sup>18</sup> Formation of boroughs would reduce, but not eliminate, the disparities in funding.

Additionally, disparities exist with respect to the construction of school facilities. Capital improvements for schools in REAAs are funded entirely by the state. Municipal governments pay a portion of the cost of capital improvements for schools funded by bonds.

**PERCEPTIONS OF THE NEED TO IMPROVE THE MANAGEMENT OF THE DELIVERY OF PUBLIC SERVICES:** The concern has been expressed that without a requirement for local financial support of services, particularly with respect to education, recipients have less motivation to oversee the efficient administration of those services. Examples cited in this respect include the recent report that in 1986, teachers in the Copper River REAA received the highest salaries of any public teachers in the state — \$11,000 more per year than the state average. In December of 1986, this same school district became the first and only one in Alaska (and the second in the nation) to file for bankruptcy.<sup>19</sup> Establishment of boroughs would address this concern.

**CONSTITUTIONAL AND OTHER CONCERNS OVER THE DELIVERY OF GENERAL SERVICES AND FACILITIES:** The Alaska Constitution states that "All local government powers shall be vested in boroughs and cities." From this, concern has been expressed that the method of delivering state services generally in unincorporated communities (i.e., through non-profit corporations, tribal councils, etc.) may be a violation of the Constitution.

Concerns have also been expressed over the public policy of funding services in communities through organizations which, unlike municipalities, may not represent all of the residents of the community. This raises questions with the "democratic" process afforded those who may not be eligible to become members of the groups providing services. Examples of such organizations include non-profit corporations, Traditional Native Councils and IRA Councils.

Other concerns center on the prospect for the long-term existence of organizations, particularly non-profit corporations, to which the state has granted millions of dollars to fund the construction and operation of public facilities in unincorporated communities. For example, a number of non-profit corporations organized in the early 1980's to receive state aid to unincorporated communities under the provisions of Chapter 60, SLA 1981, have dissolved leaving their affairs in a state of limbo.

A final concern relates to the competition for limited funding sources. Given the recent declines in state aid, there has been an increase in the number of incidents where separate organizations within a community compete in an effort to receive revenue sharing or other state aid on behalf of that community. Such competition often causes divisiveness within a community. In such instances state agencies typically spend a disproportionately greater amount of time administering such funding.

A borough has the legal capacity to provide all types of local government services. Therefore, establishment of boroughs would resolve this concern to the extent that the borough was responsible for the delivery of the services in question.

## OPTION 2 - CREATION OF BOROUGHS WITH POWERS LIMITED ABSOLUTELY TO EDUCATION AND TAXATION

In effect, this option provides for 1) the granting of taxing powers to all existing regional educational attendance areas (REAs) and 2) the consolidation of REAs and city school districts. Because the Alaska Constitution states that "The State may delegate taxing powers to organized boroughs and cities only" the REAs would have to be formally organized as boroughs. If the power of a borough created under this option was to be limited absolutely to education and taxation, a new class of borough government (presumably 4th class) would have to be established.

This option offers a simply implemented solution to certain of the problems identified with option 1. In particular, it would address those concerns relating to 1) administration of small school districts; 2) inequities relating to municipal vs. non-municipal school funding; 3) reducing disparities in funding for education; and 4) perceptions of diminished desire to oversee delivery of education services.

However, this option would not address all of the concerns identified with the status quo. Because the borough's powers would be limited absolutely to education and taxation, it could not provide other services to the residents of the region. The Department of Community and Regional Affairs considers this to be a severe limitation. In that this option is inflexible and cannot address service needs of regions/communities other than education, the Department believes that this option is not as attractive as other options.

Another problem with this option concerns the financial viability of some of the boroughs which would result from an across-the-board mandate to incorporate all regions of the state. Certainly, a number of the boroughs which would result from such an approach would be financially viable. These may include the unincorporated regions which encompass the trans-Alaska oil pipeline and those regions fortunate enough to contain rich resources such as fish, timber and minerals.

A final problem identified with this option stems from the boundaries of existing REAs. In some cases, the boundaries of REAs would make poor borough boundaries. In the most extreme cases, some of the existing REA boundaries would even fail to meet the standards in law for the establishment of borough boundaries. Further, in some cases it may be more appropriate for all or portions of certain REAs to be annexed to existing boroughs rather than incorporated as new boroughs.<sup>20</sup>

### **OPTION 3 - PROVIDE FOR THE FORMATION OF 3RD CLASS BOROUGHs IN UNINCORPORATED REGIONS**

With one notable exception, this option has the same strengths and weaknesses as those identified earlier for option 2. The exception being that, unlike the mechanism discussed under Option 2, a third class borough has the authority (upon voter approval) to perform services other than education and taxation in limited areas of the borough.

Nonetheless, the Department believes that this option still lacks desirable traits. The creation of third class boroughs was outlawed by the legislature in 1986 (the one third class borough in existence at the time was permitted to continue).

New third class boroughs were precluded from forming because of unique limitations of that class of borough. Unlike all other boroughs, third class boroughs are not required to provide planning, platting and land use regulation throughout their jurisdiction. Another significant limitation of a third class borough is that, while it can exercise powers other than education and taxation, it can only do so on a service area basis.

Certainly the need for and importance of region-wide planning, as well as the legal ability to provide a wide range of services throughout a borough's boundaries were significant factors in the legislature's decision to preclude future third class boroughs. The Department does not support the creation of new third class boroughs.

### **OPTION 4 - PROVIDE FOR THE FORMATION OF 1ST OR 2ND CLASS BOROUGHs IN UNINCORPORATED REGIONS**

As with Options 2 and 3, this option offers a simply implemented solution to certain of the problems identified with the status quo. In particular, it would address those concerns relating to 1) administration of small school districts; 2) inequities relating to municipal vs. non-municipal school funding; 3) disparities in funding for education; and 4) perceptions of diminished desire to oversee delivery of education services.

However, this option shares the weaknesses of Options 2 and 3 regarding the uncertain financial viability of some of the boroughs which would be created and problems with the boundaries of some of these prospective boroughs.

This option offers two distinct advantages over Option 3 in that it 1) provides for areawide planning, platting and zoning, and 2) permits the exercise of other powers on an areawide basis. While this alternative offers greater benefits than ones examined earlier, the Department believes that the next option represents the best choice.

### OPTION 5 - PROVIDE FOR THE FORMATION OF HOME RULE BOROUGHS IN UNINCORPORATED BOROUGHES

This option would have all of the strengths and weaknesses associated with Option 4, with one notable exception. The borough government which would be formed would, as far as possible, be tailor made for the region.

Unlike all other types of boroughs, the powers, duties and procedures of home rule boroughs are established generally by a charter approved by the voters of the borough. By comparison, the powers, duties and procedures of general law boroughs (1st, 2nd and 3rd class boroughs) are governed in an exact fashion by some 450 provisions of law established as Title 29 of the Alaska Statutes.

Some state laws still apply to home rule boroughs. For example, a home rule borough is required by state law to provide public education in the same fashion as a general law borough. A home rule borough is also required to "provide for planning, platting and land use regulation." However, with respect to the latter, there appears to be considerable flexibility in the manner in which a home rule borough implements the functions of planning, platting and land use regulation. While extensive provisions of state law dictate how general law boroughs conduct these functions only two of these sections seem to apply in full or part to a home rule borough.<sup>21</sup>

Home rule status may also be used to provide "ironclad guarantees" to residents that their government will not grow "out of control". Voters of one home rule borough who were concerned about the prospect of burdensome property taxes recently approved a charter provision which generally prohibits the borough from levying any property taxes unless authorized by the voters.<sup>22</sup> Concerns over the prospect of "excessive regulation" and "unwarranted growth of government" could be addressed through the adoption of charter provisions which control the manner in which the borough may assume regulatory duties and discretionary powers.

Other innovative options could be used in combination with a carefully crafted home rule charter to further promote public acceptance of a borough and to further enhance its effectiveness and efficiency. For example, as described in detail below, a borough could transform what, in many cases, may be an inefficient system of service delivery into one which is coordinated and efficient.

Today, the delivery of services to the 76,747 residents of the Unorganized Borough is accomplished in a highly fractionalized manner. Services are delivered through the efforts of 22 regional educational attendance areas, 4 coastal resource service areas, 106 cities and well in excess of 100 non-profit corporations and tribal councils administering public services in an estimated 90 unincorporated communities. Each of these more than 200 entities works in a largely independent fashion to deliver services.

Each organization is likely to employ one or more administrators to oversee the delivery of services. However, given the limited (and diminishing) funds made available by the state to these organizations, many of them spend disproportionately large amounts of their revenues on administration. As a result, there are fewer dollars for the actual delivery of services and/or the maintenance of facilities already constructed.

Others of these organizations may skimp on administration or simply may not be able to afford fully trained and competent administrators. This may result in services and facilities which are poorly planned and carried out. Often financial accountability will suffer in these instances.

Boroughs can obtain the powers to provide virtually every service which is now provided by the hundreds of organizations independently serving the residents of the Unorganized Borough. It would seem apparent that public services could be provided better and more efficiently through a borough structure.

Further, services could be provided by a borough without unduly diminishing the role of each community in the planning for and providing of the delivery of services. Such could be done through the creation of service areas. The assembly is authorized by law to "provide for an appointed or elected board to supervise the furnishing of special services in a service area".

Such provisions might be used in certain instances to enhance the acceptability of a borough. For example, cultural preferences of some regions might be accommodated through the appointment of the community IRA or Native Traditional Council to serve as the borough service area board for that community.

## SECTION IV CONCLUSIONS

From information discussed in this report, certain important conclusions can be made regarding issues of regional government in the Unorganized Borough. These are:

1. There appears to be considerable interest in promoting major change to the present structure of the delivery of services to the Unorganized Borough.
2. Extending regional government to the Unorganized Borough would potentially serve the interests of the state and its residents in many ways. Principal examples of how this interest might be served were identified by the sponsor of SSHB 1 as goals which led to the introduction of the bill. These are: <sup>23</sup>
  - To maximize local control and to share local responsibility for programs and services;
  - To fully implement the system of local government intended by the state constitution which provides for "a minimum of local government units" and that "All local government powers shall be vested in cities and boroughs";
  - To unite the residents of Alaska in an effort to make the state the best that it can be - to eliminate the divisiveness which results from "rural versus urban" thinking;
  - To provide more equitable services and to foster economic development throughout Alaska — these would be done through the use of the borough's own legal powers and resources coupled with grants of lands and financial assistance from the state.

The Department would add to this list the benefit of converting a fractionalized system of delivering services into one which is uniform and potentially far more efficient.

3. To be welcome, a regional government must serve useful functions as defined by its residents and the state. It must also be of a form which is considered acceptable to its residents. To this end, the Department believes that a home rule borough is the best vehicle to address the needs of the state and regions.
4. Ideally, residents of unincorporated regions would seek to form boroughs on their own initiative. However, reality indicates that this is not likely to happen. Nearly 96% of all the Alaskans who live in boroughs today, live in boroughs which were mandated to be formed by the legislature in 1963 - 1964. Only four boroughs have incorporated since 1964. Without some compulsory action, it is unlikely that many unincorporated regions of the state will form boroughs in the foreseeable future.
5. Many of the residents of the Unorganized Borough already live within a local government structure similar to a borough. More than 36% of the residents of the Unorganized Borough live

within home rule and first class cities — organizations whose powers and duties are virtually identical to boroughs. Further, 43 percent of the residents of the Unorganized Borough live within second class cities — organizations which, in many respects, are identical to boroughs. Thus, nearly 80% of the population of the Unorganized Borough lives within a structure similar or identical to a borough.

6. Clearly, the "natural resources" of the state — whether they are fishing, minerals, timber or property used in oil and gas exploration, production and transportation — are not located so as to promote equitable distribution of the benefits of those resources. It is apparent that some unincorporated regions presently have the resources to support a borough government. In fact, some seem to have far greater resources than many existing boroughs. Other regions, however, have resources which are much more limited and may not be able to support a borough under the present formulas for funding public services.

7. In many cases, the boundaries of regional educational attendance areas would serve as poor boundaries for prospective boroughs.

## SECTION V FINAL COMMENTS

The role of the Department in this matter was simply to examine and report on issues relating to regional government in the Unorganized Borough as directed by the Legislature. It is the role of the Legislature and others to make decisions regarding what, if anything, is to be done concerning such issues.

While the Department does not advocate any particular course of action in this regard, this report would not be considered complete without the following final comments.

Before any across-the-board changes implemented, such as that envisioned by SSHB 1, it is essential that appropriate boundaries for prospective boroughs be identified. This could be done by directing the Local Boundary Commission to examine the Unorganized Borough and to formally determine:

1. which areas of the Unorganized Borough should be annexed to existing boroughs; and
2. what boundary lines should be drawn to incorporate regions in the rest of the Unorganized Borough.

Because of the vast disparities in the ability of existing and potential borough governments to support the cost of local government, it may be necessary and would certainly seem appropriate, to examine and perhaps restructure public funding programs in order to provide more equitable funding to all municipal governments in Alaska.

There are numerous options and opportunities which could be used to ensure that every region in the state has sufficient financial resources to provide a minimum level of services. While the in-depth examination of such options is beyond the scope of this report, the Department would welcome the opportunity to pursue the matter if requested by the Legislature. For purposes of this report, however, the following are offered as examples of options to make all regions of the state financially viable as boroughs:

1. Examine and pursue, if available, the prospect of extending the recognized offshore jurisdiction of the State of Alaska (and consequently boroughs) to include all of the territory within the U.S. Exclusive Economic Zone. If successful, such an effort could result in substantially increased revenues available to coastal boroughs.<sup>24</sup>
2. Revise state formulas for providing financial assistance to municipal governments.<sup>25</sup>
3. Transfer substantial responsibility of and funding for direct provision of services from the state to regional governments.
4. Expand municipalities' powers to tax.<sup>26</sup>

As an alternative to an across-the-board mandate for the formation of boroughs throughout the state, it may be more practical and appropriate (at least for the short-term) to provide that those areas which are presently deemed capable of supporting boroughs do so. This could be done through using standards to trigger the formation of new boroughs. Examples of factors which might be used to set such standards include the value of taxable real and personal property; the value of taxable sales transactions; the value of resources; per capita income; the population of the region (i.e., when a region's population reaches a certain threshold); and finally, the population of a region as a percentage within city school districts.

In conclusion, the Department appreciated the opportunity to prepare this report. We hope that it may lead to improving the delivery of services to all Alaskans.

## FOOTNOTES

1. Chapter 95, Session Laws of Alaska 1987 (page 105).
2. Among the more prominent economic, social and political forces are the decline in state revenues, legislative reapportionment which will follow the 1990 census, the prospect of a legislative mandate to form boroughs and the desire to assume greater local control. For a discussion of these factors, as well as a general discussion of borough government in Alaska, see *Regional Government in Alaska*, Department of Community and Regional Affairs (December, 1987).
3. This contrasts with the previous 22 years during which only 2 boroughs were formed (Haines Borough on 8/29/68 and North Slope Borough on 7/1/72). The two boroughs formed since June, 1986 were the Northwest Arctic Borough which became the state's twelfth borough on June 2, 1986 and the Aleutians East Borough which became the state's thirteenth borough on October 23, 1987.
4. See *Regional Government in Alaska*, Department of Community and Regional Affairs (December, 1987) for a discussion of Sponsor Substitute for House Bill 1. In 1963, the State legislature adopted a measure similar to SSIHB 1. That law resulted in the creation of 8 of the 13 boroughs which presently exist. Those 8 "mandatory boroughs" encompass nearly 96% of all Alaskans who live in boroughs today.
5. The Kodiak Island Borough is considering annexing Shelikof Strait and a portion of the Alaska Peninsula. The Matanuska-Susitna Borough is considering a proposal to extend its boundaries to the east to include a portion of the trans-Alaska oil pipeline. The Fairbanks North Star Borough is also considering expanding its boundaries to include a portion of the trans-Alaska oil pipeline. Residents of the REAA 6 are examining options relating to an expansion of the boundaries of the adjacent Bristol Bay Borough.
6. For example, in 1986 the City of Dillingham petitioned for the annexation of more than 900 square miles encompassing all of Nushagak Bay and adjacent lands.
7. Regions considering borough government include the Western Aleutian Region, the Bristol Bay Region (REAA's 6 & 7), the Prince William Sound Region, the Lower Yukon Region and the Copper River Basin. Several cities in Southeast Alaska have also expressed interest in the topic including Yakutat, Hoonah and Kake.
8. Readers who wish further information are urged to read *Regional Government in Alaska*, Department of Community and Regional Affairs (December, 1987); *Alaska's Urban and Rural Governments*, Thomas A. Morehouse (1984); *The Metropolitan Experiment in Alaska - A Study of Borough Government*, Ronald C. Cease and Jerome R. Saroff (1968).

9. Home rule boroughs, first class boroughs, second class boroughs, home rule/first class cities within third class boroughs and home rule/first class cities in the Unorganized Borough must provide planning, platting and zoning. However, the boroughs may delegate the powers to cities within the boroughs. In addition, second class cities in the Unorganized Borough have the power (but not the duty) to provide these services. A third class borough may exercise platting, planning and zoning on a service area basis upon authorization from the voters.
10. In addition to those municipalities required to provide planning, a municipality was considered to have planning powers if the *Alaska Municipal Officials Directory, 1987* indicated the municipality had a planning commission or planning staff.
11. AS 29.03.030 provides that the Department of Natural Resources, subject to AS 40.15.075, is the platting authority in the Unorganized Borough in the area outside all cities. AS 40.15.075 limits that authority for "only the purpose of hearing and acting on petitions for the change or vacation of plats". AS 40.15.075 also extends the same duties to DNR within the area of third class boroughs outside of cities.
12. Where possible, the information is provided to permit a comparison of regions by boroughs and regional educational attendance areas. In some cases, however, data are presented by federal census areas. Each borough in the state exists as a separate federal census area. Except, however, that the newly formed Aleutians East Borough is not identified as a separate area. The federal census areas in the Unorganized Borough do not conform to the boundaries of the regional educational attendance areas. The 22 REAAs are encompassed within 11 federal census areas.

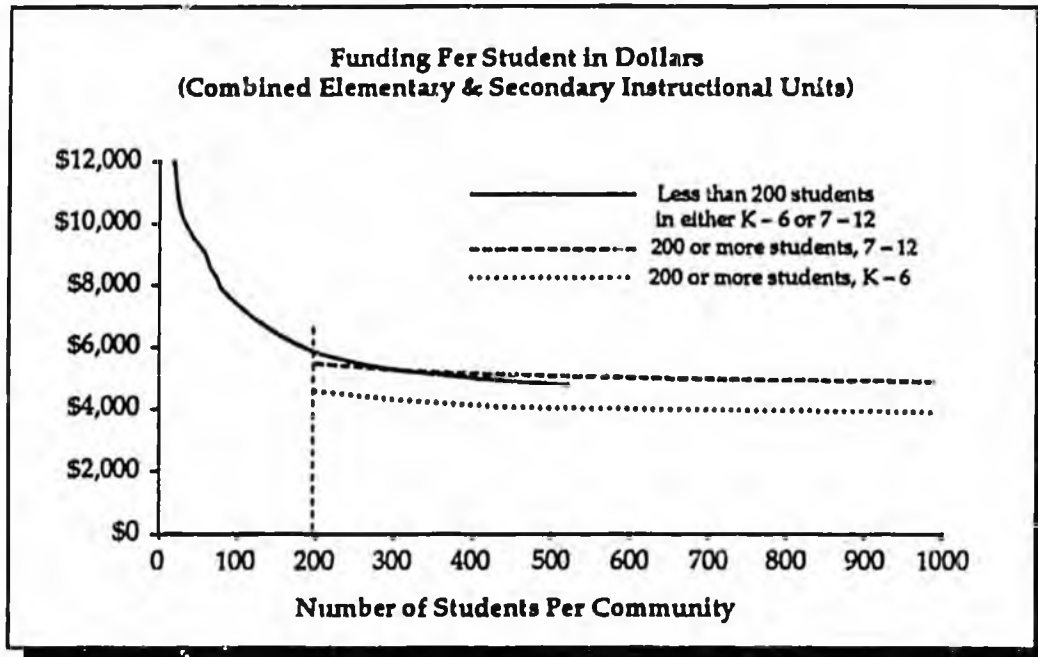
In some of the tables in this report the smaller REAAs (Kashunamiut, Yupiit and Annette Island) were included in adjacent REAAs. Data on fisheries is reported by fish management areas which differ from other areas listed in the tables. Data on regional cost of living differences was based upon state election districts in effect in 1961. Notwithstanding the differences in boundaries, important regional comparisons are still possible. Maps showing the boundaries of REAAs, boroughs, federal census areas and the 1961 election districts are included in the appendix. Maps and more detailed information on fisheries districts were not included in the appendix due to space limitations. Those readers wishing further information on fisheries resources should contact the Department of Community and Regional Affairs.

13. For purposes of compiling Table 1, the Kashunamiut REAA (consisting only of Chevak) was included in the Lower Yukon REAA. The Yupiit REAA consisting only of Akiachak, Akiak and Tuluksak was included in the Lower Kuskokwim REAA.

14. Since no commercial fish processing activity was reported in the North Slope Borough, it received no funding for FY 87. The Aleutians East Borough had not organized in time for funding during FY 87. Thus, only 11 boroughs are reported. Calculation of the entitlement of prospective boroughs was based upon the following. The state collected \$27,025,050.12 during FY 87 from its Business Fisheries Tax (note: this figure may not be a totally accurate reflection of the taxes levied for FY 87 in that it might include pre-payments, late payments and other adjustments). Boroughs and cities within boroughs received \$4,891,479.85 during FY 87. Cities in the Unorganized Borough received \$3,185,073.42. (Municipalities were actually entitled to approximately \$600,000 more than the \$8,076,553.27 distributed during FY 87, however, appropriations for the distribution of program funds did not allow distribution of full entitlements). From this it is calculated that prospective boroughs in the Unorganized Borough would, based upon FY 87 receipts, have received \$7,028,508.50 (assuming they were not then under the phase-in provision stipulated by AS 43.75.130 applicable to newly formed boroughs during their initial 4 years of existence). This \$7,028,508.50 includes funds to which the Aleutians East Borough would be entitled. The petitioners for incorporation of the Aleutians East Borough estimated first year program receipts at \$421,000.
15. The estimate is after the phase-in provision stipulated by AS 43.75.130 applicable to newly formed boroughs during their initial 4 years of existence. Source: *Borough Feasibility Study, REAA 6 Region (Including City of Dillingham) Preliminary Draft Report*, Department of Community and Regional Affairs (September 28, 1987).
16. The state distributes federal funds received for commercial activities within National Forests. The proceeds are distributed on the basis of the land area of National Forest located within the boundaries of boroughs. The level of program funding typically fluctuates from year to year. One of the largest program distributions occurred in FY 81 when some \$6 million was received from the federal government. Last year, only \$500,000 was received. This year, because of some unique and unexpected factors in the complex federal formula for determining the level of funding, no program funds will be received from the federal government. Most of the funds are distributed to boroughs in the Tongass National Forest. However, a relatively modest amount of funds is available for distribution to boroughs in the Chugach National Forest. Approximately 30.6% of the program receipts for the Tongass National Forest are distributed to the four boroughs in Southeast Alaska. The remaining 69.4% of such funds would be distributed to boroughs encompassing the Chatham REAA and Southeast Island REAA (including Annette Island).
17. See opinion from Assistant Attorney General Deborah Vogt dated April 29, 1986 (file no. 663-86-0456) for a discussion of the authority of a borough to levy a severance tax.

18. The disparities in state funding per student stem from three principal factors. These are:

- A. The number of "instructional units" of each district. Instructional units are determined by numbers of students, grade levels, and numbers of students enrolled in vocational, special or bilingual education programs. As noted on the graph below, schools with smaller numbers of students per instructional unit receive higher levels of funding per student than do larger schools.



In relation to the example given in the text, one instructional unit in the Matanuska-Susitna Borough (MSB) includes 12.49 students, while one instructional unit in the Copper River (CRREAA) includes 7.85 students. For the 1987 - 1988 school year, instructional units are funded at \$60,000 each. Thus, for this aspect of the formula, students in the MSB school district are funded at the rate of \$4,804 per student while students in the CRREAA school district are funded at the rate of \$7,643 per student, which is 59% higher than the MSB rate.

- B. The second major factor is the area cost differential which is intended to adjust for higher costs incurred by some districts, particularly for personnel.

The MSB is given no area cost differential adjustment while the immediately adjacent CRREAA is given a cost differential of +14%. Thus, the disparity between the two districts grows in a proportionate amount. The rate of funding per student in the MSB remains at \$4,804 while the rate of funding in the CRREAA increases to \$8,713 (\$7,642 x 1.14). Under this second factor, the per student rate of funding in the CRREAA is now 81% greater than the MSB (up from 59% under factor one.)

C. The final principal factor concerns the required local contribution. In the example in the text, the MSB is required to pay an estimated \$1,216 per student, while the Copper River REAA is not required to provide any local support. Thus, the funding per student in the MSB is reduced to \$3,588 per student (\$4,804 - \$1,216) while the rate of funding for the CRREAA remains at \$8,713 per student. Under this third factor, the per student rate of funding in the CRREAA is now nearly 143% greater than the MSB (up from 59% under factor one and 81% under factor two).

19. *Anchorage Daily News*, August 9, 1987.

20. Some of the existing boundaries of REAAs would not conform to the standards for incorporation of a borough (AS 29.05.031 and 19 AAC 10.160 - 19 AAC 10.180). For example, some REAAs encompass only one community or less than 1,000 residents (Pribilof Islands REAA, Kashunamiut REAA, Yupiit REAA, Annette Island REAA). One REAA (Adak) exists as an enclave within another REAA (Aleutian). A portion of one REAA is even an enclave within an organized borough (Klukwan, which is part of the Chatham REAA, is an enclave within the Haines Borough). In some cases it may be more appropriate for all or portions of some REAAs to be annexed to existing boroughs rather than incorporated as new boroughs (e.g., Klukwan and Skagway to the Haines Borough; Port Alexander to the City and Borough of Sitka, Metlakatla to the Ketchikan Gateway Borough and portions of REAAs 6/7 to the Bristol Bay Borough).

21. See AS 29.10.200 for the limitations of home rule boroughs; AS 29.10.200(39) and AS 29.10.200(40) specifically limit home rule boroughs with respect to the exercise of planning, platting and land use regulations.

22. Section 11.03 of the Charter of the Northwest Arctic Borough, adopted October 6, 1987, provides that "Property tax shall not go into effect prior to a popular vote in which the majority of voters approve the property tax, except that this provision shall not apply either to taxes to pay or secure payment of principal and interest on bonded indebtedness as per AS 29.45.100 and actions taken pursuant to Section 10.07 of this Charter". Section 10.07 of the Charter states that "The Assembly may authorize general obligation bonds or notes without ratification of the qualified voters for disaster bonds or notes to be issued only in case of calamity which has caused great loss. In this instance, obligations are to be used for the preservation, rehabilitation, or reconstruction of borough capital improvements".

23. See October 3, 1987 letter sent to all REAA superintendents and board chairs from Representative Ronald Larson discussing SSHB 1.

24. See memorandum from Marty Rutherford, Director of the Division of Municipal and Regional Assistance Division, Department of Community and Regional Affairs, November 2, 1987, requesting opinion on the subject from the Office of the State Attorney General. See also, *Coastal States and the U.S. Exclusive Economic Zone*, Coastal State Organization (April, 1987).

25. State funding formulas could be revised to better reflect a municipality's revenue generating ability and the expenses which it incurs in providing certain basic services. In many instances existing programs may intend to reflect this but do not. Examples of such circumstances are provided below:
- A. The state formula for education funding provides that municipal districts must contribute the lesser amount of: 1) the equivalent of funds generated by a four mill (0.004) tax on the full and true value of taxable real and personal property; or 2) 35% of a district's basic need for the preceding school year. Most municipal school districts are required to pay the four mill tax equivalent to support their schools. Yet, the districts which have vastly superior property tax resources end up being required to pay less in terms of tax rates. Generally, the existing and potential boroughs along the trans-Alaska Oil Pipeline are the ones which would be required to pay the lower tax rates for education. It is estimated that in the most extreme example, one such region would only be required to pay the equivalent of funds generated by three-tenths of one mill (0.0003) on the full and true value of taxable real and personal property. That represents only 7.5% of the tax equivalent of funds that would be required of most boroughs. The state may be in a better position to assist poorer regions of the state if the funding formula were changed. The formula might be adjusted to increase the required local contribution of the "richer" districts and reduce the state's share. This could be done while maintaining the standards required under the federal PL-874 relating to disparity in local student expenditures among school districts.
  - B. The state might alter provisions concerning the distribution of resource revenues to ensure a more equitable sharing of the benefits. For example, the status quo with respect to current municipal taxation of existing oil and gas exploration, production and transportation property might be imposed as future limitations for municipalities. Thus, municipalities would be precluded from raising current rates of taxation and from taxing future oil and gas properties. The state could then "pool" revenues received from taxes which it levies on such properties under AS 43.56.010. That pool of funds could then be used to more equitably share revenues with other regions which lack adequate revenues.
  - C. For FY 87 eleven of the twelve boroughs in the state received between \$101.55 and \$125.31 per qualifying resident (population outside of cities) under the Municipal Assistance program. However, one borough received \$487.69 for each qualifying resident. The 289.2% disparity in per capita funding between the borough with the highest funding rate and the borough with the next highest rate had nothing to do with financial need.
26. Although municipalities enjoy broad authorities to tax, there are some limitations which might be eased in order to help make borough government more viable. For example, AS 43.20.290 prohibits a municipality from levying an income tax. There are some regions of the state in which non-residents (individuals from both outside the area and the state) gain significant economic benefits from the region (e.g., fishing industry). A borough which presently levies only sales or property taxes might be able to shift a substantial portion of the tax burden onto non-residents through the enactment of an income tax. Prudent limitations on such expanded authorities would, of course, be expected.



# Appendix

**Table 1**  
**Taxable Values Per Student**

| <u>School District</u>  | <u>January 1, 1986<br/>Full Taxable Value</u> | <u>FY '88<br/>Projected<br/>Students</u> | <u>Value<br/>Per<br/>Student</u> |
|---|---|--|----------------------------------|
| 1. North Slope Borough  | \$13,570,786,300                              | 1,231                                    | 11,024,197                       |
| 2. Yukon Flats REAA   | 1,035,432,040                                 | 390                                      | 2,654,954                        |
| 3. Copper River REAA  | 1,198,725,880                                 | 561                                      | 2,136,766                        |
| 4. Chugach REAA   | 1,843,290,222                                 | 1,260                                    | 1,462,929                        |
| 5. Yukon Koyukuk REAA   | 934,498,200                                   | 1,022                                    | 914,382                          |
| 6. Delta Greely REAA  | 813,113,635                                   | 1,027                                    | 791,737                          |
| 7. Anchorage Borough  | 19,343,356,800                                | 38,874                                   | 497,591                          |
| 8. Kenai Peninsula Borough                                    | 3,905,341,700                                 | 8,414                                    | 464,148                          |
| 9. Bristol Bay Borough  | 101,541,000                                   | 231                                      | 439,571                          |
| 10. Juneau Borough  | 1,688,992,300                                 | 4,244                                    | 397,972                          |
| 11. Aleutian Region REAA<br>(includes Aleutians East Borough) | 206,485,320                                   | 528                                      | 391,071                          |
| 12. Ketchikan Gateway Borough                                 | 904,384,100                                   | 2,450                                    | 369,136                          |
| 13. Fairbanks Borough   | 4,726,913,900                                 | 13,158                                   | 359,243                          |
| 14. Matanuska-Susitna Borough                                 | 2,716,755,900                                 | 8,940                                    | 303,888                          |
| 15. Haines Borough  | 97,621,600                                    | 360                                      | 271,171                          |
| 16. Sitka Borough   | 441,175,000                                   | 1,637                                    | 269,502                          |
| 17. Kodiak Island Borough                                     | 552,447,400                                   | 2,319                                    | 238,227                          |
| 18. Southwest Region REAA                                     | 157,571,260                                   | 960                                      | 164,137                          |
| 19. Southeast Island REAA                                     | 358,763,515                                   | 2,202                                    | 162,926                          |
| 20. Chatham REAA  | 131,333,718                                   | 882                                      | 148,904                          |
| 21. Northwest Arctic Borough                                  | 235,045,200                                   | 1,637                                    | 143,583                          |
| 22. Bering Straits REAA                                       | 240,477,297                                   | 2,010                                    | 119,640                          |
| 23. Lower Kuskokwim REAA<br>(including Yupiit)                | 321,017,462                                   | 2,963                                    | 108,342                          |
| 24. Pribilof REAA   | 14,153,160                                    | 152                                      | 93,113                           |
| 25. Railbelt REAA   | 30,176,160                                    | 346                                      | 87,214                           |
| 26. Alaska Gateway REAA                                       | 45,500,000                                    | 523                                      | 87,051                           |
| 27. Lake & Peninsula REAA                                     | 30,546,520                                    | 369                                      | 82,782                           |
| 28. Iditarod REAA   | 23,181,360                                    | 392                                      | 59,901                           |
| 29. Lower Yukon REAA<br>(including Kashunamiut)               | 89,378,063                                    | 1,657                                    | 53,940                           |
| 30. Kuspuk REAA   | 19,839,960                                    | 371                                      | 53,477                           |
| 31. Adak REAA   | 0   | 600                                      | 0                                |
| 32. Annette Island REAA                                       | 0   | 432                                      | 0                                |

## Table 1, Notes:

1. The estimates of values of taxable property and the estimates of numbers of students within regional educational attendance areas (REAs) include those for home rule and first class cities located within the boundaries of the REAs.
2. The estimates of the values of taxable property are as of January 1, 1986.
3. The estimates of the numbers of students are based upon projected entitlements for the 1987 - 1988 school year.

sources: 1) Alaska Taxable, 1986, Vol. XXVI January 1987, State of Alaska Department of Community and Regional Affairs, Municipal and Regional Assistance Division; 2) Estimated Value of Regional Education Attendance Areas, State Assessor, revised 4/14/87; and 3) a review - The Alaska Public School Foundation Funding Program - Effective July 1, 1987, Alaska Department of Education, prepared May 28, 1987.

TABLE 2

**FY 87 DISTRIBUTION OF BUSINESS FISHERIES TAX  
IN CITIES WITHIN THE UNORGANIZED BOROUGH (BY REAA)**

| <b>NAME</b>  | <b>BUSINESS FISHERIES<br/>TAXES</b> | <b>% OF \$ DISTRIBUTED<br/>IN UNORGANIZED<br/>BOROUGH</b> |
|--|-------------------------------------|---|
| <b>Southeast Island REAA</b>                                       |                                     |   |
| Kake   | 31,190.13                           |   |
| Klawock  | 7,122.20                            |   |
| Petersburg   | 636,229.42                          |   |
| Wrangell   | <u>70,375.72</u>                    |   |
| <b>TOTAL</b>   | <b>744,917.67</b>                   | <b>32.8%</b>  |
| <b>Aleutian Region REAA<br/>(excluding Aleutians East Borough)</b> |                                     |   |
| Unalaska   | 538,147.14                          | 23.7%   |
| <b>Chugach REAA</b>  |                                     |   |
| Cordova  | 387,454.87                          |   |
| Valdez   | 65,040.68                           |   |
| Whittier   | <u>12,774.32</u>                    |   |
| <b>TOTAL</b>   | <b>465,270.37</b>                   | <b>20.5%</b>  |
| <b>Lake and Peninsula REAA</b>                                     |                                     |   |
| Chignik  | 179,266.55                          | 7.9%  |
| <b>Chatham REAA</b>  |                                     |   |
| Hoonah   | 30,515.34                           |   |
| Pelican  | 106,405.08                          |   |
| Skagway  | 23.25                               |   |
| Tenakee Springs  | 132.31                              |   |
| Yakutat  | <u>41,453.61</u>                    |   |
| <b>TOTAL</b>   | <b>178,529.59</b>                   | <b>7.8%</b>   |
| <b>Lower Kuskokwim REAA</b>  |                                     |   |
| Bethel   | 59,476.66                           |   |
| Toksook Bay  | <u>77.21</u>                        |   |
| <b>TOTAL</b>   | <b>59,553.87</b>                    | <b>2.6%</b>   |

TABLE 2 (continued)

| NAME                  | BUSINESS FISHERIES TAXES | % OF \$ DISTRIBUTED IN UNORGANIZED BOROUGH |
|-----------------------|--------------------------|--|
| Southwest Region REAA |                          |  |
| Dillingham            | 35,025.99                |  |
| Togiak                | <u>17,019.95</u>         |  |
| TOTAL                 | 52,045.94                | 2.3%                                       |
| Lower Yukon REAA      |                          |  |
| Emmonak               | 15,170.50                |  |
| Marshall              | 5,852.33                 |  |
| Mountain Village      | 19,796.95                |  |
| Saint Mary's          | <u>39.88</u>             |  |
| TOTAL                 | 40,859.66                | 1.8%                                       |
| Yukon-Koyukuk REAA    |                          |  |
| Galena                | 8,882.86                 |  |
| Kaltag                | 1,575.64                 |  |
| Nenana                | 1,826.04                 |  |
| Nulato                | <u>11.62</u>             |  |
| TOTAL                 | 12,296.16                | 0.5%                                       |
| Iditarod Area REAA    |                          |  |
| Anvik                 | 1,557.20                 | 0.1%                                       |
| Pribilof Islands REAA |                          |  |
| Saint George          | 528.53                   | insignificant                              |
| Kuspuk REAA           |                          |  |
| Aniak                 | 189.66                   | insignificant                              |

Source: Department of Revenue

CAUTIONS: Entitlements to revenues are based upon reports of fish processing activities which occur within the boundaries of municipalities. Where significant fish processing activities occur outside the boundaries of a municipality they are not reflected in this table. Thus, this table may tend to underestimate the value of some regional fisheries.

TABLE 3

**EX-VESSEL VALUES OF COMMERCIAL FISHERIES HARVESTS  
(ALL SPECIES) FOR AVERAGE OF  
SURVEY YEARS (GENERALLY 1975-1982)**

| <u>Management Area</u> | <u>Total of Average</u> |
|------------------------|-------------------------|
| Bristol Bay            | \$148,455,000           |
| Southeastern           | 69,049,000              |
| Kodiak                 | 68,845,000              |
| Bering Sea             | 51,348,000              |
| Prince William Sound   | 35,975,000              |
| Cook Inlet             | 35,807,000              |
| Peninsula Aleutians    | 35,479,000              |
| Chignik                | 12,909,000              |
| Dutch Harbor           | 9,356,000               |
| Lower Yukon            | 4,746,000               |
| Kuskokwim              | 3,512,000               |
| Yakutat                | 3,108,000               |
| Adak                   | 2,696,000               |
| Norton Sound           | 1,696,000               |
| Kotzebue               | 1,433,000               |
| Upper Yukon            | 776,000                 |

These figures are an indication of the strength of the regional fishery. However, it should be noted that boundaries of districts for various fish species extend beyond the three mile limit of state jurisdiction. There is also no indication what amount of these fish landed are actually processed within the boundaries of these management districts. Finally, the districts for the species of fish, although they have the same name, are not co-terminus, therefore may not present the same opportunity for revenue. For example, the Bristol Bay district for salmon is certainly expanded under the Bristol Bay district for king crab, which is again different for Bristol Bay herring. Further details on the resources of the districts and the boundaries of the districts are available from the Department of Community and Regional Affairs.

(source: Alaska Habitat Management Guide. Economic Overview of Fish and Wildlife. Vol. I: Commercial Fishing. State of Alaska, Department of Fish and Game, Division of Habitat, 1986.)

TABLE 4

## 1984 PER CAPITA INCOME

| <u>Federal Census Area</u>                      | <u>Per Capita Income</u> |
|---|--------------------------|
| 1. North Slope Borough                          | \$26,077                 |
| 2. Juneau Borough                               | 21,253                   |
| 3. Fairbanks North Star Borough                 | 20,764                   |
| 4. Bristol Bay Borough                          | 20,472                   |
| 5. Anchorage Borough                            | 19,188                   |
| 6. Ketchikan Gateway Borough                    | 18,138                   |
| 7. Valdez-Cordova Census Area                   | 17,536                   |
| 8. Haines Borough                               | 17,250                   |
| 9. Aleutians Islands Census Area (includes AEB) | 16,715                   |
| 10. Skagway-Yakutat-Angoon Census Area          | 16,124                   |
| 11. Sitka Borough                               | 16,090                   |
| 12. Wrangell-Petersburg Census Area             | 15,812                   |
| 13. Prince of Wales-Outer Ketchikan Census Area | 14,460                   |
| 14. Nome Census Area                            | 14,265                   |
| 15. Matanuska-Susitna Borough                   | 14,197                   |
| 16. Kenai Peninsula Borough                     | 13,237                   |
| 17. Southeast Fairbanks Census Area             | 12,685                   |
| 18. Kodiak Island Borough                       | 11,826                   |
| 19. Northwest Arctic Borough                    | 11,822                   |
| 20. Dillingham Census Area                      | 10,852                   |
| 21. Bethel Census Area                          | 10,050                   |
| 22. Yukon-Koyukuk Census Area                   | 9,537                    |
| 23. Wade-Hampton Census Area                    | 7,466                    |

The above personal income data from the U.S. Department Commerce includes all possible legal sources of income. There are three primary components to personal income: 1) earnings, 2) dividends, interest and rent, 3) transfer payments. The largest component is earnings which is the sum of wages and salaries, other labor income (work or tips) and proprietors' income. Transfer payments are derived from government assistance to individuals. In Alaska, these include permanent fund dividend payments and unemployment payments.

Noncash sources of goods and services, which are important in many Alaskan rural census areas, are not included in personal income data. The data may be further misleading since many census areas with low per capita income have exceptionally high costs for energy, food and other goods and services not reflected in this table.

(source: Greg Huff and Judy Hallanger, "Income Measures," Alaska Economic Trends, Vol. 7, No. 9 p. 11, September 1987).

TABLE 5  
1986 ALASKA AVERAGE MONTHLY WAGE

| <u>Federal Census Area</u>               | <u>Average Monthly Wage</u> |
|--|-----------------------------|
| 1. North Slope Borough                   | \$3,695                     |
| 2. Haines Borough                        | 2,680                       |
| 3. Southeast Fairbanks Census Area       | 2,359                       |
| 4. Valdez-Cordova Census Area            | 2,351                       |
| 5. Anchorage Borough                     | 2,278                       |
| 6. Fairbanks North Star Borough          | 2,229                       |
| 7. Ketchikan Gateway Borough             | 2,209                       |
| 8. Juneau Borough                        | 2,199                       |
| 9. Yukon-Koyukuk Census Area             | 2,144                       |
| 10. Kenai Peninsula Borough              | 2,132                       |
| 11. Prince of Wales-Outer Ketchikan      | 2,129                       |
| 12. Bristol Bay Borough                  | 2,127                       |
| 13. Wrangell-Petersburg, Census Area     | 2,118                       |
| 14. Sitka Borough                        | 2,105                       |
| 15. Skagway-Yakutat-Angoon Census Area   | 2,097                       |
| 16. Aleutian Islands Census Area (w/AEB) | 2,055                       |
| 17. Nome Census Area                     | 1,997                       |
| 18. Northwest Arctic Borough             | 1,991                       |
| 19. Matanuska-Susitna Borough            | 1,934                       |
| 20. Dillingham Census Area               | 1,916                       |
| 21. Bethel Census Area                   | 1,842                       |
| 22. Kodiak Island Borough                | 1,729                       |
| 23. Wade Hampton Census Area             | 1,655                       |

Average monthly wages are compiled by dividing total yearly payroll by average yearly employment and then further dividing by 12.

A point to keep in mind is that these figures could be skewed at either the high end or the low end of the scale. For example, industries characterized by high proportions of part-time workers will have average monthly wage levels appreciably below the actual monthly levels of regular full-time employees and of those industries that have few part-time workers. The retail trade and services industries are prime examples of this situation.

The opposite effect characterizes industries with low proportions of part-time workers or industries which typically schedule heavy weekend and overtime work. Examples of this situation are the construction and oil and gas industries. Thus, areas of the state with these types of primary industries can attribute a large percentage of their average monthly wage to the effects of these dynamics.

(source: Greg Huff and Judy Hallanger, "Income Measures," Alaska Economic Trends, Vol. 7, No. 9 p. 17, September 1987).

TABLE 6  
1986 UNEMPLOYMENT RATES

| <u>Federal Census Area</u>                    | <u>Unemployment Rate (%)</u> |
|---|------------------------------|
| 1. Matanuska-Susitna Borough                  | 18.3                         |
| 2. Kenai Peninsula Borough                    | 17.6                         |
| 3. Skagway-Yakutat-Angoon Census Area         | 17.2                         |
| 4. Yukon-Koyukuk Census Area                  | 17.0                         |
| 5. Northwest Arctic Borough                   | 15.7                         |
| 6. Prince of Wales-Outer Kechikan Census Area | 15.1                         |
| 7. Southeast Fairbanks Census Area            | 14.9                         |
| 8. Fairbanks North Star Borough               | 13.9                         |
| 9. Nome Census Area                           | 13.8                         |
| 10. Wade Hampton Census Area                  | 13.6                         |
| 11. Haines Borough                            | 13.0                         |
| 12. Wrangell-Petersburg Census Area           | 11.1                         |
| 13. Valdez-Cordova Census Area                | 11.0                         |
| 14. Ketchikan Gateway Borough                 | 10.5                         |
| 15. Bethel Census Area                        | 10.1                         |
| 16. Sitka Borough                             | 8.7                          |
| 17. Juneau Borough                            | 8.6                          |
| 18. Bristol Bay Borough                       | 8.4                          |
| 19. Anchorage Borough                         | 8.4                          |
| 20. Dillingham Census Area                    | 8.1                          |
| 21. Kodiak Island Borough                     | 7.4                          |
| 22. North Slope Borough                       | 6.1                          |
| 23. Aleutian Islands Census Area (w/AEB)      | 3.5                          |

(source: Alaska Department of Labor, Research and Analysis Division, monthly reports).

TABLE 7  
1986 POPULATION DENSITIES

| <u>School District</u><br><u>(Borough/REAA)</u>        | <u>Population</u> | <u>Land Area</u><br><u>(sq. mi.)</u> | <u>Persons/</u><br><u>Square Mile</u> |
|--|-------------------|--------------------------------------|---------------------------------------|
| 1. Anchorage Borough                                   | 248,263           | 1,884                                | 131.77                                |
| 2. Adak REAA   | 3,169             | 205                                  | 15.46                                 |
| 3. Ketchikan Gateway Borough                           | 14,314            | 1,250                                | 11.45                                 |
| 4. Pribilof Islands REAA                               | 790               | 75                                   | 10.53                                 |
| 5. Fairbanks North Star Borough                        | 75,079            | 7,500                                | 10.01                                 |
| 6. Juneau Borough                                      | 29,370            | 3,100                                | 9.47                                  |
| 7. Kenai Peninsula Borough                             | 43,612            | 14,697                               | 2.97                                  |
| 8. Kodiak Island Borough                               | 13,952            | 5,440                                | 2.56                                  |
| 9. Matanuska-Susitna Borough                           | 44,280            | 20,544                               | 2.16                                  |
| 10. Bristol Bay Borough                                | 1,271             | 1,200                                | 1.06                                  |
| 11. Sitka Borough                                      | 8,221             | 7,927                                | 1.04                                  |
| 12. Southeast Island REAA<br>(includes Annette Island) | 11,468            | 15,092                               | .76                                   |
| 13. Haines Borough                                     | 1,847             | 2,620                                | .70                                   |
| 14. Lower Kuskokwim REAA<br>(includes Yupiit REAA)     | 11,644            | 24,304                               | .48                                   |
| 15. Chugach REAA                                       | 6,771             | 14,700                               | .46                                   |
| 16. Aleutian Region REAA                               | 2,052             | 5,488                                | .37                                   |
| 17. Bering Straits REAA                                | 8,403             | 26,460                               | .32                                   |
| 18. Lower Yukon REAA<br>(includes Kashunamiut REAA)    | 6,027             | 19,600                               | .31                                   |
| 19. Delta/Greely REAA                                  | 1,634             | 6,860                                | .24                                   |
| 20. Chatham REAA                                       | 3,634             | 15,484                               | .23                                   |
| 21. Aleutians East Borough                             | 2,017             | 8,868                                | .23                                   |
| 22. Southwest Region REAA                              | 4,180             | 22,148                               | .19                                   |
| 23. Northwest Arctic Borough                           | 6,696             | 36,000                               | .19                                   |
| 24. Railbelt REAA                                      | 969               | 9,212                                | .11                                   |
| 25. Copper River REAA                                  | 2,464             | 24,892                               | .10                                   |
| 26. North Slope Borough                                | 8,308             | 88,281                               | .09                                   |
| 27. Alaska Gateway REAA                                | 2,062             | 23,520                               | .09                                   |
| 28. Kuspuk REAA  | 1,021             | 12,348                               | .08                                   |
| 29. Yukon-Koyukuk REAA                                 | 4,873             | 64,484                               | .08                                   |
| 30. Lake and Peninsula REAA                            | 1,556             | 29,400                               | .05                                   |
| 31. Iditarod Area REAA                                 | 1,705             | 47,824                               | .04                                   |
| 32. Yukon Flats REAA                                   | 1,657             | 59,388                               | .03                                   |

**Table 7, CAUTIONS:**

Population densities were computed by dividing the area of each region (total square miles of each district) by its total population. While population densities can provide some indication of the relative ease with which services may be provided to a region, other factors may have an even greater influence on the delivery of services. Examples of such factors include transportation facilities/networks serving a region and the geographic location of communities within a region.

Also, consideration of population densities alone may be misleading. A region, as reported in this publication, may consist of only one or two densely populated communities within a large area which is otherwise virtually unpopulated (e.g., Sitka).

(source: Department of Community and Regional Affairs).

TABLE 8  
1980 ALASKA POPULATION  
RACIAL COMPOSITION  
(IN ALPHABETICAL ORDER)

| <u>Federal Census Area</u>                      | <u>AK Native</u> | <u>White</u> | <u>Other</u> |
|---|------------------|--------------|--------------|
|   | %                | %            | %            |
| Aleutian Island Census Area<br>(includes AEB*)  | 25               | 61           | 14           |
| Anchorage Borough                               | 5                | 85           | 10           |
| Bethel Census Area                              | 84               | 15           | 1            |
| Bristol Bay Borough                             | 33               | 60           | 7            |
| Dillingham Census Area                          | 76               | 23           | 1            |
| Fairbanks North Star Borough                    | 6                | 85           | 9            |
| Haines Borough                                  | 13               | 85           | 2            |
| Juneau Borough                                  | 11               | 84           | 5            |
| Kenai Peninsula Borough                         | 7                | 91           | 2            |
| Ketchikan Gateway Borough                       | 12               | 84           | 4            |
| Kodiak Island Borough                           | 19               | 71           | 10           |
| Matanuska-Susitna Borough                       | 4                | 94           | 2            |
| Nome Census Area                                | 79               | 20           | 1            |
| North Slope Borough                             | 77               | 22           | 1            |
| Northwest Arctic Borough (Kobuk<br>Census Area) | 85               | 14           | 1            |
| Prince of Wales-Outer Ketchikan CA              | 43               | 54           | 3            |
| Sitka Borough                                   | 21               | 74           | 5            |
| Skagway-Yakutat-Angoon Census Area              | 42               | 56           | 2            |
| Southeast Fairbanks Census Area                 | 13               | 79           | 8            |
| Valdez-Cordova Census Area                      | 13               | 83           | 4            |
| Wade Hampton Census Area                        | 93               | 6            | 1            |
| Wrangell-Petersburg Census Area                 | 19               | 78           | 3            |
| Yukon-Koyukuk Census Area                       | 55               | 42           | 3            |

\*At the time of the 1980 census, the Aleutians East Borough was not in existence. At the time of its incorporation in 1987 the racial composition of the borough was estimated to be 63.7% native and 36.3% other.

The data on race were derived from answers to a question on the 1980 census form which was asked of all persons. The concept of race as used by the Census Bureau reflects self identification by respondents. It does not denote any clear cut scientific definition of biological stock. Since the 1980 census obtained information on race through self identification, the data represent self-classification by people according to the race with which they identify.

(source: 1980 Census Report).

TABLE 9  
REGIONAL COST OF LIVING DIFFERENCES

| <u>District</u>       | <u>Cost of Living Differential</u> |
|-----------------------|------------------------------------|
| Palmer/Wasilla        | .94                                |
| Petersburg/Wrangell   | .98                                |
| Anchorage             | 1.00                               |
| Seward                | 1.00                               |
| Sitka                 | 1.01                               |
| Kenai/Cook Inlet      | 1.01                               |
| Ketchikan             | 1.02                               |
| Juneau                | 1.03                               |
| Fairbanks/Fort Yukon  | 1.03                               |
| Icy Strait/Lynn Canal | 1.05                               |
| Kodiak                | 1.06                               |
| Cordova/Valdez        | 1.11                               |
| Aleutian Islands      | 1.26                               |
| Wade Hampton          | 1.26                               |
| Bristol Bay           | 1.29                               |
| Yukon-Kuskokwim       | 1.29                               |
| Nome                  | 1.33                               |
| Bethel                | 1.39                               |
| Barrow/Kotzebue       | 1.45                               |

The districts listed above represent the 1961 election districts for the state. This study provides one of the largest amounts of information that has been gathered to date about the differing costs of living within Alaska. Factors used to determine cost of living consisted of housing (shelter, fuels, utilities, taxes); food (meats, cereals, dairy products, fruits, vegetables, prepared foods, non-alcoholic beverages, food away from home) transportation (gasoline, parts, repair, insurance for automobiles, snow machines, three wheelers, boats, bus, non-local transportation); clothes (purchase and maintenance); recreation and entertainment; medical services, hospital care, miscellaneous (cigarettes, haircuts, personal care).

(source: Alaska Geographic Differential Study, State of Alaska, Department of Administration, Division of Labor Relations, April, 1985).

# **CORRECTION**

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



**Unified Home Rule Municipalities**

1. Municipality of Anchorage
2. City and Borough of Juneau
3. City and Borough of Sitka

**Home Rule Boroughs**

4. North Slope Borough
5. Northwest Arctic Borough  
(note: NAB adopted a Home Rule Charter 10/6/87)

**Second Class Boroughs**

6. Aleutians East Borough
7. Bristol Bay Borough
8. Fairbanks North Star Borough
9. Kenai Peninsula Borough
10. Ketchikan Gateway Borough
11. Kodiak Island Borough
12. Matanuska-Susitna Borough

**Third Class Boroughs**

13. Haines Borough

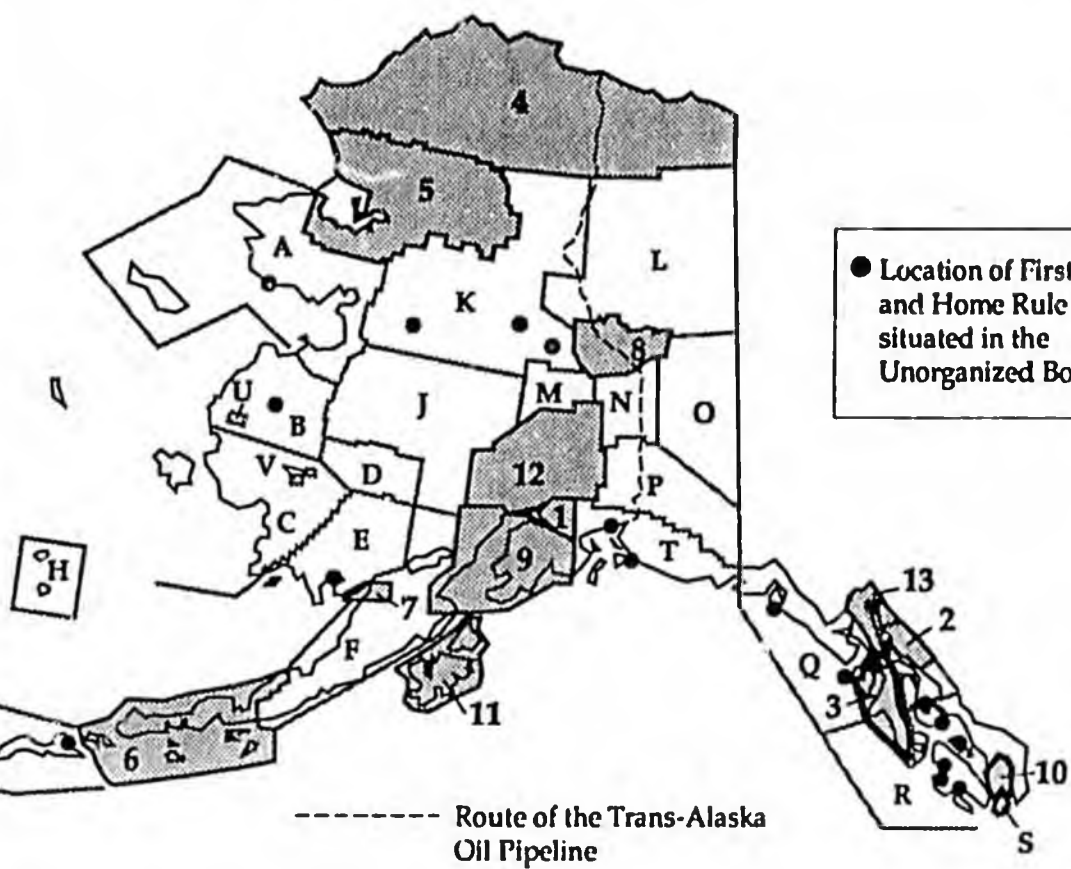
Note: The Unorganized Borough consists of the unshaded area.

**Regional Educational Attendance Areas**

- |                     |                               |
|---------------------|-------------------------------|
| A. Bering Straits   | L. Yukon Flats                |
| B. Lower Yukon      | M. Railbelt                   |
| C. Lower Kuskokwim  | N. Delta/Greely               |
| D. Kuspuk           | O. Alaska Gateway             |
| E. Southwest Region | P. Copper River               |
| F. Lake & Peninsula | Q. Chatham                    |
| G. Aleutian Region  | R. Southeast Island           |
| H. Pribilof Islands | S. Annette Island             |
| I. Adak Region      | T. Chugach                    |
| J. Iditarod Area    | U. Kashunamiut (not to scale) |
| K. Yukon - Koyukuk  | V. Yupiit (not to scale)      |

MAP 1 - Boroughs, REAAs, etc

Department of Community and Regional Affairs



● Location of First Class and Home Rule Cities situated in the Unorganized Borough

----- Route of the Trans-Alaska Oil Pipeline

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(source: Alaska Geographic Differential Study, State of Alaska, Department of Administration, Division of Labor Relations, April, 1985).