

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990

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ing the complacency of middle-class communities. As labor markets tighten, business has begun to worry about the growing pool of disaffected youths ill-equipped to take on new jobs. And the cost of coping with society's failures are staggering. The nation spends \$20 billion annually on prisons. Caring for low-birthweight babies born to mothers on welfare who are high school dropouts costs another \$188 million per year.

HANGING OUT: Minority youths in urban ghettos such as Dorchester, Mass., (left) often eschew work even where it's available. For some, fast-food jobs paying as much as \$7 an hour don't compare with the enticements of life on the street



Even when jobs are available, few are perceived as true opportunities because pay is low and prospects for promotion are virtually nil. "Places give you a hassle, say they are not hiring and come back in a few months," complains Corey Newsome, a former member of Maclin's gang. In some tight labor markets, fast-food restaurants pay nearly twice the minimum wage, but local youth unemployment rates remain high.

The growth of the underclass is the result of many complex forces—from racism to the frustration and apathy that persistent poverty can provoke. "It's very difficult to point to any one thing in an environment where so many things are 'ostile,'" says David T. Ellwood, professor of public policy at Harvard University. "But everyone agrees that all these negative things start to feed on each other, making it more difficult to latch on to any simple solution."

KNOWLEDGE-INTENSIVE. Among the most potent factors is the two-tiered economy. The economy's general weakness during the 1970s and early 1980s "hit people at the bottom of the barrel the hardest," says Brookings Institution economist Robert D. Reischauer. Starting in the 1970s, white women, baby boomers, and immigrants flooding the job market have made it even more improbable that less-educated blacks at the end of the hiring queue will be chosen for jobs.

Meanwhile, in the past two decades, manufacturing industries virtually vanished from the cities. Some closed down, skewed by international competition. Others moved to convenient, sprawling, suburban tracts. Just 25 years ago, half of Milwaukee's jobs were of the high-paying blue-collar type. Today less than 30% are. In other cities, the falloff is even more dramatic.

Many of the newer jobs are "knowledge-intensive" white-collar posts, which require

at least some college education. As a result, employment of the poorly educated has fallen sharply. That is particularly true of adult black males who live in cities. Only half of these men work, even part-time, as compared with 80% in 1979, according to Kasarda.

University of Chicago sociologist William Julius Wilson, author of *The Truly Disadvantaged*, argues that antidiscrimination legislation and affirmative-action programs may have inadvertently compounded the problems. Middle-class blacks, who could take advantage of new job and housing opportunities in the 1960s and after, fled the ghettos, leaving local schools to the poor and removing important role models—adults who work at steady jobs. Those left behind no longer hear about work opportunities. Even the habit of waking up to a ringing alarm clock is alien. "Youngsters are growing up in a community where people's lives aren't organized around work," Wilson says.

"Fast-food places aren't paying enough, not for what they want you to do," says Newsome. The lucrative alternatives—drug dealing, pimping, and theft—have no shortage of recruits, though.

The allure of criminal activity is often attributed to the disintegration of the black family. In 1960, 20% of black families with children were headed by women. Today, half are.

WELFARE TRAP? Contrary to popular perception, the birth rate for unmarried black women actually has declined since 1960. But the marriage rate among black women has dropped even more sharply—as has the birth rate to married women—so single women still bear more of the community's babies. For Wilson, the explanation is the shortage of "marriageable" black men. "The increasing inability of many black men to support a family is the driving force behind the rise of female-headed households," he says.

Some social scientists, though, believe that cultural factors have become at least as important as economic ones.

"If you've got full employment, you are still going to have an underclass," argues social scientist Charles Murray. "We do not know how to change the attitudes of even adolescents who have grown up in the underclass." Murray's 1984 book, *Losing Ground*, faulted federal welfare policy for discouraging marriage and work while rewarding out-of-wedlock childbearing and unemployment.

"It's now more acceptable than ever for a father to ignore his responsi-



HOW SOCIAL INVESTMENT IN CHILDREN PAYS OFF

\$1 INVESTED IN...

Prenatal care for poor women

...SAVES

\$3.38 in hospital care for low birthweight babies

Childhood immunization

\$10 in later medical costs

Preschool education

\$4.75 in special education, welfare, and prison costs

Remedial education

\$6 in the cost of repeating a grade

DATA: HOUSE SELECT COMMITTEE ON CHILDREN, YOUTH, AND FAMILIES



Special Report

bilities," adds Stuart Butler, director of domestic policy studies at the conservative Heritage Foundation. "The assumption is that the government will take care of the problem."

Certainly, most welfare programs do little to encourage work. When recipients who want to work weigh the low-paying jobs for which they're qualified against the loss of welfare benefits, medical benefits, and the additional burden of child care, many figure they're better off staying home. "The system goes around and chooses you," says Bonita Williams, a 24-year-old mother of six who lives at the Milwaukee Fam-

Dr. James P. Comer, professor of child psychiatry at the Yale Child Study Center, says children of uneducated parents are less likely to develop the early language skills and excitement for learning that will prepare them for school. Fully 60% of daughters of single women who are on welfare for 10 years or more will find themselves on welfare for at least a year during adulthood. Urban Institute economist Isabel 7. Sawhill worries that underclass communities will be "breeding grounds for another generation of poor people with little hope of becoming part of the mainstream."

most disadvantaged kids. Their point is that intervening at an early age may well improve a child's lifelong prospects (chart, page 123) and save money on other social programs, such as welfare, down the line.

Some experts believe that expanding programs such as Medicaid and Head Start is only a first step. Harvard lecturer Lisbeth B. Schorr says that social service agencies have to do a better job of coordinating the services they deliver to poor families, who often suffer from a spectrum of problems. An agency that provides preschool education to a child without addressing a parent's depression or the child's nearsightedness won't help much. "The programs that work best are comprehensive and intensive," she says.

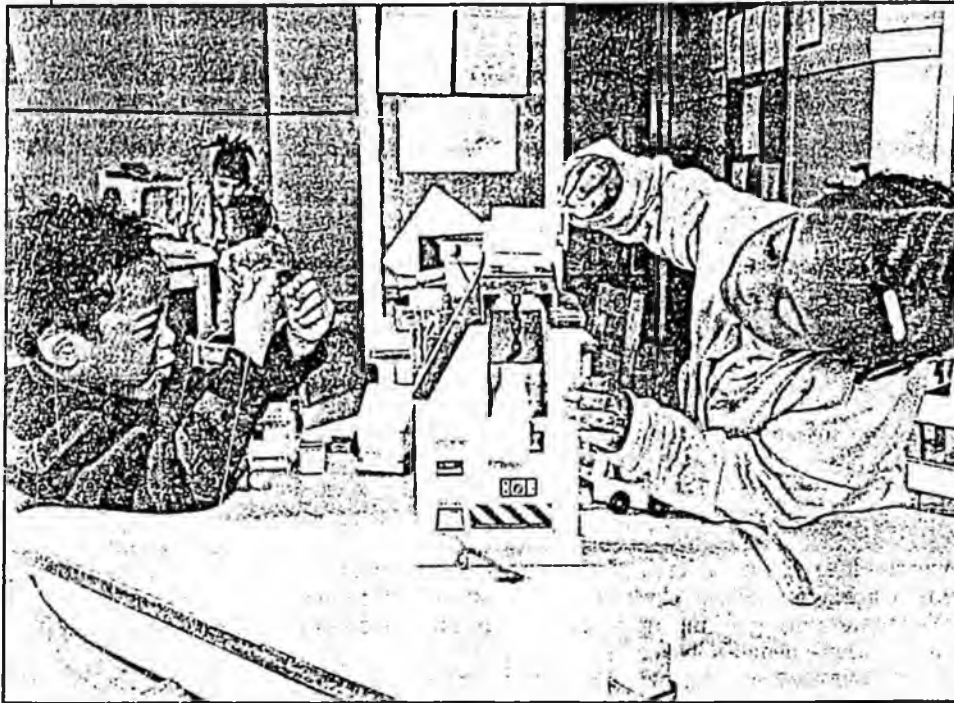
INTIMIDATED. Encouraging the employment of young adults is another necessity. In Boston, a successful business-backed program is teaching 150 poor adults such workplace skills as résumé-writing, interviewing procedures, and telephone etiquette. James B. Marshall Jr., who is in charge of the program, says many youths are intimidated by the prospect of leaving isolated ghettos such as Roxbury to work in a downtown glass tower. Other programs that provide intensive remedial education, job training, and child care have helped long-term welfare mothers enter the labor force.

North Carolina's Kasarda believes that suburban employers must reach out as well through job information networks and provide transportation pools. Marshall says that employers, who are often reluctant to hire inner-city youths, "have to understand that their personnel in the next 10 years is going to be different from what they're used to."

This realization is the product of demographic trends that in some areas are already producing labor shortages among young, entry-level workers. However, federal policymakers, worried about yawning budget deficits, seem unlikely to launch a major new effort to address the problems. There is little political gain to be had from aiding the powerless underclass, and indeed, the Presidential candidates have not taken up their cause.

Yet, argues Princeton sociologist Richard Nathan, "if there was ever a time to work at these issues, it's now, when there's a declining labor force." If America lets this opportunity pass, it will do so at its own social and economic peril.

By Susan B. Garland in Washington, with Lois Therrien in Milwaukee and Keith H. Hammonds in Boston



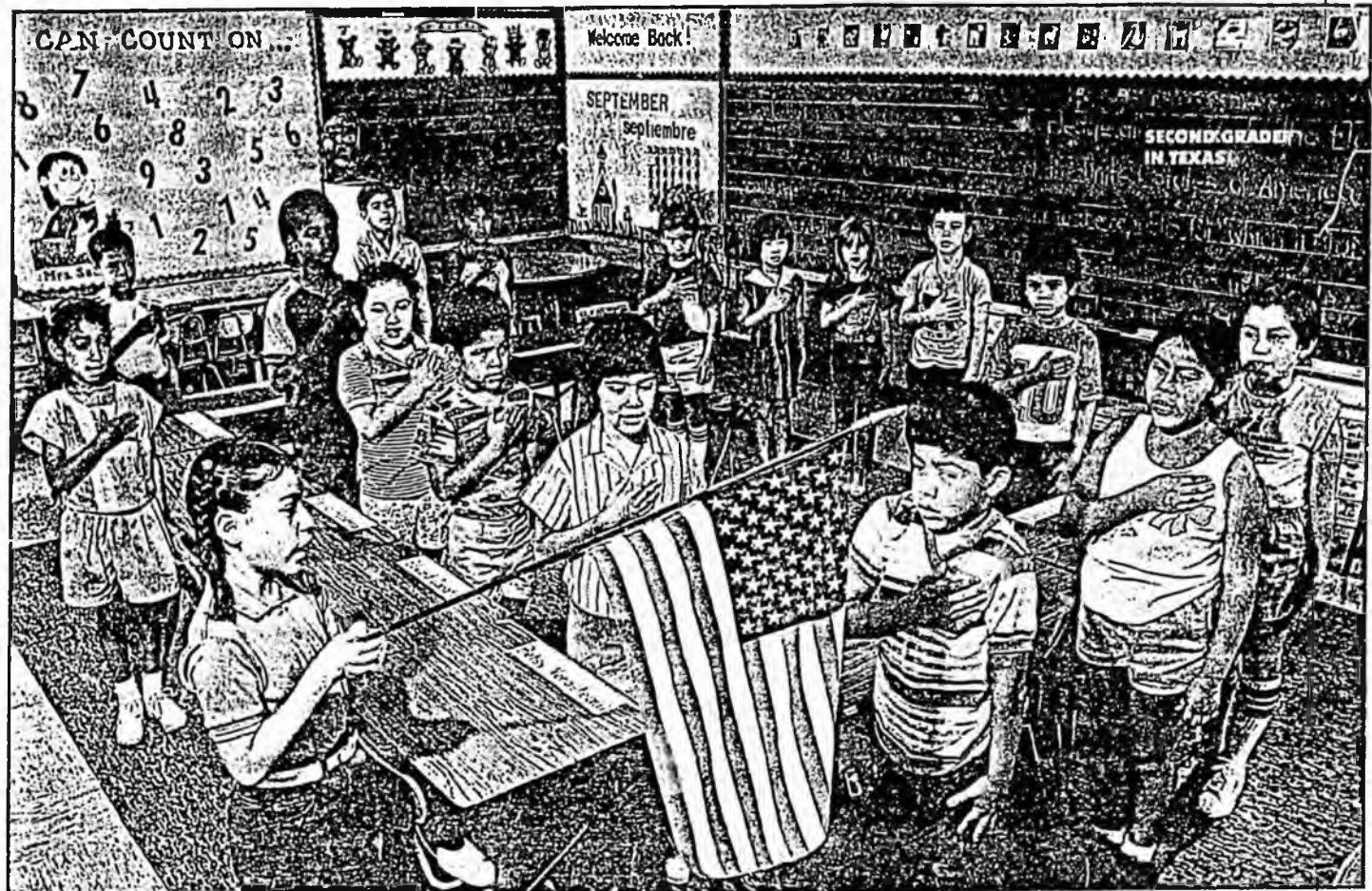
SAVE THE CHILD: Improved services for children, such as day care for disadvantaged kids in New York's East Harlem, may be the surest way to break the cycle of poverty

ily Crisis Center. Child care and job training are a focus of the new \$3 billion welfare reform bill pending in Congress.

Whatever the causes of the underclass phenomenon, there is no question that the consequences for black children have been disastrous. Three-quarters of them spend at least some time in poverty, compared with one-fourth of white children. One-third of black kids are poor for seven years or more. And those growing up poor are more likely to become parents themselves at an early age. In turn, their babies are at risk from low birth-weight, which tends to increase the chances of brain damage and learning disabilities.

To break the chain, some black leaders are calling on the black middle class for assistance. Others are saying that poor blacks themselves must accept greater responsibility—and that their community offers positive models, too. "There are kids who are not on drugs and teenagers who are not getting pregnant," says Robert L. Woodson, president of the Washington-based National Center for Neighborhood Enterprise, which encourages tenant management of public housing projects as well as other community self-help programs. "We need to learn from people who are successful."

Improving the schools that poor children attend is critical as well (page 129). So is reaching the child before school. Last year the Committee for Economic Development, a corporate-funded research group, recommended \$11 billion in additional spending on prenatal care and nutrition for pregnant women and preschool education for the nation's



AMERICA'S SCHOOLS STILL AREN'T MAKING THE GRADE

A quarter of high school grads are only marginally literate—and reformers disagree on what to fix



military might by bolstering high school science. At its most fundamental, democracy aspires to produce literate, responsible citizens. But social and economic change has continually reshaped what school is expected to do—from training homemakers to fostering integration.

A new call for school reform is ringing across the land. This one is different: The nation's economic problems are being placed at the

Americans have always asked a lot of their schools: Civilize the frontier with the three Rs, assimilate immigrants, secure U. S.

schoolhouse door. Economic growth, competitiveness, and living standards depend heavily on making investments in human capital. That means attending to the state of America's schools.

It is a worrisome state. Although top-

ranked U. S. students compare well with their peers in industrialized nations, the rest do worse. One million young people drop out of high school every year. Rates approach 50% in some inner cities. Of the 2.4 million who graduate, as many as 25% cannot read or write at the eighth-grade, or "functionally literate," level, according to some estimates. Most 17-year-olds in school cannot summarize a newspaper article, write a good letter requesting a job, solve real-life math problems, or follow a bus schedule.

What's needed is a do-or-die battle to turn the schools around. But the front lines are weary—and fresh recruits

Some 35% of the nation's 11th graders write at or below this level:

DATA EDUCATIONAL TESTING SERVICE

*I have been experience
at cleaning house we
also work at a pool
be for I love keeping
things neat. I'm very
social I'll get to know
people really fast I*

Special Report

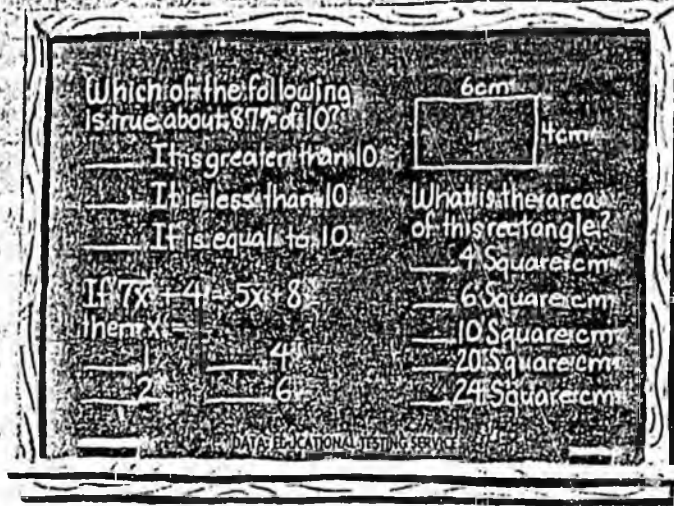
are scarce. Between retirement and normal attrition, America could need to replace 1 million teachers—half the current force—before the end of the century. But only 8% of today's 1.6 million college freshmen say they're interested in teaching, and half of those will typically change their minds. Worse, half of all new hires leave teaching within seven years. And with shortages of educated workers looming throughout the economy, schools will be competing with other sectors for quality candidates.

'LEMONS.' The demand for school reform has been percolating since the mid-1970s, when declining results on standardized tests raised concerns about basic skills. It exploded in 1983, after the National Commission on Excellence in Education released *A Nation at Risk*. Warning of a "rising tide of mediocrity" in public schools, it called for rigorous academic standards and a standardized, traditional high school curriculum of history, Western literature, foreign languages, science, and math.

Critics still blast the report as elitist or oversimplified. But few deny that our schools need fixing. "If a company was turning out 90% lemons, we would rethink the whole production process," says Albert Shanker, president of the American Federation of Teachers (AFT). "This is not a question of a few recalls. The system is producing lemons."

Most Americans want to do something about

Almost half (48.9%) of the nation's 17-year-olds could not correctly answer math questions of this type:



it. In a 1987 Harris Poll, 90% of those surveyed endorsed the principle that "for the U. S. to become competitive, we must pay more for quality education" and get "tangible results."

The tricky question: how to get those results. Educators are sharply divided. Some endorse the call for strengthening the traditional curriculum. AFT's Shanker would give teachers a freer hand to restructure the classroom environment. Others say schools must take on new family-like roles to nurture the growing numbers of poor or troubled kids in the system.

redictably, conservatives deride the idea that schools should depart from traditional teaching formulas to suit indi-

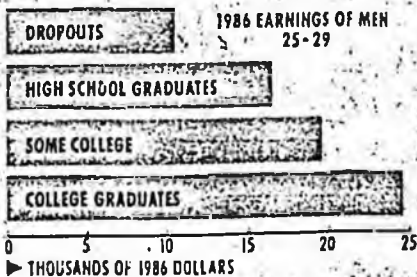
vidual learning styles or to respond to students' social problems. They stress the importance of expectation and high standards, holding up such examples as William Lloyd Garrison School, where South Bronx kids from low-income families test at or above grade levels in reading. "You don't change the principles of medicine when patients have poorer health or a poorer state of nutrition," insists outgoing Education Secretary William J. Bennett. When Bennett urges school overhaul, he means a shift of power from the educational Establishment—teachers' unions, administrators, and colleges of education—to parents, citizens, and state legislatures.

Traditionalists point to Japan, where students seem to perform as well as or better at all levels than U. S. kids. Japanese mothers are highly involved in their children's schooling, teachers are respected and well-paid, the school year is longer, and more homework is given. "The Japanese system," says Bennett, "is pretty close to a system of education that is universal and of quality."

MASS PRODUCTION. Those for whom tradition is not a panacea say American schools must change with the times. They argue that the public school system was organized along factory lines in the 1920s by a society enchanted by mass production. Classrooms were standardized, and decisions about teaching methods and content

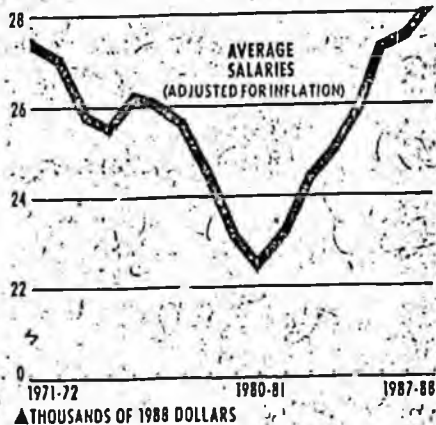
CHARTS BY JOHJ DANANER

THE PAYOFF OF EDUCATION IS HUGE ...

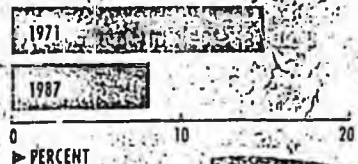


DATA: NORTHEASTERN UNIVERSITY'S CENTER FOR LABOR MARKET STUDIES, AMERICAN FEDERATION OF TEACHERS, AMERICAN FRESHMAN REPORT

... BUT TEACHERS' SALARIES HAVE GONE NOWHERE ...



... AND FEW WANT A TEACHING CAREER



ENTERING COLLEGE STUDENTS WHO SAY THEY'D LIKE TO TEACH



were passed from state offices to superintendents to principals and finally to the chalk-wielding line workers: teachers. After a 50-minute class, the bell rang and pupils moved on. "If the student is viewed as an inanimate object moving on an assembly line, this makes perfect sense," Shanker says.

'THOROUGHLY DISCREDITED.' Successful companies, as Xerox Corp. Chairman David T. Kearns notes in *Winning the Brain Race*, "have discarded the archaic, outmoded, and thoroughly discredited practices that are still in place in most of our large school districts: top-down, com-

mand-control management—a system designed to stifle creativity and independent judgment."

To education reformers, it is significant that the Japanese themselves are beginning to worry that their nation's learning style, heavily based on rote and memorization, doesn't promote creative thinking and flexible skills. "In Japan they do harder and longer what we do, and get better results," argues Adam Urbanski, president of the Rochester (N. Y.) Teachers Assn. "The purpose of reform is to do it differently—to challenge the fundamental structure."

Indeed, concerns about basic skills already have produced some improvements along traditional lines. Educational Testing Service (ETS), a testing-and-research organization based in Princeton, N. J., reports that test scores in math, reading, computer literacy, and science have gone up since the mid-1970s. Most of that came from minority kids, who increased from 16% to 23% of all schoolchildren. But "the bad news is that we haven't budged in improving higher-order skills, critical-thinking skills," says Archie E. LaPointe, head of ETS's National Assess-

BUSINESS IS BECOMING A SUBSTITUTE TEACHER



New York's Chemical Bank has an alarming problem: It has to interview 40 high school graduates to find one who makes it through the bank's training program for new tellers. The Chemical reaction? The bank has adopted two schools and is helping form a high school debating league. Chemical Chairman Walter V. Shipley believes parental involvement is the ideal: "Unfortunately you don't always have that commitment from parents, so business must try to find more ways to fill the gap."

STEVE SMITH

Passion for school reform is gripping Corporate America. It is marshaling resources, energy, and influence to improve education. Hundreds of partnerships are blooming between school and business. They run the gamut: gifts of equipment, paid work-study programs, teacher training, and literacy volunteers. But there are questions about the effectiveness and reach of these programs. The biggest unknown is whether business will have the patience to stay the course.

Many join-a-school partnerships have been forged. In 1981, New York industrialist Eugene Lang addressed a sixth-grade class at his Harlem alma mater and

offered college scholarships to all pupils who stayed in school. He paid for remedial and counseling staff and became involved with the kids. Of the 54 original pupils who remained in New York, 50 finished high school, and 34 are in college.

The recipe has been followed by corporations as well. More than 1,000 businesses have adopted the city's public schools. The sponsors provide volunteers and donate funds and equipment. At Tenth Street Elementary School in Angeles, 125 Arco Oil & Gas Co. employees—from secretaries to top brass—out in the classrooms, tutoring immigrant and minority students in English, geography, and computer sciences.

Pacific Northwest Bell Telephone Co. Seattle adopted a local school. But modest involvement mushroomed in thanks to Gary A. Frizzell, PNB's national relations manager, who happened to be coping off-hours with an ailing 14-year-old son. He tried to reach the

SOWING SEEDS
'Adopt-a-school' programs are sprouting up. At Los Angeles' Tenth Street Elementary School, an Arco professional leads a nature class

with heart-to-heart talks and a series of letters—which evolved into *Choices*, an outreach program encouraging kids to stay in school. Volunteers from 65 participating companies have dressed more than 300,000 eighth and ninth graders in states. "Business is the user of educational

product—students, and it ought to reexamine itself," says Frizzell, now heading an education foundation for PNB's parent, Bell West in Denver.

Businesses are focusing on teachers well. Two years ago, IBM Vice-Chairman Lewis M. Branscomb headed a Carnegie Forum task force that recommended higher pay, more autonomy, and national competence testing for teachers. Honey Inc. sponsors a summer Teacher Academy, where Minneapolis high school math and science teachers team up with



ment of Educational Progress (NAEP).

It's higher order skills that a sophisticated economy increasingly needs. "Over the long term, basic skills only give you the right to compete against the Third World for Third World wages," notes Marc S. Tucker, chairman of the National Center on Education & the Economy in Rochester, N.Y. To achieve more advanced goals, "I'd like to see a lot less of kids sitting quietly in rows and a lot more deeply engaged in projects in which they are heavily invested, which require them to learn a lot."

Tucker maintains that most kids don't learn well by listening to a lecture or reading the text. He and others advocate

peer tutoring, team learning, simulation games, and other nontraditional approaches, particularly for disadvantaged children for whom formal classrooms are threatening ground.

So passionate is the debate that reform is threatened with paralysis by analysis. No single educational philosophy can be expected to win the day in a country as heterogeneous as the U.S. What might work in a high-income suburban school district could create havoc in an inner-city ghetto. And there are no quick fixes. "Imagine a business... with 50 totally autonomous divisions and 16,000 subsidiaries, each with its own board of directors and labor agree-

ments," says retired Procter & Gamble Chairman Owen B. Butler. "No effort to change that culture can be expected to succeed in five years."

TEACHER TROUBLE. Whether it's traditionalism or radical reform, better schools require more and better teachers. And here there is trouble. Morale among teachers, who are poorly paid and garner little esteem, is at low ebb. For years the numbers of college students entering teaching has been in decline, and those who do choose teaching often come from the bottom quartile of their college class. The shortage is acute for teachers of math and science and for the minority teachers desperately need-

researchers to develop class projects using state-of-the-art computers and equipment.

Minnesota companies have a tradition of social investing. Honeywell has provided equipment, volunteers, and technical advice to schools for 20 years. Last year it gave \$7.8 million, about 2% of its U.S. pretax profits, to philanthropy. Of that, \$2.9 million went to education.

Not all educators welcome corporate largesse. Some worry there will be strings attached. "We've been in the business of education for 126 years," says Robert Astrup, president of the Minnesota Education Assn., which represents 80% of the state's teachers. "We would like businesses to be advocates—not leaders." Joan Canella, director of the Bank Street School for Children in New York, sees it another way: "The best thing business can do for schools is make it possible to combine work and family, allowing working parents to get involved with the schools."

HARD KNOCKS. Dade County, Fla., hosts one such experiment. To ease overcrowding and reduce working parents' stress, the school system set up minischools in workplaces. Last fall, American Bankers Insurance Group Inc. opened the first "satellite learning center" to serve employees. It built a \$350,000 schoolhouse for 50 kindergarteners and first graders. The county provides teachers and books.

In Chicago, local companies, including Borg-Warner, Sears, Johnson Publishing, and McDonald's, opened their own school. Privately funded, tuition-free, the Corporate/Community School of Chicago is to be a laboratory-in-action addressing the problems of inner-city schools. Its enrollment, now at 150, will grow to 300 children, from nursery school to eighth grade.

Perhaps the most obvious role of business is to help bridge the

gap between high school and what comes after. That is, not pushing old-style vocational education but bringing some notion of work life and promise of opportunity to kids floundering on the margins. That was the plan behind the Boston Compact, a 1983 agreement between the Private Industry Council (PIC) and the school system

JOB TRAINING

Boston's intern program is giving many poor youths their first jobs.

Eddie Santos (right) is an apprentice maintenance engineer

to offer summer and permanent jobs in exchange for improving the schools.

Last year, 669 Boston companies created summer jobs for 3,000 students, at an average hourly wage of \$5.39. Napoleon "Eddie" Santos, 17 and a senior at Dorchester High School, got his first real job that way. This summer he was one of four full-time in-

terns apprenticing in maintenance engineering at Beacon Co. Under a separate program, companies hired 1,000 high school graduates, 72% of them black or Hispanic, into permanent jobs. PIC also offers jobs and counseling to dropouts, and guidance to ninth graders.

UNFAIR BURDEN. Rebuilding a school system proved tougher. Reading and math scores rose modestly. Attendance went up. But Boston's dropout rate is stuck at 46%. "The business community has done its job. I think everyone's disappointed on the school side," declares Edward E. Phillips, chairman of insurer The New England. To do more, he says, "would be a pretty unfair burden on businesses. We pay hefty taxes to support the system already."

But some corporate leaders insist an even broader burden must be borne. Harold W. McGraw Jr., chairman emeritus of McGraw-Hill Inc., which publishes BUSINESS WEEK, heads the Business Council for Effective Literacy, aimed at millions of U.S. adults who lack functional reading skills. Owen B. Butler, retired chairman of Procter & Gamble Co. focuses on the very young: "The best way for business to invest in educating the disadvantaged is to reach them early. By age 5, they're already so deprived they can't benefit from schooling," he says. Butler lauds such efforts as Success by Six. In that program, Minneapolis employers, civic groups, and schools spent \$647,000 this year on early childhood health and education through the local United Way.

A departure from corporate practice? Not for Butler. "It took us years to develop Tartar-Control Crest, years to make a profit on our investment. So we understood the economics of early childhood programs." For him, the long view on education is just good business.

By Elizabeth Ehrlich in New York, with bureau reports



ed in poor communities as role models. Increasing pay can help recruit and retain teachers. But so far efforts in that direction have raised average starting salaries only to the \$18,000 range—hardly enough to entice talented students away from other professional tracks. A few school districts, though, now pay their best or most experienced teachers several times that amount.

To attract more teachers, New Jersey is experimenting with alternatives to the standard-certification route so that college graduates in fields other than education can come aboard. Using audiovisual aids, computers, satellite teaching, team-teaching, and even switching to staggered semesters can cut down the number of teachers required as well.

Moving teachers who have been promoted into management jobs back into classrooms could be one solution to the labor shortage. School systems are notoriously bureaucratic. According to the AFT, from 1975 to 1986 school districts hired one curriculum adviser, program director, or other desk worker for every new classroom teacher. "Before we ask for additional funds, we must reorder our priorities," says Mary Hatwood Futrell, president of the National Education Association (NEA).

How to shrink staff and administrative functions isn't the only thing schools can learn from business. Incentive pay can also help. In Rochester, N. Y., last year, the teachers' union sat down with administrators to bargain for school-based decision-making and pay hikes of more than 40%. The new contract also established a career ladder with a top rung of so-called lead teachers who can earn up to \$70,000 per year in the contract's third year. Top pay requires them to accept assignments in the system's toughest schools, now often in the hands of novice teachers. "They'll be the Clint Eastwoods of teaching," says union head Urbanski.

Reaching disadvantaged kids in tough neighborhoods also may require expanding the traditional role of schools—the

only stable institutions in some kids' lives. A handful of inner-city schools are trying on-site day care for teenage mothers, after-school hours to increase learning time, and intensive anti-dropout counseling. Arkansas, New York City, California, and Minnesota have started prekindergartens for four-year-olds. "Pedagogic reforms are wasted unless you do something about social-capital

ing to do society's work, the schools must respond."

One way to make the schools more responsive to the needs of the students is to force them to compete for students. Some 20 years ago economist Milton Friedman, a Nobel prizewinner, proposed issuing vouchers to families for the amount it costs to educate their kids. Parents would select among the schools, "paying" with the vouchers, so schools would have to upgrade or lose funding.

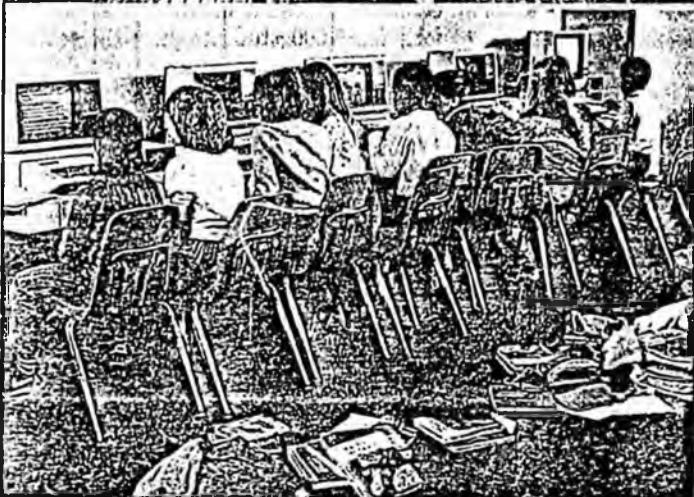
Although no school system has yet issued a Friedman voucher, there is growing support for the idea of parental choice to foster competition, accountability, and parental involvement. The National Governors' Assn. believes that choice within the public schools "can promote equity." Poor kids, claims Heritage Foundation analyst Jeanne Allen, would benefit most, since wealthier families already choose schools by moving to communities with good ones.

In the past, though, choice has sometimes been used to thwart integration. In some places, so-called magnet schools—the best schools in the district—skim off the community's best students, leaving other schools worse off. "You don't improve schools by running away from schools," bristles NEA President Futrell. Minnesota's teachers are suing their state over its new Choose-a-School plan, which lets kids enroll in any public school.

Other experiments are on the way. Boston University is taking on the reorganization of the troubled Chelsea (Mass.) school system. New Jersey has begun a hostile takeover of Jersey City schools, whose performance was close to meltdown. But much of the system still is plagued with inertia and institutional rigidity. If there is to be meaningful reform, adversaries in the education community will have to cede cherished turf and cooperate.

The alternative—bumbling along from crisis to crisis while presiding over decline—is simply not acceptable. Schools are the crucible where children do or don't become productive members of the community. For children growing into citizens—and for a society that wants to prosper—education is just too important to entrust to the status quo.

By Elizabeth Ehrlich in New York



A RAGING DEBATE

Traditionalists stress the importance of a strong curriculum and high standards. Others want reforms such as peer tutoring and team learning

building," says Primerica CEO and social activist William S. Woodside.

Northeastern University economist Andrew Sum argues that an extended school year, which the Japanese have shown benefits middle-class pupils, can do even more for poor kids who, left to home and peer influences, tend to lose ground in summer. California is moving to year-round schools to increase learning time—and to handle a shortage of classroom space.

SCHOOL VOUCHERS. Sar Levitan of George Washington University believes schools must assume even more roles to fill the gap left by working mothers. "I'm not a moralist, I'm only an economist," Levitan says. "If women are go-

PHOTOGRAPHS BY (TOP/BOTTOM) HORAN/PICTURE GROUP, HARRIS/THE STOCK MARKET

IT'S TIME TO PUT OUR MONEY WHERE OUR FUTURE IS

Investments in education and training will yield sure-fire returns we can't afford to ignore



In the U.S., when you turn 18 or become a citizen, you may register to vote. The process varies from state to state, depending on the requirements of the local board of elections. But one thing is true across the nation: You do not need to be able to read or write. The Voting Rights Act of 1965 and its amendments abolished literacy tests, among other discriminatory local requirements, that had long disenfranchised millions of black and disadvantaged citizens.

Yet today the person who can vote but cannot read and write remains disenfranchised in another, more fundamental, sense. The right to earn a decent wage and make a productive contribution to society can't easily be exercised by the illiterate, the poorly educated, and the unskilled. Disenfranchised, too, is the unemployed steelworker unable to find the job to fit his unneeded skills. Then there's the single mother unable to find affordable day care for her toddler so that she can go to work.

The cold, hard, economic facts make a compelling case for action. The direct costs are clear: Incomes are lost, and unemployment and welfare benefits are paid out. But the overall loss to the economy is bigger still. America's most productive resource, its people, is not being fully utilized.

TIME BOMB. The bean-counters in Washington and state capitals around the country will say there is no money available to invest in educating and training tomorrow's work force. And some economists, such as University of Chicago professor and BUSINESS WEEK columnist Gary S. Becker, whose pioneering work measured the rate of return to investments in human capital, would prefer that market forces eliminate the mismatch between jobs and skills. But labor markets take time to work, and time is of the essence. Already the nation has suffered the consequences in the international marketplace; in the future, fiercer competition, changing demographics, and new tech-

nologies will demand that skills keep improving. Ignorance costs far more than knowledge.

In a \$4 trillion economy with a \$1 trillion federal budget there is surely room for some shifts in spending: away from plant and equipment and toward workers; away from the aged and toward the very young; and even away from guns and toward people. Whoever wins the Presidential election on Nov. 8 should spearhead a new national commitment to America's future by investing in its people. Whatever it takes—new money or a reallocation of resources—the commit-

ment should come through loud and clear. The federal government, state and local governments, business, labor, and the electorate will all have to do their part. What should be done? Here are some suggestions:

■ **Instill the habits of learning and working in kids at an early age.** "Early intervention" by means of preschool programs has shown proven results. Numerous studies demonstrate that the younger the child, the greater the long-run payoff of an investment in that child. Often mothers become in-



volved in these programs as well, and they help to nurture and sustain a learning ethic in their kids.

For every dollar invested in preschool programs such as the government's 23-year-old Head Start program or the Perry Preschool program in Ypsilanti, Mich., more than four times that amount is saved in public assistance, special education, and other costs. Children enrolled in such programs are much more likely to graduate from high school and be employed than children not enrolled in the programs. Some experts urge even earlier intervention, saying help should begin in the womb. Each dollar spent on prenatal care saves \$3.38 in the cost of care for low birth-weight babies.

At the moment the government spends about \$2.4 billion a year on the care and education of preschoolers. Compare that with a tab of \$8.7 billion for one year's spending on space research and technology. Or \$38 billion for a single year's worth of military research, development, and testing. Or compare it, even, with spending on the elderly. Since 1980, social programs that benefit children have suffered budget cuts in real terms, while programs benefiting the el-

derly have grown faster than inflation. Prenatal and preschool programs could reach most eligible participants with annual funding of anywhere from \$2 billion to \$10 billion, experts estimate. Increases of such magnitude, observes Isabel V. Sawhill, senior fellow at the Urban Institute in Washington, "won't exactly kill us."

☐ **Pay teachers more, and perhaps transform the whole teaching process.** First there was reform, now there's restructuring. The process has begun, but more has to be done to enable the nation's schools to prepare students for life and work. This could involve "team" instruction, with highly qualified "lead" teachers, and new ways to teach thinking skills as well as the basics.

While the impetus and financing for these changes must come at the state and local level, the federal government can play an important role as a catalyst for change. The Education Dept. has a mixed record on this score. Its report, *A Nation at Risk*, shook up public school administrators and launched a reform process, but outgoing Education Secretary William J. Bennett has been impatient with results. And the Education

Dept. could do more to promote demonstration projects and fund education research—efforts that would help educators improve the schools.

■ **Adopt major new incentives to train and retrain workers.** In a competitive and rapidly changing economy, old skills become outdated and new skills are needed. "Most of us, after the age of 25, change occupations three times and jobs six times," observes Pat Choate, director of TRW Inc.'s Office of Policy Analysis. How to prepare people for those changes? Spread the cost of training through new initiatives. An investment tax credit to businesses for money spent on improving worker skills is one idea. Or a tax credit could be granted to individuals for investments in training and education they make on their own. Another incentive to both employers and workers would be a tax-free individual training account, akin to the individual retirement account, which could be jointly contributed to by workers and businesses. For years, any tax break granted industry has been skewed way in favor of physical investment. These proposals would reverse that bias.

■ **Tailor the workplace to the new labor force.** To retain female workers who have many years' experience, and to enable those workers to be more productive, companies should extend child-care benefits to a far greater extent than they have to date. To keep older workers productive, employers should offer new duties and more flexible hours. And granting workers portable benefits could make them more mobile, and thus more responsive to the fast-changing labor demands of employers.

Too frequently, managers have looked at workers as a cost rather than a resource. And every extra dollar spent on workers was viewed as that much more of a burden, whereas it could be, if wisely spent, a means to empower workers to do better. Hundreds of companies now recognize this to be true with respect to training. Investments in training yield tangible rewards, and accordingly business spends approximately \$30 billion a year on training. The rewards of changing the workplace are also large. But a massive cultural adjustment may be necessary to realize them.

There's no doubt that government is in a belt-tightening mood, and business is eager to keep costs under control. But without strong leadership and new spending priorities, America's most precious resource will be neglected. In the words of a familiar advertisement: A mind is a terrible thing to waste.

By Karen Pennar in New York

For information on reprints of this Special Report, call Business Week Reprints at 609 426-5494, or write Business Week Reprints, P.O. Box 457, Hightstown, N.J. 08520.



	<u>Statutory Action on JTPA</u>	<u>Enabling Legislation</u>	<u>State General Revenue Program/Year Enacted</u>	<u>Relevant Agency</u>
Alabama	X		Alabama Industrial Training Institute '76	Postsecondary Commission
Alaska			None	
Arizona			Arizona Industry Training Services '82	Division of Voc Ed
Arkansas			N/A	
California	X	X	Calif. Employment Training Panel '82	Employment Dev. Dept/ Appoint. Trustees
Colorado			Colorado First Customized Training	Div. of Commerce & Post- secondary Div. of Occupa- tional Ed.
Connecticut	X		N/A	
Delaware			Economic Dev. Training Board '84	Delaware Development Office
Dist. Col.				
Florida	X		Industry Services Training Program '86	Department of Ed.
Georgia			Quick Start Program '66	St. Board of Post secondary Voc. Ed.
Hawaii	X		None	
Idaho			N/A	
Illinois	X	X	Prairie State 2000 Authority '83	Independent State Authority
Indiana	X		Basic Industry Retraining '83	Dept. of Commerce
Iowa	X	X	Iowa Indus. New Jobs Training Program '83	Iowa Dev. Commission/ Public Instruction
Kansas			Expanding Industries Training Program '81	Econ. Dev/Div. of Post- secondary Ed.
Kentucky			Blue Grass State Skills Corp. '84	State Corp. attached to Dept. of Ed.
Louisiana	X		Industrial Training Program '75	Office of Comm & Industry
Maine	X	X	AdHoc Contingency Fund '86	Governor's Office
Maryland	X	X	Industrial Training Program '68	Dept of Economic & Community Dev.
Massachusetts			Bay State Skills Corp '81	Exec. Office of Manpower Affairs
Michigan	X		Business & Industrial Training Act '82	Dept. of Labor
Minnesota	X	X	N/A	
Mississippi	X		Industrial Start Up Training Program '83	Bureau of Voc-Tech Ed
Missouri			Missouri Job Development Fund '86	Dept of Econ Dev.
Montana			N/A	
Nebraska	X	X	Nebraska Job Training Act '84	Dept. of Labor
Nevada			Quick Star Job Training Program '85	Commission on Econ Dev
N. Hampshire	X		None	
New Jersey			Emergency Employment Dev Act '74	Dept. of Labor & Industry
New Mexico			Development Training Act	Dept. of Commerce/Ed
New York	X		"Retraining & Upgrading"	Bureau of Econ Dev in Dept. of Ed.
N. Carolina	X		Job Training Partnership Act '85	Director of Budget
N. Dakota			Specialized Training Program '81	State Board for Voc Ed
Ohio			Industrial Training Program '81	Dept. of Econ & Community Dev.
Oklahoma			Training for Industry '85	Dept. of Voc & Tech. Ed.
Oregon	X		N/A	
Pennsylvania			N/A	
Rhode Island			None	
S. Carolina	X		N/A	
S. Dakota			None	
Tennessee			N/A	
Texas	X	X	N/A	
Utah			N/A	
Vermont			N/A	
Virginia			N/A	
Washington			N/A	
W. Virginia			N/A	
Wisconsin	X		N/A	
Wyoming			None	



ANCHORAGE
ECONOMIC
DEVELOPMENT
CORPORATION

March 15, 1989

Honorable Al Adams
Chairman
Community and Regional Affairs Committee
Alaska State Senate
P. O. Box V
Juneau, AK 99811

Dear Senator Adams:

This letter is to express AEDC's support for Senate bill 191, which would provide additional training monies to backstop existing programs and provide added training flexibility for economic development applications.

While there are currently several training programs offered or administered by the State of Alaska, there are many gaps and inadequacies when all programs are viewed as a whole. For example, the federal JTPA program addresses only the on-the-job training needs of those with extremely low incomes. Most displaced Alaska workers do not qualify.

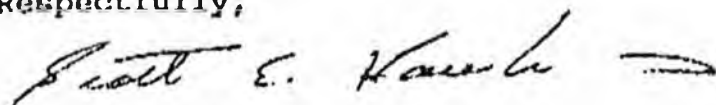
Further, existing programs are inadequate for economic development purposes. There is an urgent need for additional funds that can be used to design training incentives for use in attracting new industries or expanding existing basic industry. This was brought to our attention very forcefully in our negotiations and conversations with Federal Express. Alaska is viewed by investors as having a workforce of limited size and depth, which acts as an impediment to the new industry investments that will be needed to offset the statewide economic impact of the gradual decline of the Prudhoe Bay oilfield in the 1990s.

550 West 7th Avenue
Suite 1130
Anchorage, AK 99501
Telephone (907) 258-3700
FAX (907) 258-6646

Honorable Al Adams
March 15, 1989
Page -2-

As a final note, we have been impressed by the Cowper Administration's progress in coordinating the State's several existing training agencies. In this context, it appears that SB 191 would be a good use of training resources. It would also be a good first step toward bringing Alaska's training programs up to the level currently offered by many other U.S. states.

Respectfully,



Scott E. Hawkins
President

pc: Honorable Steve Cowper
Governor of Alaska

Honorable David Hoffman
Commissioner
Department of Community and Regional Affairs

Honorable Larry Mercurieff
Commissioner
Department of Commerce and Economic Development

213kr



INTERNATIONAL BROTHERHOOD OF PAINTERS AND ALLIED TRADES

A.F.L.-C.I.O.

LOCAL UNION #1555

P.O. Box 1426

Fairbanks, Alaska 99707

(907) 467-4444

MIKE ANDREWS
Business Representative
Financial Secretary

Members of the Senate
Community & Regional Affairs Committee
Alaska Legislature
Juneau, Alaska

March 8, 1989

Dear Chairman Adams and Committee Members,

The International Brotherhood of Painters & Allied Trades Local Union #1555 has reviewed Senate Bill #191, "An act relating to employment contributions and to the establishment of employment and training programs" and we wish to go on record as an organization that supports this legislation.

You have an opportunity to help unemployed Alaskans through this legislation by providing something more than welfare. This bill would assist them in training programs and offer new avenues upon which to start or build careers.

As well, SB #191 allows the state to implement a sound employment and training policy controlled by the state while creating a necessary conduit for enhanced cooperation between state agencies to provide services through private and public vendors. This shall diversify the economy in several ways and place monetary and personal value back into Alaska's most viable, flexible and productive resource, its citizens and future workers.

We urge you to pass this bill as written and look forward to helping you gain full Senate and House approval.

Sincerely,

George R. Cheap
President
IBPAT L.U. #1555
Fairbanks, Alaska

S B

207

**C&RA COMMITTEE
THURSDAY
MARCH 23, 1989**

**SB 207: AN ACT RELATING TO LIENS ON REAL PROPERTY TO SECURE
PAYMENT FOR SERVICES PROVIDED BY A UTILITY OWNED BY A
MUNICIPALITY
SPONSOR: YOU
FISCAL: NONE**

THE NEXT BILL BEFORE THE COMMITTEE IS SENATE BILL 207, AN ACT RELATING TO LIENS ON REAL PROPERTY TO SECURE PAYMENT FOR SERVICES PROVIDED BY A UTILITY OWNED BY A MUNICIPALITY. I INTRODUCED THIS BILL AT THE REQUEST OF SENATOR COGHILL AND THE CITY OF NENANA. IN YOUR PACKET IS A LEGAL OPINION STATING THE NEED FOR THIS LEGISLATION. THERE ARE ALSO SUPPORTING DOCUMENTS FROM SOME JOINT UTILITIES AND THE CITY OF NORTH POLE.

BEFORE YOU IS A COMMITTEE SUBSTITUTE FOR YOU TO CONSIDER. THIS SUBSTITUTE REMOVES A SENTENCE THAT WAS ON LINES 16 THROUGH 18 ON THE ORIGINAL BILL THAT GAVE THESE LIENS PRIORITY OVER OTHER LIENS EXCEPT LIENS ON PROPERTY TAXES, SALES AND USE TAXES AND SPECIAL ASSESSMENTS. THIS CHANGE IS AGREED TO BY SENATOR COGILL.

THERE IS A ZERO FISCAL NOTE IN YOUR PACKET.

6-0949E
Cook
3/21/89

Original sponsors: Adams and Coghill

1 IN THE SENATE

2 CS FOR SENATE BILL NO. 207 ()

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to liens on real property to secure
7 payment for services provided by a utility owned by a
8 municipality."

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

10 * Section 1. AS 29.35.070 is amended by adding a new subsection to
11 read:

12 (e) A municipality may by ordinance provide for creation, record-
13 ing, and notice of a lien on real property to secure payment for
14 services provided by a utility owned by the municipality and for the
15 interest, penalties, and administration costs charged by the munic-
16 ipality in the event of delinquency.) The lien may be enforced as
17 provided in AS 29.45.320 - 29.45.490 for enforcement of a property tax
18 lien.

19
20 → [WHEN RECORDED, A LIEN AUTHORIZED UNDER THIS
21 SECTION HAS PRIORITY OVER OTHER LIENS EXCEPT
22 THOSE FOR PROPERTY TAXES, SALES & USE TAXES
23 & SPECIAL AGREEMENTS.]

STATE OF ALASKA
THE LEGISLATURE

POUCHY STATE CAPITAL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

March 2, 1989

SUBJECT: Liens for Utility Services
(Work Order No. 16-0949)

TO: Senator Al Adams

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

You have asked whether a municipality has the power to impose a lien on real property to secure payment for utility services provided by a utility owned by the municipality. A municipality probably does have that power under its general authority to exercise by ordinance any power not prohibited by law. (See AS 29.35.200 - 29.35.220) However, it does not have specific authority to establish liens for these purposes as is granted under AS 29.45.300 for property taxes, AS 29.45.650(e) for sales and use taxes, and AS 29.46.-080(c) for special assessments.

The enclosed draft would provide specific authority for a municipality to provide for liens for these utility services by ordinance. In addition, the enforcement provision now in place for foreclosure of property tax liens is made applicable to utility liens under this draft.

TBC:gc:kb
WKG7/083

Enclosure

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: "An Act..liens on real property to secure payment..services..utility.."
 Sponsor: Senators Adams & Coghill
 Requestor: _____

Agency Affected: Community & Regional Affairs
 BRU: _____
 Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Jim Plasman, Deputy Director Phone: 465-4750
 Division: Municipal & Regional Assistance Date: 3/20/89

Approved by Commissioner: [Signature] Date: 20 March 89
 Agency: Community & Regional Affairs

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



City of Nenana

State of Alaska

February 14, 1989

Senator John B. Coghill
Alaska State Legislature
Pouch V (MS 3100)
Juneau, AK 99811

Dear Senator Coghill,

The City has introduced an ordinance which creates a lien against real property if the charges for water and sewer services provided to the property are not paid.

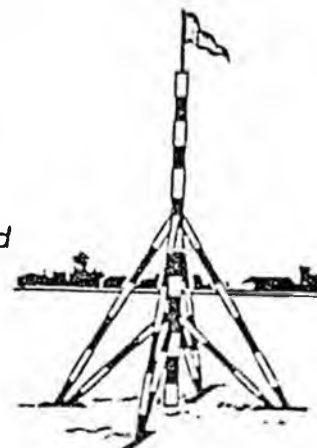
The State supreme court has never decided whether a home rule municipality, such as Nenana, has the authority to create liens without statutory authority. There is no provision in Alaska law which specifically prohibits Nenana from creating these liens, and under the state constitution a home rule municipality can do anything which is not prohibited by law.

The legislature could easily resolve the question as to the City's authority by simply making a small change in Title 29 - specifically 29.35.070. To this end I would suggest the following addition to Section 29.35.070. Public Utilities: [additions underlined, deletions bracketed]

Sec. 29.35.070. Public Utilities. [a] The assembly acting for the area outside all cities in the borough and the council acting for the area in a city may regulate, fix, establish, and change the rates and charges imposed for a utility service provided to the municipality or its inhabitants by a utility that is not subject to regulation under AS 42.05 unless that utility is exempted from regulation under AS 42.05.711(a) or [d] - [k].

[b] A municipality may provide for a reasonable deposit for meters and service to be given if interest is paid on the deposit.

[c] Unless the utility is owned by the municipality, all rates, charges, and regulations established under this section shall be established



by ordinance and shall be reasonable and permit a fair return on invested capital.

(d) A municipality may provide for the creation, recording, notice, and foreclosure of a lien on real property to secure the payment of charges for water, sewer, electric, and other utilities provided to the property by the municipality, and the interest, penalties, and administration costs in the event of delinquency. When recorded the utility lien has priority over all other liens except (1) liens for property taxes and special assessments; (2) liens that were perfected before the recording of the utility lien for amounts actually advanced before the recording of the utility lien; (3) mechanic's and materialman's liens for which claims of lien under AS 34.35.070 or notices of right of lien under AS 34.35.060 have been recorded before the recording of the utility lien; and (4) sales and use tax liens created under AS 29.45.650 (e).

[(d)] (e) This section applies to home rule and general law municipalities.

Subsection (d) which is added above is copied verbatim from the language enacted by the legislature last session to establish the priority of liens for delinquent sales and use taxes. The statute which was copied is AS 29.45.650(e).

Please call should you have any questions, but basically all we are trying to do here is make everyone responsible for their own bills. There are always some utility customers who don't feel obligated to pay, and this effort would help in collecting past due accounts.

Sincerely,



Steve Bainbridge
City Administrator

cc Representative Richard Shultz

Chapter 35. Municipal Powers and Duties.

Article

1. General Powers (§ 29.35.070)
3. Additional Powers (§ 29.35.210)
8. Hazardous Chemicals, Materials, and Wastes (§§ 29.35.500, 29.35.520, 29.35.530, 29.35.560, 29.35.590)

Article 1. General Powers.

Section

70. Public utilities

Sec. 29.35.070. Public utilities. (a) The assembly acting for the area outside all cities in the borough and the council acting for the area in a city may regulate, fix, establish, and change the rates and charges imposed for a utility service provided to the municipality or its inhabitants by a utility that is not subject to regulation under AS 42.05 unless that utility is exempted from regulation under AS 42.05.711(a) or (d) — (k).

(b) A municipality may provide for a reasonable deposit for meters and service to be given if interest is paid on the deposit.

(c) Unless the utility is owned by the municipality, all rates, charges, and regulations established under this section shall be established by ordinance and shall be reasonable and permit a fair return on invested capital.

(d) This section applies to home rule and general law municipalities. (§ 10 ch 74 SLA 1985)

Editor's notes. — This section is set out to correct an error in enactment.

Article 3. Additional Powers.

Section

210. Second class borough powers

Sec. 29.35.210. Second class borough powers. (a) A second class borough may by ordinance exercise the following powers on a nonareawide basis:

- (1) provide transportation systems;
- (2) regulate the offering for sale, exposure for sale, sale, use, or explosion of fireworks;
- (3) license, impound, and dispose of animals;
- (4) provide garbage, solid waste, and septic waste collection and disposal;
- (5) provide air pollution control in accordance with AS 46.03.140 — 46.03.230;
- (6) provide water pollution control;

P.O. BOX 88109
NORTH POLE, ALASKA
99705



TOP OF THE WORLD
PHONE: 807-488-2281
AT YOUR SERVICE

March 21, 1989

The Honorable Senator Jack Coghill
P. O. Box V
Juneau, Alaska 99811

Re: SB 207, Municipal Utility Liens

Dear Jack:

Just a short note to let you know that we are in receipt of and support Senate Bill 207. As you are well aware, collection of utility charges has posed a major problem for small municipalities. Often, the only remedy is Small Claims Court. In instances where the delinquent party has left the area, there is little recourse.

The provisions of SB 207 would take tremendous strides toward alleviating this problem. You have the full support of The City of North Pole. Please let us know to whom we may make further contacts to aid in passage.

Sincerely,

Carleta Lewis
Mayor, City of North Pole

CL/kl

NOME JOINT UTILITY SYSTEM

BOX 70

NOME, ALASKA 99702

(907) 443-5288

TELEFAX (907) 443-3028

March 22, 1989

Senator Al Adams
Alaska State Legislature
Juneau, Alaska
FAX 465-3700

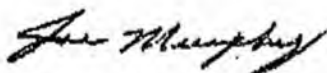
Dear Senator Adams:

Please find attached a copy of Nome Joint Utility System Resolution 89-09, A Resolution Supporting Senate Bill No. 207, "An Act Relating to Liens on Real Property to Secure Payment for Services Provided by a Utility Owned by a Municipality."

Resolution 89-09 was passed by the Nome Joint Utility Board on March 21, 1989, to establish a record of the Board's support of Senate Bill No. 207.

Thank you for your time.

Sincerely,



Joe Murphy, General Manager
NOME JOINT UTILITY SYSTEM

JM/mt

NOME JOINT UTILITY SYSTEM

RESOLUTION 89-09

A RESOLUTION SUPPORTING SENATE BILL NO. 207,
AN ACT RELATING TO LIENS ON REAL PROPERTY TO SECURE PAYMENT
FOR SERVICES PROVIDED BY A UTILITY OWNED BY A MUNICIPALITY

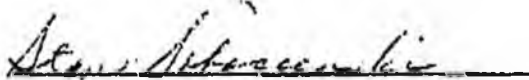
WHEREAS, there is a Senate Bill No. 207 in the Legislature of the State of Alaska Sixteenth Legislature - First Session, and

WHEREAS, this Bill is "An Act relating to liens of real property to secure payment for services provided by a utility owned by a municipality.", and

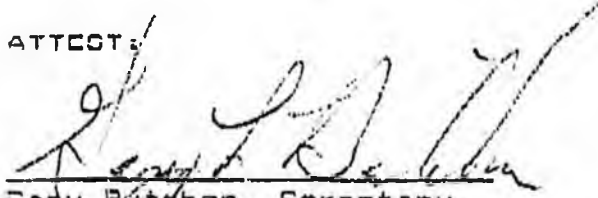
WHEREAS, the Nome Joint Utility Board would like to go on record as being in support of this Bill,

NOW THEREFORE BE IT RESOLVED that the Nome Joint Utility Board, sitting in Regular Session on March 21, 1989, supports Senate Bill No. 207, An Act Relating to Liens on Real Property to Secure Payment for Services Provided by a Utility Owned by a Municipality.

SIGNED THIS 21 DAY OF MARCH, 1989 AT NOME, ALASKA.


Stan Sobocienski, Chairman
NOME JOINT UTILITY BOARD

ATTEST:


Gary Butcher, Secretary
NOME JOINT UTILITY SYSTEM

S B

241

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: "An Act..DCRA..accept land..receive
 land from dissolved municipalities."
 Sponsor: Senator Adams
 Requestor: _____

Agency Affected: Community & Regional Affairs
 BRU: _____
 Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

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

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

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

Phone: 465-4750
 Date: 4/5/89

Approved by Commissioner: Ward G. Miller
 Agency: Community & Regional Affairs

Date: 4-5-89

Distribution (by preparer):

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

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

400 WILLOUGHBY AVE.
JUNEAU, ALASKA 99801-1796
PHONE: (907) 465-2400

April 6, 1989

The Honorable Al Adams
Chair, Senate Community
and Regional Affairs Committee
P.O. Box V
Juneau, AK 99801

Dear Senator Adams:

Subject: SB 241, An Act authorizing the Department of Community and Regional Affairs (DCRA) to accept land conveyed by a State or Federal agency and to receive land from dissolved municipalities.

Position: DNR supports the concept of this bill as a method to resolve specific problems related to village expansion that are difficult to address under current statute. The ANCSA 14(c)(3) Municipal Trust program within DCRA is the logical entity to accept and hold title for villages for land and improvements for communities in non-incorporated municipalities. However, the department suggests changes to the language in Section 1, AS 44.47.150(a)(2) which applies to the dissolution of a municipality under AS 29.06.450 - 29.06.530.

Background: In most cases DNR is the designated landowner for all state land. In many cases a municipality acquires its land via municipal entitlement authority as administered by DNR and if it dissolves, the land should revert to DNR as the landowner. If improvements are involved, a determination is made by the Department of Administration as to their disposition.

This bill would alter the arrangement to allow DCRA to administer land for communities in the event a municipality dissolves. If a municipality dissolves, the land should revert to the department as the landowner with a determination made by the Department of Administration as to the proper disposal of improved properties.

Recommendation: We suggest the following change be made to the bill in Sec. 1, AS 44.47.150(a)(2). Add at the end of the subsection "except that land acquired through the municipal

Amend

Senator Adams

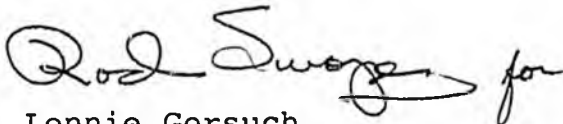
-2-

April 6, 1989

entitlement program under AS 29.65 reverts back to the Department of Natural Resources as general grant land to be managed under Title 38."

Thank you for the opportunity to comment. We look forward to working with the committee and staff on this legislation.

Sincerely,

A handwritten signature in cursive script that reads "Rod Swartz" followed by a flourish and the word "for".

Lennie Gorsuch
Commissioner

Enclosure

cc: Committee Members
Bill Sponsor
Denby Lloyd, Special Staff Assistant
Office of the Governor
Bob Evans, Legislative Liaison
Office of the Governor
Gary Gustafson, Director
Division of Land and Water Management
Jim Plasman
Department of Community and Regional Affairs

COMMUNITY AND REGIONAL AFFAIRS COMMITTEE
APRIL 6

SB 241: AUTHORIZING THE DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS TO ACCEPT LAND CONVEYED BY A STATE OR FEDERAL AGENCY AND TO RECEIVE LAND FROM DISSOLVED MUNICIPALITIES.

SPONSOR: YOU
FISCAL: NONE

THE NEXT BILL BEFORE THE COMMITTEE IS SENATE BILL 241, A BILL THAT I SPONSORED AT THE REQUEST AT THE REQUEST OF THE ALASKA FEDERATION OF NATIVES. THIS BILL WOULD ALLOW DISSOLVED MUNICIPALITIES TO TRANSFER THEIR LAND TO THE MUNICIPAL LAND TRUST PROGRAM. CURRENTLY THE ONLY DEPARTMENT AUTHORIZED TO ACCEPT THIS LAND WOULD BE THE DEPARTMENT OF NATURAL RESOURCES.

THIS BILL IS SUPPORTED BY C&RA AND DNR. DNR'S POSITION PAPER HAS A PROPOSED AMENDMENT TO THE BILL THAT I DO NOT OBJECT TO.

LARRY KIMBALL FROM AFN IS ON TELECONFERENCE TO SPEAK FURTHER.

PLASMAN AND LARRO

7 dissolution
LG. SB 50
Revert to State
which going DNR/CRA
from land trusters

STEVE COWPER, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

April 5, 1989

POSITION PAPER

RE: Senate Bill 241

SPONSOR: Senator Adams

Departmental Position

The department strongly supports this bill.

Program Effects of Bill

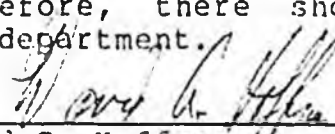
This bill would expressly authorize the Department of Community and Regional Affairs to accept, in trust, land conveyed by a state or federal agency or from dissolution of a municipality.

Comments

The State currently acts as trustee for land conveyed under section 14(c)(3) of the Alaska Native Claims Settlement Act (ANCSA) in unincorporated communities. That section of ANCSA requires village corporations to convey certain land to municipalities or to the state in trust for future municipalities. In rural communities of the state, there is often a local community need for land held by other state or federal agencies. However, without a municipality there is no recognized governing entity to which the land may be transferred for community purposes. Under this bill, a state or federal agency could transfer land to the state in trust to administer for community purposes.

This legislation also identifies the department as a possible recipient and administrator of land from a dissolved municipality. Such lands generally are subject to the same types of administrative program concerns as lands already under the Municipal Lands Trustee Program.

The department would administer land conveyed under this bill along with section 14(c)(3) land received from village corporations and placed under the Municipal Lands Trustee Program. The department would accept land only for ANCSA villages that the department would be working with under the current provisions of law. Therefore, there should be no additional costs or burdens on the department.



David G. Hoffman
Commissioner

- 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

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An Act..DCRA..accept land..receive land from dissolved municipalities."
Sponsor: Senator Adams
Requestor: _____

Agency Affected: Community & Regional Affairs
BRU: _____
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Jim Plasman, Deputy Director Phone: 465-4750
Division: Municipal & Regional Assistance Date: 4/5/89
Approved by Commissioner: Walter Pelt Date: 4-5-89
Agency: Community & Regional Affairs

Distribution (by preparer):

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

**STATE OF ALASKA
1989 LEGISLATIVE SESSION**

BILL VERSION: SB 241
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Natural Resources
Title: Authorizing the DCRA to accept land BRU: Division of Land and Water Mgt.
land conveyed by agencies and receive land
Sponsor: Senator Adams Components: _____
Requestor: Senate C&RA Committee

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES		0.0	0.0	0.0	0.0	0.0
TRAVEL		0.0	0.0	0.0	0.0	0.0
CONTRACTUAL		0.0	0.0	0.0	0.0	0.0
SUPPLIES		0.0	0.0	0.0	0.0	0.0
EQUIPMENT		0.0	0.0	0.0	0.0	0.0
LAND&STRUCTURES						
GRANTS,CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL						
REVENUE						


FUNDING: (Thousands of Dollars)

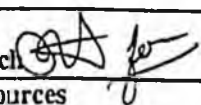
GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: ^{MS} Larry Ostrovsky  Phone: 465-2400
Division: Commissioner's Office Date: 5-Apr-89

Approved by Commissioner: Lennie Gorsuch  Date: _____
Agency: Department of Natural Resources

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

Tundra Times

Alaska's Oldest Statewide Newspaper

50¢

March 20, 1989

Vol. XXVI

Photo by Chris Cushman

Akiachak plans for dissolution of government November election

by Steve Pilkington
Tundra Times reporter

If next November's election goes as voters in Akiachak plan, their city government will dissolve after a five-year power struggle with the state, leaving the welfare and safety of Akiachak entirely up to its tribal members.

And according to state officials, the dissolution of Akiachak could provoke five other Yukon-Kuskokwim Delta communities, which are seriously considering dissolving their own city governments, to follow suit.

Moses Peter, a former mayor of Akiachak, said it is too difficult to run a traditional Native government together with the state government.

"We tried to put both governments together, but it didn't work," Peter said.

"One of them has to go. We have to go by what people want," he said.

Willie Kasayulie, chairman of the Akiachak Indian Reorganization Act Council, said the main reason



Game Board members Nicholas Jackson of Gakona, foreground, and Sidney Huntington of Galena listen to testimony given last week by Arnold Melchiemer of English Bay. Melchiemer was discussing a request for goat and moose subsistence season date changes in the Port Graham-English Bay area. The Game Board met in Anchorage last week at the William A. Egan Civic & Convention Center.

• Akiachak faces vote in November

(Continued from Page One)

residents want to dissolve the city government is to avoid state and tribal conflicts.

"What we wanted to achieve was to have one responsible village government instead of two," Kasayulie said.

But the process of getting the state to allow the election has been long and difficult.

It began in 1985 when the Akiachak City Council members jointly resigned.

The village IRA council tried to abolish the city government once before by a popular vote from the residents, he said, but state law and the Local Boundary Commission only allowed that in rare circumstances.

Before the 1988 session of the Legislature, cities could dissolve only if they had become ghost towns. If a city grew out of the exploitation of a resource which had dried up, the state and boundary commission would allow it to dissolve.

But last year, legislators passed a dissolution statute which says a city can be dissolved if:

- A petition is signed by at least 50 percent of the residents who voted in the last election.

- The city owes no debts.

The commissioner of the Department of Community and Regional Affairs must also believe that residents will be better off before the city can be dissolved.

Marty Rutherford, director of the department's Municipal and Regional

Assistance Division, said the state supports the dissolution. The department is assisting the village, she said.

Akiachak has also met the first two parts of the statute, and the Local Boundary Commission recently set the date for the election for Nov. 7.

"I had hoped that the vote would take place in March or April," Kasayulie said.

One of the conflicts which arises between the two forms of government is criminal procedures, Kasayulie said.

"One of our concerns was that whenever one of our tribal members or community residents broke a law, they were taken out of the village without the council or anyone hearing about it," he said.

Bart Garber, an attorney with the Native American Rights Fund, said the November election will definitely dissolve the city government.

"Not a problem," he said.

The petition for an election was signed by 99 residents. This equals 72.8 percent of the number of votes cast in the last general election in the city — well over the statutory 50 percent needed for the city to be dissolved.

According to the state's schedule, the Department of Community and Regional Affairs will release its decision about the dissolution June 5. The boundary commission will conduct a hearing in Akiachak June 26.

Dan Bockhorst, supervisor of the boundary commission under the community affairs department, said

'What we wanted to achieve was to have one responsible village government instead of two.'

—Willie Kasayulie

Akiachak's election may affect other villages on the Yukon-Kuskokwim Delta.

"There are other communities that are potentially interested in dissolu-

tion," he said.

The five other communities seeking dissolution, according to the boundary commission, are Atmaultluak, Cheforak, Kasigluk, Tununak and Newtok.

ATTENTION

Former Food Stamp Recipients

Some Alaskans were not given enough food stamps during the May 1985 through July 1987 period if they received Alaska Native Claims Settlement Act (ANCSA) dividend payments or land from Native corporations. Households participating in the Food Stamp Program which received ANCSA dividends or land during this period may be eligible for restored food stamp benefits. This advertisement seeks to find affected households which are no longer receiving food stamps.

To be considered eligible for these food stamp benefits, you must send your name, Social Security Number, and current address no later than May 30, 1989 to: Department of Health and Social Services, Division of Public Assistance, Claims Unit, 130 Seward Street, Suite 314, Juneau, Alaska 99801, Attn: ANCSA Project.

NOTE: If you are now receiving food stamps or other Public Assistance benefits DO NOT write to the address above. Any additional food stamps to which you are entitled will be sent directly to you.

Sec. 44.47.145. Bulk fuel storage facilities grant fund. (a) There is established in the department the bulk fuel storage facilities grant fund. Grants may be made by the department from this fund to a community to acquire and install community bulk storage facilities.

(b) Grants made under this section for the acquisition and installation of a bulk fuel storage facility may not exceed \$100,000 per community.

(c) If the governing body of two or more communities determine that their fuel requirements may be served by a single bulk fuel storage facility, the communities may jointly apply for grants to acquire and install a single bulk fuel storage facility. When communities apply jointly under this subsection, the limitation in (b) of this section is multiplied by the number of communities which submit the joint application.

(d) Before a grant is made under this section, the city council or, if the community is not incorporated, a reasonable representative body in the community shall agree in writing to maintain and operate the bulk storage facility to be constructed with the proceeds of the grant. (§ 40 ch 83 SLA 1980; am § 2 ch 46 SLA 1981)

Effect of amendments. — The 1981 amendment substituted "\$100,000" for "\$60,000" in subsection (b).

Sec. 44.47.150. Village land conveyed in trust. (a) The commissioner is designated to accept, administer, and dispose of land conveyed to the state in trust by village corporations under 43 U.S.C. 1613(c)(3) of the Alaska Native Claims Settlement Act for the purposes specified in that section.

(b) Transfer of land by sale, lease, right-of-way, easement, or permit, including transfer of surface resources, may be made by the commissioner only after approval of an appropriate village entity such as the traditional council, a village meeting, or a village referendum. This approval shall be by resolution filed with the department.

(c) Within one complete state fiscal year after the incorporation of a municipality in the village or of a municipality which includes all or part of the village, land acquired under this section shall be conveyed without cost to the municipality, and the municipality shall succeed to all the entrusted interest in the land.

(d) Separate accounts shall be maintained in the name of each village for the land, including the revenues from the land, acquired from each village corporation under this section, and within 90 days of the close of each state fiscal year a statement of the account for each municipality shall be prepared by the commissioner and be made available to the village and to the public upon request.

(e) Upon the conveyance of land to a municipality under this section, the commissioner shall account to the municipality for all profits

including interest from the land, and the municipality may then request that the governor submit a request to the legislature for an appropriation for the amount due it.

(f) A title or interest to lands acquired by the department under this section may not be acquired by adverse possession or prescription.

(g) For the purposes of this section, the term municipality includes only first and second class cities incorporated under the laws of the state. (§ 1 ch 119 SLA 1975; am § 47 ch 94 SLA 1980)

Effect of amendments. — The 1980 "chapter" near the beginning of subsection amendment substituted "section" for (g).

Sec. 44.47.155. Loan information officers. (a) The department may provide itinerant loan information officers to serve persons who reside outside the major population centers of the state.

(b) The loan information officers shall be trained, to the extent that the department considers necessary, in a program administered by the department and approved by the Alaska Housing Finance Corporation, the Alaska Industrial Development Authority, and the principal departments of the executive branch that administer loan programs.

(c) A majority of the loan information officers shall be persons who are conversant in Alaska Native languages that are spoken by a significant number of Alaska Natives. The department shall provide brochures and other printed materials, written in easily understandable English and in the Alaska Native languages that are spoken by a significant number of Alaska Natives, for distribution by the loan information officers. The brochures and printed materials shall explain the purposes of the various state loan programs, the minimum qualifications under the programs, the method for obtaining assistance in the completion of applications for the programs, and other information the department determines will improve the access of persons in rural areas to the state's loan programs.

(d) The department shall coordinate its efforts under this section with local financial institutions and community groups to determine the proper itinerary and travel schedule of the loan information officers and to provide adequate notice to persons in rural areas of the itinerary and travel schedule of the loan information officers.

(e) The department shall assign the loan information officers to rural areas based on the current and potential future demands for loans in those areas and shall establish offices for the loan information officers in rural areas if the department determines it is necessary to provide familiarity with the area served by the loan information officers and to reduce travel costs. (§ 37 ch 106 SLA 1980)

Section
160. Council
165. Executive
170. Policy
175. Meeting

Editor's note
1980 amendment

Sec. 44.
the department
of

(1) a person
of the court

(2) a member
presiding

(3) the public
facilities
and region
budget;

(4) six persons
nor who are

(5) the United
States Secret
Alaska, a
Development
may attend
vote.

(b) The
the pleasure

(c) The
agencies, in
to participate
private.

(d) The
governor and

(e) Members
elected to per
boards and
1983)

BRIEFING PAPER
ALASKA UNINCORPORATED TOWNSITES

Originally Prepared for: Assistant Secretary Steve Griles
December 10, 1987

ISSUE: The Alaska BLM Townsite Trustee lacks title transfer tools to satisfactorily address community development and expansion needs in 29 unincorporated Alaska villages. The issues of technical trespass and disposal of residual lands are the principal problems. Proposed legislative solutions are complicated by a July 1987 Federal court ruling and the potential that sovereignty claims may be enhanced by the legislation.

DEPARTMENT OR ADMINISTRATION POSITION: The Department seeks to dispose of lands in Alaska expeditiously where the law intends transfer from the Federal government to private individuals or local communities. Solving community needs has been identified as a possible initiative for recommendation to the Domestic Council. Interaction with the Alaska public has been high in developing possible solutions to the townsite issues. Limiting future litigation has also been an underlying premise of administration action. Moderating the Department position on favoring community over Federal control of land decisions has been a concern that the concept of Native sovereignty would be enhanced. The Department has appealed a District Court decision authorizing disposals of residual townsite land to the local Native governing body in unincorporated communities. Assistant Secretary Swimmer has been briefed on aspects of the townsite issue by Alaska BIA Liason Officer. The Solicitor Office is receiving briefings on this issue. The most recent to Tom Sansonetti on December 7, 1987.

POSITION OF MAJOR CONSTITUENCIES: The State of Alaska and Native organizations are supportive of the Bureau's efforts to resolve the issues associated with unincorporated townsites in Alaska. Each constituent group has varying concerns about possible solutions. Tanana Chiefs Conference a non-profit organization representing central Alaska Natives communities has taken the lead on this issue. They have communicated frequently with Assistant Secretary Griles. The State of Alaska has pending legislation which would permit the State Municipal Land Trustee to receive title to former townsite land. Hearings on the legislation will take place in the next months. In October a draft of Federal legislation to resolve the townsite issues was jointly developed by the State of Alaska and Tanana Chiefs Conference.

CONGRESSIONAL POSITION: Congressman Young has taken a pragmatic view of resolving these issues and has been highly flexible in alternative solutions. Senator Stevens has taken a more cautious approach to the disposal of land to traditional councils or Indian Reorganization Act governments as a solution. Senator Murkowski's office has not played an active role in the discussions. All members recognize this is a long standing problem and that some solution needs to be determined.

Townsite Briefing Paper

ISSUE BACKGROUND: Existing townsite procedures call for transfers to incorporated villages. There are 29 townsite communities which have not incorporated under State law and may never do so. Also, transfers of lots to individuals can only be made if entry to the lot occurred before the date the survey plat for the townsite was approved or 1976 (date of repeal of the townsite laws by FLPMA) whichever date is earlier. At present the BLM Townsite Trustee can only dispose of lots through public auction under regulations found at 43 CFR 2565.5. This sale mechanism is strongly opposed by the communities and is critically viewed by the State of Alaska. The villages in comments state that local control would be lost to land speculators outbidding local people of limited resources. The BLM Alaska State Office commenced an initiative in the summer of 1986 to determine the specific nature of title transfer problems that existed in the unincorporated communities of rural Alaska. A townsite action plan was prepared by the Alaska State Director on January 1, 1987. Based upon these recommendations, discussions started involving Alaska Natives and the State to develop a concensus legislative solution. In July a court decision in the Aleknagik appeal addressed unincorporated townsite communities. The court stated transfers to the local governmental bodies could take place. Future disposals by those bodies would be without regard to race or nationality. The Department has filed a protective appeal to the 9th Circuit and a request for a continuance of the case for 6 months in order to pursue legislation. Tanana Chiefs Conference has written Assistant Secretary Griles indicating a desire to pursue a legislative solution but also signaling that they would intervene in the appeal. A November 4 meeting with Congressional and Departmental representatives discussed the concepts of the State-Native draft. An effort to identify alternative legislative concepts which calm sovereignty concerns is to be developed.

PROGRAM CONTACT: Robert Faithful or David E. Wickstrom
Alaska Programs Staff 343-6511

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PROGRAM CONTACT: Robert Faithful or David E. Wickstrom
Alaska Programs Staff 343-6511

DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS

MUNICIPAL LANDS TRUSTEE PROGRAM

FEBRUARY 1989

DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS MUNICIPAL LANDS TRUSTEE PROGRAM

FEBRUARY 1989

SUMMARY

Section 14(c)(3) of the Alaska Native Claims Settlement Act (ANCSA) provides that after Native village corporations receive their land conveyances from the federal government, the corporations must turn over a certain amount of land for community use and expansion to the local municipal corporation (city). If there is no city in the Native village, the land is reconveyed to the State of Alaska to hold in trust for a future city.

The responsibility for administering land reconveyed to the State in trust was assigned to the Commissioner of the Department of Community and Regional Affairs by the State Legislature in 1975 with the enactment of Alaska Statute 44.47.150.

The Municipal Lands Trustee (MLT) Program was created to carry out the trust responsibilities of the State. The MLT Program is within the Municipal and Regional Assistance Division. The Director of the Municipal and Regional Assistance Division is the "Municipal Land Trust Officer" and is principally responsible, under delegation and general direction of the Commissioner, for carrying out the State's trust responsibilities. There are currently 88 unincorporated ANCSA villages which must be dealt with in regard to Section 14(c)(3) reconveyances.

CURRENT STATUS

A review of the MLT staff monthly reports shows that from July 1, 1988 to January 31, 1989, MLT staff have traveled to 10 communities to work on 14(c)(3) land conveyances or management issues. MLT staff assisted communities or took trust actions in 41 villages during this period. Many communities were assisted several times during this period (see the MLT PROGRAM ACTIVITY AND TRAVEL SUMMARY TABLE). Travel to 15 additional villages is planned during the remainder of FY 89.

Forty-seven village corporations have completed, or are in the process of completing, reconveyances into trust. In past years, a number of "site specific" conveyances for community projects were accomplished. The MLT Program is now encouraging village corporations to plan for their total 14(c) reconveyances. The ultimate product of the 14(c) planning is a map of boundaries which identifies the location of the 14(c) claims on an aerial photograph. The village corporations submit the map to the Bureau of Land Management (BLM) for surveying.

The MLT program has worked closely with 22 villages to prepare 14(c) maps of boundaries. Eleven maps of boundaries have been submitted to the BLM. Seven have been surveyed on the ground, two are scheduled for survey by BLM and two are awaiting BLM approval. It is anticipated that five additional maps of boundaries will be submitted before the end of the fiscal year (see ANCSA 14(c) MAPS OF BOUNDARIES SUMMARY TABLE).

The MLT Program is presently holding approximately 7,530 acres of land in trust for future cities.

In addition to assistance in preparing 14(c) maps of boundaries and the acceptance of land into trust, the MLT Program must manage the land after it is accepted. The MLT Program has made land available for a number of community purposes such as schools, community halls, airports and other public facilities. Land has also been made available for public housing projects and for residential expansion.

Local control is an important aspect of the MLT Program. No disposal actions are taken without the approval of the village residents through a recognized "appropriate village entity" (AVE) or a meeting of village residents. The AVE serves as the "eyes and ears" for the MLT Program and plays a very important role in ensuring that the views of the village residents are considered.

When a village incorporates as a city, the MLT Program transfers all trust land to the city and accounts for revenues generated from the land. During this fiscal year, Atka incorporated as a city. The MLT Program recently transferred approximately 140 acres to the newly formed city. Additionally, the City will be entitled to over \$30,000 in revenues which have been generated from the land.

MLT PROGRAM CONCEPT

It has been the policy of the MLT Program to encourage 14(c) planning through an education process. The Program strives to build working relationships and a degree of trust with our clients which we believe is more effective than trying to force a village corporation to address its 14(c) obligation.

The Program also encourages and seeks a high level of local input in planning for 14(c)(3) reconveyances. The philosophy of the Program is that the local residents best know the land and what their community land needs are.

MLT PROGRAM ACTIVITY AND TRAVEL

(JULY 1, 1988 THROUGH JANUARY 31, 1989)

SUMMARY TABLE

<u>Community</u>	<u>MLT Travel</u>	<u>Reported Incidents of Technical Assistance or Trust Action</u>
Atka		5
Belkotski		1
Chignik Lake		2
Circle	1	4
Council	1	6
Crooked Creek		4
Dot Lake	1	4
Eagle		1
Egegik	1	4
Ekuk	1	4
English Bay	1	3
False Pass		4
Igiugig		1
Ivanof Bay		5
Kipnuk		2
Klukwan		1
Kokhanok	1	2
Koliganek		3
Kongiganak		4
Kwigillingok		2
Manley Hot Springs		2
Minto		4
Nikolski		2
Pedro Bay	1	1
Perryville		1
Pilot Point		5
Pitkas Point		3
Port Graham	1	3
Portage Creek		3

<u>Community</u>	<u>MLT Travel</u>	<u>Reported Incidents of Technical Assistance or Trust Action</u>
Rampart		1
Red Devil		2
Sleetmute		5
Solomon		1
South Naknek		4
Stony River		2
Takotna	1	6
Tatitlek		1
Telida		1
Tyonek		1
Ugashik		1
Uyak		1
TOTALS	41	112

ANCSA 14(c) MAPS OF BOUNDARIES
SUMMARY TABLE

<u>Community</u>	<u>Approximate Acreage</u>
1. Kokhanok	1,280
2. Pedro Bay	405
3. South Naknek	1,100
4. Takotna	1,069
5. Ugashik	1,149
6. Dot Lake	149
7. Nelson Lagoon	235
8. False Pass	374
9. Council	234
10. Tatitlek	469
11. Telida	193
12. Portage Creek	225

14(c) MAPS OF BOUNDARIES
EXPECTED TO BE COMPLETED WITHIN
THE NEXT FOUR MONTHS

<u>Community</u>	<u>Approximate Acreage</u>
1. Ivanof Bay	199
2. Pilot Point	800
3. Ekuk	40
4. Egegik	650
5. Koliganek	50

Department of Community & Regional Affairs

ANCSA PROGRAM

February 1989

SUMMARY

The ANCSA program is established to assist communities with land issues which arose after the passage of the Alaska Native Claims Settlement Act (ANCSA). The focus of this program is to work with communities to help them establish proper site control for projects, understand and implement ANCSA 14(c), and to help them complete the documents required for land conveyance including ordinances, resolutions, deeds and leases.

Assistance is delivered through the Fairbanks, Nome, Bethel, Anchorage, and Southeast regional office with technical support from the central office in Anchorage. In addition, the department administers a grant to the Alaska Native Foundation who work with village corporations.

Communities benefit from this assistance in the following ways:

1. Projects involving land are properly sited; this protects the public resource and alleviates extra time and money needed to resolve improperly sited projects;
2. Programs which make land available to individuals and businessmen are facilitated;
3. Land is made available to cities for their public service needs through ANCSA 14(c)(3);
4. The community can more efficiently institute economic and community development projects when the land status is determined and known.
5. Alaskans receive special training which will help them in supporting their communities.

IMPORTANCE OF SECTION 14(C), ALASKA NATIVE CLAIMS SETTLEMENT ACT

Under the provisions of Section 14(c)(3), cities and future cities are entitled to receive land under existing improvements as well as title to land necessary for foreseeable community needs and rights-of-way. Many communities rely upon the entitlement under this section to acquire land for existing and foreseeable capital improvement projects such as clinics, community halls, sewer and water systems and roads. Financing for economic development projects may be stalled until land title questions are resolved through ANCSA 14(c) land conveyances. Individuals and nonprofit organizations are also entitled to receive land which was occupied as of December, 1971, as a primary place of residence or business. Under 14(c)(1), many Alaskans will finally receive title to the land on which they have built houses or businesses. ANCSA places the responsibility for settling these land entitlements on the village corporations.

CURRENT STATUS OF ANCSA 14(C) ACTIVITY

211 village corporations have received interim conveyances or patents containing 14(c) settlement requirements. One of the last steps in the process of securing 14(c) land entitlements is the submission of a Map of Boundaries. This map shows the proposed boundaries of the land which the village corporation will convey to individuals, the city or the Municipal Lands Trustee and the airport operator. To date, 33 village corporations have substantially completed 14(c) land conveyances. We estimate about 65 (31%) of the village corporations or communities are working on some aspect of 14(c) land settlements. This level of activity is expected to continue for some time since it takes at least three years to complete 14(c) conveyances.

STATE FUNDED ANCSA 14(C) ASSISTANCE PROGRAMS

Through the Department there are two 14(c) assistance programs which are not duplicated elsewhere in the State. Both are funded under the ANCSA Plan of Survey Component of the Rural Development Budget Request Unit. One in-house program (initiated in FY 81) concentrates on assisting communities accomplish 14(c)(3) land settlements.

The second program is the Alaska Native Foundation 14(c) Assistance Program funded with a grant through DORA. This program concentrates on assisting village corporations develop policies and procedures to complete 14(c) land settlements.

The major benefit of the program is that the settlement of 14(c)(3) land entitlements involves negotiations between a city (or the municipal lands trustee) and a village corporation. Because of the different goals and responsibilities of the parties involved, village corporations may feel uncomfortable receiving assistance from DCRA. Local governments would feel equally compromised if only village corporations had access to assistance. Also, since village corporations must resolve 14(c)(1) and (2) claims before making final decisions on 14(c)(3) settlements, ANF's program on development of the policies, procedures and documents to complete 14(c)(1) and (2) claims accelerates the whole process.

Both ANF and DCRA provide training, workshops, maps, handbooks, and other training material, and provide research and technical assistance on ANCSA related jobs which the average American could not do without special training. To increase the effective of DCRA assistance, we have developed two land management/ANCSA 14(c) training courses which are being offered in regions through the community colleges or as independent DCRA efforts. As a result of our profiles contract, we also provide some communities with an accurate base map which will make it easier to work on 14(c). ANF provides a quarterly newsletter and has other grants which support Alaskans.

Major Benefits of ANCSA 14(c) Assistance Programs.

1. Projects involving land are properly sited; this protects the public resource and alleviates extra time and money needed to resolve improperly sited projects;
2. Programs which make land available to individuals and businessmen are facilitated. Settling land title questions are essential to promote economic and residential development in rural Alaska;
3. Land is made available to Cities for their public service needs through ANCSA 14(c)(3);
4. The community can more efficiently institute economic and community development projects when the land status is known.
5. The training provided on land management, planning and State or Federal laws increases the capability of community and village corporation staff to serve residents of this State. Under the provisions of ANCSA, responsibility for the ownership and management of land in and around over 200 communities has shifted from the Federal Government to local residents who serve on the councils or village corporation boards. In less than 20 years, many local residents have gone from a situation of not worrying about who owns the land to a situation where they must determine property boundaries between neighbors, prepare deeds and deal with trespassers.

ATTACHMENT GLE

14(c) PLAN OF SUPPLY ACTIVITY
(One year ended February 1989)

Villages with Interim Conveyances or Patents Containing 14(c) Obligations.....	211
Completed 14(c) Maps or Boundaries submitted to BLM as of February 1989	33
Communities actively working on 14(c).....	52
DORA ANCSA Travel (No. of Trips)	13
DORA Land Travel (No. of Trips)	6
ANF ANCSA Travel (No. of Trips)	18
DORA ANCSA Contact with Communities (Maps, Information, Technical Assistance, Training ect, No. of Contacts)	121
ANF ANCSA Contact with Communities (Maps, Information, Technical Assistance, Training ect, No. of Contacts)	141
Total Communities contacted by ANF.....	62

Note - Does not include community travel and contacts made by NLT and does not include regional 14(c) workshop travel and contacts excepts for contacts made in Southeastern Alaska. The 52 communities actively working on 14(c) includes mergers; the 65 communities or village corporations working on 14(c) in the text includes all communities.

S B

256

6-1163H
Cook
4/5/89

Original sponsors: Szymanski, Kerttula,
Kelly, and Sturgulewski

1 IN THE SENATE

BY THE COMMUNITY AND REGIONAL
AFFAIRS COMMITTEE

2 CS FOR SENATE BILL NO. 256 (C&RA)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to reimbursement for costs incurred
7 and recovery of money expended as a result of a
8 released hazardous substance; and providing for an
9 effective date."

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

11 * Section 1. AS 46.08.070(b) is amended to read:

12 (b) The attorney general, at the request of the commissioner,
13 shall immediately [MAY] seek to recover money expended by the depart-
14 ment under this chapter or other law to contain and clean up oil or a
15 hazardous substance that has been released or to control the threat-
16 ened release of oil or a hazardous substance.

17 * Sec. 2. AS 46.08.070(c) is amended to read:

18 (c) The department may reimburse a municipality for actual
19 expenses, other than normal operating expenses, incurred in the abate-
20 ment of a release or threatened release of oil or a hazardous sub-
21 stance if

22 (1) the municipality has entered into an agreement with the
23 commissioner under AS 46.09.020(e) [BEFORE INCURRING THE EXPENSES FOR
24 WHICH REIMBURSEMENT IS SOUGHT]; and

25 (2) the commissioner determines that the expenses were for
26 a necessary emergency first response to a release or threatened re-
27 lease that posed an imminent and substantial threat to the public
28 health or welfare, or to the environment.

REMOVED OLD SECTION 2

29 * Sec. 3. This Act is retroactive to March 24, 1989.

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* Sec. 4. This Act takes effect immediately under AS 01.10.070(c).

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE 3.31.89
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER

FIN

**FISCAL NOTE(S) MUST BE ATTACHED
IN ACCORDANCE WITH AS 24.08.035

DATE TURNED INTO OFFICE 4.7.89

4/3/89
Mr. President:

C&RA

Committee considered

SB 256

reimbursement to persons and municipalities for costs incurred as a result of released hazardous substance; efd

and recommended:

replace with CS C&RA same title

attached amendment(s) and new title

_____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

FISCAL NOTE FOR
C&RA CO
COMM 26 -
DEC

FISCAL NOTE(S) attached zero
 appropriation no FN attached

fiscal impact
 Gov. FN introduced w/ bill

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Mr. [Signature]
[Signature]
[Signature]
[Signature]
[Signature]
[Signature]
[Signature]

[Signature] NO Rec
[Signature]
[Signature]
[Signature]
[Signature]

[Signature]
Chair: signature and recommendation

Committee backup attached

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: An Act relating to reimbursement to persons and municipalities for costs incurred as a result of a released hazardous substance
 Sponsor: Senator Szymanski
 Requestor: _____
 Agency Affected: Environmental Conservation
 BRU: FO
 Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS: None

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Mark Thorson Phone: 765-2621
 Division: Administrative Services Date: 4/5/89
 Approved by Commissioner: Mark C. Thorson for DDK Date: 4/5/89
 Agency: Environmental Conservation

Distribution (by preparer):

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

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPT. OF ENVIRONMENTAL CONSERVATION

OFFICE OF THE COMMISSIONER
PO BOX O, JUNEAU, ALASKA 99811-1800

(907) 465-2600

April 4, 1989

Senator Mike Szymanski
Alaska State Senate
PO Box V
Juneau, AK 99811

Dear Senator Szymanski:

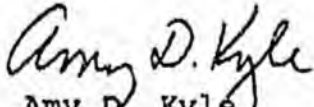
I am writing to state our support for the intent of SB 256. This bill would allow the Department to reimburse the City of Seward for legitimate expenditures for response to the oil spill in Prince William Sound.

At present, the oil and hazardous substance fund may be used for reimbursement to a municipality only if the Department has signed an agreement with the municipality before the expenditure is made. In this case, the City of Seward made expenditures to prepare to keep product away from sensitive areas before an agreement could be signed with the Department.

The Department believes that the City should not be precluded from reimbursement for these expenses simply because an agreement had not been signed. The expenditures will be reviewed by the Department according to procedures established for all municipalities participating in this response. Expenditures will be submitted for payment by EXXON before state funds are used.

Please let me know if there are any additional questions.

Sincerely,


Amy D. Kyle
Deputy Commissioner

COMMUNITY AND REGIONAL AFFAIRS COMMITTEE
APRIL 6

SB 256: RELATING TO REIMBURSEMENT FOR COSTS INCURRED AND RECOVERY OF MONEY EXPENDED AS A RESULT OF A RELEASED HAZARDOUS SUBSTANCE AND PROVIDING FOR AN EFFECTIVE DATE.

SPONSOR: SZYMANSKI

FISCAL: LAW/NONE

THE NEXT BILL BEFORE THE COMMITTEE IS SENATE BILL 256 RELATING TO REIMBURSEMENT FOR COSTS INCURRED AND RECOVERY OF MONEY EXPENDED AS A RESULT OF A RELEASED HAZARDOUS SUBSTANCE AND PROVIDING FOR AN EFFECTIVE DATE.

SENATOR SZYMANSKI HAS A COMMITTEE SUBSTITUTE THAT ELIMINATES SECTION TWO OF THE ORIGINAL VERSION.

SENATOR SZYMANSKI CAN SPEAK FURTHER ON HIS SUBSTITUTE.

REPS FROM DEC WILL BE HERE

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: An Act relating to reimbursement to persons and municipalities for costs incurred as a result of a released hazardous substance
 Sponsor: Senator Szymanski
 Requestor: _____
 Agency Affected: Environmental Conservation
 BRJ: EO
 Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS: None

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Mark Thorson Phone: 765-2621
 Division: Administrative Services Date: 4/5/89

Approved by Commissioner: Mark Thorson for DDK Date: 4/5/89
 Agency: Environmental Conservation

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



Alaska State Legislature


Senator Mike Szymanski

While in Session:
P.O. Box V
State Capitol, Room 11
Juneau, Alaska 99811
(907) 465-4978/4979
FAX (907) 465-2652

During Interim:
3111 C Street, Suite 510
Anchorage, Alaska 99503
(907) 561-7617

165 E. Parks Highway
Legislative Information Office
Wasilla, Alaska 99687
(907) 376-MIKE

M E M O R A N D U M

TO: Senator Tim Kelly, President of the Senate
FROM:  Senator Mike Szymanski
DATE: April 3, 1989
SUBJ: Introduction of Legislation Related to Oil
and Gas Hazardous Substance Releases Fund.

The purpose of this legislation is to clarify the Commissioner of the Department of Environmental Conservation's authority to enter into agreements with Municipalities to be reimbursed for costs from the date of the release of oil or hazardous substances.

Under current law, it appears that AS 46.08.070(c)(1) would require an agreement be in place before incurring expenses for reimbursement. The obvious problem here is that we have had several communities, i.e. Cordova and Valdez, who have incurred expenses from the moment of the Exxon/Valdez tanker accident. While it is important to have an agreement, it is equally important to allow the Commissioner the flexibility to have such agreements cover, when appropriate, expenses from the date of the tanker accident.

Senate District E

Mat-Su • So. Anchorage • Bird/Indian • Girdwood • Whittier • Nikiski • Cooper Landing • Hope • Seward • Cordova • Valdez

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Department of Law
 Title: "An Act relating to reimbursement for costs...released hazardous substance..." BRU: Prosecution, Legal Services
 Sponsor: Senate C&RA Components: All
 Requestor: Senate C&RA

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Please see the attached analysis.

Richard I. Pegues

Prepared by: Richard I. Pegues, Director Phone: 465-3672

Division: Administrative Services Date: April 6, 1989

Approved by Commissioner: Richard I. Pegues /FOR/
Douglas B. Bailly, Attorney General Date: April 6, 1989

Agency: Department of Law

Distribution (by preparer):

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

Chapter 08. Oil and Hazardous Substance Releases.

Section	Section
05. Purpose	50. Records of the fund
10. Fund established	60. Report to the legislature
20. Financing of the fund	70. Reimbursement for containment and cleanup
30. Financing the abatement of oil or hazardous substance releases	80. Regulations
40. Purposes of the fund	900. Definitions

Cross references. — For other provisions related to oil pollution control, see AS 46.04. For other provisions related to hazardous substance release control, see

AS 46.09. For authority of municipalities to implement this chapter, see AS 46.09.060(b).

Sec. 46.08.005. Purpose. The legislature finds and declares that the release of oil or hazardous substances into the environment presents a real and substantial threat to the public health and welfare, to the environment, and to the economy of the state. The legislature therefore concludes that it is in the best interest of the state and its citizens to provide a readily available fund for the payment of the

(b) other threat (b) tion sh account account this ac (a)(3) c session 1986)

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expenses incurred by the Department of Environmental Conservation in the protection of the environment of the state from the release of oil or hazardous substances. (§ 1 ch 59 SLA 1986)

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Sec. 46.08.010. Fund established. (a) There is established in the state general fund the oil and hazardous substance release response fund. The fund shall be administered by the commissioner.

(b) Money from an appropriation made to the fund remaining in the fund at the end of a fiscal year remains available for expenditure in successive fiscal years.

(c) The fund shall be used for actual expenses incurred under AS 46.08.040. The fund may not be used for capital improvements. (§ 1 ch 59 SLA 1986)

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Sec. 46.08.020. Financing of the fund. (a) The legislature may appropriate from the following sources to the fund;

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(1) money received from federal, state, or other sources or from a private donor;

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(2) money recovered or otherwise received from parties responsible for the containment and cleanup of oil or a hazardous substance at a specific site, but excluding funds from performance bonds and other forms of financial responsibility held in escrow pending satisfactory performance of a privately financed response action;

(3) fines, penalties, or damages recovered under this chapter or other law for costs incurred by the state as a result of the release or threatened release of oil or a hazardous substance.

at and

(b) Money received by the state under (a)(2) and (a)(3) of this section shall be deposited in the general fund and credited to the special account called the "oil and hazardous substance release mitigation account." The legislature may annually appropriate to the fund from this account a sum equal to the amount received under (a)(2) and (a)(3) of this section during the calendar year preceding the legislative session in which the appropriations are to be made. (§ 1 ch 59 SLA 1986)

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Sec. 46.08.030. Financing the abatement of oil or hazardous substance releases. It is the intent of the legislature and declared to be the public policy of the state that funds for the abatement of a release of oil or a hazardous substance will always be available. (§ 1 ch 59 SLA 1986)

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Sec. 46.08.040. Purposes of the fund. The commissioner may use money from the fund to

(1) contain, clean up, and take other necessary action, such as monitoring, assessing, investigating, and evaluating the release or threatened release of oil or a hazardous substance that poses an imminent

and substantial threat to the public health or welfare, or to the environment;

(2) provide matching funds for participation in federal oil discharge cleanup activities and under 42 U.S.C. 9601 — 9657 (Comprehensive Environmental Response, Compensation, and Liability Act of 1980); and

(3) recover the cost to the state or to a municipality of a containment and cleanup resulting from the release or the threatened release of oil or a hazardous substance. (§ 1 ch 59 SLA 1986)

Sec. 46.08.050. Records of the fund. (a) The department shall maintain accounting records showing the income and expenses of the fund.

(b) The department shall develop procedures governing the expenditure of, and accounting for, money expended from the fund, and may not delay implementation of this chapter pending the effective date of the procedures. (§ 1 ch 59 SLA 1986)

Sec. 46.08.060. Report to the legislature. (a) The commissioner shall submit a report to the legislature not later than the 10th day following the convening of each regular session of the legislature. The report may include information considered significant by the commissioner but must include:

(1) the amount of money expended under AS 46.08.040 during the preceding fiscal year;

(2) the amount and source of money received and money recovered during the preceding fiscal year as specified in AS 46.08.020;

(3) a summary of municipal participation in responses funded by the fund;

(4) a detailed summary of department activities in responses funded by the fund during the preceding fiscal year, including response and descriptions and statements outlining the nature of the threat; and

(5) the projected cost for the next fiscal year of monitoring, operating, and maintaining sites where response has been completed or is expected to be continued during the fiscal year.

(b) As part of the department's on-going identification efforts associated with oil spill or hazardous waste sites, the commissioner shall include in the report under this section

(1) a summary of the sites identified by the department;

(2) the immediate and long-term threats to the public health or welfare or to the environment posed by these sites; and

(3) the appropriate actions needed to abate these threats, and their estimated cost. (§ 1 ch 59 SLA 1986)

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Sec. 46.08.070. Reimbursement for containment and cleanup.

(a) The commissioner shall seek reimbursement promptly under this section, AS 46.03.760(e), or federal law for the cost incurred in the cleanup, or containment of oil or a hazardous substance that has been released.

(b) The attorney general, at the request of the commissioner, may seek to recover money expended by the department under this chapter or other law to contain and clean up oil or a hazardous substance that has been released or to control the threatened release of oil or a hazardous substance.

(c) The department may reimburse a municipality for actual expenses, other than normal operating expenses, incurred in the abatement of a release of threatened release of oil or a hazardous substance if

(1) the municipality has entered into an agreement with the commissioner under AS 46.09.020(e) before incurring the expenses for which reimbursement is sought; and

(2) the commissioner determines that the expenses were for a necessary emergency first response to a release or threatened release that posed an imminent and substantial threat to the public health or welfare, or to the environment. (§ 1 ch 59 SLA 1986)

Cross references. — For authority of cleanup of oil and hazardous substances, municipalities for containment and see AS 46.09.060(b).

Sec. 46.08.080. Regulations. The commissioner shall periodically review the minimum quantities of hazardous substances established under federal law and may adopt regulations establishing minimum quantities of substances for all or any portion of the substances to which this chapter otherwise applies. The commissioner may otherwise adopt only those regulations that are expressly required to implement the specific purposes of this chapter. (§ 1 ch 59 SLA 1986)

Sec. 46.08.900. Definitions. In this chapter

(1) "capital improvement" includes construction, renovation, repair of, and improvement to, a building, but does not include other improvements to real property, such as construction of a dike or retaining wall;

(2) "commissioner" means the commissioner of environmental conservation;

(3) "containment and cleanup" includes the direct and indirect efforts associated with the prevention, abatement, containment, or removal of oil or a hazardous substance, the restoration of the environment, and incidental administrative costs;

(4) "department" means the Department of Environmental Conservation;

(5) "fund" means the oil and hazardous substance release response fund;

(6) "hazardous substance" means

(A) an element or compound that, when it enters into or on the surface or subsurface land or water of the state, presents an imminent and substantial danger to the public health or welfare, or to fish, animals, vegetation, or any part of the natural habitat in which fish, animals, or wildlife may be found; or (B) a substance defined as a hazardous substance under 42 U.S.C. 9601 — 9657 (Comprehensive Environmental Response, Compensation, and Liability Act of 1980); "hazardous substance" does not include uncontaminated crude oil or uncontaminated refined oil in an amount of 10 gallons or less;

(7) "oil" means petroleum products of any kind and in any form, whether crude, refined, or a petroleum by-product, including petroleum, fuel oil, gasoline, lubricating oils, oily sludge, oily refuse, oil mixed with other wastes, liquified natural gas, propane, butane, and other liquid hydrocarbons regardless of specific gravity;

(8) "permitted release" means a release occurring under the authority of a valid permit issued by the department or by the Environmental Protection Agency;

(9) "release" means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into the environment, except that "release" does not include a permitted release or an act of nature;

(10) "threatened release" means an imminent danger that a release will occur. (§ 1 ch 59 SLA 1986)

Chapter 09. Hazardous Substance Release Control.

Section	Section
10. Report of hazardous substance releases	40. Hazardous substances containment and cleanup
20. Containment and cleanup of a released hazardous substance	50. Compacts authorized
30. Disaster emergencies	60. Municipalities
	70. Regulations
	900. Definitions

Sec. 46.09.010. Report of hazardous substance releases.

(a) Except as provided in (b) of this section, a person in charge of a vehicle, vessel or container from which, or a place at which, a hazardous substance is released shall report the release to the department and appropriate public safety agencies promptly after learning of the release.

(b) The commissioner may enter into an agreement with a person for the periodic reporting of a controlled release of a hazardous substance if the release is not into water. (§ 2 ch 59 SLA 1986)

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§ 46.08.080

WATER, AIR, ENERGY, ETC.

§ 46.09.020

Chapter 08. Oil and Hazardous Substance Releases.

Section

46.08.080. Regulations

Sec. 46.08.080. Regulations. The commissioner shall periodically review the minimum quantities of hazardous substances established under federal law and may adopt regulations establishing minimum quantities of substances for all of any portion of the substances to which this chapter otherwise applies. The commissioner may otherwise adopt only those regulations that are expressly required to implement the specific purposes of this chapter. (§ 1 ch 59 SLA 1986)

Editor's notes. — This section is set out above to correct a typographical error in the main pamphlet.

S B

267

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER

FIN

**FISCAL NOTE(S) MUST BE ATTACHED
IN ACCORDANCE WITH AS 24.08.035

DATE TURNED INTO OFFICE 4.25.89

4/7/89

Mr. President:

C&RA

Committee considered

SB 267

optional exemptions from and deferral of payment of municipal taxes

and recommended:

[] replace with CS _____ [] same title

[] attached amendment(s) and [] new title

[] _____ letter of intent adopted

[X] do pass

[] do not pass

[] no recommendation

[] individual recommendations

[] further referral to _____

C&RA & COMMERCE

FISCAL NOTE(S) attached [X] zero

[] fiscal impact

[] appropriation no FN attached

[] Gov. FN introduced w/ bill

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[Handwritten signatures]

[Handwritten signature]

Chair : signature and recommendation

[] Committee backup attached

Patrick M. Rodey
Senator

Alaska State Legislature



Senate

3111 C. St., Suite 510
Anchorage, Alaska 99503
(907) 561-7618

During Session:
P.O. Box V
Juneau, Alaska 99811
(907) 465-3793

DATE: April 14, 1989

TO: Senator Al Adams, Chair
Senate Community and Regional Affairs Committee

FROM: Senator Pat Rodey *PR*

SUBJECT: SB267, Optional Tax Exemption from of
Municipal Taxation for Economic Development

I would like to request that the Community and Regional Affairs Committee consider scheduling SB 267, An Act Relating to Optional Exemptions from and deferral of Payment of Municipal Taxes.

The purpose of this legislation is to allow local governments another tool in diversifying their economic base. This legislation allows two more additional property tax exemptions that local governments could elect to use.

These two exemptions have no cost to the state and will only effect new property that is solely for the purpose of export.

If you have any questions please feel free to call my legislative aide, Mark Begich at 465-3793 in Juneau or 337-6748 in Anchorage.

COMMUNITY AND REGIONAL AFFAIRS COMMITTEE
APRIL 25, 1989

SB 267: AN ACT RELATING TO OPTIONAL EXEMPTIONS FROM AND DEFERRAL OF PAYMENT OF MUNICIPAL TAXES
SPONSOR: BANKING
FISCAL: ZERO FROM COMMERCE AND DCRA

THE NEXT BILL BEFOR THE COMMITTEE IS SENATE BILL 267, AN ACT RELATING TO OPTIONAL EXEMPTIONS FROM AND DEFERRAL OF PAYMENT OF MUNICIPAL TAXES. THIS BILL WOULD ALLOW MUNICIPALITIES TO EXEMPT CERTAIN TYPES OF ECONOMIC DEVELOPMENT PROPERTY FROM UP TO 50% OF THE TAX RATES LEVIED ON OTHER PROPERTY. IT WOULD ALSO ALLOW MUNICIPALITIES TO EXEMPT TAXATION ON ITEMS INTENDED FOR EXPORT.

SENATOR RODEY IS HERE TO SPEAK FURTHER ON THE BILL.

PLAS

RON GARZINI AND DAN DUNSHEE

TOM LAWSON

PHILIP

STATE CHAIRMAN
COMMERCE

QUESTION: WHY ARE THEY LIMITING THE ECONOMIC DEVELOPMENT PROPERTY UNDER THIS BILL TO PROPERTY THAT HAS NOT BEEN PREVIOUSLY TAXED BY A MUNICIPALITY?

WORTLEY - EXEMPTION FOR A CERTAIN PERIOD
CONTINUE TO COUNT TOTAL VALUE OF PROPERTY
EXEMPTIONS - NOT PFD
NEW EQUIPMENT WOULD QUALIFY
KUMAR → →
ED TAKES PRICE @ LOCAL LEVEL
DEFERRED

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

- 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

April 17, 1989

POSITION PAPER

RE: Senate Bill 267 "An Act relating to optional exemptions from, or deferral of payment of, municipal taxes.

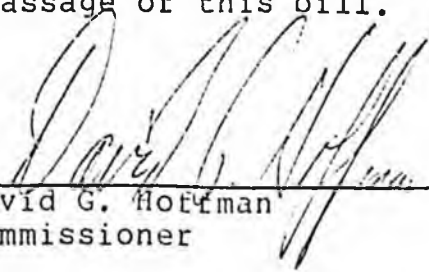
SPONSOR: Senate Special Committee on Banking and Economic Development

Program Summary

This bill adds a subsection to AS 29.45.050 relating to optional exemptions from local property tax that may be adopted by municipalities. An ordinance adopted under this section would allow municipalities to partially exempt, or defer from taxation property that is classified as economic development property. In order to qualify for any tax exemption or deferment the property must fulfill certain local eligibility requirements and must create new employment and provide goods or services that are used in, or are exported from, the municipality. Property tax under this subsection may not be exempted or deferred longer than five years.

Comments

The language in SB 267 is consistent with existing statutes, serves a positive public purpose, and provides direction and guidance to municipalities. The primary focus of this bill is to assist municipalities currently seeking ways to encourage economic development. Those activities are fully promoted by this Department, and we support passage of this bill.



David G. Hoffman
Commissioner

SB 267: Municipal Tax Exemption or Deferral

A similar bill introduced late in the last session as HB 557.

SB 267 would extend the authority of municipalities to include tax exemptions and deferrals for certain types of "economic development" property for periods of up to five years. Up to 50% of the rate of taxes levied may be exempted.

From an economic development standpoint, The Department of Commerce and Economic Development supports HB 272. From a public policy standpoint, it may be prudent to allow the municipality an opportunity to set the cap on the dollar amount or percentage of the exemption. This cap would establish the amount that is acceptable loss to the tax base for the term of the exemption.

In effect, SB 267 would shift the burden of support for municipal services related to exempted property to the remaining taxpayers of that municipality or, in times of crisis, to the state; we believe that voter approval of the governing ordinance is desirable prior to implementation of policy resultant in such a reallocation of responsibility.

Larry Mercurieff

Larry Mercurieff, Commissioner
Date: 4/22/89

LM/TL/dgl3851D
042189b

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Commerce & Economic Dev.
 Title: Municipal Tax Exemption or BRU: Business Development
Deferral
 Sponsor: Special Committee on Banking Components: _____
 Requester: and Economic Development

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

REVENUE	0	0	0	0	0	0
---------	---	---	---	---	---	---

FUNDING: (Thousands of dollars)

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

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PARTTIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: Tom Lawson, Acting Director
 Division: Business Development

Phone: 465-2017
 Date: 4-21-89

Approved by Commissioner: Larry Merculieff
 Agency: Department of Commerce & Economic Development

Phone: 465-2500
 Date: _____

Distribution (by preparer):

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



ANCHORAGE
ECONOMIC
DEVELOPMENT
CORPORATION

A SYNOPSIS

OF SEVEN INDUSTRY INCENTIVE

PROPOSALS

FOR SUBMISSION TO

THE 1989 ALASKA LEGISLATURE

234
1989

550 West 7th Avenue
Suite 850
Anchorage, AK 99501
Telephone (907) 258-3700



ANCHORAGE
ECONOMIC
DEVELOPMENT
CORPORATION

PROPERTY TAX ABATEMENT AUTHORITY

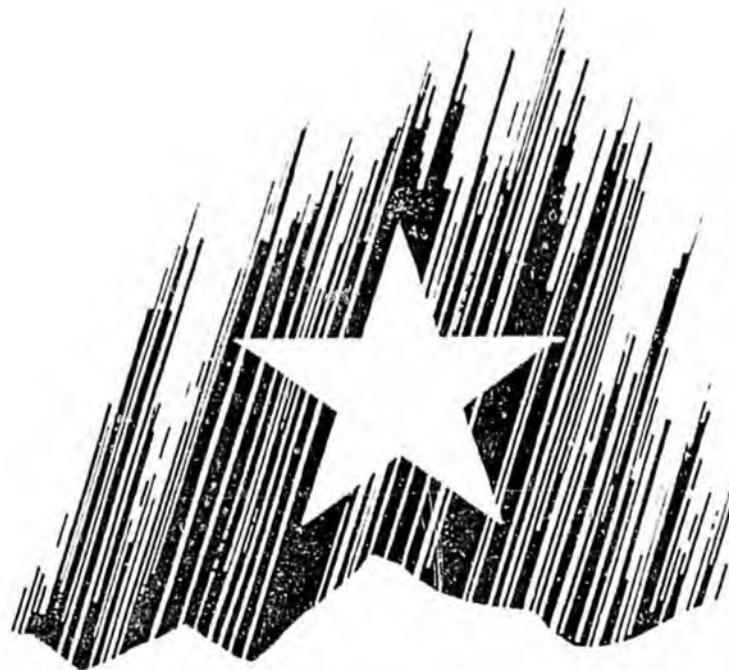
Purpose: This bill would give local governments the authority to offer partial and temporary property tax reductions on new buildings, leasehold improvements, equipment and inventories on new, basic industry investments. A local government may choose not to offer this incentive, but the proposed bill would give those that do wish to offer it the legal authority to do so.

Need: This is one of the most common incentives offered by U.S. cities and counties today. A 1987 survey of 322 cities showed that nearly 40 percent of all cities offer tax abatement and that nearly 45 percent plan to do so in the future. Alaska's boroughs and municipalities must begin to enter the competitive global arena for new jobs.

Structure: The proposed enabling legislation would require case-by-case local assembly approval, and would require that the new investment be one that expands the economy rather than simply intensifies competition for local markets. The maximum allowed abatement would be 50 percent, for a maximum period of five years.

Cost: This incentive would not apply to existing taxable property, only to new investments. Consequently, existing local revenue would not be impacted. New property tax revenue resulting from new basic industry investment would be temporarily impacted, but this incentive's role as a marketing tool will result in more private investment than would otherwise occur. Over time, this will result in a stronger tax base and more local revenue.

550 West 7th Avenue
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Anchorage, AK 99501
Telephone (907) 258-3700



Anchorage • *Star of the North*
Chamber of Commerce

1989 Legislative Priorities

Without such a plan, any measures to resolve the current budgetary dilemma will have only temporary effect. Further, once new revenue sources are identified, State spending will return unchecked to prior levels, eliminating the possibility for improved fiscal management.

The corpus of the Permanent Fund must not be used to cure revenue shortfalls. The Chamber supports the concept of amending the constitution to provide for a 40/30/30 allocation of the Permanent Fund earnings. Further, the Chamber supports constitutional amendments imposing limitations on the level of State spending.

2. Economic Development

Legislation should be proposed that would provide incentives that would foster economic development.

- A) Taxes. The tax policy of the State should remain stable and manageable, and not be subject to the political pressure of resolving revenue shortfalls. The Legislature should not yield to the proposals for a personal income tax, state sales taxes, or increased motor fuels taxes which negates the benefit of economic development incentives. The Legislature should not, under any foreseeable circumstances, impose increased taxes on any segment of our depressed economy. This would include the repeal or revision of the ELF (Economic Limit Factor) relative to the oil industry. Furthermore, departure from the unitary tax methodology would result in greater incentive to economic development.
- B) Economic Incentives. The adoption of an Economic Incentives Policy is overdue and should be given high priority in 1989. We recommend that a policy be enacted immediately to encourage the establishment and development of basic industry. This policy should follow the recommendations of the Anchorage Economic Development Corporation.

These incentives would be provided to qualifying businesses that serve to expand Alaska's economic base. These incentives should be flexible and existing statutory hindrance must be removed.

Alaska Municipal League Policy Statement

1989



Adopted at the Business Meeting
of the 38th Annual Local Government Conference
of the
ALASKA MUNICIPAL LEAGUE
Fairbanks, Alaska
November 18, 1988

Because a sales tax must be approved by the voters before it may be implemented, there should be no statutory limit on the rate of sales tax a municipality may impose. If the voters in a municipality desire to tax themselves at a rate higher than the 6 percent currently authorized by statute, they should be permitted to do so.

8. Tax Liability for Certain State Agency Properties: The League supports legislation to require payment of property taxes by state agencies for real property owned by the agency for investment purposes or acquired through holding of security interests.

Agencies of the State and federal government are treated differently as regards local property tax on property obtained through default or foreclosure. AHFC and HUD are two agencies that commit through regulation or legislation to pay local property tax in realization that local services contribute to the value of their property. Farmers Home Administration, Public Employees Retirement System, and Teachers Retirement System are also government agency investors who obtain property through default, but they do not pay local property tax, claiming exemption under AS 29.45.031(a)1. AIDA property does not contribute to local services.

9. Local Manufacture Taxes: The League endorses legislation that would amend AS 29.45.050(j) to permit a local option exemption from property taxes for inventory used in the in-state manufacture of product. The League also supports a three-to-five-year maximum time period for all such preferential exemptions from property taxation.

The League recognizes the critical need for permanent jobs and employment stability in local communities. Where property tax incentives are meaningful in attracting manufacturing or value-added industry using the human and natural resources of the State, exemption incentives may be an economic development tool.

This philosophy applies not just to timber but to other natural resource inventories. In any case, adoption of such an incentive should be by ordinance approved by the voters and have specific duration of three to five years, at which time the industry can be proven viable to the extent of sharing the burden with other taxpayers.

10. Optional Exemptions: The League does not oppose the addition of optional exemptions from property taxation provided the public agrees through a vote of the people and a sunset on the exemption is set in three to five years.

The League recognizes that expansion of optional exemptions from property taxes involves more than preferential treatment of classes of owners or property. Issues of public benefit, effects on formula funding revenues, changes in tax burden on other property owners, and competitive market influences are a few considerations to be

weighed. As these factors affect the public generally, adoption of local exemption should only be through ordinances approved by the voters. Further, in recognition of changing conditions and public needs, these exemptions should only be considered with provision of a sunset in three to five years.

11. **Real Property Transaction Values:** The League urges that if the Alaska Legislature enacts legislation requiring reporting of real property transaction values, such legislation also require that these reports be shared with the appropriate municipalities.

Alaska is one of only fourteen states in the country that does not require recording of real property transaction values. The American Bar Association's proposal for sale price reporting, new IRS reporting requirements, and national links of market data to financial institutional failures all make it likely that the State of Alaska will seriously consider or be forced to consider full reporting legislation in some form in the near future. Since municipalities are required to base local property tax on full and true value, it is equally important that any price reporting data be made available to local municipalities if uniformity and equity in assessment are to be maintained.

D. PUBLIC EMPLOYEES RETIREMENT

The League urges that any legislation that increases the cost of the Public Employees Retirement System or the Teachers Retirement System due to increased benefits require the cost to be borne by contributions from the employees. The League urges the Legislature to require fiscal notes to address the impact on each participating municipal employer if any amendments are made to the Public Employees Retirement System and the Teachers Retirement System.

Because municipal employees, including teachers, are members of the Public Employees Retirement System or the Teachers Retirement System, municipalities are affected by changes made by the Legislature to either retirement program. Many times proposals are made to change a retirement system without focusing on the increased cost to municipalities that such changes will cause. Because the municipality has no control over the retirement system and any increase in retirement benefits will decrease funds available for other municipal services, any increase in retirement system costs resulting from legislative action should be borne by the employees who will benefit from the increased retirement benefits. Additionally, in order to assist municipalities and the Legislature in evaluating changes to the retirement systems, fiscal notes accompanying such legislation should include an analysis of the fiscal impact on each of the participating municipalities.

11-15-88

Submitted by: Assemblyman Campbell
Prepared by: Anchorage Economic Development Corp.
For reading: November 15, 1988

ANCHORAGE, ALASKA
AR NO. 88-284

A RESOLUTION OF THE ANCHORAGE ASSEMBLY ENCOURAGING THE ALASKA LEGISLATURE TO ADOPT A BROAD AND RESPONSIBLE ARRAY OF ECONOMIC DEVELOPMENT INCENTIVES TO BE USED BY ALASKA'S COMMUNITIES

WHEREAS, the short and long-term outlook for the Alaska economy remains troublesome due to the impending projected production decline of the Prudhoe Bay oilfield and continued uncertainty in world oil markets; and

WHEREAS, there exists an urgent and pressing need for the communities of Alaska to expand and strengthen their respective basic industries; and

WHEREAS, all Alaska communities possess promotable and developable resources, both natural and human; and

WHEREAS, Alaska communities often face short-term economic hurdles that prevent the long-term development of their many and varied resources; and

WHEREAS these hurdles often include underdeveloped economic infrastructure, relatively tough commercial and industrial utility rates, the limited availability and high cost of trained labor in many occupations, and underdeveloped capital markets; and

WHEREAS, it is in the public interest for Alaska's local and state governments to take positive steps toward lowering those and other hurdles by offering a responsible and broad array of incentives for "basic industry" investment; and

WHEREAS, the use of such tools has been shown by Alaskan and non-Alaskan communities alike to be both effective and in the public interest;

NOW, THEREFORE, the Anchorage Municipal Assembly resolves:

Section 1: That the Assembly encourages the Legislature to enact laws that will create for the use of local governments, a broad, flexible and responsible array of incentives designed to induce new private investment in basic industry ventures that create net new jobs for the residents of Alaska; and

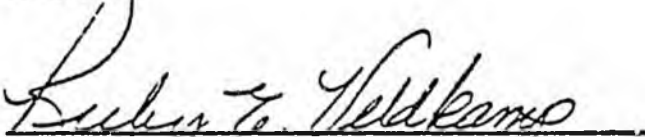
Section 2: That those incentives should address the issues of underdeveloped economic infrastructure, relatively high

commercial and industrial utility rates, the limited availability and high cost of trained labor in many occupations, and underdeveloped local capital markets.

PASSED AND APPROVED by the Anchorage Assembly this 15th day of November, 1988.


Chairman

ATTEST:


Municipal Clerk

DOCC/AR24



four states allow local governments the option of exempting inventories (Alaska, Georgia, Maryland, and Vermont). In Georgia, for example, at least sixty cities or counties exempt inventories. Iowa and South Carolina exempt a portion of all inventories. In South Carolina, the exempt proportion is 17 percent for 1985, 50 percent for 1986, and 100 percent thereafter, except for manufacturing inventories, which are already completely exempt. In North Carolina, inventories are taxable, but a credit is provided when they exceed a certain proportion of a manufacturer's production costs.

Certain other types of business personal property also receive preferential treatment, although they are generally taxed at a higher rate than inventories. The U.S. Census Bureau noted in 1981 that seventeen states had legal provisions for partial exemptions either as to specified types or specified value levels of commercial-industrial personal property. For example, Rhode Island exempts not only manufacturers' inventories but also certain manufacturing machinery and equipment. The states with partial exemptions for noninventory personal property are noted with footnotes in the third column of table 3.

Except for Iowa's exemption, none of these provisions explicitly favors small businesses. However, as the last two columns of table 3 indicate, there are a number of relatively minor exemptions which specify maximum values; these provisions tend to help small businesses relatively more than larger ones. These exemptions are typically for worker's or craftsman's tools or a fisherman's equipment.

To summarize, personal property tends to be treated considerably better than real property, and inventories are treated better than other kinds of personal property. This implies that, other things being equal, companies with a high ratio of personal to real property have lower effective property tax rates than other companies, especially if the personal property is in the form of inventories.

Other property tax practices

Many states have statutes granting abatements or exemptions to firms making investments to build new facilities or expand existing ones. In some cases these provisions are just for machinery but in other cases they apply to plant as well as machinery.

These measures rarely if ever make reference to the size of a business, although in a few cases they specify maximum or minimum levels of benefits or investment. Only one abatement program mentioned in a major compendium of state development incentives placed a limit on the benefits from the program. Illinois' industrial abatement program can save a company no more than \$1 million over a ten-year period. On the other hand, at least two states set a minimum on the investment needed to qualify for their abatement programs. A South Carolina five-year abatement

of county taxes requires that manufacturers invest at least \$50,000, and a South Dakota program stipulates that the investment must be at least \$30,000. Such minimum levels may prevent some small businesses from benefiting from the programs.

Tables 4 and 5 summarize these abatements and exemptions. The programs listed in table 4 generally exempt new investment, sometimes within specific geographic areas, for a limited number of years. The programs in table 5 in eight states apply primarily to machinery and involve permanent exemptions. In some cases,

Table 4

Property Tax Abatements for New or Expanding Facilities

Alabama	Up to ten years; does not apply to school taxes.
Arkansas	All leasehold interests in a facility financed by Industrial Revenue Bonds.
Connecticut	Manufacturing: 80 percent for five years in Urban Enterprise Zone or Urban Jobs Program. Commercial/retail: seven years, deferral of increased assessment resulting from improvements.
Florida	Up to ten years.
Georgia	No increase in assessment for up to seven years due to urban redevelopment, rehabilitation, or conservation project.
Illinois	Industrial: exemption up to ten years and up to \$1,000,000 of taxes.
Indiana	Industrial development area: up to ten years, assessment phased in over period.
Iowa	Five-year exemption, with assessment phased in over period, manufacturing; self-help areas: either 100 percent exemption for three years or partial exemption for ten years.
Louisiana	Up to ten years.
Maryland	Enterprise zone: 80 percent exemption.
Massachusetts	Property of economic development corporations exempt up to seven years.
Michigan	Fifty percent exemption up to twelve years.
Mississippi	Exemption up to ten years, except for school taxes; new structures or improvements in Central Business District of city with 45,000 or greater population exempt up to seven years.
Missouri	Twenty-five-year exemption in urban redevelopment areas (100 percent for ten years, then 50 percent).
Montana	Fifty percent exemption for five years, then phased out over next five years; manufacturing only.
New York	New York City: Twenty-year exemption, phasing down from 95 percent to 5 percent. Rest of state: ten-year exemption, phasing down from 50 percent to 5 percent.
Pennsylvania	Improvements to deteriorated property exempted up to ten years.
Rhode Island	Up to ten years.
South Carolina	Manufacturing five-year exemption, county taxes only; minimum investment, \$50,000.
South Dakota	Five-year exemption, with assessment phased in over period; minimum investment, \$30,000.
Virginia	Ten-year exemption for rehabilitated property.

Source: National Association of State Development Agencies, National Council for Urban Economic Development, and the Urban Institute, 1983. *Directory of incentives for business investment and development in the United States*. Washington, DC: The Urban Institute.

Chapter 41. Powers of Third Class Boroughs.

[Repealed, § 88 ch 74 SLA 1985.]

Chapter 43. Powers of Cities Outside Boroughs.

[Repealed, § 88 ch 74 SLA 1985.]

Chapter 45. Municipal Taxation.

Article

1. Municipal Property Tax (§§ 29.45.010 — 29.45.250)
2. Enforcement of Tax Liens (§§ 29.45.290 — 29.45.500)
3. City Property Tax (§§ 29.45.550 — 29.45.600)
4. Borough Sales and Use Tax (§§ 29.45.650 — 29.45.670)
5. City Sales and Use Taxes (§§ 29.45.700 — 29.45.710)

Article 1. Municipal Property Tax.

Section	Section
10. Property tax	130. Independent investigation
20. Taxpayer notice	140. Violations
30. Required exemptions	150. Reevaluation
40. Property tax equivalency payments	160. Assessment roll
50. Optional exemptions and exclusions	170. Assessment notice
60. Farm or agricultural land	180. Corrections
70. Mobile homes	190. Appeal
80. Tax on oil and gas production and pipeline property	200. Board of equalization
90. Tax limitation	210. Hearing
100. No limitations on taxes to pay bonds	220. Supplementary assessment rolls
103. Taxation records	230. Tax adjustments on property affected by a natural disaster
105. Errors in taxation procedures	240. Tax levy and rate
110. Full and true value	250. Rates of penalty and interest
120. Returns	

Sec. 29.45.010. Property tax. (a) A unified municipality may levy a property tax. A borough may levy

- (1) an areawide property tax for areawide functions;
- (2) a nonareawide property tax for functions limited to the area outside cities;
- (3) a property tax in a service area for functions limited to the service area.

(b) A home rule or first class city may levy a property tax subject to AS 29.45.550 — 29.45.560. A second class city may levy a property tax subject to AS 29.45.590.

(c) If a tax is levied on real property or on personal property, the tax must be assessed, levied, and collected as provided in this chapter. (§ 12 ch 74 SLA 1985)