

ALASKA LEGISLATURE COMMITTEE FILES 1989-1990

8672

6232 SENATE COMMUNITY & REGIONAL AFFAIRS

634

1 race can be viewed simultaneously at a location different from the
 2 location at which the race takes place and during which the viewers
 3 can use a parimutuel system to place wagers on the outcome of the race
 4 being viewed;

5 (7) "parimutuel" means a form of wagering on the outcome of
 6 horse races in which those who wager personally purchase tickets of
 7 various denominations on a horse and all wagers for each race are
 8 pooled and held by the race meet operator for distribution; when the
 9 outcome of the race has been decided, the race meet operator distrib-
 10 utes the percentage of the total wagers determined by the commission
 11 to holders of tickets on the winning horses;

12 (8) "race meet" means an exhibition that includes horse
 13 races, where the parimutuel system is used;

14 (9) "race meet operator" means the person who is authorized
 15 to conduct a race meet sanctioned by the commission;

16 (10) "special permit" means a permit issued by the commis-
 17 sion to participants in a race meet, other than the race meet opera-
 18 tor, under AS 05.40.110.

19 * Sec. 2. AS 18.65.080 is amended by adding a new subsection to read:

20 (b) The Department of Public Safety shall investigate and ascer-
 21 tain whether the following persons have been charged with a crime set
 22 out in AS 05.40.010(c)

23 (1) a person appointed by the governor to serve as a member
 24 of the Alaska Racing Commission;

25 (2) an applicant for employment with the Alaska Racing
 26 Commission;

27 (3) an applicant to serve as a race official or race meet
 28 observer;

29 (4) an applicant for a license under AS 05.40.100 or a

1 special permit under AS 05.40.110.

2 * Sec. 3. AS 39.25.120(c) is amended by adding a new paragraph to read:
3 (21) employees of the Alaska Racing Commission.

4 * Sec. 4. AS 39.50.200(b) is amended by adding a new paragraph to read:
5 (50) Alaska Racing Commission (AS 05.40.010).

6 * Sec. 5. AS 44.62.330(a) is amended by adding a new paragraph to read:
7 (55) Alaska Racing Commission (AS 05.40.010).

8 * Sec. 6. INITIAL COMMISSICN APPOINTMENTS. The governor shall make the
9 initial appointment of members of the Alaska Racing Commission within 120
10 days after the effective date of this Act.

11 * Sec. 7. This Act takes effect July 1, 1990.
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Frank Holt's
Small Engine Repair



Mile 42½ Glenn Hwy. (Bailey Hill)

(907) 745-3542

SRD Box 9639, Palmer, AK 99645

March 20, 1989

Senator AL ADAMS
BOX V
JUNEAU, AK 99811

Dear Senator ADAMS

I would like to express my opposition to the parimutuel bill that is now being reviewed in the Senate Finance Committee at this time.

I find no reason to adopt such a bill here in Alaska. Many of the other states have adopted one and some of them have had problems arise from the betting and also from the financial end. Omaha Nebraska has a large race track. At first the track was open for only a few months. Now it is open most of the summer. While it is open businessmen complain about lack of business and unpaid bills. They say that money they would get is being spent at the track. The police had added problems with compulsive gamblers, property theft, and child neglect.

I have a business here in Palmer and I see no way for my business to increase from having horse racing. While it helps the people who own and run the track, it hurts the community as a whole. It hurts people in business.

Another state is Texas; they voted in horse racing in 1987 and in less than two years Texas Racing Commission is nearly broke. The headline in a Feb. 17, 1989 newspaper said that they are going to ask the taxpayers for money to bail out the Commission. I don't want to see this happen in Alaska. (see insert)

Sincerely,

Frank Holt Beth Holt

Frank Holt Beth Holt
Frank Holt's Small Engine

AMSOIL DEALER

Taxpayers Should Not Bail Out Racing Panel

The headline in a major Texas newspaper for Feb. 17, 1989, says, "State may bail out racing commission." The story goes on to say the Texas Racing Commission, which pari-mutuel wagering advocates said would be self-supporting, is nearly broke and apparently will have to ask for taxpayer's money to continue operating. State Sen. O. H. "Ike" Harris, longtime pusher of legalized gambling in the state, and a chief voice in leading Texas voters to approve a gambling referendum in 1987 by telling Texans the gambling business would answer most of the state's economic problems, now is saying lawmakers will be asked to fund the racing commission out of general revenue. This means there could be as much as \$10 million of taxpayers' money asked for to keep the racing commission in operation.

Harris has been quoted as saying that he didn't think anybody would object because the commission "will make money."

Yes, sir! This is the same thin argument that a majority of Texans bought in the November 1987 vote on legalized gambling when the pro-gambling crowd said approving gambling would put money in the state treasury—not take it out.

Texans were deceived, and this recent action of Harris and the gambling crowd is proof. What happened to the bumper sticker that the issue was to raise horses rather than raising taxes?

The truth in the 1987 election as it is today is that the racing industry is sick and will cost taxpayers.

If the Texas Racing Commission is broke, let them go

out of business. Propping up the Texas Racing Commission with taxpayers' money is not right and should be opposed by letting the legislators in Austin know it.

And while contacting the state senators and representatives, they should also be told of opposition to the lottery bills which call for the establishment of a state-operated lottery.

The same crowd that deceived Texans before on the racing issue is using the same arguments to support a lottery by saying a lottery-kind of gambling will solve the financial problems of the state. Yes, about the same way the horse and racing business is doing, by trying to pass another law that will take money out of the state treasury to prop up an ailing racing commission.

Taxpayers should not bail out the Texas Racing Commission, and Texas does not need a possible lottery commission to have to bail out in the future. —PHW





CHURCH PHONE (907) 745-3822

RES. PHONE (907) 745-4392

UNITED PROTESTANT CHURCH

HENRY P. GUNOTTE, PASTOR

BOX 699

PALMER, ALASKA 99645

March 20, 1989

Senator Al Adams
Box V
Juneau, Alaska 99811

Dear Senator,

You get many letters asking your support for various causes and this letter is no different. Economics more than theology is my major concern in this letter. My comments are my own and not necessarily those of the congregation.

The Alaska State Fair and the Palmer Chamber of Commerce are campaigning for a bill that will legalize parimutuel betting in Alaska. The fair does it because there will be increased profit. The chamber does it feeling that this will help the ailing business community in the valley.

There is no popular movement in the valley crying out for parimutuel. The borough residents recently voted to establish a law to forbid nude dancing in the bars. That was a surprise to me.

My original home was Omaha, Nebraska where there is a large race track open much of the summer. For those related to the track there is added profit. Business as a whole suffers during the racing season. Businessmen complain of reduced sales and unpaid bills. They contend that money that would go to them goes to the track instead.

During the racing season the police have added activity dealing with the compulsive gamblers, increased property theft, and added child neglect. Parimutuel at Palmer would affect the entire Anchorage area.

The sagging economics of the valley and area would be helped more by the jobs created by the Wishbone Mine and Hatcher Pass ski area. The increase sales of hay to the horses would not be a big help to the valley. Horse racing will hurt people and business. **Please consider letting parimutuel die in committee.**

The familiar reason "gambling is here already so legalize it" is poor logic. To carry this forward we would need to legalize cocaine, bank robbery, and rape as it is already here.

My second issue concerns the food stamp program and the AFDC money. Everyday I deal with people in a large food bank operation at the church. At least once a week I give food to a new resident of the state who tells me, "we moved to Alaska because there is better welfare here than our home state." One single parent gave that reason for flying here with her five children from Florida.

Is there some way to help those who are in need without feeding the greed of those who want to be permanently supported by welfare? Raising benefits will attract more professional welfare receivers. Increasing the staff at the Public

assistance offices would allow more time to sort out the needy from the greedy. Greater benefits could go to those truly in need while eliminating so much of the fraud. (selling food stamps, working and receiving welfare by using two different names, etc.) I have only praise for the fine people at the Wasilla Public Assistance Office.

My thanks go to those who in previous session enacted some tort reform.

I'm a 17 year resident of Palmer and prior to that spent part of 9 years in Fairbanks. I'm on the board of the Palmer Chamber and a regular volunteer at the state fair. The chamber and fair people are good people who don't understand all the issues of parimutuel. No one, including me, understands all the welfare issues.

I want to thank you, and/or your staff member for taking time to read this.

Sincerely,

A handwritten signature in cursive script, appearing to read "Henry P. Guinotte".

Henry P. Guinotte



STATE OF WASHINGTON

WASHINGTON HORSE RACING COMMISSION

210 E. Union Ave. • Olympia, Washington 98501 • (206) 753-3741

North

April 7, 1989

The Honorable Senator Al Adams
Capitol Building
Room 423
Juneau, Alaska 99811

Dear Senator Adams:

In regard to your Committee question on the amount of revenue which would occur if the satellite amendment were to become law, I would reply as follows.

Based on the Alaskan population of between 500,000 - 550,000 and four to six locations and further based on the formula in the Amendment and on the projections submitted to the Committee, I would estimate a daily gross of \$300,000. The revenue to the State would be \$8,000 per day (Two percent of \$100,000, three percent of \$200,000), plus one percent on the exotic race wagering (Forty percent of the total) which would produce an additional \$1,200 per day for cities and state fairs.

Yours very truly,

John Crowley

John Crowley
Executive Secretary

JC:ps

Number

HB 29 PROVIDES FOR THE ESTABLISHMENT OF AN ALASKA RACING COMMISSION AND DELINEATES THE REQUIREMENTS FOR THE CONDUCT OF "RACE MEETS". "RACE MEETS" MEANING THE ACTUAL PERFORMANCE OF LIVE HORSES RACING AT A TRACK FACILITY APPROVED BY THE APPROPRIATE STATE COMMISSION AND CONDUCTED BY A LICENSED RACE MEET OPERATOR IN ACCORDANCE WITH ALL APPLICABLE LAWS AND REGULATIONS. MUCH INFORMATION HAS ALREADY BEEN AVAILABLE ON THIS SECTION OF THE BILL SO THIS REPORT WILL CONCENTRATE MORE FULLY ON THAT PORTION OF THE BILL COMMENCING WITH ARTICLE 3, "OFF TRACK EVENTS".

THIS "OFF TRACK EVENTS" LEGISLATION IS SIMILAR TO THAT WHICH IS NOW IN EXISTENCE IN SOME 35 STATES. IT ALLOWS AN "OFF TRACK EVENT" LICENSEE TO PROVIDE FOR THE PUBLIC, SUBJECT TO THE RULES AND REGULATIONS PROMULGATED BY THE COMMISSION, FACILITIES WHEREIN ONE CAN WATCH LIVE RACING FROM STATES SUCH AS WASHINGTON AND CALIFORNIA MUCH IN THE SAME MANNER AS YOU VIEW YOUR TELEVISION AT HOME. THE THREE MAIN DIFFERENCES BEING (1) THE TELEVISION SCREENS WOULD BE LOCATED IN A SEPERATE BUSINESS FACILITY SIMILAR TO A RESTAURANT LOUNGE. (2) THE TELECAST WOULD BE VIEWED SIMULTANEOUSLY WITH ITS HAPPENING AT THE ORIGINATING RACE TRACK THROUGH THE TECHNOLOGY OF SATELLITE COMMUNICATIONS AND, (3) ONE WOULD BE PERMITTED TO MAKE WAGERS ON THE OUTCOME OF EACH RACE WITH ALL WAGERS REGISTERED INTO AND ALL PAYOFFS DETERMINED BY SOPHISTICATED COMPUTER SYSTEMS DESIGNED SPECIFICALLY FOR SUCH PURPOSE, EXACTLY AS ONE WOULD PARTICIPATE WERE HE/SHE ACTUALLY AT THE RACE TRACK.

LICENSEE'S SHARE

THE LEGISLATION DIRECTS THAT A MAXIMUM OF 17% OF THE DAILY GROSS RECEIPTS BE RETAINED BY THE LICENSEE FOR COSTS OF OPERATION AND PROFIT. THIS, COUPLED WITH THE 3% PROVIDED FOR STATE TAXES ASSURES A RETURN OF 80% TO THE PARTICIPANTS.

STATE REVENUE

THE LEGISLATION DIRECTS A DAILY MUTUEL TAX ON "OFF TRACK EVENTS" OF 2% OF THE FIRST \$100,000 OF WAGERING AND 3% OF WAGERING IN EXCESS OF \$100,000. ADDITIONALLY, 1% OF ALL EXOTIC (MULTIPLE WAGERS ie., DAILY DOUBLE, EXACTA, QUINELLA, PICK SIX, ETC.) WAGERING. ALL PAYMENTS ARE REMITTED ON A DAILY BASIS. ESTIMATED FISCAL IMPACT ON THE STATE OF ALASKA IS:

| | | |
|--|-----------|----------------------|
| TOTAL DAILY HANDLE | \$150,000 | |
| 2% TAX ON \$100,000 | | \$2,000 per day |
| 3% TAX ON 50,000 | | 1,500 per day |
| 1% TAX ON EXOTIC RACES 60,000 | | 600 per day |
| (EXOTICS COMPRISE 40% OF TOTAL HANDLE BY NATIONAL AVERAGE) | | \$4,100 per day |
| ANTICIPATED DAYS OF OPERATION | | 300 |
| | | \$1,230,000 PER YEAR |

ADDITIONAL REVENUES WILL BE REALIZED FROM ADMISSION TAXES, FOOD AND BEVERAGE TAXES, AND CORPORATION INCOME TAX.

EMPLOYMENT

THE CREATION OF 30 TO 50 NEW JOBS IS CONTEMPLATED, DEPENDING ON THE DEGREE OF PUBLIC ACCEPTANCE.

ADDITIONAL BENEFICIAL CONSIDERATIONS

BENEFIT TOURISM EFFORTS BY PROVIDING RECREATION AND ENTERTAINMENT OPTIONS. PROVIDE ENTERTAINMENT TIE-IN WITH SPORTS COMPLEX DEVELOPMENT PROPOSED AT EAGLE RIVER AND HATCHER PASS AS WELL AS ALYESKA. COULD BE USED AS A NETWORK TO SIMULCAST PALMER AND OTHER FAIRGROUND RACES THROUGHOUT ALASKA BENEFITING THE FAIR CIRCUIT WITH ENHANCED PARIMUTUEL HANDLE. COULD BE ADAPTED TO INCLUDE FUR RENDEZVOUS, FAIRBANKS ICE CARNIVAL, AND IDITAROD DOG RACES FOR THE PURPOSE OF DEVELOPING PUESSE MONY.



"OFF TRACK EVENT" FACILITY - BELLINGHAM, WA.

HB

30

SENATE COMMITTEE REPORT

FURTHER

RES

3/14/89

DATE TURNED INTO OFFICE 4.04.89

Mr. President:

C&RA

Committee considered CSHB 30 (C&RA)

membership on the Recreation Rivers Advisory Board; efd

and recommended

- replace with _____ CS _____) same title
- or adopt _____ CS _____) new title
- attached amendment(s) and technical title change (HB only)
- _____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

FISCAL NOTE(S) zero fiscal impact appropriation no FN
 new updated previous
 same as previous fiscal note(s) published 2-10-89

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Mike Sennardi

Al Adams

Pat Faucher

Irue Leaver

Al Adams - Do Pass

 Chairman signature and recommendation

Committee Backup attached

**STATE OF ALASKA
1989 LEGISLATIVE SESSION**

BILL VERSION: CSHB 30 (C&RA)
PUBLISH DATE: HOUSE 2/10/89

FISCAL NOTE

REQUEST:

Revision Date: 30-Jan-89 Agency Affected: Natural Resources
Title: An Act relating to membership on BRU: Land & water Management
the Recreation River Advisory Board
Sponsor: Larson Components: _____
Requestor: Community & Regional Affairs

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 | 0.0 | 0.0 | 0.0 |

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| CAPITAL | | | | | | |
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| REVENUE | | | | | | |
|---------|--|--|--|--|--|--|

FUNDING: (Thousands of Dollars)

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|---------------|-----|--|--|--|--|--|
| GENERAL FUND | | | | | | |
| FEDERAL FUNDS | | | | | | |
| OTHER | | | | | | |
| TOTAL | 0.0 | | | | | |

POSITIONS:

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|-----------|--|--|--|--|--|--|
| FULL-TIME | | | | | | |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Larry Ostrovsky Phone: 465-2400
Division: Commissioners Office Date: 30-Jan-89

Approved by Commissioner: Lennie Gorsuch Date: 30-Jan-89
Agency: Department of Natural Resources

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

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

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

January 31, 1989

HB 30

The Honorable Eileen MacLean
Chair, House Community and Regional
Affairs Committee
P.O. Box V
Juneau, AK 99811

Dear Representative MacLean:

Subject: HB 30, An Act relating to membership on the Recreation Rivers Advisory Board.

Background: The Governor appointed the original eleven member board. Six of these representatives are from Anchorage, three from the borough, and one from Glennallen. One representative from Kenai recently resigned because of time constraints. The Governor's Office is in the process of appointing a new representative who may be a borough resident. The Mat-Su Borough mayor, assemblymen, and some borough residents are concerned that there is inadequate borough representation on the advisory board.

Position: The Department of Natural Resources supports public participation in our planning process, and this bill would allow more people to participate in the process. A broad spectrum of interests are currently represented on this board. All parties should be involved as early as possible. Public comments from the first round of public meetings will be reviewed over the next few weeks. Issues will be identified during early February, and working groups will begin work on the resource assessment beginning in late February. All advisory board members should be involved in this part of the process. As required by law, the plan must be completed for review by the Legislature by December 1990.

Currently, government agencies are represented on the planning team, and interest groups on the advisory board. The planning team is the decision-making body, and the borough has a seat on this team. Some of the meetings will be held jointly with the planning team and the advisory board. If assembly members are added to the planning team, they will be the sole organization represented on both bodies. The Department of Natural Resources

Representative MacLean

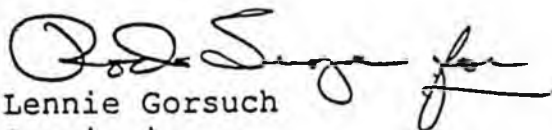
- 2 -

January 31, 1989

will work closely with the advisory board whatever the final configuration may be and will cooperate with the borough to coordinate state and borough policies for the river corridors.

We look forward to working with you and the members of the committee on this legislation.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lennie Gorsuch".

Lennie Gorsuch
Commissioner

cc: Committee Members
Bill Sponsors
Bob Evans
Denby Lloyd
Gary Gustafson

Alaska State Legislature

Rep. Ronald L. Larson
CO-CHAIRMAN
(907) 485-3727



Rep. Lyman Hoffman
CO-CHAIRMAN
(907) 485-3708

INTERIM ADDRESS
P.O. Box 53
Palmer, Alaska 99645
(907) 745-3828

INTERIM ADDRESS
P.O. Box 886
Bethel, Alaska 99559
(907) 543-3541

House of Representatives

Committee on Finance

P.O. Box V

Juneau, Alaska 99811

TO: Senate Community & Regional Affairs Committee

FROM: Ronald L. Larson *RL for RL*

DATE: March 28, 1989

RE: CSHB 30 (C&RA)

Recently referred to your committee for consideration is CSHB 30 (C&RA), an Act relating to the membership of the Recreational Rivers Advisory Board. Please allow me this opportunity to share some of my thoughts on this bill.

The Recreation Rivers system was created during the Fifteenth Legislature. In short, six management units within the Matanuska-Susitna Borough were given a new classification of "recreational rivers". An eleven member advisory board was established to gather public input, and to draft a management plan for the Department of Natural Resources.

Of the eleven individuals initially appointed, three members were residents of the Mat-Su Borough, non of which represented local government concerns, or the Mat-Su Borough's overall planning process. Judging from the many comments received during the interim, Mat-Su residents have concerns with their degree of representation on the board, along with coordination between the advisory board and local governments.

Under the new version drafted in the House Community & Regional Affairs Committee, the governor would appoint the mayor of Mat-Su Borough (or the mayor's designee), and a member of the Borough Planning Commission. Within the original provisions of HB 30, these positions would have been designated and appointed by the mayor of the Mat-Su Borough.

In conclusion, CSHB 30 (C&RA) is an effort to provide local representation and coordination to the Recreation Rivers Advisory Board.

(1) the Department of Fish and Game, the Board of Fisheries, the Board of Game, or the Guide Licensing and Control Board under AS 08.54, AS 16, or AS 41.99.010;

(2) the Department of Environmental Conservation under AS 46.03; or

(3) state agencies and municipalities under AS 44.19.145(a)(11) and AS 46.40.100.

(e) The commissioner may not restrict the use of weapons, including firearms, within a recreation river and a recreation river corridor except in sites of high public use such as picnic areas, boat ramps, camping grounds, and parking areas when the commissioner determines that the use of weapons constitutes a threat to public safety. Except as provided in this subsection, the commissioner may not restrict fishing, hunting, or trapping within a recreation river and its recreation river corridor.

(f) The authority of the commissioner under AS 41.23.400 — 41.23.510 ceases where the land and water established as a recreation river under AS 41.23.400 — 41.23.510 meets land and water that is not established as a recreation river. (§ 2 ch 122 SLA 1988)

Revisor's notes. — Enacted as AS 41.23.220. Renumbered in 1988.

Sec. 41.23.430. Advisory board. (a) An eleven-member Recreation Rivers Advisory Board is established and shall be appointed by the governor. Board members serve without compensation and are not entitled to per diem and travel expenses authorized by law for boards and commissions under AS 39.20.180. The governor shall appoint members representing the following user groups:

- (1) commercial fishing;
- (2) sport fishing;
- (3) sport hunting;
- (4) conservation;
- (5) subsistence;
- (6) forest products;
- (7) mining;
- (8) powerboat users;
- (9) recreationally-oriented commercial users;
- (10) other recreational users; and
- (11) private property owners within the recreation river corridor.

(b) The commissioner shall consult with the advisory board in preparing, adopting, and revising the recreation river management plan and regulations affecting use and management of the recreation rivers. (§ 2 ch 122 SLA 1988)

Revisor's
-11.23.230.

Sec. 4

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MATANUSKA-SUSITNA BOROUGH
RESOLUTION SERIAL NO. 88-249

A RESOLUTION OF THE ASSEMBLY OF THE MATANUSKA-SUSITNA BOROUGH REQUESTING ALTERATIONS IN THE MEMBERSHIP OF THE SUSITNA BASIN RECREATION RIVERS MANAGEMENT PLAN ADVISORY BOARD

WHEREAS, the State of Alaska is developing a management plan for certain rivers designated recreational rivers in the Susitna Area Plan; and

WHEREAS, the Governor has appointed an advisory board to assist in the development of the management plan; and

WHEREAS, a majority of the membership of that advisory board are not residents of the Matanuska-Susitna Borough; and

WHEREAS, each of the subject rivers lies wholly within the boundaries of the Matanuska-Susitna Borough; and

WHEREAS, the effects of management recommendations resulting from the plan will be most directly felt by residents and land owners within the Borough; and

WHEREAS, the economy and environment of the Matanuska-Susitna Borough will bear the brunt of impacts of the plan; and

WHEREAS, residents of the area would be most knowledgeable of the area and most acquainted with issues related to planning in the area;

NOW THEREFORE BE IT RESOLVED that the Assembly of the Matanuska-Susitna Borough requests that the Governor of the State of Alaska restructure the membership of the Susitna

Basin Recreation Rivers Management Plan Advisory Board so that a majority of the members are residents of the Matanuska-Susitna Borough.

BE IT FURTHER RESOLVED that the Assembly requests that some representation on the committee be given to residents of the upper Susitna River drainage area.

PASSED AND APPROVED by the Assembly of the Matanuska-Susitna Borough this 20 day of December, 1988.

Dorothy A. Jones
Dorothy A. Jones, Mayor

ATTEST:

Linda Dahl
Linda Dahl, Borough Clerk

(SEAL)

RS/pwg1040

Res: 88-249
AM: 88-590

Res: 88-249
Am: 88-590

Valley officials criticize makeup of river board

By CHARLES P. WOHLFORTH
Daily News reporter

PALMER — A board appointed by the governor to decide how the Sustina Valley's recreational rivers will be used is under fire from Mat-Su officials for not representing the Valley.

Only three of eleven members of the board have Valley addresses.

The Mat-Su Borough Assembly passed a resolution Tuesday calling for the board to be restructured so that the majority of members are Valley residents.

Wednesday, Rep. Ron Larson, D-Palmer, released a bill he will file to add two members to the board who would be appointed by the borough mayor.

Gov. Steve Cowper could not be reached for comment Wednesday. Terence O'Malley, a spokesman, said Cowper would take the matter under advisement.

The assembly's resolution passed unanimously.

Larson's bill would add two members to the board to represent the borough government, from the assembly or the planning commission. The mayor would choose them, and could be a member.

"My intent is not to infringe of the governor's power to appoint, but to provide more representation from the borough on this important committee," Larson said.

The board already has begun holding hearings on a management plan for the Sustina River.

Man pleads no contest to killing brother

The Associated Press

JUNEAU — A Juneau man pleaded no contest to second-degree murder Monday for the fatal shooting of his older brother following a drinking party at the home they shared Dec. 10.

Brent A. Brockway, 20, agreed to enter the plea to the reduced charge, but there was no agreement concerning a sentence, said Margot Knuth, an assistant district attorney. No sentencing date was set.

Brockway originally was charged with first-degree murder shortly after the slaying of Kevin Brockway, 24. Knuth said the shooting resulted in part from Kevin's attacks on Brent.

Kevin struck Brent in the face at least twice during the party and Brent went into his bedroom. After the party was over and Kevin went to bed,



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SERGERS
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RECREATIONAL RIVERS ADVISORY

| MEMBER | | APPT | REAPT | REAPPT | TERM |
|--------------------------------|--|----------|---------|---------|----------|
| Allen Bingham | | 88/11/07 | 0/00/00 | 0/00/00 | 89/06/09 |
| 301 West Northern Lights, #601 | | | | | |
| Anchorage 99503 | | | | | |
| Mi ng | | | | | |
| Ray Craig | | 88/11/07 | 0/00/00 | 0/00/00 | 90/06/09 |
| Box 154 | | | | | |
| Glennallen 99588 | | | | | |
| Subsistence | | | | | |
| Carl L Dixon | | 88/11/07 | 0/00/00 | 0/00/00 | 91/06/09 |
| Riversong Lodge | | | | | |
| Skwentna 99667 | | | | | |
| Private Property Owner | | | | | |
| H. Clifton Eames | | 88/11/07 | 0/00/00 | 0/00/00 | 91/06/09 |
| 700 "H" Street, No. 4 | | | | | |
| Anchorage 99501 | | | | | |
| Conservation | | | | | |
| Charles Heath | | 88/11/07 | 0/00/00 | 0/00/00 | 93/06/09 |
| 425 Kloudz | | | | | |
| Wasilla 99687 | | | | | |
| Rec-oriented/comm.users | | | | | |
| Noel H Kopperud | | 88/11/07 | 0/00/00 | 0/00/00 | 93/06/09 |
| 351 West Swanson Ave., Suite 3 | | | | | |
| Wasilla 99687 | | | | | |
| Other Recreational | | | | | |
| David W Law | | 88/11/07 | 0/00/00 | 0/00/00 | 92/06/09 |
| 300 East Fireweed Lane | | | | | |
| Anchorage 99503 | | | | | |
| Sportfishing | | | | | |
| Ron McAlpin | | 88/11/07 | 0/00/00 | 0/00/00 | 90/06/09 |
| 8341 East 11th Court | | | | | |
| Anchorage 99504 | | | | | |
| Sport hunting | | | | | |
| Donald E Sherwood | | 88/11/07 | 0/00/00 | 0/00/00 | 89/06/09 |
| 1640 Brink Avenue | | | | | |
| Anchorage 99504 | | | | | |
| Powerboat Users | | | | | |

CREATIONAL RIVERS ADVISORY

| MEMBER | APPT | REAPPT | REAPPT | TERM |
|---|----------|---------|---------|----------|
| Drew Sparlin 37010 Cannery Road Kenai 99611 Commercial Fishing | 88/11/07 | 0/00/00 | 0/00/00 | 92/06/09 |
| Richard W Tindall 6821 Sherwood Avenue Anchorage 99504 Forest Products | 88/11/07 | 0/00/00 | 0/00/00 | 89/06/09 |

HB

80

Alaska State Legislature

Al Adams
District L

WHILE IN SESSION
P.O. Box V
State Capitol
Juneau, Alaska 99811
(907) 465-3707

OUT OF SESSION
P.O. Box 333
Kotzebue, Alaska 99752
(907) 442-3245

3111 C Street
Anchorage, Alaska 99503
(907) 561-7622

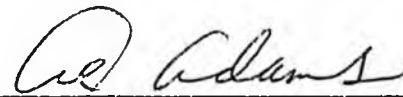
Official Business

LETTER ON INTENT

SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

ON C&RA CS FOR HOUSE BILL 80

The Community and Regional Affairs Committee, in moving the C&RA Committee Substitute for House Bill 80, acknowledges concern with the disparity and lack of uniformity that may occur with municipal tax rates on cigarettes if this legislation is passed. Consideration should be given to setting a cap on the cigarette taxes levied by municipalities so that the structure surrounding tax against this particular consumption item conforms with other municipal tax situations that experience limitations.



Senator Al Adams, Chair
Community and Regional
Affairs Committee

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: S CS HB 80 (C & RA)
PUBLISH DATE: _____

FISCAL NOTE

REQUEST: _____

Revision Date: _____
Title: An Act Increasing the Excise
Tax on Cigarettes
Sponsor: Ellis and Koponen
Requestor: (H)HESS Committee

Agency Affected: Revenue
BRU: Income & Excise Audit
Components: Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

| | FY 90 | FY 91 | FY 92 | FY 93 | FY 94 | FY 95 |
|------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| OPERATING | | | | | | |
| PERSONAL SERVICES | 0 | 0 | 0 | 0 | 0 | 0 |
| TRAVEL | 0 | 0 | 0 | 0 | 0 | 0 |
| CONTRACTUAL | 0 | 0 | 0 | 0 | 0 | 0 |
| SUPPLIES | 0 | 0 | 0 | 0 | 0 | 0 |
| EQUIPMENT | 0 | 0 | 0 | 0 | 0 | 0 |
| LANDS & STRUCTURES | 0 | 0 | 0 | 0 | 0 | 0 |
| GRANTS, CLAIMS | 0 | 0 | 0 | 0 | 0 | 0 |
| MISCELLANEOUS | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL OPERATING | 0 | 0 | 0 | 0 | 0 | 0 |
| CAPITAL | 0 | 0 | 0 | 0 | 0 | 0 |
| REVENUE | 3600.0 | 3492.0 | 3492.0 | 3492.0 | 3492.0 | 3492.0 |

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: See attached.

Prepared By: Steven E. Kettel 
Division: Income and Excise Audit

Phone: (907) 465-2320
Date: April 27, 1989

Approved by Commissioner: Hugh Malone
Agency: Department of Revenue

Date: April 27, 1989

Distribution (by preparer):

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

CS HB 80
Prepared by:
Steven E. Kettel
Income and Excise Audit Divison
Department of Revenue
April 27, 1989

Analysis of Senate CS:

The Senate version will reduce the amount of the tax hike from 15 mills as was passed in the house to 9 mills. This reduction will lower anticipated revenues by approximately \$5500.0 in FY91. We continue to forecast a 3% decline in consumption for FY90 through FY95.

| | <u>PRESENT LAW</u> | <u>SCS HB 80</u> |
|-----------------|--------------------|------------------|
| TAX RATE | 8 mills/cigarette | 11 1/2 mills |
| TAX PER PACK | 20¢/pack | 23¢/pack |
| TAX COLLECTIONS | \$8.6 million | \$12.4/million |

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: CSHB 80 (HESS)
PUBLISH DATE: HOUSE 3/15/89

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act Increasing the Excise
Tax on Cigarettes
Sponsor: Ellis and Koponen
Requestor: (H)HESS Committee

Agency Affected: Revenue
BRU: Income & Excise Audit
Components: Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

| | FY 90 | FY 91 | FY 92 | FY 93 | FY 94 | FY 95 |
|------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| OPERATING | | | | | | |
| PERSONAL SERVICES | 0 | 0 | 0 | 0 | 0 | 0 |
| TRAVEL | 0 | 0 | 0 | 0 | 0 | 0 |
| CONTRACTUAL | 0 | 0 | 0 | 0 | 0 | 0 |
| SUPPLIES | 0 | 0 | 0 | 0 | 0 | 0 |
| EQUIPMENT | 0 | 0 | 0 | 0 | 0 | 0 |
| LANDS & STRUCTURES | 0 | 0 | 0 | 0 | 0 | 0 |
| GRANTS, CLAIMS | 0 | 0 | 0 | 0 | 0 | 0 |
| MISCELLANEOUS | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL OPERATING | 0 | 0 | 0 | 0 | 0 | 0 |
| CAPITAL | 0 | 0 | 0 | 0 | 0 | 0 |
| REVENUE | 9128.7 | 8854.8 | 8854.8 | 8854.8 | 8854.8 | 8854.8 |

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: See attached.

Prepared By: Steven E. Kettel *Steven E. Kettel*
Division: Income and Excise Audit

Phone: (907) 465-2320
Date: March 9, 1989

Approved by Commissioner: Hugh Malone *Royce Malone*
Agency: Department of Revenue

Date: March 9, 1989

Distribution (by preparer):

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

March 9, 1989

Analysis

1. Assumes effective date of legislation is July 1, 1989.
2. Total cigarette consumption has fallen six percent per year for the three year period ending in FY88. Forecasts under present law assume consumption will drop three percent in FY89 and FY90, then remain level through FY94.
3. The increase in cigarette prices due to the higher tax will reduce consumption. It is estimated that the quantity of cigarettes sold will fall by three percent from the level presently forecast.
4. Revenues to the School Fund will decrease by about \$72,000 each year as that tax rate is not changed by the proposed legislation.

Comment

The latest information indicates that Alaska ranks somewhere in the bottom one-third among states that levy a tax on cigarettes. The highest tax is assessed by Minnesota at 38 cents per pack and the lowest by North Carolina at 2 cents per pack. The state of Alaska levies 16 cents per pack on cigarettes. There are thirty-five states that levy a higher rate than Alaska.

3111 C STREET, SUITE 455
ANCHORAGE, ALASKA 99503
(907) 561-7628

WHILE IN SESSION
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JUNEAU, ALASKA 99811
(907) 465-3704

ALASKA STATE HOUSE

OFFICE OF MAJORITY WHIP

CHAIR
HEALTH, EDUCATION & SOCIAL SERVICES

JUDICIARY

SPECIAL COMMITTEE ON
FOREIGN & DOMESTIC TRADE

REPRESENTATIVE JOHNNY ELLIS

BACK UP FOR CSHB 80

INCREASING THE EXCISE TAX ON CIGARETTES

presented to

Senate Community and Regional Affairs Committee

April 27, 1989

-
- 1) CSHB 80: "An Act Increasing the Excise Tax on Cigarettes"
 - 2) Department of Revenue Fiscal Note
 - 3) Chart: Effect of CSHB 80
 - 4) Legal Services analysis of HB 80 increase
 - 5) History of Alaska's Cigarette Tax
 - 6) Cigarette Taxes - Rates, Incidence, Payment, Reports (state-by-state analysis of tax rates)

2

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: CS HB 80
PUBLISH DATE: _____

FISCAL NOTE

REQUEST: _____

Revision Date: _____
Title: An Act Increasing the Excise
Tax on Cigarettes
Sponsor: Ellis and Koponen
Requestor: (H)HESS Commrtee

Agency Affected: Revenue
BRU: Income & Excise Audit
Components: Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

| | FY 90 | FY 91 | FY 92 | FY 93 | FY 94 | FY 95 |
|--------------------|--------|--------|--------|--------|--------|--------|
| OPERATING | | | | | | |
| PERSONAL SERVICES | 0 | 0 | 0 | 0 | 0 | 0 |
| TRAVEL | 0 | 0 | 0 | 0 | 0 | 0 |
| CONTRACTUAL | 0 | 0 | 0 | 0 | 0 | 0 |
| SUPPLIES | 0 | 0 | 0 | 0 | 0 | 0 |
| EQUIPMENT | 0 | 0 | 0 | 0 | 0 | 0 |
| LANDS & STRUCTURES | 0 | 0 | 0 | 0 | 0 | 0 |
| GRANTS, CLAIMS | 0 | 0 | 0 | 0 | 0 | 0 |
| MISCELLANEOUS | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL OPERATING | 0 | 0 | 0 | 0 | 0 | 0 |
| CAPITAL | | | | | | |
| | 0 | 0 | 0 | 0 | 0 | 0 |
| REVENUE | | | | | | |
| | 9128.7 | 8854.8 | 8854.8 | 8854.8 | 8854.8 | 8854.8 |

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: See attached.

Prepared By: Steven E. Kettel
Division: Income and Excise Audit

Phone: (907) 465-2320
Date: March 9, 1989

Approved by Commissioner: Hugh Malone
Agency: Department of Revenue

Date: March 9, 1989

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

CS HB 80
March 9, 1989

Analysis

1. Assumes effective date of legislation is July 1, 1989.
2. Total cigarette consumption has fallen six percent per year for the three year period ending in FY88. Forecasts under present law assume consumption will drop three percent in FY89 and FY90, then remain level through FY94.
3. The increase in cigarette prices due to the higher tax will reduce consumption. It is estimated that the quantity of cigarettes sold will fall by three percent from the level presently forecast.
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Comment

The latest information indicates that Alaska ranks somewhere in the bottom one-third among states that levy a tax on cigarettes. The highest tax is assessed by Minnesota at 38 cents per pack and the lowest by North Carolina at 2 cents per pack. The state of Alaska levies 16 cents per pack on cigarettes. There are thirty-five states that levy a higher rate than Alaska.

EFFECT OF CSHB 80

CURRENT LAW

UNDER CSHB80

MILL RATE PER
CIGARETTE
dedicated to
School Fund

AS 43.50.090 = 2.5 MILLS

AS 43.50.090 = 2.5 MILLS
(NO CHANGE)

MILL RATE PER
CIGARETTE
collected for
General Fund

AS 43.50.190 = 5.5 MILLS

AS 43.50.190 = 15.0 MILLS
(9.5 MILL INCREASE)

COMBINED MONETARY EFFECT ON EACH
20 cigarette
pack 16 CENTS

35 CENTS
(19 CENT INCREASE)

There are currently two separate excise taxes levied on cigarettes. Taxes collected under AS 43.50.090, which precludes the prohibition against dedicated funds, are deposited in the School Fund. Taxes collected under AS 43.50.190 are deposited in the General Fund. CSHB 80 amends AS 43.50.190 and increases General Fund revenues.

3

STATE OF ALASKA
THE LEGISLATURE

4

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 7, 1989

SUBJECT: CSHB 80 (HESS)

TO: Representative Johnny Ellis, Chair
House Health, Education and Social Services
Committee
ATTN: Jim Nordlund

FROM: Jack Chenoweth
Legislative Counsel

Recent reports to the contrary notwithstanding, the committee substitute has the effect of raising the tax on cigarettes from 16 to 35 cents per pack:

Current law:

| | |
|--|------------|
| Imposed under AS 43.50.090 (dedicated fund) | 2.5 mills* |
| Imposed under AS 43.50.190 | 5.5 mills* |
| Total | 8.0 mills* |

* rate per cigarette:

8.0 mills x 20 cigarettes per pack = 160 mills per pack
10 mills = 1 cent therefore 160 divided by 10 = 16 cents per pack

Proposed under CSHB 80 (HESS):

| | |
|----------------------------|-------------|
| Imposed under AS 43.50.090 | 2.5 mills* |
| Imposed under AS 43.50.190 | 15.0 mills* |
| Total | 17.5 mills* |

* rate per cigarette:

17.5 mills x 20 cigarettes per pack = 350 mills per pack
10 mills = 1 cent therefore 350 divided by 10 = 35 cents per pack

JC:gc
WKG7/112

HISTORY OF THE CIGARETTE TAX ACT

In 1949, the Territorial Legislature enacted the "Alaska Tobacco Tax Act" (Attachment A). Cigarettes, cigars, tobacco and snuff were taxed at various rates, and the resultant revenues were to be paid into a fund entitled the "School Fund," and were "...to be used for the exclusive purpose of rehabilitation, construction, and repair of Alaska's school facilities." (5)

In 1955, the Territorial Legislature repealed the tobacco tax, replacing it with the "Cigarette Tax Act" (Attachment B). Under this tax, an excise tax of 2.5 mills was levied on each cigarette imported or acquired within Alaska. The proceeds from the tax, as well as any fees and penalties, were to be paid into the "School Fund." As the prior act had specified, the new act required that these funds be used exclusively for school construction and repair. In addition, the new act specified that the funds could be used for the costs of insurance on school buildings during the period that the building was being rehabilitated, constructed or repaired.

Four years later, the Territory of Alaska became a state. The Alaska Constitution prohibited the dedication of state revenues to any special purpose except when required by the federal government for state participation in federal programs and except for those dedications existing prior to

ratification of the constitution by the people of Alaska.¹ Alaska Constitution, Article 9, Section 7 (Attachment C). Dedication of the 2.5 mill tax on cigarettes to the School Fund had occurred in 1955, prior to ratification of the constitution (1956) and was, therefore, a "grandfathered" dedication.²

In 1961, the legislature levied an additional tax on cigarettes of 1.5 mills. The revenue from this additional tax went to the general fund. In 1985, this tax was raised to 5.5 mills. Thus, there is currently an eight mill tax on cigarettes. Per pack, the tax is 16 cents. The current Cigarette Tax Act is Attachment D.

REVENUES FROM THE CIGARETTE TAX

Table 1 shows the cigarette tax rate and revenue from 1949 to 1987. In FY 87, total revenue from the cigarette tax were \$9.9 million. Of this revenue, \$3.2 million was dedicated to the School Fund, and \$6.6 million was general fund revenues.

DISTRIBUTION OF DEDICATED CIGARETTE TAX REVENUES

The legislature annually appropriates funds from the School Fund to the Department of Education, and the Department of Education is responsible for disbursing these cigarette tax proceeds to school districts for school construction. During the early 1980s, the appropriation was generally \$2.0 million to \$2.5 million. In FY 87, the appropriation was increased to \$3.5 million.

¹This section of the constitution was amended in 1977 to allow dedication of certain oil and gas revenues to the Permanent Fund.

²The other dedicated funds are described in the attached House Research Memorandum 85.319 "Dedicated Revenue Funds."

TABLE 1
CIGARETTE TAX RATE AND REVENUE, 1949 - 1987

| YEAR | CIGARETTE TAX RATE (CENTS PER PACK) | | | CIGARETTE TAX REVENUE (\$1,000) | | | NOTES: |
|------|-------------------------------------|----------------|-------|---------------------------------|----------------|---------|--|
| | DEDICATED TAX | ADDITIONAL TAX | TOTAL | DEDICATED TAX | ADDITIONAL TAX | TOTAL | |
| 49 | 5 | 0 | 5 | 299.8 | 0.0 | 299.8 | 1949--Tobacco Tax Act enacted. Tax levied on all types of tobacco products at varying rates. Receipts deposited in the School Fund and dedicated to school construction. |
| 50 | 5 | 0 | 5 | 442.6 | 0.0 | 442.6 | |
| 51 | 5 | 0 | 5 | 643.1 | 0.0 | 643.1 | |
| 52 | 5 | 0 | 5 | 808.6 | 0.0 | 808.6 | |
| 53 | 5 | 0 | 5 | 825.1 | 0.0 | 825.1 | |
| 54 | 5 | 0 | 5 | 825.5 | 0.0 | 825.5 | |
| 55 | 5 | 0 | 5 | 1,015.8 | 0.0 | 1,015.8 | 1955--Tobacco Tax Act repealed and replaced with the Cigarette Tax Act. Tax of 2.5 mills levied on cigarettes. Receipts deposited in the School Fund. |
| 56 | 5 | 0 | 5 | 1,127.0 | 0.0 | 1,127.0 | |
| 57 | 5 | 0 | 5 | 1,041.6 | 0.0 | 1,041.6 | |
| 58 | 5 | 0 | 5 | | 0.0 | | |
| 59 | 5 | 0 | 5 | | 0.0 | | 1959--Statehood. Dedicated taxes, except for those existing prior to ratification of the constitution, prohibited. |
| 60 | 5 | 0 | 5 | | 0.0 | | |
| 61 | 5 | 0 | 5 | | 0.0 | | |
| 62 | 5 | 3 | 8 | | | | 1961--Additional tax of 1.5 mills levied on cigarettes. Receipts deposited in the general fund. |
| 63 | 5 | 3 | 8 | | | | |
| 64 | 5 | 3 | 8 | | | | |
| 65 | 5 | 3 | 8 | 1,303.1 | 781.9 | 2,085.0 | |
| 66 | 5 | 3 | 8 | 1,638.1 | 982.9 | 2,621.0 | |
| 67 | 5 | 3 | 8 | 1,530.0 | 918.0 | 2,448.0 | |
| 68 | 5 | 3 | 8 | 1,576.3 | 945.8 | 2,522.0 | |
| 69 | 5 | 3 | 8 | 1,643.8 | 986.3 | 2,630.0 | |
| 70 | 5 | 3 | 8 | 1,694.4 | 1,016.6 | 2,711.0 | |
| 71 | 5 | 3 | 8 | 1,854.4 | 1,112.6 | 2,967.0 | |
| 72 | 5 | 3 | 8 | 2,015.0 | 1,209.0 | 3,224.0 | |
| 73 | 5 | 3 | 8 | 2,015.0 | 1,209.0 | 3,224.0 | |
| 74 | 5 | 3 | 8 | 2,143.8 | 1,286.3 | 3,430.0 | |
| 75 | 5 | 3 | 8 | 2,521.1 | 1,511.6 | 4,032.7 | |
| 76 | 5 | 3 | 8 | 2,883.7 | 1,733.6 | 4,617.3 | |
| 77 | 5 | 3 | 8 | 3,033.0 | 1,817.7 | 4,850.7 | |
| 78 | 5 | 3 | 8 | 2,886.6 | 1,740.6 | 4,627.2 | |
| 79 | 5 | 3 | 8 | 2,756.5 | 1,654.0 | 4,410.5 | |
| 80 | 5 | 3 | 8 | 2,679.7 | 1,602.8 | 4,282.5 | |
| 81 | 5 | 3 | 8 | 2,837.0 | 1,714.7 | 4,551.7 | |
| 82 | 5 | 3 | 8 | 3,067.0 | 1,827.0 | 4,894.0 | |
| 83 | 5 | 3 | 8 | 3,306.0 | 2,000.0 | 5,306.0 | |
| 84 | 5 | 3 | 8 | 3,391.0 | 2,000.0 | 5,391.0 | |
| 85 | 5 | 3 | 8 | 3,295.0 | 2,000.0 | 5,295.0 | 1985--Additional tax raised to 5.5 mills. |
| 86 | 5 | 11 | 16 | 2,833.0 | 4,938.2 | 7,771.2 | |
| 87 | 5 | 11 | 16 | 3,239.0 | 6,657.2 | 9,896.2 | |

SOURCE: Alaska Department of Revenue.

1. Revenue from the dedicated portion of the tax are deposited in the "School Fund" and are available for appropriation to the Department of Education for the exclusive purpose of school construction.
2. Revenue from the additional tax are deposited in the general fund and may be appropriated for any purpose.

Prepared by the House Research Agency, February 1988, (88.173).

COMMENT:

The latest information indicates that Alaska ranks somewhere in the bottom one-third among states that levy a tax on cigarettes. The highest tax is assessed by Minnesota at 38 cents per pack and the lowest by North Carolina at 2 cents per pack. The state of Alaska levies 16 cents per pack on cigarettes. There are thirty-five states that levy a higher rate than Alaska.

11-15-88

CIGARETTE TAXES—RATES, INCIDENCE, PAYMENT, REPORTS

§286 The main features of the state taxes on cigarettes are given in the chart below. If incidence of the tax is on consumer, tax will be deductible on income tax returns in some states (by law). It isn't deductible under IRC, nor in state law with current Fed.

| RATE PER PACK OF 20 | INCIDENCE | PAYMENT METHOD | MONTHLY REPORT REQUIREMENTS (Who, when and to whom) |
|--------------------------------------|--------------|----------------|---|
| ALA. 16.5¢ (5) | Stamps | Consumer(13) | Wholesaler jobber, 20th. Dept. Rev. |
| ALASKA 16¢ | Seller | Reports | Licensee, last day, Tax Commr. |
| ARIZ. 15¢ | Seller | Report | Distributor, 1st. Dept. Rev. |
| ARK. 21¢ | Seller | Stamps(1) | Distributor, 10th. Dept. Fin. & Adm. |
| CALIF. 35¢ (eff. 1-1-89; was 10¢) | Consumer(13) | Stamps(2) | Distributor, 25th. State Eq. Bd. |
| COLO. 20¢ | Seller | Stamps | Wholesaler, 10th (eff 7-1-88; was 20th); Dept. R |
| CONN. 26¢ | Consumer | Stamps | Distributor (4), 15th, Commr. Rev. Serv. |
| DEL. 14¢ | Consumer | Stamps | Wholesaler, agent, 20th. Dir. Rev. |
| D.C. 17¢ | Seller(14) | Stamps | Wholesaler, retailer, 15th. Dept. Fin. & Rev. |
| FLA. 24¢ (11) | Seller | Stamps | Agent, 10th, Tax Dept. |
| GA. 12¢ | Distributor | Stamps | Distributor, 10th. Commr. Rev. |
| HAW. 40¢(6) | Seller | Stamps | Wholesaler, retailer, last day, Dept. Tax. |
| IDA. 18¢ | Seller | Stamps | Wholesaler, 15th, Tax Comm. |
| ILL. 20¢ (16) | Seller | Report | Distributor (7), 15th. Dept. Rev. |
| IND. 15.5¢ | Consumer | Stamps | Distributor, 15th (8), ARC |
| IOWA 34¢ (31¢ eff 7-1-89) | Seller | Stamps | Permittees, 20th. Dept. Rev. & Fin. |
| KAN. 24¢ | Seller | Stamps | Wholesaler, 10th, Dir. Tax. |
| KY. 3¢ | Consumer | Stamps | Wholesaler, 20th. Cabinet Rev. |
| LA. 16¢ | Seller | Stamps | Dealer, 15th, Soc'y Rev. & Tax. |
| ME. 28¢ | Consumer | Stamps | Distributor, 10th. Bur. Rev. |
| MD. 13¢ | Seller | Stamps | Distributor, 20th. Comptr. |
| MASS. 26¢ | Consumer(13) | Stamps | Distributor, 20th. Commr. Rev. |
| MICH. 25¢ | Seller | Report | Licensee, 20th. Dept. Treas. |
| MINN. 38¢ | Seller | Report | Distributor, 25th. Dept. Rev. |
| MISS. 18¢ | Consumer(13) | Stamps | Distributor (9), 15th. Tax Comm. |
| MO. 23¢ (5) | Consumer | Stamps | Wholesalers, 20th. Dept. Rev. |
| MONT. 16¢ | Consumer | Stamps | Interstate Carriers, (no fixed dates), Dept. Rev. |
| NEB. 27¢ | Consumer | Stamps | Retailer, wholesaler, 10th. Tax Comm. |
| NEV. 20¢ (15¢ eff 6-1-89) | Seller | Stamps | Wholesaler, 15th (15), Div. Tax. |
| N.H. 17¢ | Consumer | Stamps | (Monthly reports not required) |
| N.J. 27¢ | Consumer | Stamps | Distributor, 20th. Dir. Tax. |
| N.M. 15¢ | Seller | Stamps | Distributor, 25th. Tax. & Rev. Dept. |
| N.Y. 21¢ (17) | Consumer | Report | Agent, 15th. Dept. Tax. & Fin. |
| N.Y.C. 8¢ (17) | Consumer | Stamps | Agent, 15th. Comm. Fin. |
| N.C. 2¢ | Consumer | Stamps | Distributor, 20th. Soc'y Rev. |
| N.D. 27¢ | Seller | Stamps | Distributor, quarterly (10), Tax Comm. |
| OHIO 18¢ | Consumer | Stamps | Dealer, 1-31 & 7-31, Tax Comm. |
| OKLA. 23¢ | Consumer | Stamps | Wholesaler, retailer, 10th. Tax Comm. |
| ORE. 27¢ | Consumer | Stamps | Distributor, 20th (reports; payment, quarterly), Dept. Rev. |
| PA. 18¢ | Consumer | Stamps | Dealer, 10th. Dept. Rev. |
| R.I. 27¢ (eff 7-1-88; was 25¢) | Consumer | Stamps | Dealer, distributor, 10th. Tax Admr. |
| S.C. 7¢ | Seller | Stamps | (Monthly reports not required) |
| S.D. 23¢ | Consumer | Stamps | Distributor, wholesaler, 15th. Dept. Rev. |
| TENN. 13¢ | Consumer | Stamps | Distributor, 15th. Dept. Rev. |

| RATE PER PACK OF 20 | INCIDENCE | PAYMENT METHOD | MONTHLY REPORT REQUIREMENTS (Who, when and to whom) |
|---------------------------|-----------|-------------------|--|
| TEX. 26¢ | Consumer | Stamps | Distributor, 30th. Compr. Pub. Accts. |
| UTAH 23¢ | Seller | Stamps | (Monthly reports not required) |
| VT. 17¢ | Seller | Stamps | Distributor, wholesaler, 15th. Comm. Taxes |
| VA. 2.5¢ (3) | Seller | Stamps | Wholesaler, storgr, 10th. Dept. Tax. |
| WASH. 31¢ | Consumer | Stamps | Wholesaler, retailer, 15th. Dept. Rev. |
| W.VA. 17¢ | Consumer | Stamps | Wholesaler, 15th. Tax Dept. |
| WIS. 30¢ | Consumer | Stamps | Mfg. wholesalers, 15th. Dept. Rev. |
| WYO. 8¢ | Consumer | Stamps | Wholesaler, 20th. Dept. Rev. & Tax. |

FOOTNOTES to chart (corresponding to numbers in parentheses in the chart):

- (1) Payment with report for stamps purchased on consignment.
- (2) Payment with report for tax not paid by stamp or meter.
- (3) City taxes are also in effect in some cities.
- (4) Machine dealer and operator with over 5 machines, report on 15th.
- (5) City and county taxes may be levied.
- (6) Wholesale price is basis.
- (7) Manufacturer reports on 5th.
- (8) Report drop shipment on 15th.
- (9) Wholesaler and manufacturers also report.
- (10) 10th of Jan., Apr., July, and Oct.; monthly reports may be allowed.
- (11) State tax is net after credit for 16¢ Fed excise tax.
- (12) (Reserved)
- (13) Not deductible on state return.
- (14) Deductible on state return.
- (15) Metered stamping machine report by 10th.
- (16) Cook Cty. has added 5¢ tax per pack.
- (17) Added \$ 23¢ (2¢ in N.Y.C) per 5 cigarettes if pack over 20 cigarettes.

Original sponsors: Ellis, Koponen,
and M.Davis

1 IN THE HOUSE

BY THE COMMUNITY AND REGIONAL
AFFAIRS COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 80 (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 increasing the excise tax on cigarettes, and
7 authorizing municipalities to levy and collect taxes
8 on the retail sale of cigarettes and tobacco products
9 without limitation."

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

11 * Section 1. AS 29.45.650(a) is amended to read:

12 (a) Except as provided in (f) and (g) of this section, a borough
13 may levy and collect a sales tax not exceeding six percent on sales,
14 rents, and on services provided in the borough. The sales tax may
15 apply to any or all of these sources. Exemptions may be granted by
16 ordinance.

17 * Sec. 2. AS 29.45.650 is amended by adding a new subsection to read:

18 (g) The limitation on the rate of levy specified in (a) of this
19 section does not apply to taxes imposed on sales of cigarettes and
20 tobacco products at retail. For purposes of this subsection,

21 (1) "cigarette" has the meaning given in AS 43.50.170;

22 (2) "tobacco product" has the meaning given in AS 43.50.-

23 390.

24 * Sec. 3. AS 43.50.190(a) is amended to read:

25 (a) There is levied an excise tax of 9 [FIVE AND ONE HALF] mills
26 on each cigarette imported or acquired in this state.

P.O. Box 1287
Kotzebue, Alaska 99752

*Martha
What ever
A*

18 April 1989

Senator Al Adams
P.O. Box V
Juneau, Alaska 99801

Dear Senator Adams:

This letter is in support of House Bill 80, which would increase the cigarette tax to 35 cents a pack, and House Bill 141, which would require the licensing of tobacco retailers in Alaska.

Both these bills have passed the Alaska House of Representatives by wide margins and now sit in the state Senate's Community and Regional Affairs Committee, of which you are chairman. It is essential that you either schedule hearings on these bills as soon as possible or pass them out of your committee, waiving the public testimony.

Both bills will help young people in your district from getting hooked on tobacco products. Studies show that the purchase of tobacco products by young people is price-sensitive; in other words, when the price goes up, tobacco consumption by minors goes down. If they don't get hooked, they may not die painful, premature deaths later on. Your actions this week will have a big impact on that.

As for the tobacco licensing bill, this will help deter young Alaskans from purchasing tobacco so easily, which continues to be a problem across the state, including in Kotzebue. Local police tell us that the licensing of tobacco retailers would "give us something to pull" if some local retailers continue selling tobacco products to minors.

You may have received constituent letters asking you not to support the increase in Alaska's cigarette tax. Please remember that last fall, local members of the American Lung Association of Alaska met with you in your Kotzebue office, where they lobbied your endorsement of the lung association's legislative recommendations for this legislative session. The American Lung Association of Alaska supports H. B. 80 and H. B. 141. At that same meeting, you received a petition, with some 75 signatures gathered in your region, that support this session's legislation on tobacco products.

Please either schedule or waive hearings on these bills. Thank you.

Yours sincerely,

John Creed
John Creed

H B

101

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

February 22, 1990

POSITION PAPER

RE: House Bill 101

SPONSORS: Representatives MacLean, Foster and Jacko

Program Effects of Bill

This bill would increase the minimum entitlement for municipalities under the State Revenue Sharing Program from \$25,000 to \$50,000. It would also increase the entitlement for unincorporated communities from \$25,000 to \$50,000. The effective date of the bill is when the appropriation for state revenue sharing for fiscal year 1990 is at least \$44,283,400.

Comments

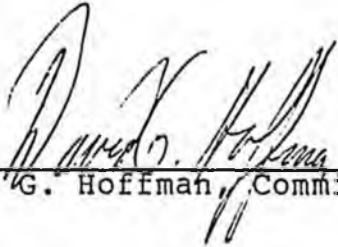
The department and the administration strongly support this increase in state revenue sharing entitlements with the understanding that such an increase must be accompanied by the additional funding needed to insure that other recipients of state revenue sharing do not have their entitlements reduced by the increase. Small municipalities in the state are coming under tremendous pressure as resources to support local services and governmental functions become more scarce at the same time that responsibilities have increased. The state has spent billions of dollars on capital projects in rural Alaskan communities to provide needed basic services. However, these projects and facilities cost money to operate, maintain and insure, money which many communities simply do not have. Running a city, even a small one, has become a complex and demanding task, requiring trained personnel who need stable, adequate wages to perform their duties. The department has seen a significant increase in financial problems at the local government level, particularly among the smaller communities in the state. Some of the problems may be addressed through training and technical assistance. Others, however, can only be addressed through additional money coming into the community.

Raising the entitlements, as provided in this bill, will focus assistance on those communities with the greatest need and least resources to respond to the need. It will help protect the state's investment in these small communities and provide them with additional resources to attract and retain qualified

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ANCHORAGE, ALASKA 99508-4302
PHONE: (907) 563-1073

personnel, leading to greater continuity of services at the local level and a better ability to maintain proper fiscal controls over local finances.

As written, the bill would take effect only upon an appropriation to the Department of Community and Regional Affairs for fiscal year 90 that equals at least \$44,283,400. That amount was calculated by taking the fiscal year 89 revenue sharing appropriation of \$40,773,000 as a base and adding the hold harmless amount of \$3,510,400. In order to carry through the intent that the bill become effective upon the appropriation of the prior year's revenue sharing appropriation plus the hold harmless amount, Section 3 of the bill should be amended to read: "This Act takes effect on the effective date of an appropriation to the Department of Community and Regional Affairs for state revenue sharing for fiscal year 1991 that equals at least \$41,747,000". This is based upon a fiscal year 90 base revenue sharing appropriation of \$38,347,000 and a hold harmless amount of \$3,400,000.



David G. Hoffman, Commissioner

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: "An Act relating to entitlements for municipalities..."
 Sponsor: Reps. MacLean, Foster & Jacko
 Requestor: _____

Agency Affected: Community & Regional Affairs
 BRU: Municipal Revenue Sharing
 Components: State Revenue Sharing

EXPENDITURES/REVENUES: (Thousands of Dollars)

| OPERATING | FY 91 | FY 92 | FY 93 | FY 94 | FY 95 | FY 96 |
|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | -0- | -0- | -0- | -0- | -0- | -0- |
| 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)

3,510 in FY 90 in grants & claims.

*It is assumed that the amount of funds identified in Section 3 of this bill would become the new base amount for the State Revenue Sharing Program for subsequent fiscal years. SEE ATTACHMENT.

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

Phone: 465-4750

Date: _____

Approved by Commissioner: Howard G. Kellum
 Agency: Community & Regional Affairs

Date: 2-23-90

Distribution (by preparer):

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

FISCAL NOTE ATTACHMENT
HB 101

This bill would increase the amount of funds issued to recipients under the State Revenue Sharing Program by increasing minimum entitlements for unincorporated communities and municipalities from \$25,000 to \$50,000. Since this would affect the allocation of funds under the revenue sharing formula, the reallocation of funds would result in a decrease in entitlements to other revenue sharing recipients in the absence of additional funds for the program. This bill would take effect only if additional funds are made available to "hold harmless" those other recipients.

This fiscal note is based upon the difference between the FY 89 State Revenue Sharing appropriation and the amount in Section 3 of the bill. That amount (\$3,510,000) represents the amount necessary to "hold harmless" other recipients.

Alaska
MUNICIPAL
League

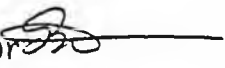
TELEPHONE
(907) 586-7325
FAX 463-5480

217 SECOND STREET, SUITE 200
JUNEAU, ALASKA 99801

February 22, 1990

MEMORANDUM

TO: Representative Ron Larson, Co-Chair
Representative Lyman Hoffman, Co-Chair
Members of the House Finance Committee

FROM: Scott A. Burgess, Executive Director 

SUBJECT: HB 101 - Increasing the minimum entitlements under the State Revenue Sharing Program

The Alaska Municipal League strongly supports HB 101 with a \$3.5 million fiscal note and an amendment in Section 3, as introduced, to change "FY 1990" to "FY 1991." This legislation was a top priority of the AML last year and the League supports the legislation even more with the additional 6 percent cut the Revenue Sharing and Municipal Assistance Programs received in FY 90. I have attached a copy of the AML position paper from last year.

The AML supports restoring the FY 90 cuts in Municipal Assistance and Revenue Sharing. These programs have suffered cuts of over 35 percent since FY 86 and municipalities are having difficulty meeting the basic service needs in their communities. These cuts have affected the smaller minimum entitlement communities to an even greater extent, and, therefore, the AML supports the increase in the minimum entitlement under the Revenue Sharing Program with a hold harmless provision.

Because of reduced funding, some municipalities and all unincorporated communities do not receive even the \$25,000 minimum entitlement currently. With the proposed increase, the minimum entitlement municipalities and unincorporated communities will receive additional funds to assist them in meeting basic needs, albeit less than \$50,000.

Again, the AML supports HB 101 with sufficient funding to hold current recipients and funding harmless.

Attachment

cc: Rep. Eileen MacLean

Increase in Minimum Entitlements under the State Revenue Sharing Program

The Alaska Municipal League supports an increase in the minimum entitlement level under the State Revenue Sharing Program from \$25,000 to \$50,000 to benefit Alaska's smallest, and most needy, communities and an increase in the FY 91 appropriation for the State Revenue Sharing Program to fully fund this increase without penalizing other communities.

BACKGROUND

The 1980 revision of the State Revenue Sharing Program included a provision that each incorporated community would receive a minimum entitlement of \$25,000, to be adjusted by an area differential for the cost of living. Each unincorporated community is also entitled to a minimum entitlement of \$25,000, to be used for a public purpose. The intent of this legislation was to ensure a sharing of the State's resource wealth by all its residents, no matter how small the area in which they lived. Over time the buying power of these dollars has declined, and many of the State's smallest communities are not able to operate with the minimum entitlement grants they receive. As a result, these communities have been forced to cut back on basic life, health, and safety services.

In FY 88, 83 municipalities received the minimum grant of \$25,000 (with adjustments for geographic differentials) under the minimum municipal entitlement program. It was estimated that an increase in the base level to \$50,000 would add an additional 25 municipalities to the group receiving the minimum grant.

The 74 unincorporated communities eligible for the minimum entitlement would benefit from an increase in the minimum entitlement level as well as full funding of the Miscellaneous Municipal Services Account. The payments to unincorporated communities come from that account, and they have been prorated because of continuing underfunding of the account. In FY 88, the entitlements to the unincorporated communities eligible for these payments were prorated at about 55.52 percent, so that they received only \$13,898 of the \$25,000 to which they were entitled.

Inflation is not the only factor affecting the communities' ability to survive financially: Alaska's smallest cities have been hurt the most by the decreases in federal and state funds, and the cities with small populations and tax bases have the most trouble raising local revenues. An increase in the minimum entitlement will benefit both small municipalities and unincorporated communities and enable the State to protect its investment in rural Alaska by helping the small communities maintain their infrastructure.

It is important to note that increasing the minimum grant will require an increase in the total appropriation for the State Revenue Sharing Program so that existing municipalities are not penalized. It is estimated that \$3.51 million will be necessary to hold communities harmless given current funding levels of other parts of the program.



State of Alaska

Department of Community and Regional Affairs

David G. Hoffman, Commissioner

P.O. Box B

Juneau, Alaska 99811

(907) 465-4700

MEDIA RELEASE

Commissioner's Office

Release Date: 01-24-90; For Immediate Release

Release # 04-90

Contact: Peter Freer

Phone: (907) 465-4814

or Bob Laurie

Phone: (907) 465-4700

Subject: State Distributes Share of National Forest Receipts to Boroughs.

Checks totalling more than \$1.5 million, part of the state's share of fees from the Chugach and Tongass National Forests, were mailed to eight borough's today, announced David G. Hoffman, Commissioner of the Department of Community and Regional Affairs. The department administers the program for the state.

The fees are collected by the U.S. Forest Service from loggers, campers, and other users of the National Forests. A 1908 law directs the service to return 25 percent of the revenues collected to the states where the lands are located. In turn, the money is divided among the boroughs according to the proportion of National Forest acreage within their boundaries. The funds may be used only for public schools and roads.

Alaska received more than \$5.1 million for activities on National Forest land in federal fiscal year 1989 (which ended September 30, 1989). That's a 12-fold increase over the \$410,156 the state received for FY 88.

"It's interesting to note that this year's payments to two boroughs, Sitka and Juneau, are more than what the entire state received last year from the program," said Hoffman. "Most of the improvement can be attributed to increased logging activity and higher stumpage fees loggers paid to harvest timber last year."

Alaska's logging industry is recovering from a long slump which bottomed out in 1987, when no money was shared with the state through the program.

— more —

AN UPDATE !

Impacts of Declining Revenues On Eight of Alaska's Smaller Communities



March 1989

**State of Alaska
Steve Cowper, Governor**

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

**Municipal and Regional Assistance Division
Marty Rutherford, Director**

**949 East 36th Ave, Suite 400
Anchorage, AK 99508
Phone (907) 561-8586**

CORRECTION

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



State of Alaska

Department of Community and Regional Affairs

David G. Hoffman, Commissioner

P.O. Box B

Juneau, Alaska 99811

(907) 465-4700

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Alaska's logging industry is recovering from a long slump which bottomed out in 1987, when no money was shared with the state through the program.

— more —

The \$5,106,024.54 payment that Alaska received this year is the highest since the state received \$5.4 million in 1982. The most the state has received under the program was \$6.5 million in 1980. The least was zero in 1987.

Here's a breakdown of the payments to boroughs.

| <u>National Forest</u> | <u>Borough</u> | <u>Payment</u> |
|------------------------|-------------------|----------------|
| Chugach | Anchorage | 2,906.99 |
| | Kenai Peninsula | 12,080.97 |
| | Kodiak Island | 2,276.76 |
| | Matanuska-Susitna | 470.68 |
| | Unorganized | 42,505.81 |
| Tongass | Haines | 276,508.16 |
| | Juneau | 498,750.28 |
| | Ketchikan Gateway | 225,386.78 |
| | Sitka | 546,628.22 |
| | Unorganized | 3,498,509.89 |

Receipts apportioned to the unorganized borough are deposited in the state's general fund for appropriation by the legislature.

— end —



AN UPDATE !

Impacts of Declining Revenues On Eight of Alaska's Smaller Communities



March 1989

State of Alaska
Steve Cowper, Governor

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

Municipal and Regional Assistance Division
Marty Rutherford, Director

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Anchorage, AK 99508
Phone (907) 561-8586

Updating the Impacts of Declining Revenues On Alaska's Smaller Communities

Table of Contents

| | Page |
|---------------------------------------|------|
| Introduction and Summary | 1 |
| Community Case Studies | |
| Bering Straits - Golovin | 3 |
| Bristol Bay - Port Heiden | 8 |
| Doyan - Tanana | 12 |
| Kodiak - Old Harbor | 17 |
| Northwest Arctic - Selawik | 22 |
| Southcentral - Nikolai | 26 |
| Southeast - Kake | 30 |
| Yukon Kuskokwim Delta - Upper Kalskag | 33 |

INTRODUCTION AND SUMMARY

Each of the eight communities covered in this report were initially described in the Department's report on the Impacts of Declining Revenues on Alaska's Smaller Communities (March 1988). The purpose of this update is to show how the communities continue to cope with declining revenues in FY89.

SUMMARY

Five of the eight communities continue to experience decreases in revenues ranging from 14 to 50 percent. These decreases were primarily due to completion of old grant funded projects and lack of new grant projects. In some cases revenue from city enterprises such as utilities, fuel sales, and liquor stores are also down due, in part, to loss of local jobs with the completion of grant projects.

The two largest communities (Kake and Selawik) are counting on FY89 revenue increases of up to 10 percent. However, these expected increases are based on increases in user fees and rates charged for services provided by these communities. Both Kake and Selawik have lost major sources of local employment which may mean reduced revenues from user fees because residents have less income.

At first glance, Upper Kalskag, with its 25 percent revenue increase, appeared to fare the best of all these communities. A closer look reveals that this revenue increase resulted from one-time receipts of \$9,241.00 from an IRS refund and the sale of a truck. Thus, Upper Kalskag remained about the same as in FY88 with over 70 percent of its discretionary revenue derived from State Revenue Sharing and Municipal Assistance funds.

In four communities, Revenue Sharing and Municipal Assistance funds are the only source of discretionary revenue. The term "discretionary" in this context means that the funds do not come as the result of the sale of a service or contract (such as grant). Phrased another way, the council can use this money in the same manner as revenues generated by local taxes. (See Upper Kalskag, Golovin, Port Heiden, and Nikolai case studies.) Decreases in State Revenue Sharing and Municipal Assistance will be particularly hard on communities similar to these four communities.

BACKGROUND

These case studies illustrate what it is like in small rural towns for the benefit of many Alaskans, who live in much larger cities and have not traveled to the remote communities. All of these communities are remote and have less than 1000 people. The Department initially presented the case studies to better illustrate budgets, revenues and services in smaller communities.

Municipal services in these remote communities are often different than in Anchorage, Fairbanks or Juneau. For example, providing sewer service in many rural communities means providing a truck to haul honeybucket waste, but in larger cities providing sewer service means flush toilets and piped sewer systems.

Each case study presents community revenues and expenditures. Services provided by each community are described and examined to see what may happen to services when city revenues drop. The local economy and future ability of the city to increase or maintain current revenues are also examined.

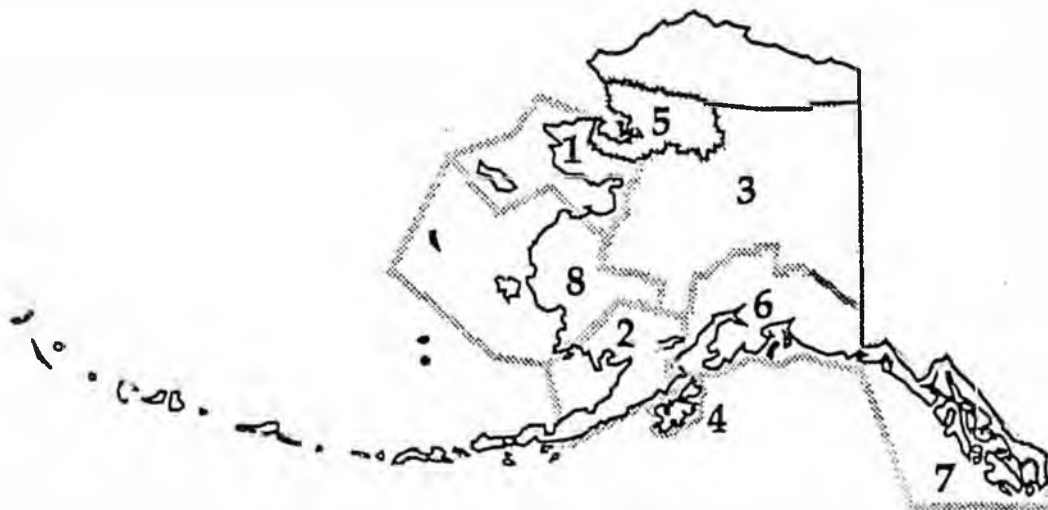
Cities in the case studies do not illustrate a region's worst situation nor are they examples of the best situation. For example, none of the cities are in debt to IRS or other creditors. Most of the case study communities have lost revenues and cut back some service, but none have completely eliminated health and safety services. Many communities have utilities that are not breaking even but so far have been able to keep services going.

Information for the case studies update was gathered by DCRA, Municipal and Regional Assistance Division staff and from Revenue Sharing applications. Information is also based on discussions with community officials and staff knowledge of the community and area.

The regions and the representative cities are as follows:

- | | |
|--------------------------|---------------|
| 1. Bering Straits | Golovin |
| 2. Bristol Bay | Port Heiden |
| 3. Doyon | Tanana |
| 4. Kodiak | Old Harbor |
| 5. Northwest Arctic | Selawik |
| 6. Southcentral | Nikolai |
| 7. Southeast | Kake |
| 8. Yukon Kuskokwim Delta | Upper Kalskag |

The map below identifies the eight regions included in the survey.



COMMUNITY CASE STUDIES

1. GOLOVIN

SUMMARY OF CHANGES FROM FY 88

Golovin's FY89 revenue is less than half what it was in FY88. This decrease is due to completion of a major, grant funded water and sewer project and a decline in revenue from renting City equipment. The City has responded by reducing full-time administration staff from five (5) positions down to two (2).

There will also be fewer local construction jobs than in the last two years because the sewer and water project is completed. Local residents will have less money to spend for sewer and water or laundry services. It is too early to tell if this will result in additional declines in city enterprise revenues.

SETTING

Golovin is a Second Class City located west of Nome. It has a population of 139 people.

OVERVIEW OF CITY ADMINISTRATION

The mayor is responsible for City administration and works on a volunteer basis. In FY 89 there are only two administrative positions, the city clerk and a file clerk. There are six (6) part-time employees: clinic janitor, washateria operator, community hall maintenance person, airport maintenance person, road maintenance person, and a health aide. In FY 88, there were five administrative City jobs: the City clerk, youth recreation facilities director, grants administrator, bookkeeper, and a file clerk.

REVENUES FY89

FY89 revenues were 57 percent less than FY 88. The largest (66%) portion of FY 88 revenues were from sewer and water project grant funds which the City reported as "other revenues" and these funds are spent. The 25 percent reduction in enterprise revenues reflects a drop in revenues from renting city equipment for construction projects.

TABLE 1

GOLOVIN REVENUES

| | FY 87 | | FY 88 | | FY 89 | |
|-------------------------------|-------------------|------|-------------------|------|---------------|------|
| | Amount | % | Amount | % | Amount | % |
| Municipal Assistance | \$ 13,875 | 1.9 | \$12,800 | 1.6 | \$12,002 | 3.5 |
| State Revenue Sharing | 38,054 | 5.1 | 28,000 | 3.5 | 35,785 | 10.5 |
| Other Government Revenues * | 68,408 | 9.2 | 10,112 | 1.3 | 63,886 | 18.7 |
| Enterprise Revenues | 191,622 | 25.9 | 202,232 | 25.3 | 152,297 | 44.7 |
| Service Fees/Licenses/Permits | 9,900 | 1.4 | 17,484 | 2.1 | 21,194 | 6.2 |
| Tax Revenues | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Other Revenues | <u>418,275.**</u> | 56.5 | <u>529,470.**</u> | 66.2 | <u>55,997</u> | 16.4 |
| Total | \$740,134 | | \$800,099 | | \$341,161 | |

*Includes \$3,143. (FY88) of raw fish tax refunds.

**It appears that the City may be reporting sewer and water grant funds under "Other revenues" rather than "Other Government Revenues".

Source: Revenue Sharing Applications.

In FY88 the mayor and council began working more on cutting costs than raising revenues. The utilities should start to show a profit, extra office space is being rented, waste heat is being used, 12 City lots are being sold for approximately \$19,000 for airport flight pattern, bingo games have been started, and the City leases its heavy equipment. In FY 88 charges for services covered the cost of providing services.

Residents are barely able to pay current service charges and cannot stand any increases in service charges or sales tax. The residents cannot afford any increases nor can they afford a sales tax. Hopefully the residents can keep their bills current now that the \$30.00 water and sewer service charge has been started. (See discussion under Sewer System.)

EXPENDITURES AND SERVICES

Reflecting the revenue situation, Golovin's FY89 expenditures budget is 55% less than in FY88 and 65% less than in FY 87. Most of the decrease is in equipment purchase or construction expenditures for the sewer and water projects and other grants.

TABLE 2

GOLOVIN EXPENDITURES

| | FY 87 | FY 88 | FY 89 |
|---|---------------|---------------|---------------|
| ADMINISTRATION, COUNCIL, AND FINANCE | \$ 83,613 | \$ 86,056 | \$87,000 |
| POLICE | 8,631 | 7,875 | 9,820 |
| FIRE | 6,840 | 6,745 | 3,010 |
| STREETS AND ROADS | 11,756 | 8,984 | 13,334 |
| AIRPORTS | 0 | 5,500 | 6,000 |
| REFUSE COLLECTION | 11,893 | 10,025 | 8,325 |
| OTHER PUBLIC WORKS | 131,384 | 121,044 | 149,977 |
| HEALTH | 22,901 | 19,388 | 18,294 |
| EQUIPMENT & CONSTRUCTION | 631,682 | 425,083 | 0 |
| PARKS AND RECREATION | 17,016 | 18,057 | 14,988 |
| OTHER EXPENDITURES | <u>15,913</u> | <u>11,444</u> | <u>12,193</u> |
| TOTAL EXPENDITURES | \$945,156 | \$720,202 | \$323,541 |

Source: Revenue Sharing Applications.

Fire: Golovin recently built a firehall which is a garage type building where the Pac-Trac fire fighting vehicle and other fire fighting equipment can be stored in a heated building. Cutback in services is minimal but the Pac-Trac was unsatisfactory so the City needed a new vehicle. The City received a grant to purchase a combination water truck/fire truck. Maintenance and operation of this truck is projected to be paid from fees collected for hauling water to homes. (See Water Services discussion).

Police: The City built a public safety building with a state grant. Maintenance cuts are minimal. Bingo probably will be able to support both the firehall and public safety building in the future although they hope to be able to build up a kitty for emergency medical travel.

Clinic: Operation and maintenance of the new clinic building is supported by rent from Public Health Service (\$19,000.00/yr.) and from SRS funds. Occasionally the old clinic building is leased to raise money. A full time health aide is funded by Norton Sound Health Corp. In FY 88 the City paid for a part time alternate health aide (AHA). Norton Sound Health Corporation has now picked up the salary of the AHA. NSHC has asked that the funds previously used to pay the AHA be used to fund emergency travel. However, the fund, about \$800, will go quickly with transportation costs so expensive.

Road Maintenance: - Funding and expenditures for road maintenance has remained relatively stable. To increase revenues the City does rent its equipment for use on other construction projects. However these additional revenues will not be available as there are no major capitol projects. Golovin did receive a \$7,200 State contract to maintain the local airport.

Water: Water is piped to the school. Commercial users and the school are charged \$.06 per gallon. These funds also help support the laundry. Thanks to the new fire truck, residents no longer haul their own water to fill the two 125 gallon tanks in each home. Water is now delivered to homes for \$30.00 per month.

Sewer: The sewer system is now completed. It is a combination piped and septic tank system. It was difficult to get the system to operate at first because residents had to haul water to their homes in order to use the toilet and other plumbing fixtures. Until the City began delivering water, the sewer lines were freezing because of inadequate flow. There is no longer a freezing problem.

Electricity: The City provides electricity and revenues cover the cost of this service thanks to the power cost equalization program. Electricity costs 45 per KWH before the power cost equalization subsidy is applied. A new generator was purchased with revenues and the older generator was rebuilt.

Laundry: The Laundry also contains community showers and serves as a watering point where residents can get water to haul home. Since some homes still do not have running water, the laundry and shower facilities are essential for maintaining community health. The revenues do not cover the cost of this facility but funds from selling water to the school district and other commercial users are used to subsidize the laundry. FY88 fees were: washer \$1.50 per load, extractor \$.25 per load, shower \$1.25 per time. There are no dryers because of the energy costs.

Youth Recreation Facility: This facility is only open when kids have money to spend on the games and concessions. This facility became a major drain on the City's finances once the City had to fully fund the director, which originally was 50% JTPA funded. Oil and lights add to the cost. The City is considering several alternatives that might make this building more self-sufficient.

Community Facilities: Using grant funds, the City constructed the following facilities during the last five years: Youth Recreation Facility; VPSO Building; Clinic; Generator/ Garage Building; Sewer and Water Systems; and a Firehall. The City is able to maintain these facilities with current revenues but the recreation facility and sewer and water services may be in trouble if revenues from the State are reduced.

The heavy equipment/generator building is the most cost efficient City building. The radiant heat from the two generators heats the heavy equipment portion of the building. In addition materials are on hand to make a waste heat recovery system using the radiators on the generators. There are plans to heat the community hall and laundry with waste heat.

The City office building complex is self-sufficient since several offices are rented out which pay for the utilities.

Insurance: The city was uninsured in FY 88, but Golovin currently has complete coverage through AML/JIA. The premium is \$20,336 for property, liability, and worker compensation coverage. They are currently experiencing a problem with paying for this coverage. A payment plan has been arranged.

LOCAL ECONOMY

Because the number of State funded projects in Golovin is much less than previous years, local residents are worse off this year. The number of jobs is down and local income is mainly from AFDC, longevity payments, permanent fund, and seasonal jobs. However, 1988 commercial fishing was reported to be good.

The population is fairly stable but the community needs some projects and economic development to provide jobs in order to hold it own. Projects in the areas of fisheries and fish products, a cafe, pre-school, crosswind runway, and lengthening the new airport would increase the number of jobs.

FUTURE FY90 LOCAL REVENUES

The City expects the current situation to continue in FY 90 unless there are cuts in State revenue sharing and municipal assistance. Once a major revenue source, the rental of heavy equipment continues to be low and if no additional capital projects are funded in Golovin the situation will not change.

The City is trying to make every facility self-sufficient so that a decline in revenue will not mean a decrease in services. While the mayor and council hope for the best, Golovin is a very small community and will have difficulty overcoming any significant decline in revenues it receives from the State.

2. PORT HEIDEN

SUMMARY OF CHANGES FROM FY 88

FY89 revenues are projected to be 18% less than in FY88. Revenue sharing and municipal assistance funds continue to be the only source of discretionary funds available to support city electricity and fuel sales enterprises.

The council reduced expenditures by eliminating the city administrator position and shifting these responsibilities to the city clerk.

SETTING

Port Heiden is a second class city with a population of 114 people. It is located on the north side of the Alaska Peninsula bordering Bristol Bay. Fishing is the major source of local employment.

OVERVIEW OF CITY ADMINISTRATION

The City has a mayor-council form of government with a mayor who is completing his second term. The City's administrator resigned and the position has not been filled in order to save money. The former clerk also resigned and the position has been filled by the village administrator who has two years experience and now does both jobs.

Since funds are insufficient for a full-time maintenance person, the City hires someone as needed. People who are having difficulty paying fuel or electric bills will often trade work for fuel or to reduce payments due the City. This maintenance arrangement seems to work reasonably well, although the community is looking at alternatives to make its maintenance more efficient.

REVENUES FY89

FY89 revenues are reduced about 18% from last year. However, the City is carrying over a balance of \$26,039 from FY88, which will cushion this decline in FY89 revenue. State Revenue Sharing remains the largest (26%) single source of discretionary revenue. Compared to most communities of similar size, Port Heiden receives a very large revenue sharing allocation due to the miles of road it maintains.

The City collects no taxes. Fees for community services are insufficient to cover costs but residents have been unwilling for rates to be raised so the city continues to absorb the deficit.

The 1988 fishing season was excellent for some and satisfactory for most, so bills due the city are more up to date than in past years. However, there are still some who do not pay for city services. One of the major sources of delinquent bills is the city's fuel sale enterprise. For the past two years the City has been able to obtain oil at \$0.40 per gallon less than before, and this has reduced money lost to unpaid fuel bills. Gasoline prices are up slightly, but not significantly. The community is still talking about forming a fuel cooperative to get the City out of the fuel business but has not done so to date.

TABLE 3
PORT HEIDEN REVENUES

| | FY 87 | | FY 88 | | FY 89 | |
|-------------------------------|------------------|------|------------------|------|------------------|------|
| | Amount | % | Amount | % | Amount | % |
| Municipal Assistance | \$ 11,000 | 4.4 | \$ 9,533 | 4.0 | \$ 9,553 | 4.0 |
| State Revenue Sharing | 79,000 | 31.8 | 55,156 | 21.0 | 55,051 | 23.0 |
| Other Government Revenues | 900 | 0.4 | 0 | 0.0 | 0 | 0.0 |
| Enterprise Revenues | 144,000 | 58.1 | 128,037 | 50.0 | 128,000 | 54.0 |
| Service Fees/Licenses/Permits | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Tax Revenues | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Other Revenues | 13,100 | 5.3 | 64,949 | 25.0 | 18,304 | 8.0 |
| Balance From Previous FY | <u>0</u> | 0.0 | <u>0</u> | 0.0 | <u>26,039</u> | 11.0 |
| Total | \$248,000 | | \$257,675 | | \$210,998 | |

Source: Revenue Sharing Applications

EXPENDITURES AND SERVICES

Expenditures budgeted for FY89 are about 10 percent less than last year. A major reduction is in City administration, largely due to the decision to not replace the City Administrator. Police and fire line items are also reduced. The waste heat line item has been completely deleted and street and road maintenance is reduced by almost \$4,000.

TABLE 4

FORT HEIDEN EXPENDITURES

| | FY 87 | FY 88 | FY 89 |
|--|--------------|--------------|--------------|
| ADMINISTRATION, COUNCIL AND FINANCE | \$ 26,225 | \$ 29,192 | \$ 16,424 |
| POLICE | 3,700 | 3,992 | 2,250 |
| FIRE | 4,500 | 4,558 | 3,630 |
| STREETS AND ROADS | 26,800 | 18,667 | 14,725 |
| AIRPORTS | 0 | 0 | 0 |
| REFUSE COLLECTION | 0 | 0 | 0 |
| OTHER PUBLIC WORKS | 144,000 | | |
| FUEL | | 84,163 | 79,100 |
| ELECTRIC | | 57,838 | 57,732 |
| WASTE HEAT | | 2,377 | 00 |
| HEALTH | 10,700 | 6,773 | 9,100 |
| CAPTIAL PROJECTS | 0 | 24,396 | 25,604 |
| OTHER EXPENDITURES | <u>6,000</u> | <u>6,773</u> | <u>4,550</u> |
| TOTAL EXPENDITURES | \$221,925 | \$205,850 | \$213,116 |

Source: Revenue Sharing Applications.

Administration: The City no longer employs an Administrator; the City Clerk and assistant clerk cover the administrator's duties and are permanent part-time employees paid a fixed hourly wage with no benefits. The projected reduced budget for administration this fiscal year is \$16,425, which includes funding for council and staff travel; this is a 32% reduction.

Insurance: The City carries liability insurance with an annual premium of about \$13,000.00. Port Heiden does not carry property loss insurance. City owned property is valued at approximately \$300,000; much of the property was purchased through grants.

Fire: The community has a two and a half year old fire truck and fifteen volunteer fire fighters. Estimated expenditures for fire service for FY89 are \$3,600.

The new two story, multi-purpose fire hall built in 1984 includes a detention room, a meeting room for council, fire fighters and other organizations, and an office for the VPSO. It also houses the city's 120 kw generator. The facility is heated by waste heat from the generator and it's maintenance (all done by volunteers) is excellent. Services have not had to be cut as costs a.e minimal. If State revenues continue to decline, the fire hall facility should still be fully operable since its operation and maintenance costs are so low.

Police: The community's VPSO resigned some time ago and the community has been unable to find a replacement. When a new VPSO is hired, Bristol Bay Native Association will pay his salary and benefits, and the City will pick up gas and maintenance for the vehicle, cover office expenses such as phone and supplies, and donate office space. Estimated police expenditures for FY89 are \$2,250.

Health Center: The clinic occupies a portion of the office building jointly owned by the City and village council. Bristol Bay Area Health Corporation pays rent to the village council for the clinic, and pays the full-time health aide's salary. The City bills the village council for waste heat for the clinic and uses the revenue to pay an additional part-time health aide \$500 per month. The village council pays utilities for the clinic.

Road Maintenance: Port Heiden maintains 27.4 miles of road which are in good condition. The City anticipates spending \$14,725 on roads this fiscal year. In past years more money was spent on road maintenance.

Water: There is no city water system; homes have individual wells.

Sewer: The Public Health Service installed individual septic systems for most residents and the City charges \$50 to pump a septic tank.

Electricity: Port Heiden has an electrical cooperative and residents pay approximately \$.20/kw hour. The City absorbs unpaid charges which average about \$10,000 per year. The City does not anticipate reducing these services or this subsidy.

Laundry: The City has no laundry facility.

Garbage: The City provides garbage pickup at a rate of \$11.00 per month per household and pays one person \$300 per month to collect the garbage.

LOCAL ECONOMY

The current economic climate in Port Heiden is healthy. The major source of residential income is commercial fishing. The 1988 season was successful and residents, for the most part, are financially secure.

The City recently moved a 250,000 gallon bulk fuel tank donated by the Air Force. The added storage capacity makes it possible to buy fuel in larger quantities which should help keep fuel prices down.

FUTURE FY90 LOCAL REVENUES

Port Heiden hopes that next year will be about the same financially as this year unless the Legislature cuts revenue sharing and municipal assistance funding.

The community received no raw fish tax revenues this fiscal year, although it has in the past and was hoping to again. There is a question as to the accuracy of reporting in the area, since a great deal of processing occurs near the village.

The council is still considering applying for grant funds to build a community center/itinerant housing facility. Charges for lodging would provide income for the community.

3. TANANA

SUMMARY OF CHANGES FROM FY 88

Tanana's FY89 budgeted revenues are 20% (\$194,126) less than in FY88. Most of the decline results from reductions in grants and a 58% decline in revenues from the City owned liquor store.

To save money, the mayor has taken on the duties of city clerk in addition to his duties as chief administrative officer of the City. The mayor's full attention is needed to solve the problems preventing the FY87 and FY88 audits from being done. Not doing these audits is preventing the City from obtaining at least \$100,000 in State Revenue Sharing. Thus the mayor taking on the clerk duties may prove costly to the City in the long run even though money is saved this year.

SETTING

Tanana is a primarily Koyukon Athabascan Native village with approximately 420 residents of whom 82% are Alaska Native. The population of Tanana is relatively stable. Although not the major regional center that it once was, Tanana continues to be important because of its location at the intersection of the Tanana and Yukon Rivers.

Major employers are the city school district, city government and the Tanana Native Council (the IRA Council). Subsistence activities (hunting, trapping and fishing) are also very important to the local economy. The existing unemployment rate is estimated at 80%. Major sources of income to residents include public assistance and other government payments (e.g. Food Stamps, Aid to Families with Dependent Children, and longevity bonus) as well as the State's permanent fund dividend.

Although Tanana has a larger population base than many communities in the Doyon Region it is similar to other communities. It is a Native community which bridges two cultures (caucasian and native), two economies (cash-based and subsistence), and two political systems (state chartered municipal government and federal chartered IRA council). It has been a traditional Native community in the area for hundreds of years. Tanana's reliance upon government entitlement programs and transfer payments also makes it similar to other villages located in the Doyon Region.

OVERVIEW OF CITY ADMINISTRATION

Tanana incorporated in 1961, and is one of a handful of first class cities in the unorganized borough. As a first class city, Tanana is also a school district. It has a six member city council and a mayor directly elected by the residents. Several new council members were elected in October, 1988.

In the year since publication of Impacts of Declining Revenues On Alaska's Smaller Communities (DCRA, March 1988), the City of Tanana has undergone a number of important organizational and financial changes. The most significant organizational change has been the mayor's assumption of the city clerk duties in addition to his duties as chief administrative officer. The Council and Mayor face a number of important financial issues that include finalizing the FY 87 and FY 88 audits (First Class Cities are required to have annual audits) and preparing the FY 90 City Budget.

The City employs twenty personnel during FY 89; 10 full-time and 10 part-time. This is a net decline of 1 full-time and 4 part-time employees from the preceding fiscal year. The City employed 11 persons during FY 87 and in FY 88 on a full-time basis. City jobs included the mayor on a full-time basis, village public safety officer, and eight health care providers with the Elders' Residence Program. Part-time positions include two maintenance workers, a sewer/water worker, elders' program worker, liquor store clerk, laundromat assistant, and teen center assistant.

REVENUES FY89

Tanana's FY89 revenues declined by approximately 20% between FY88 and FY89. Over 60 percent of the City's FY89 revenues are based upon government spending in the form of pass through funds and entitlement programs. In FY88 over 50 percent of the revenues came from these sources. The FY88 revenues were nearly equal to FY87 revenues. A major (25%) drop in revenues occurred between FY86 and FY87.

TABLE 5

TANANA REVENUES

| | FY 87 | | FY 88 | | FY 89 | |
|-------------------------------|------------------|------|------------------|------|------------------|------|
| | Amount | % | Amount | % | Amount | % |
| Municipal Assistance | \$ 38,398 | 4.0 | \$ 40,995 | 4.3 | \$ 40,880.* | 5.0 |
| State Revenue Sharing | 86,143 | 9.1 | 80,000 | 8.3 | 66,012 | 9.0 |
| Other Government Revenue | 406,960 | 42.4 | 420,873 | 43.8 | 386,804 | 50.0 |
| Enterprise Revenues | 322,700 | 33.6 | 333,406 | 34.6 | 238,322 | 31.0 |
| Service Fees/Licenses/Permits | 67,470 | 7.0 | 63,970 | 6.7 | 14,100 | 2.0 |
| Tax Revenues | 30,000 | 3.1 | 14,000 | 1.5 | 15,000 | 2.0 |
| Other Revenues | 8,000 | 0.8 | 8,000 | 0.8 | 6,000 | 0.8 |
| TOTAL | \$959,671 | | \$961,244 | | \$767,118 | |

*Tanana's FY89 Municipal Assistance entitlement is actually \$36,332.

Source: Tanana Revenue Sharing Applications for FY 87 and FY 88; and, Communication with City of Tanana

Funding to operate the elders facility (a grant from the Department of Health & Social Services) and a substance abuse grant program for youth continue to be a major part of the "Other Government Revenues". In FY88 these grants were \$299,868.00 to operate the elders residence, and \$31,205.00 grant to operate programs to help young people avoid drug and alcohol problems. Grants for other capital projects are also included in this category.

The City owned and operated liquor store is also an important source of revenue; however, revenues dropped by at least 50% from FY88. Reasons for the decline in alcohol revenue are apparently linked to changing attitudes in the village about drinking, but may also be linked to current employment levels and income available in the village.

The City has experienced problems in the past with trying to collect past due bills. This problem has been addressed with some success by the City taking delinquent bills to small claims court. In addition, city services such as gravel sales and water delivery are now charged COD to insure prompt payment.

EXPENDITURES AND SERVICES

Like many of its neighbors in the Doyon Region, and across the state, Tanana has reduced its operating budget, laid off city employees, reduced hours, and frozen salaries. The first big cut came between FY86 and FY87 when the city's operating budget was cut by 25% across the board. But in FY89, a further cut of 18% has been made because of declining revenue.

TABLE 6

TANANA EXPENDITURES

| | FY 87 | FY 88 | FY 89 |
|-------------------------------------|------------------|------------------|------------------|
| ADMINISTRATION, COUNCIL AND FINANCE | \$ 98,377 | \$ 98,377 | \$ 78,329 |
| POLICE AND OTHER PUBLIC SAFETY | 56,955 | 56,955 | 65,705 |
| FIRE | 8,600 | 8,600 | 6,200 |
| STREETS AND ROADS | 30,120 | 30,120 | 24,622 |
| REFUSE COLLECTION | 8,665 | 8,665 | 6,445 |
| WATER AND SEWER | 72,916 | 72,916 | 57,163 |
| OTHER PUBLIC WORKS | 368,036 | 348,718 | 345,762 |
| HEALTH | 13,732 | 13,732 | 5,983 |
| PARKS AND RECREATION | 28,672 | 31,289 | 35,188 |
| OTHER EXPENDITURES | <u>273,489</u> | <u>273,489</u> | <u>141,733</u> |
| TOTAL EXPENDITURES | \$959,652 | \$940,244 | \$767,130 |

Source: Revenue Sharing Applications and Communication with City of Tanana.

Administration: The City again cut this line item by deleting four part-time employees. FY89 expenditures reflect a cut by 20% for this line item.

Insurance: The City's liability insurance line item has decreased substantially because the city no longer insures municipally owned buildings for fire insurance. The FY89 amount budgeted for insurance is \$14,000. This is a 24% decrease from the amount spent in the preceding fiscal year.

Fire: The City has two fire trucks. Expenditures for fire protection have been reduced by 28 percent.

Police: Expenditures for police increased 15% in FY89. In FY87 the village safety officer program was initially funded at \$88,387 but was eventually reduced to \$56,955 to reflect the reduction of two village safety officers to one. In FY 88, \$56,955 was appropriated for this line item.

Clinic: The City's contribution to health related services dropped over 50 percent in FY89. The clinic is operated by the Native village council but receives part of its funding from the City. Services provided include outpatient care, treatment and prevention of common illnesses, pre-natal care, "well baby" care and family planning.

Road Maintenance: The City continues to provide road maintenance on 32 miles of gravel roads. The FY89 amount spent on road maintenance is a 16% reduction in funding from FY88. This line item also includes the garage utilities expense and was funded at \$29,200 in FY87, and remained the same for FY88.

Water: The city has one watering point (down from a high of three). There is no piped water but in FY88 water was supplied via a 300-gallon water truck to homes and businesses with water storage tanks. One of the services that has been cut from the FY89 budget is the water delivery service. Community residents now haul their own water or hire someone to do it for them.

Sewer: The city has a piped sewer system serving approximately 30% of the community. Since FY88 the City has not increased the rate for sewer service. The rate continues to be \$90.00 per month for commercial users. The City received a \$62,000 State grant to renovate the sewage lagoon.

Tanana is contemplating finishing the sewer and water project and has included the additional work in an FY 89 capital improvement project fund request to the Legislature. The project is to replace and repair the existing system.

Electricity: Tanana Power Company (TPC), a privately owned utility, provides power to the community from four diesel generators. Beginning in November, 1986 TPC sold power to residential customers for 47 per kilowatt hour (kwh) for the first 200 kwh, 44.5 for the next 200 and 40.9 over 400 kwh. The commercial rate is 39 for the first 10,000 kwh, 37.6 for the next 10,000 kwh and 35.6 for over 20,000 kwh. The State's power cost equalization subsidy reduces the first 750 kwh for all customers by 19.05 cents per kwh.

Laundry: The laundromat, which also contains community showers was constructed with a State grant in 1981. This service is needed because water is not piped to houses so it is difficult to haul sufficient water to homes for showers and laundry. Until the city revised rates, it had experienced an annual \$10,000 loss on the operation of the laundry. After raising rates by 25% in June, 1987, the city almost breaks even.

Garbage: The City collects and disposes of garbage but is considering a user fee to cover this cost.

Elders Residence: This facility was constructed with State grants and it costs approximately \$300,000 annually to maintain and operate. The city receives grants to pay for the entire operation.

FUTURE FY 90 LOCAL REVENUES

The City is looking at increasing the sales tax from 2% to 4%. A charge for garbage pick-up is also being considered by the administration and City Council. The City has been awarded a \$37,325 grant under the (federal) Community Development Block Grant Program to identify a long-term gravel source for future development in the community. The mayor is also exploring the possibility of hiring a city clerk under the Job Training Partnership Act (JTPA) so that some of his administrative burdens (like taking the minutes at meetings) can be delegated.

Individual line item budget cuts may take place depending upon future cuts to the State Revenue Sharing and Municipal Assistance programs. Loss of any pass through grant funds for the elders residence or for the youth programs would be very hard to overcome.

4. OLD HARBOR

SUMMARY OF CHANGES FROM FY 88

Old Harbor FY 89 revenues are 30 percent less than actual revenues in FY88. Footnotes in Table 7 show that Old Harbor drastically underestimated FY 88 revenues in its FY 88 budget submitted with the Revenue Sharing application. Preliminary checks indicate FY 89 actual revenues are about the same as budgeted revenues. Total Old Harbor revenue is about the same in FY 89 as it was in FY 87. This is possible because Raw Fish Tax revenues have increased to offset declines in Municipal Assistance.

SETTING

Old Harbor is a Second Class City located on Kodiak Island. It is within the Kodiak Island Borough and has a population of 380 people. Its' economy is mainly based on fishing, both commercial and subsistence.

OVERVIEW OF CITY ADMINISTRATION

The mayor, who administers the City, and City clerk are the administrative staff. The City clerk has 10, and the mayor 21, years of experience. Most Council members have served over 7 years.

REVENUES FY89

The FY89 City budget anticipates \$165,643 in new revenues; a decrease of \$73,516 (30%) from actual FY 88 revenues. Sources of revenue include State Revenue Sharing; Municipal Assistance; sales tax; boat harbor fees; Health Clinic; airport maintenance fees; rent from the regional nonprofit Native Association for preschool and senior citizen programs; crab pot storage fees; recreational fees; Raw Fish Tax; library grant; and, legislative capital improvement grants. However, the City's FY 89 revenue is 30% less than in FY 88, it is important to note that in comparing the City's FY 87 budget to the FY 88 budget that the FY 88 budget was 40% less. The City has managed to get back to the FY 87 level primarily because of Raw Fish Tax revenues and grants from the State.

In FY 88, the City budgeted \$99,998 in anticipated revenues and expenditures, excluding the anticipated carry over balance of approximately \$18,000. The expenditure for FY 88 is expected to be \$257,550 with revenues of \$239,159, excluding the revenues received from a legislative grant. Thus, there was a carry over cash balance of \$29,714 at the end of FY 88.

TABLE 7

OLD HARBOR REVENUES

| Source of Revenue | FY 87 | | FY 38 | | FY 89 | |
|-------------------------------|--------------|------|---------------|------|-----------------|------|
| | Amount | % | Amount | % | Amount | % |
| Municipal Assistance | \$43,642 | 28.9 | \$20,000.* | 20.0 | \$31,338.* | 19.0 |
| State Revenue Sharing | 22,773 | 15.1 | 20,908.@ | 20.9 | 22,555.@ | 13.6 |
| Other Government Revenues** | 38,535 | 25.6 | 12,000 | 12.0 | 43,800.^ | 26.4 |
| Enterprise Revenues | 4,000 | 2.7 | 1,500 | 1.5 | 200 | 0.0 |
| Service Fees/Licenses/Permits | 30,906 | 20.5 | 36,170 | 36.2 | 30,352 | 18.3 |
| Tax Revenues | 5,000 | 3.3 | 3,500 | 3.5 | 3,100 | 0.2 |
| Other Revenues | <u>5,900</u> | 3.9 | <u>5,920</u> | 5.9 | <u>34,238.#</u> | 20.7 |
| SUBTOTAL | \$150,756.## | | \$99,998.## | | \$165,643 | |
| Carry Over From Previous FY | <u>0</u> | | <u>18,000</u> | | <u>29,714</u> | |
| TOTAL REVENUE | \$150,756 | | \$117,998 | | \$195,357 | |

*FY88 Municipal Assistance was actually \$31,404 and FY 89 was \$31,404.

**Includes \$12,000 (FY88) and \$24,000 (FY87) in raw tax refunds.

@Actual FY 88 and FY 89 State Revenue Sharing was \$25,898 each year.

^Anticipated Raw Fish Tax Revenue is \$43,000.

#Includes Legislative Grant \$15,000; BIA Road Grant \$5,000; and, Clinic Grant \$5,582.

##Actual FY 87 and FY 88 revenues were \$173,366 and \$239,159, respectively.

Source: Revenue Sharing Applications.

~~The City has a 3% sales tax.~~ However, the tax delinquencies from local businesses are high and there has been no effort to collect the tax.

The City does not cut off services to residents who do not pay. In the last two years more residents have had the finances to pay for their services. A small number of residents are chronic late payers, more than a year behind in payments.

SERVICES

Budgeted FY 89 expenditures are 20 percent less than actual FY 88 expenditures. However, the actual FY 89 expenditures will have to be reduced by as much as 35 percent to match FY 89 revenues.

TABLE 8

OLD HARBOR EXPENDITURES

| | FY 87 | FY 88* | FY 89 |
|--|-------------|------------|--------------|
| ADMINISTRATION, COUNCIL AND FINANCE | \$103,695 | \$46,785 | \$119,116.** |
| POLICE | 5,000 | 650 | 1,750 |
| FIRE | 2,000 | 400 | 563 |
| STREETS AND ROADS | 6,500 | 2,750 | 7,300 |
| AIRPORT | 2,800 | 2,750 | 2,750 |
| HARBORS AND PORTS | 8,800 | 1,500 | 1,000 |
| MASS TRANSIT | 500 | 0 | 0 |
| REFUSE COLLECTION | 9,000 | 4,500 | 3,575 |
| OTHER PUBLIC WORKS | 2,200 | 11,700 | 44,807.*** |
| HEALTH | 7,600 | 8,300 | 6,857 |
| PARKS & RECREATION | 3,400 | 2,000 | 0 |
| LIBRARIES - CULTURE | 4,000 | 3,950 | 6,920 |
| PUBLIC SCHOOL SUPPORT | 800 | 310 | 360 |
| OTHER EXPENDITURES | 500 | 8,000 | 10,128 |
| TOTAL | \$156,795.* | \$93,595.* | \$204,766 |

*FY 87 and FY 88 expenditures were actually \$169,233 and \$257,550, respectively.

**Includes \$23,000 for an audit that will not have to be performed in FY 89.

***Water and Sewer Service \$27,007; Electrical Maintenance \$17,800 reimbursable by AVEC.

Source: Revenue Sharing Applications

Administration: The administrative costs were substantially increased from last year's budget. The increase represents the City's anticipated expenditure for an audit that has now been determined to be required by the end of FY 90. The increase also represents an increase previously eliminated in the FY 88 budget for a deputy clerk; travel; per diem; and, compensation for council members.

Fire: The City has a volunteer fire department with an "attack cat" type fire truck. Expenditures for fire service had a slight increase in FY 89. Fire protection expenditures were reduced by \$1,600 (80%) between FY 87 and FY 88. Fire service would not be eliminated if state subsidy funding was reduced or removed, however, fire fighting supplies and equipment will not be purchased this year.

Police: Funding for the city's VPSO is provided by the State. The City increased its FY 89 budget for the VPSO by \$1,150 to cover operation expenses and maintenance on the City's police vehicle. In FY 88, the city had to reduce its budget by \$4,350 for hiring guards and alternate VPSO's. The local contribution would be eliminated if future state revenues are reduced.

Clinic: The City receives grants from the Kodiak Island Borough and Indian Health Service for the operation and maintenance costs (\$3,000) for the clinic. Health aide salaries are paid by the Kodiak Area Native Association. City support for ambulance service (\$2,000) was dropped in FY 88. A reduction of \$443 from FY 88 was made in general operation and maintenance of the City owned clinic. The City would continue to have health care services even if City funding contributions were reduced because the borough has areawide health powers.

The City received a Legislative grant to renovate the clinic for \$93,000. Upon closer inspection of the clinic building's structural condition the City determined that renovation would be cost prohibitive and decided to build a new clinic. The City has completed Phase I of the new Clinic/Multi-purpose building. Additional funds are needed to complete the facility.

Road Maintenance: The City received a BIA Road Maintenance grant in FY 88 in the amount of \$5,000. The City expects to receive another grant for the same amount in FY 89. This grant is the reason for the 165 percent increase in FY 89 expenditures for roads.

Water: Although the City provides water, there is no charge for this service to residents. Water and sewer service is sold to floating processors that tie up at the dock for a fee of \$1,000.00 per month. The City increased the FY 89 budget by \$15,000 to cover anticipated expenditures to upgrade and maintain the water and sewer systems.

Sewer: The system is a combination septic and outflow pipe system for all buildings in the City. Because sewer operation and maintenance costs are included with those for the water service, it is difficult to distinguish costs associated with sewer operations only.

Electricity: AVEC provides electrical service to the City. AVEC contracts with the City to provide the salary for the plant operator. The power plant and transmission lines are owned by the City. The City does not have any liability insurance on their electrical system. Cost per KWH without PCE to residents is \$.325 for the first 1500 KWH used, with an additional \$.0301 fuel surcharge. The cost for power over 1500 KWH is \$.248. The City received only \$3,157 in sales tax receipts from the electrical utility in FY 88.

Garbage: The City includes this service in their operation budget line items for water service. Garbage collection is provided to residents, school, and floating processors tied to the City dock. The water plant operator also performs the garbage services. The City did not provide regular collection service for the first six months in FY 89. Current reduction to the operator's hours have resulted in the discontinuance of garbage collection and landfill maintenance. The FY 89 budgeted expenditure for this service was reduced by \$935 from FY 88.

Community Facilities: In total, the City received \$43,364 in FY 88 to operate and maintain facilities that house the following programs or entities: Senior citizen program; pre-school; library; clinic; village ANCSA corporation; the city heavy equipment; and, the tribal government administration. The City budgeted \$10,595 for expected operation and maintenance costs, excluding insurance, for the above mentioned programs and entities. Examples of operation costs are: Community Center/City Hall annual operating expenses exceed \$7,500; and Public Works Garage annual operating expenses are about \$5,000.

Insurance: The City has liability insurance only. The City anticipates a payment of \$23,000 in premiums.

ECONOMY

The Governor's Jobs Bill; legislative funds to construct the new clinic; and, the new school construction project the City has contracted with the Kodiak Island Borough to build have been the major contributors to the low unemployment rate during FY 89.

The economic situation is relatively good at this time. In past years, floating processors have hired local people to fill jobs and last summer's fishing season was lucrative. The major sources of income are derived from seasonal fishing activities (salmon, crab, halibut, herring, and cod); jobs from floating processors; and welfare programs.

More jobs might be created by expanding the use of the recently constructed community's subsistence freezer facility to accommodate commercial seafood products. This additional freezing capacity would allow longer duration in processing activity should floating processors continue to use the City dock.

FUTURE FY 90 LOCAL REVENUES

The City has recently introduced ordinances to establish rates for water, sewer, and garbage collection to be effective beginning in May of 1989. However, the City did not identify revenues for these services in the FY 89 budget.

The City perceives that next year's fishing season, including the prospect of floating processor activity within City limits, will mean the community's finances should be identical to this year. The City is continuing its efforts to collect boat harbor and moorage user fees from boat owners and past sales tax owed by local business.

Most services are not charged to consumers in the community, therefore, the City experiences insufficient funds needed to cover regular O & M or major repairs, especially, to the water and sewer system. It is uncertain if residents would support or could afford substantial increases in service charges for water, sewer or garbage disposal.

The City does not expect to reduce services this year and next. However, should the City reduce a service it would eliminate garbage disposal.

5. SELAWIK

SUMMARY OF CHANGES FROM FY 88

Selawik budgeted for an increase in FY89 revenues because the fees for the washeteria, cablevision, and building rent were increased. If these revenues occur as budgeted, Selawik will be in about the same situation as in FY88. However, the City has suffered two events which may reduce enterprise revenues and increase City costs. Thus the City may finish FY89 in worse shape than in FY88.

The farm project has been shut down due to lack of grant funds. This reduces employment opportunities, which may reduce enterprise revenues because people have less money to spend for things like cablevision and showers.

Selawik's water system was expanded to serve an additional 38 homes last fall. All of these lines froze during the cold spell this winter. It is not yet known how much attempts to prevent the freezing or to repair the damage will cost the City.

SETTING

Selawik is within the Northwest Arctic Borough and is located Southwest of Kotzebue. There are 682 people in the city which shows an increase of population from last year's 589. Government funded projects and transfer payments are the main sources of income. Subsistence activities are a major part of the local economy and culture.

OVERVIEW OF CITY ADMINISTRATION

The city has 3 positions in FY89 compared to 3.5 positions in FY88. No other cuts are planned right now.

REVENUES FY89

Revenues are budgeted to increase 10% in FY89. Most of the increase is due to funds for ice road maintenance from the State Revenue Sharing program. The City increased the service fees for the washeteria, cablevision and building rental which are reflected under Enterprise Revenue which is expected to triple in FY89. They also had a fund balance at year end FY88 of \$18,518 which is part of Other Revenue in the FY89 budget.

TABLE 9

SELAWIK REVENUES

| | FY 87 | | FY 88 | | FY 89 | |
|-------------------------------|-------------------|------|------------------|------|------------------|------|
| | Amount | % | Amount | % | Amount | % |
| Municipal Assistance | \$77,000 | 23.7 | \$61,600 | 16.9 | \$56,500 | 13.9 |
| State Revenue Sharing | 33,670 | 10.4 | 27,000 | 7.4 | 86,020 | 21.1 |
| Other Government Revenue | 12,393 | 3.8 | 88,500 | 24.2 | 30,000 | 7.4 |
| Enterprise Revenues | 26,352 | 8.1 | 29,335 | 8.0 | 104,611 | 25.7 |
| Service Fees/Licenses/Permits | 59,338 | 18.3 | 59,800 | 16.4 | 41,400 | 10.2 |
| Tax Revenues | 38,121 | 11.7 | 40,672 | 11.1 | 35,800 | 8.8 |
| Other Revenues | <u>77,900</u> | 24.0 | <u>58,340</u> | 16.0 | <u>52,538</u> | 12.9 |
| TOTAL | \$324,7440 | | \$365,247 | | \$406,869 | |

Source: Revenue Sharing Applications.

EXPENDITURES AND SERVICES

Expenditures for FY89 are budgeted at 27 percent more than last year. The major increase is under police and building maintenance. After recent fires took lives, a Chief Fireman was hired. This position was not in previous years budgets. The Chief has been laid off because of lower than expected FY89 revenues.

The City has amended its FY89 budget two times this year to account for slight reductions in revenues (less than 1%). Reductions were made in the areas of Council, Fire, and Police expenditures.

TABLE 10

SELAWIK EXPENDITURES

| | FY 87 | FY 88 | FY 89 |
|---|------------------|------------------|------------------|
| ADMINISTRATION, COUNCIL, AND FINANCE | \$146,479 | \$152,200 | \$116,166 |
| POLICE AND OTHER PUBLIC SAFETY | 25,000 | 34,000 | 82,483 |
| FIRE | 300 | 0 | 13,603 |
| STREETS AND ROADS | 7,000 | 19,700 | 13,734 |
| REFUSE COLLECTION | 600 | 600 | 3,141 |
| OTHER PUBLIC WORKS | 72,221 | 70,000 | 58,273 |
| HEALTH | 0 | 8,000 | 7,374 |
| OTHER EXPENDITURES | <u>10,000</u> | <u>11,746</u> | <u>11,693</u> |
| EXPENDITURES | \$262,600 | \$296,246 | \$406,467 |

Source: Revenue Sharing Applications.

Administration: The City staff consists of an administrator, bookkeeper and city clerk. The City had a janitor last year but cut that position and now employees do general cleaning around their own area. The City had a staff of seven in FY87 consisting of the administrator, administrative assistant, bookkeeper, city clerk, janitor, and two project coordinators. Since the City did not receive much funding for capital projects, the two project coordinators and the administrative assistant were laid off. Other staff took a cut in their hourly wage. The City also has cut back on paid holidays; council meeting fees; expenses on supplies; phone; travel; light and fuel bills.

Insurance: The City no longer pays for liability insurance. About \$700,000 in City property is not insured against loss. Most of the property was bought with State grants. Liability insurance cost \$5,900 in FY87.

Fire: After recent fires within the City, the council decided to include wages for a Chief Fireman but due to cut backs in revenues, he has been laid off. They currently rely on volunteers. There are no fire trucks but long hoses are available to connect to watering points. However, these watering points are frozen as a result of the cold spell this winter.

Police: The city currently has only one part time city patrolman compared to the three full-time positions in FY87. A full-time VPSO is funded by Maniilaq Manpower and serves as the Chief of Police. Restoring police services will be a priority if more funds become available.

Clinic: Because of cut backs in funding, Maniilaq can no longer pay for the alternate health aides. The City last year had to increase their budget in health to cover everything other than the main health aide which is paid for by the Maniilaq Association. The City Health Board holds bingo once a week to earn money to help pay for clinic expenses but bingo revenues are down because the unemployment rate is so high.

Road Maintenance: The city maintains the road to the landfill. Because they have no gravel source, the City uses boardwalks which serve as paths within the community. Increased expenditures are budgeted to maintain ice roads but the increase in revenues from the State Revenue Sharing program pays for this increase.

Water: The City provided piped water to 11 homes in FY87 as a pilot project to see if the pipes would freeze. They did not. Therefore, the City went ahead and piped water to 38 additional homes this last fall. All lines froze during the cold spell mainly because the water was not heated with waste heat before it went out to the homes. Currently, the City is evaluating the situation. The school currently pays \$62.50 per day for water service.

No charges are made for water services to homes. Preliminary investigations indicate that water and sewer service to each house in the village would cost about \$50.00 per month per house. This fee will be difficult for many villagers to pay.

Sewer: Homes in Selawik do not have septic tanks or sewers. Individuals haul their honeybuckets to the dump. The school pays \$62.50 per day for city sewer service.

The City has a grant to construct sewer service to homes. A decision on what kind of sewer service to build depends on the results of the pilot project discussed under water services.

Electricity: AVEC provides electricity.

Laundry: This facility provides washers, dryers, showers and drinking water. Because there is no running water in houses, the laundry and showers are essential for maintaining community health. The City recently had to increase the costs of laundry tokens in order to cover operating costs. Although the fees received from the laundry facilities are enough for operating expenses, they do not provide a reserve to replace broken equipment.

Cable Television: The City has set up a cable system and is receiving enough money to put in a reserve account to earn interest after covering operating costs. It has about 80 customers. The City has strict policies for non-payment of the service fee.

Community Facilities: The city has constructed two facilities with State grants; a City Office building for \$300,000.00, and a Multipurpose Building at \$200,000.00.

Both buildings do not have water or sewer. The City has cut back by providing heat to the multipurpose building only when the building is to be used. The people that use the building must pay for their own fuel and must clean the building after use. The City has increased rental rates for office space it rents to others.

LOCAL ECONOMY

Unemployment is high because there have been few capital projects to provide local jobs. The major sources of income are AFDC and food stamps. Most of the few jobs in the village are provided by the school, city and the two local stores. The Farm Project, which provided some employment, has been shut down due to lack of funding. Families leave the village for seasonal jobs but eventually move back from Kotzebue or Anchorage.

FUTURE FY90 LOCAL REVENUES

If the City does not receive any capital funding and the State Revenue Sharing/Municipal Assistance programs are cut again; the City will barely be able to make it. Especially if unplanned problems arise such as equipment break downs or the frozen water system proves difficult to fix.

6. NIKOLAI

SUMMARY OF CHANGES FROM FY 88

Nikolai revenues, which continue to decline, are down 14% from FY 88. The largest cut in expenditures is for administration \$34,890 (30%).

For several years Nikolai has been able to supplement its general fund with revenues from the enterprises it operates. However enterprise revenues are also going down because residents have less money to spend on gasoline, electricity and the recreation center pool table. Likewise revenues from the city owned lodge are down because there are fewer travelers.

Major changes in the state Power Cost Equalization program will probably wipe out most of the enterprise revenues which currently supplement Nikolai's general fund because residents would have to pay more for electricity so they would have less to spend on gasoline.

SETTING

Nikolai is a primarily Athabascan native village, incorporated as a second class city in 1970. Nikolai has 119 residents of whom the majority are Alaska Native.

Major employers are the City government, the school, and the store. The clinic and the post office each employ one person, and there is a part-time DOT/PF employee for the airport. Other jobs are seasonal, such as fire fighting and trapping. Subsistence activities are also very important to the local economy. Nikolai's dependence on government entitlements and grants and isolation make it a typical example of a rural village in interior Alaska.

OVERVIEW OF CITY ADMINISTRATION

The City of Nikolai does not have the manager form of government. It does have a city administrator. The City has one full-time (the administrator) and six part-time employees. This is the same level as last year, but the hours have been cut. Part-time positions include the City clerk, the janitor, a maintenance person, light and power person, streets and roads worker and a cable TV operator.

REVENUES FY89

Revenues are projected to be down an additional 14% from FY 88 and 31% from FY 87. Government Revenues are down due to fewer grants this year, and Enterprise Revenues are also down because of less gasoline sales. Most enterprise revenues for FY 88 were from

electricity (\$138,950) and gasoline sales (\$40,500). FY 89's grants are expected to be about \$11,370 less than FY 88.

TABLE 11
NIKOLAI REVENUES

| Source of Revenue | FY 87 | | FY 88 | | FY 89 | |
|-----------------------|------------------|----|------------------|----|------------------|----|
| | Amount | % | Amount | % | Amount | % |
| Municipal Assistance | \$16,000 | 4 | \$9,540 | 3 | \$9,718 | 3 |
| State Revenue Sharing | 28,207 | 7 | 27,290 | 9 | 33,396 | 13 |
| Government Revenues | 29,668 | 8 | 40,680 | 13 | 22,370 | 8 |
| Other Revenues | 10,684 | 3 | 3,530 | 1 | 4,300 | 2 |
| Enterprise Revenues | <u>293,343</u> | 78 | <u>222,310</u> | 73 | <u>192,216</u> | 74 |
| Totals | <u>\$377,902</u> | | <u>\$303,350</u> | | <u>\$262,000</u> | |

Source: Revenue Sharing Applications and City Officials.

SERVICES

Nikolai has continued to cut its operation budget, mainly through reduced hours and reduced wages. In FY 88, the City's operation budget was cut by 21% and in FY 89 it was cut another 14%.

Table 12
NIKOLAI EXPENDITURES

| | FY 87 | FY 88 | FY 89 |
|---|------------------|------------------|------------------|
| ADMINISTRATION, COUNCIL, AND FINANCE | \$125,555 | \$115,040 | \$80,150 |
| POLICE AND OTHER PUBLIC SAFETY | 0 | 0 | 0 |
| FIRE | 1,700 | 220 | 0 |
| STREETS AND ROADS | 6,938 | 4,270 | 2,500 |
| REFUSE COLLECTION | 1,524 | 310 | 400 |
| WATER AND SEWER | 2,760 | 1,940 | 500 |
| ELECTRIC POWER GENERATION | 111,998 | 78,330 | 85,800 |
| HEALTH | 4,600 | 3,900 | 1,800 |
| PARKS AND RECREATION | 10,218 | 4,660 | 5,100 |
| OTHER EXPENDITURES | <u>117,617</u> | <u>94,320</u> | <u>85,750</u> |
| TOTAL EXPENDITURES | <u>\$381,910</u> | <u>\$302,990</u> | <u>\$262,000</u> |

Source: Revenue Sharing Applications.

Administration and Finance: This includes salaries for the administrator and the part-time clerk. In FY 88 this cost was \$115,040. For FY 89, \$80,150 has been budgeted.

Insurance: In FY 89, the City paid \$24,000 for insurance. This covers everything except hull insurance on their tugboat and collision on a couple pieces of equipment.

Community Center: In FY 88 this expenditure was budgeted at \$20,840, but has been reduced to about \$12,000 for FY 89. The center is not expected to pay for itself.

Fire: This line item was not budgeted for FY 89.

Police: Nikolai does not budget for this item. It has no police service other than State troopers stationed in McGrath.

Clinic: The space for the clinic is rented to the Indian Health Service for \$695 per year; down from \$1,200 per year. The clinic is operated by the Tanana Chief's Conference (TCC), but receives part of its funding from the City. Services include outpatient care; treatment and prevention of common illnesses; pre-natal care; well baby care; and, family planning. TCC pays for the aide; two alternates; and, one half of the substance abuse counselor. The City pays for the other 50% of the substance counselor as well as all utilities and heat for the clinic. In FY 88 the City's cost for the clinic was \$3,900, which was reduced to \$1,800 in FY 89.

Road Maintenance: The City provides road maintenance on 3.9 miles of gravel roads. Funding was \$4,200 in FY 88, and was reduced to \$2,500 in FY 89.

Water and Sewer: Water is available at the community center/laundromat at no charge. Waste disposal is by pit privies for residences and a septic system for the community center. In FY 89, this line item is \$500, down 74% from \$1,940 in FY 88. It is hoped that this will pay for well maintenance and supplies.

Electricity: The City of Nikolai provides power to the community from two diesel generators. The cost of power is \$0.50 per kilowatt hour (kwh) for residential and commercial customers. The State's power cost equalization subsidy reduces that cost to all customers by 21.01 cents per kwh. Budgeted expenditures for this line item were \$78,330 in the FY 88 budget, and \$85,800 in FY 89.

Laundry: The laundromat is part of the community center building, constructed by a State grant. It is operated in the black, due to a great reduction in operating costs for FY 88. The budget, which does not include heat and utilities as the laundromat is in the same building as the community center, was \$1,250 for FY 88, and the same for FY 89. Revenues are projected to be \$7,500 in FY 89.

Garbage: Residents take their own garbage to the City operated land fill. There is no charge for this service. This City has budgeted \$400 for FY 89, up from \$310 in FY 88.

Summer Youth Employment Program: This program was not budgeted in FY 89.

Parks and Recreation: A major reduction occurred in this line item from \$10,218 in FY 87 to \$4,660 in FY 88. The FY 89 budget is \$5,100, with expected revenues of \$6,500, primarily from the pool table and pop sales.

Libraries: No grant was received in FY 89.

OTHER EXPENDITURES

Cable TV Service: The City owns and operates the cable TV service. In FY 88, the amount for cable TV was \$18,110. The service continues to lose money. Projected income: \$9,000.

Apartment Rentals Enterprise: The City owns and rents out apartments for additional income. Operational costs were budgeted at \$880 in FY 88. Projected income for FY 89 is anticipated to be \$7,750, including "hotel" rental.

Lodging Enterprise: This is a City-owned "hotel" for transients. In FY 88, \$2,330 was budgeted for this item.

Fuel Sales Enterprise: With a budget of \$33,500, anticipated sales will allow them to break even.

LOCAL ECONOMY

Major sources of income to residents remain City jobs, public assistance and other government payments, as well as the permanent fund dividend.

There are no plans for further capital projects which would create jobs.

FUTURE FY 90 LOCAL REVENUES

They don't expect further cuts in their budget, unless State Revenue Sharing and Municipal Assistance are cut. Revenue from enterprise activities are anticipated to remain about the same level as this year. There may be some added revenue, if plans to lease their tugboat work out.

7. KAKE

SUMMARY OF CHANGES FROM FY 88

FY89 revenues are projected to be slightly (3.5%) higher than in FY88. Most of the projected increase is to come from the 70 percent increase in water and sewer service fees. However, the recent closing of the fish processing plant may result in fewer local jobs which means people may not be able to pay the increased user fees. If enterprise revenues do not meet projections, then Kake will end up in worse shape at the end of FY89 than it was in FY88.

SETTING

Kake is a first class city located on Kupreanof Island in Southeast Alaska. It has a population of 665. As a first class city, Kake also has its own school district.

OVERVIEW OF CITY ADMINISTRATION

The City of Kake does not have the manager form of government. In FY 88 the mayor received a salary and worked full time to meet his responsibilities for city administration. In FY 89, the city decided to hire a full time city administrator. As a result, Kake's administration and finance expenditures increased by 45 percent. The City currently has 11 full-time and 6 part-time permanent employees and hires temporaries as needed. This compares with a level of 19 employees last year and 22 in FY 87.

REVENUES FY89

According to the City's FY 89 budget, revenues are projected to be up 3.5 percent from last year (Table 13). There is an increase in projected "Tax Revenue" due to a recent annexation and an increase in the sales tax rate from 3% to 5%. The increased "Enterprise Revenues" are a result of increasing utility user fees 70 percent and larger liquor store receipts. The "Other Revenues" category is down drastically because city equipment has not been rented very much.

TABLE 13

KAKE REVENUES

| | FY 87 | | FY 88 | | FY 89 | |
|-------------------------------|------------------|----|------------------|-----|------------------|------|
| | Amount | % | Amount | % | Amount | % |
| Municipal Assistance | \$ 79,000 | 13 | \$ 68,000 | 10 | \$ 56,797 | 8.2 |
| State Revenue Sharing | \$ 45,000 | 7 | \$ 35,000 | 5 | \$ 29,000 | 4.2 |
| Other Government Revenues | \$147,700 | 24 | \$108,666 | 16 | \$ 108,166 | 15.7 |
| Enterprise Revenues | \$180,600 | 29 | \$175,500 | 27 | \$ 312,000 | 45.1 |
| Service Fees/Licenses/Permits | \$ 45,000 | 7 | \$ 800 | 0.1 | \$ 800 | 0.1 |
| Tax Revenues | \$ 75,000 | 12 | \$ 62,500 | 9 | \$ 115,000 | 16.6 |
| Other Revenues | <u>\$ 45,000</u> | 7 | <u>\$216,650</u> | 33 | <u>\$ 69,276</u> | 10.1 |
| Total | \$617,300 | | \$667,116 | | \$691,039 | |

Source: Revenue Sharing Applications.

EXPENDITURES AND SERVICES

Budgeted expenditures for services increased 4 percent from FY 88 (Table 14).

TABLE 14

KAKE EXPENDITURES

| | FY 88 | FY89 |
|--------------------------|----------------|---------------|
| City Council | \$26,900 | \$18,250 |
| Administration & Finance | 99,320 | 144,370 |
| Land Planning | 17,700 | 16,500 |
| Other General Gov't | 46,500 | 48,000 |
| Police Dept. | 97,600 | 91,100 |
| Fire Dept. | 4,600 | 3,600 |
| Jail | 25,700 | 19,914 |
| Road Maintenance | 38,700 | 38,700 |
| Boat Harbor | 16,350 | 12,304 |
| Garbage Collection | 25,642 | 24,040 |
| Water & Sewer | 79,135 | 79,570 |
| Community Building | 37,400 | 36,206 |
| Dock & City Shop | 2,000 | 2,340 |
| Health Clinic | 2,000 | 5,345 |
| Public Schools | 30,000 | 77,000 |
| Debt Service | 5,000 | 5,000 |
| Other Expenses | <u>112,000</u> | <u>66,600</u> |
| TOTAL | \$666,547 | \$688,839 |

Source: Revenue Sharing Applications

Fire: The City owns the building in which the small fire department is located. The Department operates with a small staff and volunteers. The FY 89 budget has been reduced 22 percent from FY 88. The city pays for the heating fuel, electricity and maintenance and operation of the fire truck. Volunteer fire fighters are on 24 hour call. Staff are trained in emergency medical services and participate in search and rescue operations.

Police: Kake has a VPSO position, a police chief and two patrol officers. Police officers are required to patrol daily. There are three cells located in the police department building and staff is responsible for the safety of prisoners. The City has a contract with the State for \$15,000 to provide jail services. The City provides funding for all miscellaneous items including meals, lights, water, etc. Even though the City made severe cuts to the police department in FY 88 (elimination of a patrol office, reduction in vehicle maintenance, salaries reduced, etc.), the FY 89 police department was reduced by nearly 7percent.

Clinic: The city owns and operates the health clinic and spends approximately \$5,300.00 for fuel, electricity, and phone bills. The city also provides funding for the operation and maintenance of the ambulance. No reductions were made in FY 89 and there are no plans to reduce the level of service or funding. The Indian Health Service provides funding for clinic operations.

Road Maintenance: There has been no reduction in road maintenance. The city receives \$46,700 from a State contract to maintain State roads. The city owns a grader, but it is in poor condition and needs constant repair and maintenance. The city provides fuel for road maintenance.

Water/Sewer/Garbage Collection: The City provides residents with piped water and sewer service and garbage collection. Due to the increased costs of providing these services, in FY 89 the City raised its monthly rates from \$14.00 to \$24.00 for residential users and up to \$41.00 for commercial users. Additionally, the City charges the School District and Cold Storage \$500.00 a month for these services. The City hopes to extend and upgrade the sewer system and is currently seeking grant funds for that purpose.

Public Schools: Spending in FY 89 is 157 percent greater than in FY 88. As a first class city located outside a borough, the City operates and maintains a public school system. As a result of recent legislation regarding local support for public schools, the City anticipates having to spend a substantial amount more on its school system in the future.

Community Facilities: The city owns and operates the community building. Space is rented to Kake Tribal Corporation which also pays one half of the insurance.

LOCAL ECONOMY

The local economy is based on the fishing and timber industries. Unfortunately for the City, the fish processing cold storage plant recently closed down with no foreseeable start-up date. The logging industry is projected to be stable for next year.