

**ALASKA LEGISLATURE COMMITTEE FILES 1991-1992 8672**  
**6758 HOUSE COMMUNITY & REGIONAL AFFAIRS**

Given these circumstances, we believe that it is imperative that the State continue to plan for the formation of new boroughs. As a consequence of the Department's continuing study of borough government, we have concluded that the creation of regional governments, specifically home rule boroughs, offers an effective means of improving the quality of lives of rural Alaskans. For example, the formation of boroughs would:

- ° Enhance Fulfillment of Constitutional intent: Article X, Section 3 of the Constitution of the State of Alaska requires all areas of the state to be divided into boroughs. Areas which meet the standards for borough incorporation (including financial resources) were intended to organize.
- ° Improve local control: Home rule boroughs provide the most effective means to transfer power to local residents. Decisions about local issues are made by local elected officials.
- ° Increase local revenue generating capacity: As State revenues decline, the ability to generate local revenues becomes more critical. Given their vast regional boundaries, boroughs enjoy unrivaled capacity to generate revenues.
- ° Improve Tribal-State relations: Home rule governments permit the greatest degree of cultural sensitivity to traditional institutions and values. A home rule borough would enable Alaska Natives to develop regional governments which respond to many of the moral and cultural problems facing villages today. This more acceptable and suitable form of government would likely improve relations between the State and Native villages. This, in turn, might preempt the development of a separate Tribal-Federal relationship that excludes State participation.
- ° Create More efficient structures: In the past six years, four new boroughs have formed. These new boroughs have proven to be highly efficient service providers, in some cases saving several hundreds of thousands of dollars annually through consolidation of school operations and other services.
- ° Provide greater local responsibility for service delivery: Under current circumstances, local residents of parts of the unorganized borough pay nothing for government services. In some instances, this has led to a diminished concern at the local level about the cost of such services. Borough

POSITION PAPER - SS HB 1  
March 13, 1991  
Page Six

government would require local support for certain services and thus bring a measure of increased responsibility in the delivery of services.

Conclusion. The foundation for the creation of borough governments in Alaska was laid thirty-five years ago during the Constitutional Convention. In spite of the fact that Alaskans have objected to borough formation over the ensuing years, this form of regional government has proven to be an effective and efficient service provider.

For the reasons cited above, the Department supports the policy directions of parts of SSHB 1 and opposes others. The Department intends to offer related proposals during the current session.

  
\_\_\_\_\_  
Edgar Batchford, Commissioner



STATE OF ALASKA  
OFFICE OF THE GOVERNOR

**BILL ANALYSIS**

DEPARTMENT C&RA	DIVISION MRAD	BILL NUMBER SS HB 1	SPONSOR Representative Larson
SHORT TITLE OF BILL Act relating to incorporation of boroughs, annexation of certain areas, committee on munis			
DEPARTMENT POSITION			
PREPARED BY Dan Rockhorst	DATE 3/14/91	COMMISSIONER'S SIGNATURE <i>[Signature]</i>	DATE 3/14/91

**SUMMARY**

OTHER AGENCIES AFFECTED BY BILL	CONSTITUENT GROUP(S) AFFECTED BY BILL
ORGANIZATIONAL SUPPORT FOR BILL	ORGANIZATIONAL OPPOSITION TO BILL

FISCAL IMPACT:  NONE  FISCAL NOTE ATTACHED

BACKGROUND/LEGISLATIVE INTENT

See attached

ANALYSIS OF BILL/PROGRAM EFFECTS

See attached

AMENDMENTS PROPOSED

See attached

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS.

### Background/Legislative Intent

SSHB 1 has evolved from legislation considered by the Fifteenth and Sixteenth Alaska Legislatures and House Bill 1 currently before the Seventeenth Alaska Legislature. It creates a "Committee on Municipalities" to consider means to eliminate or reduce disincentives and enhance incentives for the formation of boroughs and to consider ways to ensure greater equity in the distribution of financial aid to all municipalities.

The SSHB 1 also calls for a boundary study of the unorganized borough to determine which regions meet the standards for borough incorporation and which should be annexed to existing regional governments. It provides for annexation and home rule borough incorporation by the legislature under the terms of Article X, Section 12 of the Constitution, upon failure of the referendum for annexation and borough incorporation by popular vote.

It further provides that the Department of Community and Regional Affairs will prepare a provisional home rule charter for boroughs to be incorporated by the act. And it introduces the provision for election of a charter commission in the regions approved for borough incorporation by popular vote. Staff and administrative assistance will be provided to the charter commissions by the Department of Community and Regional Affairs.

### Analysis of Bill/Program Effects

Section 1. COMMITTEE ON MUNICIPALITIES. While the Committee consists of members representing appropriate bodies to carry forward its tasks, it would benefit from the inclusion of a representative from both the Department of Revenue and Department of Education, as provided by HB 1. The SSHB 1 Committee adds a representative from a city in the unorganized borough, a representative of the Alaska Municipal League, a representative of a regional educational attendance area school board and a member of a local governing body organized under 25 U.S.C. 476 or a traditional village council of an ANCSA village to the Committee envisioned by HB 1.

Analysis of Bill/Program Effects (continued)

However, the representative of a city in the unorganized borough (added by SSHB 1) should be from either a first class or home rule city. Several such municipalities expressed interest in reclassifying to second class status over the last year in order to eliminate their current obligations for education services. A representative from a city in this situation could offer valuable insight on ways to provide equity in state funding for local services.

The Committee should also provide a representative from regional governments of defined population (one with fewer than 10,000 residents and one with more than 10,000 residents). Because the issues of impact to governments can differ significantly by the size of the municipality, the Department encourages representation by both specters.

Section 2. BOUNDARY STUDY. The Local Boundary Commission (LBC) is actively engaged in a study essentially identical to the one outlined in Section 2 (a) and (b). The only distinction is that the LBC's efforts focus on boundaries to the intentional exclusion of matters relating to the financial viability of prospective boroughs. The project is scheduled for completion in June of 1992.

With respect to financial viability, the Department of Community and Regional Affairs completed a series of borough feasibility studies for nearly all regions of the unorganized borough in 1988 and 1989. Thus, the study requested by this proposed legislation could in fact be accomplished by completion of the LBC's 'model boundaries study' in conjunction with an update to the Department's earlier borough feasibility studies.

Section 3. ANNEXATION OR BOROUGH FORMATION. This section of SSHB 1 provides mandatory borough incorporation through submittal of a proposal from the LBC to the legislature failing incorporation by popular vote. The Department appreciates the opportunity of the populace to incorporate. It further believes however, that the incorporation process should not move forward to legislative mandate if the electorate fails to approve the referendum. The Department and LBC have long maintained that boroughs should be created through popular vote. In point of fact, the Commission has counseled against mandatory incorporation on several occasions while supporting local initiative.

Section 4. PROVISIONAL HOME RULE CHARTER and Section 5. CHARTER COMMISSION. The process proposed by Sections 4 and 5 appears to be unnecessarily complicated, redundant and out of synchronization. For example, the Section 4 provides that the Department shall prepare a provisional home rule charter by March 1, 1995 for each region incorporated under the act. (Voters are allowed to petition for amendments to the charter.)

Analysis of Bill/Program Effects (continued)

Section 5 establishes that the election of a proposed charter (as prepared by a charter commission), shall be held no later than October, 1995. If no charter created by the charter commission is approved by voters, then the provisional charter prepared by the Department and any proposed amendments will operate as the charter for the new borough. Thus, for boroughs created either through legislative mandate or local election, it is conceivable that there will be no borough charter in place until at least March of 1995.

However, Section 3 (a) establishes that borough incorporation elections shall be conducted sometime between May 1 and December 1, 1994. Further, Section 3 (d) provides that, failing the election, a recommendation for borough incorporation may be submitted to the legislature during the first 10 days of the First Regular Session of the Eighteenth Alaska State Legislature. This would place the date of submittal in January, 1993.

Not only is the latter impossible (submittal of a recommendation to the 1993 legislature following an election that may not occur before May of 1994) but any borough formed before March of 1995 either through legislative mandate or local election may be operating without a charter.

The Department believes that it is important to have a basic charter proposal and a means for voters to tailor it to their specific needs at the time the borough incorporation election occurs. This could be accomplished by eliminating the charter commission, establishing the creation of a provisional charter by May, 1992, and simply allowing the new borough to operate under the provisional charter as written or amended by the residents of the borough, following incorporation. This would simplify an already complex process, eliminate redundant measures, and reduce the fiscal impact of this bill.

Other processes contained within the provisions of this bill are likewise out of sequence.

Amendments Proposed

The Department urges revisions to SSHB 1 as discussed herein. Notably these relate to composition of the Committee on Municipalities, provisions for legislatively mandated borough incorporation, time sequencing of certain events, and elimination of home rule borough charter commissions.

FISCAL NOTE

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

BILL NO. SS HB 1

Revision Date: \_\_\_\_\_ Department Affected: Community & Regional Affairs  
 Title: "An Act relating to the BRU: Local Government Assistance  
incorporation of boroughs..." Component: Local Boundary Commission  
 Sponsor: Rep Larson  
 Requestor: \_\_\_\_\_ COMPONENT SERIAL NO. 

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	114.6	57.7	-0-	-0-	-0-	-0-
TRAVEL	57.9	3.2	-0-	-0-	-0-	-0-
CONTRACTUAL	18.1	-0-	-0-	-0-	-0-	-0-
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>190.6</b>	<b>60.9</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

CAPITAL						
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REVENUE	190.6	60.9	-0-	-0-	-0-	-0-
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FUNDING: (Thousands of Dollars)

GENERAL FUND	190.6	60.9	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	<b>190.6</b>	<b>60.9</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

POSITIONS:

FULL-TIME	2	2	0	0	0	0
PART-TIME	1	1	0	0	0	0
TEMPORARY						

Estimate of current year impact: There is no fiscal impact for FY 91.

ANALYSIS: (Attach a separate page if necessary.)

Please see attached.

Prepared By: Remond Henderson, Director *Remond Henderson* Phone: 465-4708  
 Division: Administrative Services Date: 3/14/91  
 Approved by Commissioner: *[Signature]* for SD. and Blalock  
 Agency: Community & Regional Affairs Date: 3/14/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

SSHB No. 1: FISCAL NOTE ANALYSIS

The following analysis addresses only the activities specified by the bill. These consist of operational expenses of the Committee on Municipalities (Section 1), the Boundary Study Section 2) and the Charter Commissions (Section 5).

Fiscal impact to the State in terms of borough organizational grants, state revenue sharing, municipal assistance, savings resulting from borough formation, etc. is not included. It is impossible to project these amounts at this time since their totals will depend upon unknown variables such as the number of new boroughs, the population of the boroughs, the number of students in each borough, local tax effort and the total assessed valuations of the boroughs.

COMMITTEE ON MUNICIPALITIES (SSHB 1, Section 1)

Staff Positions:

Funding is provided for staff support to the COMMITTEE ON MUNICIPALITIES. Figures are based upon the assumption that staff members are employed 12 months in FY'92 and 6 months in FY'93.

	FY 92	FY 93	
1 Full-Time LGS IV (Range 19)	\$ 60,077	\$ 30,772	
1 Full-Time Admin Ass't (Rng 12)	39,222	19,108	
1 Half-Time Clk Typ III (Rng 80)	15,321	7,847	
	<u>\$114,620</u>	<u>\$ 57,727</u>	TOTAL: \$172,347

Travel and Per Diem:

The following figures assume that the COMMITTEE ON MUNICIPALITIES will conduct four meetings in FY'92 and two in FY'93. Meetings will be held in six different regional centers in the state. The figures include travel and per diem for the local government representatives only. Travel and per diem are estimated at \$800 per meeting for each of the two members. Costs of others will be borne by existing agencies.

	FY 92	FY 93	
Travel and Per Diem:	\$ 6,400	\$ 3,200	TOTAL: \$ 9,600

SSHB No. 1: FISCAL NOTE ANALYSIS (continued)

BOUNDARY STUDY (SSHB 1, Section 2)

Funding will complete the LBC's "Model Boundaries Study" and update the findings of the Department's Borough Feasibility Studies. Staff costs will be assumed by the Department.

	<u>FY 92</u>	
Travel:	\$ 51,500	
Teleconferences:	6,600	
Public Notices and Publications	<u>11,500</u>	
	\$ 69,600	TOTAL: \$ 69,600

CHARTER COMMISSION (SSHB 1, Section 5)

The following figures assume that five CHARTER COMMISSIONS are elected; it will cost \$300 in travel and per diem per member per meeting; and that each commission meets twice in FY'95 and three times in FY'96. Cost of providing technical assistance to commissions will be borne by the Department using existing staff.

	<u>FY 95</u>	<u>FY 96</u>	
Travel and Per Diem:	\$ 21,000	\$ 1,500	TOTAL: 52,500

TOTAL FISCAL IMPACT: \$304,047



Position Title Local Government Specialist IV		No. of Positions 1	Range / Step 19/B	Org. Unit GGU
Time Status Part time	Staff Months 6	Location Anchorage		Election District
TYPE OF EXPENDITURE		Amount	Justification To perform research & analyses of ways to reduce disincentives & to enhance incentives for borough formation and to investigate ways to provide greater equity in the distribution of state funds among municipalities. Findings will be presented to the Committee on Municipalities in formal reports and recommendations. Staff shall also provide technical support in terms of drafting correspondence for the Committee, responding to inquiries from local elected and appointed officials regarding Committee activities, maintaining records of Committee activities. This position will supervise the Administrative Assistant I and Clerk Typist III assigned to the Committee.	
Salary	22.8			
Benefits	8.0			
Premium Pay				
Other				
Total Personal Services		30.8		
Travel		3.2		
Contractual				
Commodities				
Equipment				
Other				
Total Cost				
FUNDING SOURCE FOR TOTAL COST		34.0		
Federal Receipts	1002			
G.F. Match	1003			
General Fund	1004	34.0		
I.A Receipts	1007			
CIP Receipts	1061			
Other				

**Request For  
New Position**

AGENCY Community & Regional Affairs  
 BRU Local Government Assistance  
 COMPONENT Local Boundary Commission

**FY** 93

Page 5 of 9  
 Revised Date: \_\_\_\_\_

Position Title <b>Administrative Assistant I</b>		No. of Positions <b>1</b>	Range / Step <b>12/A</b>	Barg. Unit <b>GGU</b>
Time Status <b>Full time</b>	Staff Months <b>12</b>	Location <b>Anchorage</b>		Election District
<b>TYPE OF EXPENDITURE</b>		<b>Amount</b>		
Salary	<b>27.0</b>	<b>Justification</b>  To assist the LGS IV in research and analyses activities. This position will attend to the needs of the Committee in terms of coordinating and organizing meetings and publishing public notices. The position will also be responsible for arranging travel of Committee members and drafting minutes of the Committee's meetings and public hearings.		
Benefits	<b>12.2</b>			
Premium Pay				
Other				
<b>Total Personal Services</b>	<b>39.2</b>			
Travel				
Contractual				
Commodities				
Equipment				
Other				
<b>Total Cost</b>				
<b>FUNDING SOURCE FOR TOTAL COST</b>				
Federal Receipts	<b>1002</b>			
G.F. Match	<b>1003</b>			
General Fund	<b>1004</b>	<b>39.2</b>		
I-A Receipts	<b>1007</b>			
CIP Receipts	<b>1061</b>			
Other				

**Request For  
New Position**

AGENCY Community & Regional Affairs  
 BRU Local Government Assistance  
 COMPONENT Local Boundary Commission

**FY** 92

Page 6 of 9  
 Revised Date: \_\_\_\_\_

Position Title Administrative Assistant I		No. of Positions 1	Range / Step 12/B	Barg. Unit GGU
Time Status Part time	Staff Months 6	Location Anchorage		Election District
TYPE OF EXPENDITURE		Amount		
Salary	14.1	Justification To assist the LGS IV in research and analyses activities. This position will attend to the needs of the Committee in terms of coordinating and organizing meetings and publishing public notices. The position will also be responsible for arranging travel of Committee members and drafting minutes of the Committee's meetings and public hearings.		
Benefits	5.0			
Premium Pay				
Other				
Total Personal Services	19.1			
Travel				
Contractual				
Commodities				
Equipment				
Other				
Total Cost				
FUNDING SOURCE FOR TOTAL COST				
Federal Receipts 1002				
G.F. Match 1003				
General Fund 1004	19.1			
I-A Receipts 1007				
CIP Receipts 1061				
Other				

**Request For  
New Position**

AGENCY Community & Regional Affairs  
 BRU Local Government Assistance  
 COMPONENT Local Boundary Commission

**FY** 93

Page 7 of 9  
 Revised Date: \_\_\_\_\_

Position Title <b>Clerk Typist III</b>		No. of Positions <b>1</b>	Range / Step <b>B/A</b>	Barg. Unit <b>GGU</b>
Time Status <b>Part time</b>	Staff Months <b>6</b>	Location <b>Anchorage</b>		Election District
<b>TYPE OF EXPENDITURE</b>		<b>Amount</b>		Justification To assist the LGS IV and Administrative Assistant in providing staff support to the Committee on Municipalities. This will include typing Committee correspondence, maintaining files and clerical back-up to other staff members.
Salary	<b>10.6</b>			
Benefits	<b>4.7</b>			
Premium Pay				
Other				
<b>Total Personal Services</b>		<b>15.3</b>		
Travel				
Contractual				
Commodities				
Equipment				
Other				
<b>Total Cost</b>				
<b>FUNDING SOURCE FOR TOTAL COST</b>				
Federal Receipts 1002				
G.F. Match 1003				
General Fund 1004		<b>15.3</b>		
I-A Receipts 1007				
CIP Receipts 1061				
Other				

**Request For  
New Position**

AGENCY Community & Regional Affairs  
 BRU Local Government Assistance  
 COMPONENT Local Boundary Commission

**FY** 92

Page 8 of 9  
 Revised Date: \_\_\_\_\_

Position Title Clerk Typist III		No. of Positions 1	Range / Step B/A	Marg. Unit GGU
Time Status Part Time	Staff Months 3	Location Anchorage		Election District
TYPE OF EXPENDITURE		Amount		
Salary	5.4			
Benefits	2.4			
Premium Pay				
Other				
Total Personal Services		7.8		
Travel				
Contractual				
Commodities				
Equipment				
Other				
Total Cost				
FUNDING SOURCE FOR TOTAL COST				
Federal Receipts	1002			
G.F. Match	1003			
General Fund	1004	7.8		
I-A Receipts	1007			
CIP Receipts	1061			
Other				
Justification To assist the LGS IV and Administrative Assistant in providing staff support to the Committee on Municipalities. This will include typing Committee correspondence, maintaining files and clerical back-up to other staff members.				

**Request For  
New Position**

AGENCY Community & Regional Affairs  
 BRU Local Government Assistance  
 COMPONENT Local Boundary Commission

**FY** 93

Page 9 of 9  
 Revised Date: \_\_\_\_\_

# CITY OF SKAGWAY

GATEWAY TO THE GOLD RUSH OF '98"

P. O. BOX 415 SKAGWAY, ALASKA 99840

(PHONE) 907-983-2297

(FAX) 907-983-2151

March 14, 1991

Via Facsimile Transmittal

Representative Jerry Mackie  
F.O. Box V  
Juneau, AK 99811

RE: SS HB 1

Dear Representative Mackie;

The City of Skagway wishes to make its position on House Bill 1 known to you, as chairman, and to the other members of the Community and Regional Affairs Committee.

Attached is a 5/16/90 letter written on behalf of the City to the Local Boundary Commission. The letter expresses the City of Skagway's serious doubts that inclusion of Skagway in a borough will have a beneficial effect.

Skagway is a first-class city, with an established local government and school district. As the 5/16/90 letter points out, inclusion of Skagway in an expanded Haines borough would lead to higher school district expenses, less governmental efficiency and a loss of local control.

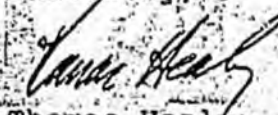
In times such as these, when local governments are seeking greater efficiencies, are saddled with more and more service demands and regulatory requirements and are doing their utmost to maintain a sense of accountability with taxpayers, it seems counterproductive to mandate that communities shoulder yet another layer of government.

The City of Skagway does not question the need to address the issue of "ideal" borough boundaries. Expanded borough boundaries may have beneficial effects in some parts of the state. This would not be the case in Skagway, however.

Finally, the City of Skagway strongly endorses the ability of local communities to decide, in a vote binding upon the Local Boundary Commission, whether to be included in a borough or not.

Please enter this and the attached letter into the record of today's hearing. The City of Skagway thanks you and the committee members for this opportunity to comment on this proposed legislation.

Sincerely,



Thomas Healy  
City Manager

# CITY OF SKAGWAY

GATEWAY TO THE GOLD RUSH OF '98"

P. O. BOX 415 SKAGWAY, ALASKA 99840

(PHONE) 907-983-2297

(FAX) 907-983-2151

VIA FACSIMILE TRANSMITTAL: ORIGINAL TO FOLLOW

May 16, 1990

LBC Component  
Department of Community and Regional Affairs  
949 E. 36th Avenue, Room 405  
Anchorage, AK 99508

RECEIVED

MAY 21 1990

Dept. of Comm. & Reg. Affairs  
Div. of Municipal & Reg. Asst.

Dear Sirs;

The City of Skagway, in commenting on the draft report to the Local Boundary Commission concerning "ideal boundaries" of existing and prospective boroughs in Southeast Alaska, wishes to object to the conclusion that Skagway be included in an expanded Haines Borough.

The critical question is, if existing boundaries do not place Skagway in the Haines Borough, what change has or will occur that would compel its inclusion now or in the future?

Inclusion of Skagway in the Haines Borough might be advantageous if there is a clear indication that this would result in efficiencies in the delivery of local governmental services. As in most regions in Alaska, however, the extremes of natural geography and weather--not artificial governmental boundaries--often decide if the local governmental structures are efficient or not. It is the opinion of the City that the delivery of area-wide services in Skagway by a borough government based in Haines would not enhance the delivery of governmental services.

Transportation services between Skagway and Haines are developed to the extent allowed by the Marine Highway budget, terrain and local weather conditions. The communities are connected by road, but the journey requires going into Canada and driving a distance equivalent to traveling from Seattle to Idaho. The weather and the severe natural terrain often mock the apparent proximity of the towns and create a sense of separation far in excess of the fifteen miles between Skagway and Haines. This "distance" imposed by natural geography and weather conditions acts as a significant deterrent to a sharing of services between the two towns and would exert the same pressures--and costs--on any attempts to provide borough services to Skagway.

For example, the operation of the local school is a matter of significant local concern and pride. Under a borough, Skagway's school district would become part of the Haines Borough school district. Skagway would lose an important sense of local control and oversight of school administration by having its voice diminished, if effect, by trading a local school board for minority representation on a borough school board.

The notion that expanded boroughs would make for more efficient operation of small districts is false in Skagway's case. The Skagway school district presently operates at a minimum level of staffing necessitated not by what is perceived as an inherent inefficiency of small school districts but by inequities in the state's funding formula that do not provide Skagway and other small districts with the proper level of funding. This is a matter of prime importance in Skagway and it is an issue that inclusion in a borough will not address. If inclusion in a borough will do anything to education in Skagway, it will increase district costs due to travel required for school board members, staff and administrative personnel.

LBC Component

5/16/90

Page Two

The delivery of other area-wide government services in Skagway by a Haines Borough would require abandonment of the present third-class status of the borough in favor of a first- or second-class borough. The delivery of services would encounter difficulties similar to those shown above. An expanded borough would increase administrative requirements for tax assessment and collection and planning and zoning. The economical, small-scale and, in Skagway's case, part-time manner in which these services are presently performed would evolve into a larger and more costly administrative process. In addition to concern over higher service delivery costs, Skagway would be concerned that these costs be fairly apportioned, so that Skagway will not incur a disproportionate burden of funding area-wide services.

The economy of Skagway shares similarities with that of the Haines Borough, but there are significant differences. Skagway is dependent upon transportation and tourism. The Haines area is dependent upon timber and fishing. While diversity provides strength to a regional economy, it may also generate conflicts. Although Skagway recognizes the interdependence of regional economies, the historic independence of Skagway and its ability to pursue economic initiatives is a prized local asset. Inclusion in a borough might be seen generally as a dilution of Skagway's ability to plan and implement its economic goals.

In theory, there are broad, commendable reasons for including Skagway in an expanded Haines Borough. If the details of actual practice are examined, however, it is clear that this prospect would increase service costs and cause a loss of local control over important local services. To include Skagway in the Haines Borough would impose an unnecessary administrative structure upon an efficient and cost-effective local government.

Thank you for the opportunity to comment on the draft report. If you have any questions, please advise.

Sincerely,



Thomas Healy  
City Manager

FISCAL NOTE

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

BILL NO. SSHB 1

Revision Date: \_\_\_\_\_ Department Affected: Office of the Governor  
 Title: Relating to Incorporation of Boroughs  
annexations, comm. on muni. BRU: Elections  
 Component: Elections I

Sponsor: Rep. Larson  
 Requestor: House CR&A COMPONENT SERIAL NO. 

0	0	2	2
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		*	*			

CAPITAL						
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REVENUE		*	*			
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FUNDING: (Thousands of Dollars)

GENERAL FUND		*	*			
FEDERAL FUNDS						
OTHER						
TOTAL		*	*			

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: \_\_\_\_\_

ANALYSIS: (Attach a separate page if necessary.)  
 SEE ATTACHED

Prepared By: Elizabeth A. Ziegler Phone: 465-4611

Division: Elections Date: 3-8-91

Approved by Commissioner: [Signature]

Agency: Division of Elections Date: 3-8-91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

# STATE OF ALASKA

## OFFICE OF THE GOVERNOR

DIVISION OF ELECTIONS  
P.O. BOX AF  
JUNEAU, ALASKA 99811-0105  
PHONE (907) 465-4611

### FISCAL NOTE NARRATIVE

The fiscal impact of this bill on the Division of Elections can only be estimated because pending completion of the boundary study, the number of possible incorporation or annexations can only be projected.

However, based on discussions with the Local Boundary Commission staff it can be theorized that 12 regions may incorporate and 5 annexations may occur.

#### INITIAL ELECTIONS-(FY93):

Based on: 12 proposed incorporations  
5 proposed annexations

1. Borough incorporation election-average cost  
(X number of boroughs proposed by study)  
 $\$7.8 \times 12$  proposed boroughs = \$ 93.6
2. Annexations - local election cost  
Per single community or precinct involved  
(Anticipating 2 precincts/communities per  
annexation proposed x 5 proposals = \$ 17.0

#### SUBSEQUENT ELECTION FOR EACH BOROUGH ACTUALLY INCORPORATED:

Based on: 3 Additional borough elections each

1. Charter commission election
2. Initial officers election
3. Run-off election

Average cost of each borough election  
(X 3 subsequent elections)

$\$7.8 \times 3$  subsequent elections = \$23.4  
 $\$23.4 \times 12$  possible incorporations = \$ 280.8

EACH SUBSEQUENT REAA/CRSA REAPPORTIONMENT ELECTION 5.1  
REAA/CRSA Reapportionment Election  
Average cost per single community or precinct  
(Anticipating 3 precincts/communities per  
REAA/CRSA reapportionment

TOTAL \$ 396.5

## Sponsor Substitute for HB 1

Sponsor Substitute for HB 1 is an effort to provide procedures and incentives for borough incorporation. A vital part of this new approach is the language in Section 3 that allows residents within a region to vote on whether or not they wish to incorporate as an organized borough (ie. "optional" rather than "mandatory" borough incorporation).

The following is a brief by section on the draft for SSHB1:

**Section 1.** Forms a 7 member committee on municipalities within the Department of Community & Regional Affairs. The committee shall consider means to reduce disincentives and enhance incentives for borough formation, review means to ensure equitable distribution of financial aid to municipalities, and shall submit its report to the Legislature.

**Section 2.** Directs the local boundary commission to conduct a study on possible boundaries for new boroughs and possible annexations by existing boroughs. In conducting the study, the local boundary commission shall consult with existing municipalities, regional attendance areas, and coastal resource service areas. At least public hearing shall be held in each region meeting the standards for borough incorporation or annexation.

**Section 3.** Upon completion of their study, the local boundary commission notifies the director of elections in each region meeting the standards of incorporation or annexation. Within 30 days, an election shall be ordered whereby the residents within that region elect whether or not to become incorporated or annexed. If the incorporation or annexation is disapproved, the local boundary commission may submit their recommendation to the legislature.

**Section 4.** For those regions to be incorporated, the Department of Community & Regional Affairs is directed to prepare a provisional home rule charter for the region. The voters of the region may petition to amend the provisional home rule charter.

**Section 5.** If the voters of a region approve borough incorporation, the director of elections shall schedule an election for selecting a charter commission for a region. The seven candidates receiving the highest number of votes organize as the charter commission and shall prepare a proposed home rule charter. Residents of the region then vote on whether or not to accept the home rule charter. If no charter is formed or approved, the provisional charter prepared under Section 4 operates as the charter.

**Section 6.** Establishes the first Tuesday in October 1995 as the date of election for the first borough officials.

**Section 7.** Following certification of the election in Section 6, the region becomes a home rule borough, and the charter for the borough is established.

**Section 8.** Provides an immediate effective date for SSHB1.

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 1  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
SEVENTEENTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVE LARSON

Introduced:  
Referred:

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the incorporation of boroughs, to annexation of certain areas, and to  
2 the committee on municipalities; and providing for an effective date."

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

4 \* Section 1. COMMITTEE ON MUNICIPALITIES. (a) A committee on municipalities is  
5 established in the Department of Community and Regional Affairs consisting of the commissioner of  
6 community and regional affairs or the commissioner's designee, the chair of the local boundary  
7 commission or the chair's designee, and the following members appointed by the governor:

- 8 (1) a member of the senate;
- 9 (2) a member of the house of representatives;
- 10 (3) an employee or official of a borough or unified municipality;
- 11 (4) an employee or official of a city in the unorganized borough;
- 12 (5) a member of a regional educational attendance area school board;
- 13 (6) a resident of an unincorporated community in the unorganized borough who is a  
14 member of a local governing body organized under 25 U.S.C. 476 or a traditional village council of a

1 Native village that meets the requirements of the Alaska Native Claims Settlement Act (43 U.S.C. 1601 -  
2 1628); and

3 (7) a representative of the Alaska Municipal League.

4 (b) Members are not entitled to receive compensation, but the members appointed under (a)(3) -  
5 (7) of this section are entitled to per diem and travel expenses authorized for boards and commissions  
6 under AS 39.20.180.

7 (c) The commissioner of community and regional affairs or the commissioner's designee shall  
8 serve as committee chair. The committee shall consider means to eliminate or reduce disincentives and  
9 enhance incentives for the formation of boroughs. The committee shall also consider ways to ensure  
10 greater equity in the distribution of financial aid to all municipalities. The committee shall submit a  
11 report of its findings and recommendations to the legislature and to the local boundary commission by  
12 January 1, 1994. The Department of Community and Regional Affairs shall make copies of the report  
13 available to all municipalities.

14 (d) The committee terminates upon submission of its report under (c) of this section.

15 \* Sec. 2. BOUNDARY STUDY. (a) The local boundary commission shall conduct a boundary study  
16 of the unorganized borough to determine

17 (1) which regions meet the standards set out in AS 29.05.031 for borough incorporation;  
18 and

19 (2) which areas should be annexed to existing boroughs or unified municipalities.

20 (b) In conducting the boundary study, the local boundary commission shall consult with existing  
21 municipalities, regional educational attendance areas, and coastal resource service areas. The commission  
22 shall conduct at least one public hearing in each region found to have met the standards for borough  
23 incorporation and in each area the commission determines should be annexed. The study must be  
24 completed by May 1, 1994.

25 \* Sec. 3. ANNEXATION OR BOROUGH FORMATION. (a) After completing the boundary study,  
26 the local boundary commission shall notify the director of elections of each region the commission  
27 determines should be incorporated as a borough and each area the commission determines should be  
28 annexed. Within 30 days after notification, the director of elections shall order an election in each  
29 region and area to determine whether the voters desire borough incorporation or annexation in  
30 accordance with the boundary study. The elections shall be held before December 1, 1994.

31 (b) The director of elections shall supervise each election in the general manner prescribed by

1 the Alaska Election Code (AS 15). The state shall pay all election costs.

2 (c) The director of elections shall certify the election results. If an annexation is approved, the  
3 annexation is effective when the election results are certified. If a borough incorporation is approved,  
4 incorporation is effective in accordance with sec. 7 of this Act.

5 (d) If an annexation is disapproved, the local boundary commission may submit the proposal for  
6 annexation to the legislature under AS 44.47.567 - 44.47.583. If a borough incorporation is disapproved,  
7 the commission may submit the proposal for incorporation to the legislature during the first 10 days of  
8 the First Regular Session of the Eighteenth Alaska State Legislature. A proposal for borough  
9 incorporation may be disapproved by a concurrent resolution adopted by a majority of the members of  
10 each house within 45 days after the proposal is submitted to the legislature. If it is not disapproved,  
11 borough incorporation becomes effective in accordance with sec. 7 of this Act.

12 \* Sec. 4. PROVISIONAL HOME RULE CHARTER. (a) By March 1, 1995, the Department of  
13 Community and Regional Affairs shall prepare a provisional home rule charter for the boroughs to be  
14 incorporated under this Act. The charter must provide that each new borough exercise only those powers  
15 a home rule borough must exercise by law.

16 (b) The voters of a region scheduled for incorporation under sec. 3(c) or (d) of this Act may  
17 petition the department for an amendment to the provisional charter for that new borough. If the  
18 department determines that at least 15 percent of the number of voters who voted in the last general  
19 election in the region have signed the petition, the department shall submit the proposed amendment to  
20 the director of elections.

21 \* Sec. 5. CHARTER COMMISSION. (a) If a borough incorporation is approved under sec. 3(c)  
22 of this Act, the director of elections shall schedule a charter commission election in the region to be held  
23 by March 1, 1995. Any person who has been qualified to vote in the region for at least one year  
24 immediately preceding the date set for the charter commission election may become a charter  
25 commission candidate by notifying the director of elections. The notification must be received by the  
26 director at least 30 days before the election date. If at least seven candidates have not notified the  
27 director by the deadline, no charter commission election may be held. If an election is held, the seven  
28 candidates receiving the highest number of votes immediately organize as a charter commission.

29 (b) The Department of Community and Regional Affairs shall provide staff and administrative  
30 assistance to each charter commission organized under this section. Charter commission members serve  
31 without compensation, but are entitled to per diem and travel expenses authorized for boards and

1 commissions under AS 39.20.180.

2 (c) The charter commission shall prepare a proposed home rule charter. The charter must be  
3 signed by a majority of the commission members and filed with the director of elections. The  
4 commission shall hold at least one public hearing on the charter before signing and filing it. The  
5 director of elections shall submit the proposed charter to the voters at an election held before the first  
6 Tuesday in October 1995. If the charter is approved, it becomes effective on the first Monday following  
7 certification of the election of initial borough officials.

8 (d) If no charter is prepared and approved by the voters under this section, the provisional  
9 charter prepared under sec. 4 of this Act, together with any proposed amendments adopted at the election  
10 of initial officials, operates as the charter for the new borough.

11 \* Sec. 6. ELECTION OF INITIAL OFFICIALS. On or before the first Tuesday in October 1995,  
12 the director of elections shall hold an election of initial borough officials under AS 29.05.120 in each  
13 borough scheduled for incorporation under this Act. Unless a borough has already adopted a charter  
14 under sec. 5 of this Act, any proposed amendments to the provisional charter of the borough received  
15 by the director under sec. 4(b) of this Act shall be submitted to the voters at the election of initial  
16 borough officials.

17 \* Sec. 7. INCORPORATION OF NEW BOROUGHES. (a) A region is incorporated as a home rule  
18 borough on the first Monday following certification of the election held under sec. 6 of this Act. The  
19 home rule charter adopted under sec. 5 of this Act or the provisional home rule charter prepared by the  
20 Department of Community and Regional Affairs under sec. 4 of this Act, together with any charter  
21 amendments approved by the voters, operates as the charter for the new borough.

22 (b) AS 29.05.140 and 29.05.190 - 29.05.210 apply to boroughs incorporated under this section.

23 \* Sec. 8. This Act takes effect immediately under AS 01.10.070(c).



# Alaska State Legislature

Official Business

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

MEMORANDUM

February 6, 1991

TO: House Community & Regional Affairs Committee

FROM: Representative Ronald L. Larson *R.L.*

RE: HB 1, Borough formation

Once again I have introduced HB1, legislation dealing with borough organization in the unorganized boroughs of Alaska.

Unlike versions of HB1 that have been introduced in the past, the bill before you today does not mandate borough formation. Rather, it mandates the Local Boundary Commission to conduct a study to determine which areas should be incorporated as new boroughs and which should remain in the Unorganized Borough. During the study, the Commission is required to consult with existing municipalities, regional attendance areas, coastal resource service areas, and would be required to hold at least one public hearing in area.

Provisions within HB1 are based largely upon the recommendations made by the Local Boundary Commission in their report Statement on Borough Government in Alaska (see attached). The Local Boundary Commission has also expressed their support for HB1 to be considered by the Legislature. While their preference for borough formation has always been for citizen initiative, the Commission recognizes that this is not likely to occur "without significant changes to the existing structure of regional service delivery in Alaska." It is important to note that over 90 per cent of those Alaskans who live in boroughs live in boroughs that were mandated by the State.

Thank you for your time and consideration of this issue.

# STATE OF ALASKA LOCAL BOUNDARY COMMISSION

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

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

## STATEMENT ON BOROUGH GOVERNMENT IN ALASKA

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

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

### INTRODUCTION

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

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

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

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

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

### INTENT VS. IMPLEMENTATION

During the first four years of statehood, only one borough had formed. The area encompassed by that borough was a mere 873 of Alaska's 586,400 square miles. By 1963, the need for the creation of boroughs in other areas of the state became so apparent that the Legislature was willing to adopt "*one of the most controversial statutes ever passed by an Alaskan legislature*" — the Mandatory Borough Act.<sup>4</sup> This act required the formation of boroughs in the regions encompassing Ketchikan, Juneau, Sitka, Kodiak, the Kenai Peninsula, Anchorage, the Matanuska and Susitna Valleys, and Fairbanks.

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

Following the Mandatory Borough Act, only four more boroughs were formed. Today, more than 30 years after Alaskans ratified the State Constitution, only one-third of the state lies within boroughs.

### THE PRESENT SYSTEM OF GOVERNMENT IS INEQUITABLE

Flaws in the present system become apparent when an examination is made of who bears the burden of providing municipal services. Boroughs are obligated by law to provide certain services, including education. Education is the largest expenditure of virtually every borough. The budgets of some boroughs dedicate as much as 90% or more of their total revenues for education.

Residents of municipal school districts will contribute more than \$125 million statewide to support the operation of their schools during this year.<sup>5</sup> Substantial additional local funds will be spent on debt service for capital improvements to educational facilities in municipal school districts.

However, those who live outside municipal school districts pay no taxes in support of school operations or capital construction. As a consequence, the State has to provide substantially higher financial aid to the non-municipal school districts. In fact, 25% of the total State aid for operation of schools is dedicated to non-municipal school districts. The student population of these districts equals 12.7% of the total student population in the state.<sup>6</sup>

Ironically, one of the principal factors leading to the 1963 Mandatory Borough Act was the desire to "provide for tax equalization." Representative John L. Rader, the author of the Act, noted that, "if tax equalization was to be meaningful, it could not be piecemeal. Mandatory incorporation of boroughs would be necessary in all areas which could feasibly be included within a borough and which did not incorporate on local initiative" (emphasis added).

While education funding epitomizes the inequities in the current structure, it alone is not the only disparity. Similar concerns can be expressed over public safety, maintenance of transportation facilities, public planning and other services. There are a number of regions in Alaska where no taxes are levied in support of public services.

### THE DISTRIBUTION OF RESOURCES IS INEQUITABLE

A recent study by the Department of Community and Regional Affairs noted vast inequities in the resources available to support existing and potential boroughs in the state. Nowhere is this more evident than in the area of property available for taxation. On the prosperous end of the spectrum, one borough in Alaska enjoys a property tax base equal to \$11,024,197 per student. The tax base of the borough on the other end of the spectrum is less than 2% of that figure (\$143,583 per student).

Like boroughs, some unincorporated regions of the state have substantial resources and some have few. For example, one unincorporated region has a potential tax base amounting to \$2,654,954 per student.<sup>8</sup> A number of other unincorporated regions of the state have so little in the way of resources, that there is virtually no potential that any borough could be formed *under the present structure*. However, property values are not the only measure of a region's ability to support a borough. A number of regions may have limited property values but contain substantial resources (e.g. fish and timber) which could serve as a means to support a borough. The disparities in resource distribution are a major impediment to the formation of boroughs in several regions throughout Alaska.

### STATE FINANCIAL AID PROGRAMS NEED MODIFICATION

Some of the State's most important municipal financial aid programs (e.g. school foundation formula, municipal assistance, state revenue sharing and state-shared fisheries taxes) have traits which warrant examination.

The inequity of the school foundation formula with respect to unincorporated regions vs. municipal school districts was discussed earlier. However, there are other significant inequities in that program. For example, municipal school districts are required to contribute to their schools, the lesser of: 1) equivalent of a 4 mill property tax or 2) level of "basic need" calculated by the State. Of the state's thirty-three municipal school districts fall under the requirement to contribute the 4 mill equivalent. However, the other two fall under the optional provision.<sup>9</sup> Both of these municipalities enjoy relatively high

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

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

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

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

### SOME BOROUGH BOUNDARIES ARE NOT REASONABLE

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

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

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

### CURRENT STRUCTURE IS INEFFICIENT

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

### BARRIERS TO CHANGE

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

### CONCLUSION AND RECOMMENDATIONS

The LBC has formed the following conclusions:

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

sive evaluation of formulas for State aid to municipalities and related matters is warranted.

- \* It is likely that there are unincorporated regions of the state which are presently able to support borough government. A restructuring of funding programs could likely extend financial viability for borough formation to all regions of the state.
- \* The concept of home rule boroughs seems to offer the greatest opportunity for residents of a region to tailor the form of government to best meet their needs. Under home rule, residents of each new borough would adopt a charter (constitution) establishing the powers and duties of the borough. State law requires only that a home rule borough provide areawide education and planning (as well as tax assessment and collection, if necessary).
- \* Few regions of the state are likely to seek formation of boroughs through the local initiative process.
- \* There is a need to re-examine existing borough boundaries.

Therefore, the LBC recommends that the legislature carefully consider the circumstances discussed in this statement and examine alternative means to deal with the issues raised. Although there may be several others, the following alternatives would seem appropriate for consideration: 1) identifying and eliminating disincentives for the formation of boroughs, 2) revising State laws and programs to provide greater equity in the distribution of financial aid to municipalities, 3) providing for the incorporation of boroughs only in those areas which are presently financially viable and which otherwise meet the standards for borough formation and 4) providing for the formation of boroughs in all parts of the state, coupled with a mechanism to ensure that all boroughs created in this fashion are financially viable.

These recommendations of the LBC have not been made lightly. It is recognized that any proposal to change the status quo is certain to generate intense opposition. Further, it is recognized that the issues and problems identified in this statement will not be resolved overnight and will require the commitment of substantial resources. Nonetheless, this statement is issued as a good faith attempt to carry out the constitutional and statutory duties of the LBC and to seek improvements in the delivery of regional services throughout the state.

While this statement has focused largely on problems concerning the current structure, readers are encouraged to consider the positive aspects of the issue. The creation of boroughs throughout the state would provide residents with a meaningful responsibility and interest in the development of each region. Boroughs offer effective tools to deal with a number of the social problems affecting many parts of Alaska (e.g. alcohol control and mental health).

Further, by improving economies of scale, a borough may be able to offer vast improvements in the delivery of services within a region. Improvements to the structure of service delivery will become even more critical as State funds available for public services continue to shrink.

#### FOOTNOTES

<sup>1</sup> As used in this statement, the term "borough" means organized boroughs and unified municipalities.

<sup>2</sup> Victor Fischer, Alaska's Constitutional Convention (Fairbanks: University of Alaska Press, 1975) p. 119.

<sup>3</sup> Ibid, p. 120.

<sup>4</sup> Ronald C. Cease and Jerome R. Saroff, The Metropolitan Experiment in Alaska - A study of Borough Government (New York: Frederick A. Praeger, Publisher, 1968) p. 32.

<sup>5</sup> Department of Education, Alaska Public School Foundation Funding Program (March 21, 1988), p. 1.

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

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

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

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

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

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

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

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

(Page 6 is a map of Alaska showing which regions of the State are incorporated and which are not.)



**Unified Home Rule Municipalities**

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

**Home Rule Boroughs**

- 4. North Slope Borough
- 5. Northwest Arctic Borough

**Second Class Boroughs**

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

**Third Class Boroughs**

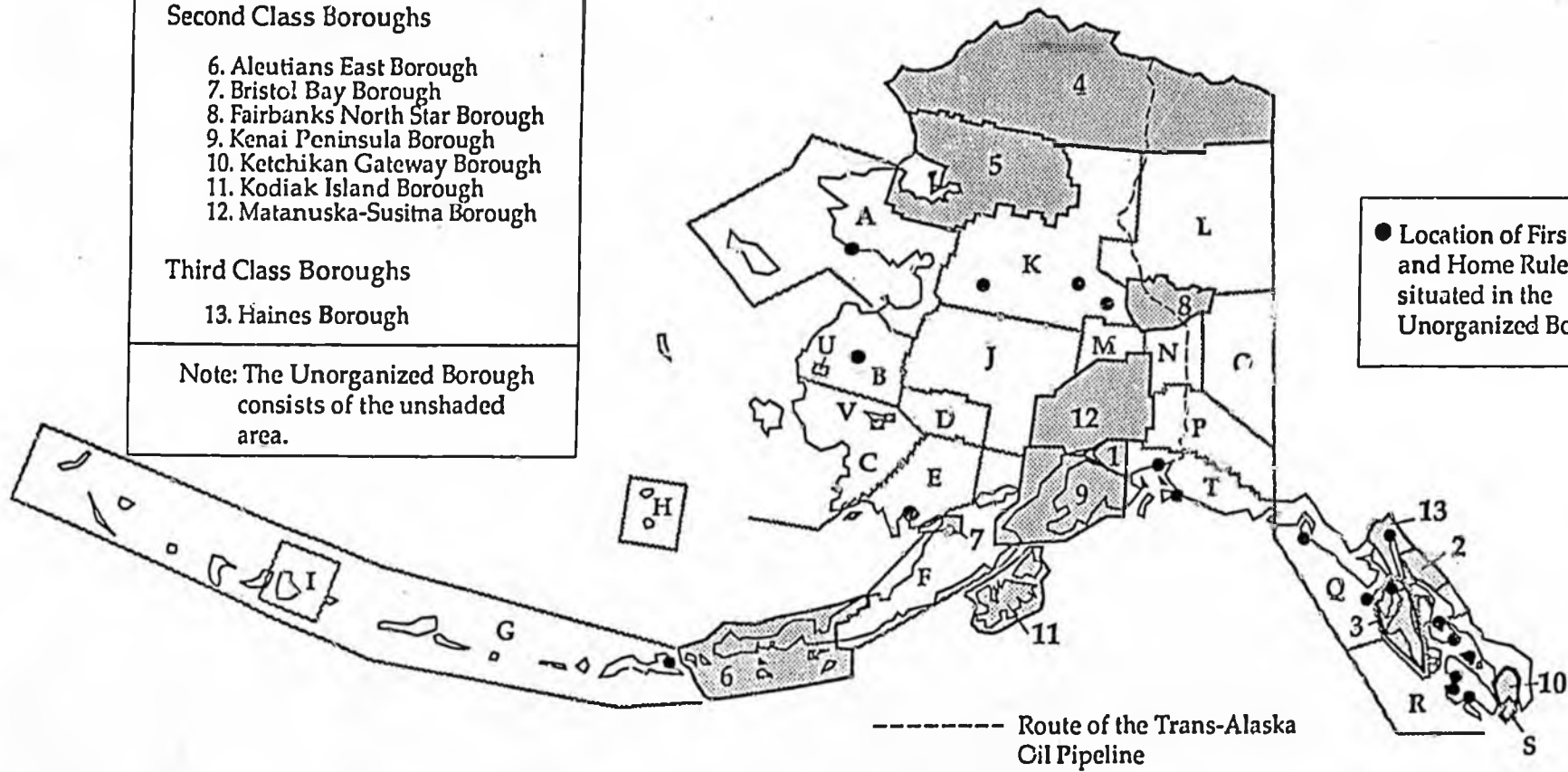
- 13. Haines Borough

Note: The Unorganized Borough consists of the unshaded area.

**Regional Educational Attendance Areas**

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

9



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

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

# STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

WALTER J. HICKEL, GOVERNOR

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February 6, 1991

## POSITION PAPER

RE: HOUSE BILL 1

SPONSOR: Representative Larson

### Program Effects of Bill

The bill calls for a study by the Local Boundary Commission to determine which areas of the unorganized borough should be incorporated as new home rule boroughs and which areas should be annexed to existing boroughs. Proposals for annexation and incorporation would be submitted for consideration by the legislature under the terms of Article X, Section 12 of the Constitution. A committee would be formed to examine inequities in State funding for local services.

### Comments

This bill has evolved from legislation considered by the Fifteenth and Sixteenth Alaska Legislatures. The Department previously provided extensive comments on those bills. The comments offered here focus on the current bill, while in some cases observing the differences from past proposals.

Section 1. Boundary Study. The Local Boundary Commission (LBC) is actively engaged in a study essentially identical to the one outlined in Section 1 (a) and (b). The only distinction is that the LBC's efforts focus on boundaries to the intentional exclusion of matters relating to the financial viability of prospective boroughs. The project is scheduled for completion in June of 1992.

With respect to financial viability, the Department completed a series of borough feasibility studies for nearly all regions of the unorganized borough in 1988 and 1989. Thus, the study requested by this proposed legislation could in fact be accomplished by completion of the LBC's 'model boundaries study' in conjunction with an update to the Department's earlier borough feasibility studies.

Section 1(c). This subsection of HB 1 differs from CSHB 1 (C&RA) considered by the 1990 legislature by providing for mandatory borough incorporation through submittal of a proposal from the LBC to the legislature. While the Department appreciates the efficacy of this approach, the Department and LBC have long maintained that boroughs should be created through popular vote. In point of fact, the Commission has counseled against mandatory incorporation on several occasions while supporting local initiative. The success of this approach however, may depend to a large degree upon the effectiveness of the Commission's call for the examination of State funding formulas to promote equity among regions and to eliminate disincentives for borough formation and annexation.

Sections 2 through 4. These sections appear to incorporate suggestions raised in the past by the Department in review of earlier versions of the bill. It streamlines a process that was originally much more complex.

Section 5. While this section of the bill incorporates past suggestions from the Department, it raises new concerns. The current version creates a "Committee on Municipalities" to consider means to eliminate or reduce disincentives and enhance incentives for borough formation. While the Committee consists of members representing appropriate bodies to carry forward its tasks, the committee falls short of comprehensive representation. The Committee should include a representative from a regional education attendance area, either an elected or paid official. It would also benefit greatly from the appointment of a representative from a first class or home rule city in the unorganized borough. Several such cities expressed interest in reclassifying to second class status over the last year in order to eliminate their current obligations to fund education services. A representative from a city in this situation could offer valuable insight on ways to provide equity in state funding for local services.

Additionally, Section 5 fails to provide for distribution of the Committee's report to anyone other than the legislature. As in past comments on similar versions of the bill, the report would benefit greatly from circulation to all municipalities and other interested parties.

#### General Comments

The extension of organized borough government to unorganized areas of the state offers both attractions and challenges. Among them are:

- ° Fulfillment of Constitutional intent: Article X, Section 3 of the Constitution of the State of Alaska requires all areas of the state to be divided into boroughs. Areas which meet the standards for borough incorporation (including financial resources) were intended to organize.

- ° Improved local control: Home rule boroughs provide the most effective means to transfer power to local residents. Decisions about local issues are made by local elected officials.
- ° Greater local revenue generating capacity: As State revenues decline, the ability to generate local revenues becomes more critical. Given their vast regional boundaries, boroughs enjoy unrivaled capacity to generate revenues.
- ° Improved Tribal-State relations: Home rule governments permit the greatest degree of cultural sensitivity to traditional institutions and values. A home rule borough would enable Alaska Natives to develop regional governments which respond to many of the moral and cultural problems facing villages today. This more acceptable and suitable form of government would likely improve relations between the State and Native villages. This, in turn, might preempt the development of a separate Tribal-Federal relationship that excludes State participation.
- ° More efficient structure: In the past six years, four new boroughs have formed. These new boroughs have proven to be highly efficient service providers, in some cases saving several hundreds of thousands of dollars annually through consolidation of school operations and other services.
- ° Greater local responsibility for service delivery: Under current circumstances, local residents of parts of the unorganized borough pay nothing for government services. In some instances, this has led to a diminished concern at the local level about the cost of such services. Borough government would require local support for certain services and thus bring a measure of increased responsibility in the delivery of services.

Conclusion. Historically, Alaskans have objected strenuously to borough formation. In fact, most organized boroughs owe their existence to a 1963 mandate from the legislature. More than 95% of borough residents live in boroughs formed under the 1963 Mandatory Borough Act. Nonetheless, boroughs have proven to be effective and efficient service providers as envisioned by the Constitutional Convention delegated when they laid the foundation for this unique form of local government thirty-five years ago.

For the reasons cited above, the Department supports the policy directions of parts of House Bill 1 and opposes others. The Department intends to offer related proposals during the current session.

---

Edgar Blatchford, Commissioner

PUBLIC OPINION MESSAGE

DEAR: REPRESENTATIVE MACKIE

NAME: FRED PRIDE  
TITLE:  
ADDRESS: P.O. BOX 625  
CITY: TOK ZIP: 99780  
PHONE: 883-5590  
DIST NO: HB 1  
SUBJECT: BOROUGH INCORPORATION & ANNEXATION  
MESSAGE: WE CAN'T HAVE A BOROUGH UNLESS EVERYONE IS TAXED EQUALLY. I OPPOSE  
HB 1 COMPLETELY.

POMID: 02092933  
DATE: 91/02/06  
TIME: 09:29:33  
LIONAME: DELTA JUNCTION LIO

COPIES: REPRESENTATIVES SENATOR

LARSON SHULTZ  
GONZALES  
C.DAVIS  
B.DAVIS  
FOSTER  
G.PHILLIPS  
BAKER

**BONNIE'S BABES DAY CARE**  
**STATEMENT OF INCOME AND EXPENSE**  
**BUDGETED RESULTS**  
**FISCAL YEAR ENDING IN 1991**

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
<b>INCOME</b>													
EMPLOYEE DAYCARE	162	-	72	162	-	-	-	-	-	-	-	-	396
GRANT INCOME	405	2223	540	529	540	300	900	1150	-	1432	-	1069	9088
SALES/DAY CARE	11393	11434	12324	10578	10041	10450	12225	9224	9631	10636	12941	8844	129721
<b>TOTAL INCOME</b>	<b>11960</b>	<b>13657</b>	<b>12936</b>	<b>11269</b>	<b>10581</b>	<b>10750</b>	<b>13125</b>	<b>10374</b>	<b>9631</b>	<b>12068</b>	<b>12941</b>	<b>9913</b>	<b>139205</b>
<b>EXPENSE</b>													
Advertising/Promo	-	189	-	159	-	294	416	45	-	275	34	38	1450
Auto Expenses	30	153	15	15	32	17	16	17	18	29	75	258	675
BANK FEES	151	126	32	92	226	91	64	120	74	153	181	343	1653
CASUAL LABOR	-	-	-	-	-	124	35	-	241	179	345	1290	2214
Dues/Subscriptions	132	281	162	105	34	-	204	-	110	47	-	-	1075
FOOD SUPPLIES	844	836	897	752	708	1001	898	930	902	701	746	1064	10279
Insurance	883	-	-	-	-	-	-	-	-	1046	-	390	2319
Legal/Accounting	86	272	265	546	367	257	296	265	234	289	335	514	3726
Misc. Expense	32	642	26	153	-	133	80	-	-	138	-	-	1204
Office Supplies	281	34	117	-	-	319	289	39	16	43	-	71	1209
Payroll Taxes	-	-	-	328	-	-48	749	4689	753	848	848	1035	9202
Postage	-	25	-	-	-	28	-	-	-	-	-	-	53
Rent Paid	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	12000
REPR/MTHCE B.B.	17	-	174	646	159	240	-	59	375	-	281	125	2076
Salaries/Wages	3089	8315	7243	8095	7761	7593	11373	4994	8095	8328	9067	11002	94956
SUPPLIES/MISC	479	-	335	264	265	190	67	220	14	266	-	315	2415
Telephone	201	91	-	165	83	-	171	-	175	-	233	-	1119
TOYS/BOOKS	264	48	235	-	9	214	45	119	-	544	115	-	1593
TRAINING	-	1010	-	-	98	230	1144	439	-	-	103	162	3186
Travel/Entertainment	450	44	14	-	-	-	-	38	-	-	-	58	604
Utilities BONBAB	79	123	368	47	277	-	-	331	184	75	509	309	2302
<b>TOTAL EXPENSE</b>	<b>8018</b>	<b>13189</b>	<b>10883</b>	<b>12367</b>	<b>11019</b>	<b>11683</b>	<b>16847</b>	<b>13305</b>	<b>12192</b>	<b>13961</b>	<b>13872</b>	<b>17974</b>	<b>155310</b>
<b>NET INCOME</b>	<b>3942</b>	<b>468</b>	<b>2053</b>	<b>-1098</b>	<b>-438</b>	<b>-933</b>	<b>-3722</b>	<b>-2931</b>	<b>-2561</b>	<b>-1893</b>	<b>-931</b>	<b>-8061</b>	<b>-16105</b>

HB

51

HOUSE COMMITTEE REPORT

(7)

Date Referred: January 22, 1991

FURTHER REFERRALS: Finance

Date of Committee Action: 2-28-91

The COMMUNITY & REGIONAL AFFAIRS Committee considered:

HB 51

HOUSE BILL NO. 51

APPROP: CHILD CARE GRANT PROGRAM

"An Act making an appropriation to the Department of Community and Regional Affairs for the child care grant program; and providing for an effective date."

RECOMMENDATIONS:

be replaced with \_\_\_\_\_  the same title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(S): \_\_\_\_\_ (Dept)

APPROVES PREVIOUS: \_\_\_\_\_ (Dept/Date)

fiscal impact \_\_\_\_\_

fiscal note(s) \_\_\_\_\_

zero fiscal note \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

	Check appropriate column:	Do Not Pass	No Rec	Amend
<i>Jerry Mackie</i> <sup>MACKIE</sup>	<i>Cheri Davis</i>		X	
<i>Betty Davis</i>	<i>Jerry Mackie</i> <sup>DAKER</sup>		X	
	<i>Scott Phillips</i>		X	<i>Do Not Support fiscal note</i>
	<i>John C. Snyper</i> <sup>GRANTER</sup>		X	

*[Signature]*  
Chairman's Signature

Diane R. Kiss  
P.O. Box 878334  
Wasilla, Ak. 99687  
(907) 746-9200  
ext.320 (work)

To: Legislative Office H CRA committee  
Date: February 25, 1991  
Subj: Day Care Assistance Program  
Ref: HB51

Let me introduce myself, I am a single parent of a three year old and is currently on the waiting list for the Day Care Assistance Program. My employment is the only source of income for my family (I do not receive child support or alimony) and I bring home less than \$1300 a month. I have an above minimum wage job and still barely meet my financial obligations for survival each month.

Many working parents depend on the Day Care Assistance Programs to pay for their child care, especially single parents. Single parents are fast becoming a majority if they are not already. The teenage pregnancy and divorce rates don't go down, they go up. Programs like this help keep people off welfare and become self supporting.

For example, my day care expense for one child is more than my rent. If I had assistance for even two months I could afford to get my car fixed and the insurance. Things like winter coats/boots, vehicle maintenance/insurance, and car tires are considered luxury items on my budget and take careful planning to be able to meet the needs. Without the help an exceptional friend, who took care of my daughter without charge for six months, I wouldn't be able to afford to work.

In the past, I have had to quit my jobs and go back on welfare because I could not pay rent, utilities, food, gasoline, and day care. Not to mention, the medical expenses, any loans, car insurance, or maintenance.

Please take careful consideration before this program is lost. Many working parents may have to quit working and go on welfare in order to survive.

February 25, 1991

HB 51  
Child Care Grant

My name is Sue Oliphant. I am director of the RALLY before and after school program at Auke Bay School in Juneau. We currently have about 100 children enrolled either before or after school in the child care portion of RALLY. Some of the children come only one or two days a week but a majority of them are there every day for long hours, some as many as seven hours a day in RALLY. Counting the school day that's eleven hours at Auke Bay School. Many of the children are quite young, five or six years old.

A few years ago The Governor's Interim Commission on Children and Youth addressed the issues of quality and affordability in child care. With children spending so many of their waking hours in child care centers and homes, it is absolutely essential that quality be of the highest standards. Quality depends upon two factors, quality of staff and quality of program. The two are interdependent.

Having a quality program depends upon quality staff. Because child care depends upon parent fees to support programs, staff wages are usually notoriously low to keep the care within an affordable range for most parents. Centers and homes are forced with the unpleasant choice of having enough adults to meet the needs of children and paying them a nonliving wage, or paying a higher wage and having too many children for each adult. Too much child care depends upon untrained, temporary staff. Some try to care for far too many children. In either case the job turnover is high because of low compensation, little respect, and high frustration from an extremely demanding job. The children lose.

Good child care professionals are highly educated, self motivated, caring, sensitive individuals. They must be knowledgeable in child development so that they can provide the kind of experiences for children that will promote a child's cognitive, physical, social, and moral growth. As any parent who works knows, it's hard to find a good child care provider and even harder to keep one.

"Will you watch my child?" The phrase used to infuriate me; I thought I did so much more. Now I realize that I do watch children. I watch them closely so that I will be there at just the right moment with just the right material, or just the right question to help a child discover a new piece to this ongoing puzzle we call knowledge. Research tells me that a good teacher is a

facilitator of learning. I am that. I am also comforter when the day is a bad one and somebody needs to be held, or consoled. I am there to help children grow socially when I help them resolve conflicts by using words rather than physical force.

Quality programs depend upon more than good staff. Even the most experienced, knowledgable staff can do little to provide good learning experiences for children with few materials and broken or inadequate equipment. Unfortunately too many centers and homes have to make do with poor quality equipment, few supplies, and inappropriate space.

Parent fees simply cannot pay the cost of good child care. The Alaska State Legislature has had the good sense to try to subsidize child care through the Child Care Grant. It is not the complete answer, but it certainly helps. Let me translate that help to some hard numbers.

The RALLY program at Auke Bay School is paid for by parent fees with in kind help from the Juneau School District. We depend a great deal on the Child Care Grant to help with staff and material costs. The Auke Bay program brings in an average of \$900 a month through the Child Care Grant. That's 90 staff hours or \$900 worth of materials, depending upon the use. Our primary use is in staff hours. The Juneau RALLY program pays staff \$10 an hour, which is considerably higher than the average child care worker is paid. Most of the staff at Auke Bay work less than 20 hours per week and have no benefits. The Juneau School District is making strides toward getting more benefitted staff. Most centers and home providers do not have the in kind support the RALLY program has, and have a more difficult time making ends meet. Their staff salaries are generally lower.

Auke Bay has a staff to student ratio of one to ten and one full time director who acts as support person to staff while the children are there and has a vast array of administrative responsibilities while the children are in school. I have the responsibility of running a program for 100 children for seven hours a day, overseeing and coordinating a staff of eight, collecting parent fees, and continually advocating for children in everything from space usage to speaking to this group. I make about \$25,000 a year after over six years working with school age childcare, four years classroom teaching experience, and 23 hours graduate level coursework. I'm lucky. I make far more than most child care professionals. For the most part I like my job, love the children, can with my husband's help make ends meet most of the time, and so I have stayed. This is my sixth year at Auke Bay. I have known some of the children for six years and have given some continuity to their school years. I am not the norm.

Because of high staff turnover children often have to relate to several different adults over the course of one year. That may not seem like such a big deal unless you are five years old and a year is one fifth of your life. Our children deserve to have one caring adult beside their parents who is consistent in their lives, who has the educational background to help them grow in knowledge, who is free enough from stress to love and comfort them in their stressful times. By the sheer magnitude of hours spent in the company of children this person has tremendous influence on their lives. Our children deserve to have the best person we can give them.

You can help by supporting full funding of the Child Care Grant, by making certain that House Bill 51 gets passed and becomes in full effect by the end of this legislative session.

Thank you for your attention in this important matter.

Sue Oliphant  
Auke Bay RALLY  
10014 Crazy Horse Dr.  
Juneau, Ak. 99801  
789-2110

2/25/91

Stephanie's Day Care Home  
Wasilla, Alaska,

House Bill No. 51

Upon entering this teleconference today I was informed that this was a conference on the Child Care Grant program. This program affects the much needed quality in our daycare facilities. The costs for daycare facilities to run and still provide quality daycare is much more than what parents can afford. We are supplemented by the Child Care Grant program, along with other ~~pro~~ state programs. There are many unlicense daycare homes where children are given care by unqualified people that may, and recently have, put children in danger. Parents have limited choices because of income and high child care costs. Without this supplement each month I ~~would~~ would have to raise my child care costs. Most of my parents are already on day care ~~assistance~~ assistance programs and could not afford this raise. I would like to keep my daycare home open and give the best care for these children that I possible can, and to do this we need the supplement this program offers.

Stephanie Graham

Voting "Yes": Cote  
Shull  
Boatwright  
Holman  
Cruise  
McCarty  
Tallman  
Voting "No": None  
Absent: None  
4 votes required for passage  
Effective Date: 2/4/91

K E T C H I K A N   G A T E W A Y   B O R O U G H

RESOLUTION NO. 968

A RESOLUTION OF THE ASSEMBLY OF THE KETCHIKAN GATEWAY BOROUGH, ALASKA, SUPPORTING LEGISLATION TO ESTABLISH STABLE AND SUFFICIENT FUNDING FOR COSTS INCURRED IN THE ADMINISTRATION OF THE STATE DAY CARE PROGRAM; AND ESTABLISHING AN EFFECTIVE DATE.

R E C I T A L S

A. The State of Alaska Day Care Assistance program was created to help low and moderate income parents work or train for work by paying for child care costs.

B. In accomplishing this goal, certain administrative tasks are required and costs are incurred by local Day Care Administrators.

C. The current law provides for the reimbursement to local governments for the cost of administration of the program based on actual subsidy expenditures.

D. A change from the current reimbursement method to a flat rate of program allocation method would enable more dollars to be used for parent subsidies rather than lapse, unspent, at the end of the year.

E. The direct operational costs, such as rent, salaries, supplies, and of determining and monitoring parent eligibility and processing provider billings, is substantially higher than the subsidies expended, forcing local governments to make up the cost differential to keep the program stable.

F. The Assembly believes that it is in the best interest of the State of Alaska to continue to have the Day Care Program administered at the local level.

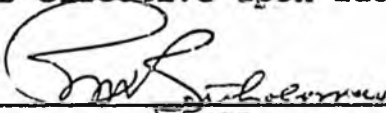
G. Under the Day Care Assistance Program, the State is responsible for providing funds for administration that are sufficient to pay the total cost of direct program operations (administration) and for maximizing the funding available for parent subsidies within each community.

NOW, THEREFORE, IT IS RESOLVED BY THE ASSEMBLY OF THE KETCHIKAN GATEWAY BOROUGH, ALASKA, as follows:

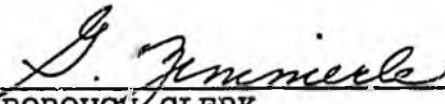
Section 1: The Borough Assembly hereby supports legislation to establish stable and sufficient funding for costs incurred in the administration of the State Day Care Program.

Section 2: When a contract is executed under AS 44.47.250(b)(2) or (b)(4) between the State and a municipality or an organization, the Assembly recommends that the State pay to the municipality or organization the greater of the following: (1) an amount equal to twenty-two percent (22%) of the total annual contract award for Day Care benefits paid to Day Care facilities in the geographic area administered by that municipality or organization (including any subsequently available funds), or (2) one thousand dollars (\$1,000) per year.


Section 3: This Resolution is effective upon adoption.

  
\_\_\_\_\_  
BOROUGH MAYOR

ATTEST:

  
\_\_\_\_\_  
BOROUGH CLERK

Approved as to form:

  
\_\_\_\_\_  
INTERIM BOROUGH ATTORNEY

# Alaska State Legislature

HOUSE OF REPRESENTATIVES



REPRESENTATIVE FRAN ULMER

## MEMORANDUM

February 22, 1991

TO: Rep. Jerry Mackie, Chair  
House Community and Regional Affairs Committee

FROM: Rep. Fran Ulmer

RE: HB 51, relating to the child care grant program

---

HB 51 makes an appropriation of \$8,919,000 to the Child Care Grant Program in the Dept. of Community and Regional Affairs. The purpose of this appropriation is to double the amount of the grant to child care providers to reach the statutory maximum of \$50 per child per month.

The Child Care Grant appropriation for FY 91 was \$2.3 million. That appropriation has provided a grant of approximately \$25 per month, per child, to each of the 400 providers in the Child Care Grant Program (those licensed providers who agree to accept clients from the Day Care Assistance Program). The Dept. of Community and Regional Affairs estimates that the number of providers participating in the Child Care Grant program will increase by 95% if the grant amount increases to \$50. In order to accommodate the expected increase in program participants, the appropriation needs to be correspondingly increased.

The purpose of child care grants is to assist providers with operating expenses. Grant monies may be used for wages and benefits, meals for children, to purchase developmentally appropriate equipment and supplies, and to promote parental involvement. Although HB 51 would double the per child grant, the subsidy provided thereby for early childhood development is still very modest compared to the expenditures made for public education (roughly one-tenth). Studies indicate that early childhood development is just as dependent on the quality of care received as later development is on the quality of education.

Unfortunately, the child care industry is on the brink of disaster. Wages for child care workers average about \$5 per hour with few if any benefits. In Alaska, 90% of home care providers and 56% of those who work in child care centers earn below poverty wages. Since personnel costs make up 80%-85% of most center budgets, providers must keep wages low and concentrate on those ages which offer a better profit margin. Low wages and lack of benefits create a high turnover rate-- over 41% nationally and even higher in Alaska. A recent survey

District 4B — Juneau

P.O. Box V • Juneau, Alaska 99811-3100 • (907) 465-4947



Recycled Paper

conducted in Anchorage showed that 48% of the child care workers there had been employed less than one year.

There is no lack of information regarding the need, the problems, and the costs of child care. All of that information tells us that child care as it now operates is not an economically viable industry. If we wish to prevent a continued decline in the availability and quality of child care, we must supplement child care providers' income. HB 51 does that under current statutory guidelines.

# STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

WALTER J. HICKEL, GOVERNOR

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

February 4, 1991

## POSITION PAPER

RE: House Bill 51

SPONSOR: Representatives Ulmer, Kopenen, B. Davis, Ellis, Brown

### Program Effects of the Bill

The bill increases the base amount for the Child Care Grant Program to the \$50 maximum as is allowed under AS 44.47.305(3)(c).

### Comments

The Department of Community & Regional Affairs agrees that this amount would be necessary to support the increase in base to the \$50 maximum. At present, there are approximately 15,648 licensed child care spaces statewide. We anticipate 95 percent participation at the higher base rate, which would equate to approximately \$8,919,000. We also anticipate the development of additional child care facilities statewide and these additional spaces will add to the impact on the program even if the percentage of providers using the program is not constant at 95 percent. The higher rate encourages providers who otherwise would not bother with the additional paperwork to participate in the program and take advantage of the funds.

The Department of Community & Regional Affairs supports the Governor's budget. However, if additional funds are received, we would be more than amiable to administering the program in as efficient and cost effective manner as possible.

*Edgar Blatchford*

Edgar Blatchford, Commissioner



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

ALASKA COMMISSION ON CHILDREN AND YOUTH

POSITION PAPER

House Bill 51: Making an Appropriation to the  
Child Care Grant Program

The Child Care Grant Program, once unique to the State of Alaska, has become a national model for improving the quality of care we provide to the children of working parents. Components of Alaska's Child Care Grant Program were incorporated into the federal child care bill passed last year by Congress, which was the first major piece of federal child care legislation in fifty years.

The Child Care Grant Program provides a formula-based subsidy to child care centers and homes. The formula is based on the number of children for whom care is provided on a full time basis, and requires that the applicant be licensed by the state. Although the statutory maximum allowed under the Program is \$50., the amount currently being paid to providers is \$25. and has been as low as \$10.

The purpose of the Program is twofold: to promote quality in child care, and to offer incentives to increase the supply of child care spaces. Applicants are permitted by regulation to use the subsidy to partially fund operating expenses, most especially wages and benefits, meals for children, developmentally appropriate equipment and supplies, and to promote parental involvement.

Child care providers in Alaska receive an average salary of approximately \$5.00 per hour. They sacrifice a fair and equitable salary to provide a desperately needed service. In fact, they subsidize the industry.

Quality child care in this state will soon evaporate if staff wages, benefits and status do not improve. In the last fiscal quarter alone, the number of child care programs in Anchorage has decreased because providers cannot afford to stay in business. We must recognize child care as a profession or settle for inadequate, low quality warehousing of children.

The Child Care Grant program begins to fill the gap between what child care really costs and what parents can afford to

pay. In a Fairbanks study done in 1988, it was noted that the true cost of child care - factoring in a wage and benefits package, nutritious meals, a safe facility, and an adequate supply of toys and educational materials - was approximately \$800. per month per child. There is probably not a working family in this state who could afford to pay the true cost of care. Consequently, the industry absorbs those costs - in the form of low wages, no benefits, an untrained staff, and high turnover - in order to make child care affordable for working parents.

The Child Care Grant Program, when funded at the statutory maximum, will allow child care programs to increase wages and improve quality, encourage more people to become child care providers and increase the availability of child care, and keep the cost of care at a level working parents can afford.

The Alaska Commission on Children and Youth has advocated for increases to the Child Care Grant Program since 1987, and we urge your strong support of this bill.

Contact: Carla Timpone, Executive Director

CHILD CARE DIRECTOR'S ASSOCIATION-FAIRBANKS  
1414 23rd Avenue  
Fairbanks, Alaska 99701

February 22, 1991

Representative Fran Ulmer  
Post Office Box 'V'  
Juneau, Alaska 99811

Dear Representative Ulmer,

The Child Care Center Director's Association-Fairbanks is an organization representing the thirty-four (34) licensed child care centers in the Fairbanks area. These centers are licensed to care for over fourteen hundred (1,400) children. We believe children to be Alaska's and our country's most precious resource, and that advocating for their welfare is one of our responsibilities as providers.

At our Association meeting on February 21st, it was unanimously agreed that the Association, individually and collectively, would vigorously support the passage and enactment of the following bills currently before the legislature as PRIORITY legislation:

- a. House Bill 51--Funding of the Child Care Grant at \$8,919,000.00 for FY 92.
- b. House Bill 32--Reimbursement of Alaska Student Loans for individuals trained in and subsequently working in early childhood education programs.
- c. House Bill 50--Appropriation of \$4,000,000.00 to the principal of the Alaska Children's Trust Fund.
- d. House Bill 43--Child Support Payments to go first to the families, rather than to the State for reimbursement for assistance previously received.

While ALL of the above are considered ESSENTIAL items of legislation requiring enactment, they are listed in the order we consider of greatest significance.

We sincerely appreciate your efforts in the interest of quality, affordable child care for our children.

Sincerely,



GREG WILLIAMS  
President

A WAGE AND BENEFITS STUDY  
OF ANCHORAGE  
CHILD CARE CENTERS

Details of wage scales, benefits and working conditions as well as sizes  
services and hours of operation in 41 Anchorage Child Care Centers

February 1989  
CHILD CARE CONNECTION, INC.  
Mia Oxley, Executive Director

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## HIGHLIGHTS

### Wage Scales

- \* The average hourly wage scales offered by Child Care Centers are:
  - Caregivers - \$4.74 - \$7.62
  - Assistant Directors - \$7.51 - \$8.74
  - Directors - \$7.50 - \$19.23
  
- \* Non-profit centers offer higher average pay than private proprietary centers.

### Benefits

- \* Centers are most likely to provide benefits to Directors and Assistant Directors and least likely to provide them for Caregivers.
  
- \* Most child care centers in Anchorage provide no benefits to their lowest paid Caregivers.
  - 86% - no retirement or pension plan
  - 67% - no health insurance
  - 54% - no sick or personal leave
  - 34% - no paid vacation
  
- \* Non-profits are more likely than private proprietary centers to offer benefits to all paid employees.
  - Paid Vacation - 68% vs. 42%
  - Paid Sick Leave - 40% vs. 33%
  - Health Insurance - 36% vs. 8%
  - Retirement Plan - 8% vs. 0%
  - Inservice Training - 92% vs. 58%
  - Education - 80% vs. 58%
  
- \* Most child care centers (83%) offer reduced child care fees as a benefit to all or some of their employees.

Turnover

- \* 48% of child care center employees have been in their current place of employment less than 1 year.
- \* 70% of child care center employees have been at that center fewer than 2 years.

Educational Levels

- \* 34% of centers report a 4 year degree or better as the highest educational attainment of their lowest paid caregivers.
- \* 58% of center directors have a 4 year college degree or better.

This study revealed that 48% of the employees of Anchorage centers have been there less than one year - and a full 70% less than 2 years. National surveys have repeatedly shown a strong correlation between turnover and rates of pay. It is highly unlikely for us to see more stability in the child care workforce until working conditions improve.

### Shortages

The operations section of this report confirms that few centers offer the kinds of care currently in short supply in Anchorage. More operators may begin to offer these services now that the need is identified. In most cases, however, there are economic reasons behind the status quo. Infant care, for example is more expensive to offer because of the lower required adult to child ratio. The result is that cost-conscious operators choose to focus on ages that offer a better profit margin. There are similar disincentives for irregular hours care, and school age care requiring transportation.

### Non-profit vs Proprietary

The study revealed consistently better wages and benefits in non-profit centers than in proprietary ones. The reason is simple economics. For the most part, parent fees must cover all the costs of running a center. There are limits on the fees parents can afford to pay. Personnel costs make up 80 - 85% of most center budgets. The easiest - perhaps only - way to generate a profit is to keep wages and benefits low.

### Quality

Can we have an adequate supply of high quality child care with low wages and high turnover? Most observers say we can not. Quality child care is provided by workers who understand child development. That understanding comes with training and experience. It is not innate, nor learned overnight. High turnover and limited training preclude good quality.

### Conclusions

Poor working conditions are the most serious obstacles we face in our efforts to build an adequate supply of high quality child care. Unless we increase wages and add some benefits to deter turnover, the problems of low quality and shortages of care will continue.



# CHILD CARE: RECOMMENDATIONS

## 1. Quality

### BACKGROUND

### RECOMMENDATION

#### Salaries/Child Care Grant Program:

20

Child care providers in Alaska receive an average salary of \$4.50 an hour. They sacrifice a fair, equitable salary to provide desperately needed service. They subsidize the industry. "Low wages, long hours and very demanding responsibilities make turnover a persistent problem in the field," wrote Marian Estelle, director of the Petersburg (Alaska) Child Care Center. Quality child care in this state will soon evaporate if staff wages, benefits and status do not improve. We must pay professional scale wages or face consequences that include inadequate, low quality warehousing of children, more children left without supervision and ever fewer qualified child care professionals.

The Alaska program that directly funds child care is the Child Care Grant Program. Licensed child care centers or homes that will accept Day Care Assistance children are eligible to receive a payment each month for each child who attends. The program now has 190 centers and 170 homes under contract. It promotes quality child care in licensed homes and centers by partially funding operating expenses such as wages and benefits, food, staff training, materials and parent education. The FY88 state appropriation was \$600,000, which paid \$10 per full-time child for each month in care, with some geographical adjustments. This program indirectly benefits parents by increasing child care quality in centers or homes paid these grants. The maximum allowed by statute is \$50 per child in full-time care. The state has never paid that amount.

Child Care Grant Program funds should be increased to the statutory maximum of \$50 per full-time child per month to provide additional resources for such purposes as increased staff salaries and professional training.

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*Child care providers in Alaska receive an average salary of \$4.50 an hour. They sacrifice a fair, equitable salary to provide desperately needed service. They subsidize the industry.*

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*To have affordable, quality child care, Alaska must recognize that society as a whole, and not just parents, is responsible for the care of our future generation.*

In Alaska, the Municipality of Anchorage offers a choice of benefits to non-union employees and parents can pick child care at pre-taxed dollars. ARCO-Alaska's Dependent Care Task Force has developed a range of options for that company. Many small professional corporations offer a full range of child care benefits.

Anchorage's Providence Hospital and Ketchikan General Hospital have been among the few employers to offer employees on-site child care.

A partnership of public and private employers, parents and the community must work together to support quality child care in Alaska.

## Operating Costs for Quality Child Care

<u>Expense</u>	<u>Cost/Month/Child</u>	<u>Description of Allocation</u>
Teachers	\$300	Full-time teachers @ \$2000/month (\$11.50/hour) and Part-time teachers @ \$1000/month
Food	120	2 meals @ \$2.25 each and 1 snack @\$1/day
Rent and Property Tax	54	\$1 per square foot @ 35 sq. ft./child, 65% usable
Staff Benefits	80	7.5% Social Security, \$75/month health insurance, 2 weeks vacation and 12 days sick leave and reduced child care cost for one-half of one child
Administrators	60	Average of \$2160/month @ 1.6 per program
Supplies and Educational Materials	50	Office, kitchen, classes and equipment
Support Personnel	40	Cook \$1500/month, bus driver \$1500/month, part-time janitor \$1000/month
Utilities	20	2.47% of budget
Maintenance	20	2.47% of budget
Miscellaneous	10	1.23% of budget
Total	<u>\$754</u>	per child per month

Assume a child care program with one class of maximum enrollments in each age group with all children attending full time. Enrollment income would be as follows:

5 infants	@ \$425/month	\$ 2,125
6 toddlers	@ \$375/month	2,250
10 preschoolers	@ \$325/month	3,250
15 kindergartners	@ \$225/month	3,375
20 school age	@ \$150/month	3,000
Total		<u>\$14,000</u>

To calculate staff and benefits costs, assume an average wage of \$5.50 per hour, which while higher than the current average is still not adequate compensation for the level of responsibility, commitment and knowledge required to do a good job.

Benefits were computed as follows:

- 1 day/month sick leave
- 10 days per year vacation time (for full-time employees only)
- 7.5% of gross wage for Social Security
- 2.34% of gross wage for ESC taxes
- 0.47% of gross wage for workman's compensation insurance
- 66% of health insurance premium (no dependent coverage)
- No retirement
- 50% reduced child care charge for first child

Based on the above assumptions, the following are staff costs:

<u>Position</u>	<u>Wages and Benefits/Month</u>
1.5 infant teachers	\$1,923
1.5 toddler teachers	1,923
1.5 preschool teachers	1,923
1 kindergarten teacher (6 hours/day)	1,078
1 school age teacher (3.5 hours/day)	553
1 bus driver (5 hours/day)	787
1 janitor/maintenance (5 hours/day)	787
1 cook (8 hours/day)	1,294
1 director (8+ hours/day)	2,596
Total	<u>\$12,864</u>

The difference between income and staff wages and benefits of \$1,136 must cover rent, insurance, food, vehicle maintenance, utilities, supplies and equipment. Receptionists, typists and accountants are luxuries few child care facilities can afford.

—Prepared by Commission member Patty Meritt.

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## Comparison of Public Schools and Private Child Care Programs

	<u>Public Schools</u>	<u>Private Child Care Facilities</u>
Program hours/day:	6.5	11 (average)
Children/teachers:	25+:1	5:1 (under 12 months) 6:1 (under 30 months) 10:1 (preschools) 15:1 (kindergarten) 20:1 (school age)
Student days/year:	180	252 (average)
Facilities:	Designed for children Paid for by government	Seldom designed for children Rented and renovated or donated by churches
Teacher qualifications:	Type A certificate/ 4 year degree	None (18 years old)
Teacher pay:	\$41,000/year, 9 month contract	\$6,890/year, 9 months \$9,186/year, 12 months
State support:	\$435/month/child plus capital appropriations	\$11 to \$25/month/child approximately
Local support:	Approximately 20% of operating budget of school district plus bond support	None, except in occasional rare grants for non-profits in general
Parent funding:	None required	85% to 100%

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# STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

WALTER J. HICKEL, GOVERNOR

- P.O. BOX B  
JUNEAU, ALASKA 99811-2100  
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February 4, 1991

## POSITION PAPER

RE: House Bill 51

SPONSOR: Representatives Ulmer, Kopenen, B. Davis, Ellis, Brown

### Program Effects of the Bill

The bill increases the base amount for the Child Care Grant Program to the \$50 maximum as is allowed under AS 44.47.305(3)(c).

### Comments

The Department of Community & Regional Affairs agrees that this amount would be necessary to support the increase in base to the \$50 maximum. At present, there are approximately 15,648 licensed child care spaces statewide. We anticipate 95 percent participation at the higher base rate, which would equate to approximately \$8,919,000. We also anticipate the development of additional child care facilities statewide and these additional spaces will add to the impact on the program even if the percentage of providers using the program is not constant at 95 percent. The higher rate encourages providers who otherwise would not bother with the additional paperwork to participate in the program and take advantage of the funds.

The Department of Community & Regional Affairs supports the Governor's budget. However, if additional funds are received, we would be more than amiable to administering the program in as efficient and cost effective manner as possible.

*Edg. Blatchford*  
\_\_\_\_\_  
Edgar Blatchford, Commissioner

## FACT SHEET: CHILD CARE IN ALASKA

### Who provides:

Child care for children in Alaska between the ages 0-5 years is provided by:

#### Private sector:

- Day care in provider's home
- Day care in child care center

#### Public sector:

- Headstart
- Preschool programs in public schools

### Need for child care:

Statewide, there are 15,648 licensed placements for child care. Actual availability of child care (combining both licensed and unlicensed providers) may be twice that number. However, finding childcare is difficult in virtually every Alaska community. As women increasingly enter the job market during the next 10 years, finding quality, affordable childcare will become an impossibility for many low to moderate income families.

### Future growth of need:

Nationally, the number of children under the age of 5 in daycare rose by 11% between 1984-1987. By 1995, 2/3 of all pre-schoolers will have mothers in the workforce.

In Alaska, the need appears to be growing more rapidly. The growth of the waiting list for the Day Care Assistance Program indicates that the need for childcare may grow by as much as 20% over the next few years.

### Why there is a shortage of childcare:

Historically, childcare was the responsibility of the family. As more and more parents entered the workplace and multi-generational families declined to the nuclear family of today, parents were forced to look outside the family for childcare. Increasingly, the need for daycare was filled by the private sector; daycare became a business.

Unfortunately, childcare is almost never a profitable business. 70% of childcare operating expenses are staff salaries. For most parents, childcare of any kind is not affordable. In order to keep costs low and attract more clients, childcare providers cut corners wherever they can and frequently end up subsidizing the cost of childcare by working at poverty level wages without any benefits. Many providers are inevitably driven from the business because of the long hours and low pay.

### Problems of childcare providers:

- nationally, 41% of all childcare workers quit each year
- in Anchorage, 48% of childcare workers quit each year
- the average daycare center enrollment has nearly doubled while the average salaries for child-care workers decreased 20%;
- the majority of childcare workers make \$4.74-\$7.62 per hour for an average wage of \$9,859 - \$15,850;
- few daycare centers offer any benefits

**How the state participates:**

In addition to licensing activities, the state assists in two ways:

**Day Care Assistance Program:** financial assistance is provided to low-income parents for day care expenses; average payment is \$265 per child to low-income parents;

**Child Care Grant Program:** Direct grant to eligible child care providers to assist with operational expenses; currently, the grant is approximately \$22 per month per child in care. State law provides for a maximum grant of \$50 per child per month.

**Total state contribution: \$12.3 million**

Day Care Assistance: \$10 million for FY 91

Child Care Grants: \$2.3 million for FY 91

Per child contribution (per licensed slot): \$786 per year

Compare to per child contribution for education in Alaska: \$6373 per year

**HB 51:** Doubles the child care grant paid to providers to \$50 per child

The Child Care Grant Program offers a per child subsidy to any childcare provider who agrees to accept clients from the Day Care Assistance Program. Child Care Grants may be used for operational and other businesses expenses.

FY 91 appropriation for childcare grants: \$2.3 million

Estimated increase of providers entering  
childcare grant program: 98%

Estimated appropriation needed to pay  
statutory maximum of \$50 per child: \$8.9 million

**Recommendations of the Governor's Interim Commission on Children and Youth:**

1) Increase Child Care Grant funds to the statutory maximum of \$50 per full-time child per month.

2) Provide grant funds to enable early childhood programs to become accredited through the National Academy of Early Childhood Programs.

3) Provide specialized training at local, regional and state levels for early childhood educators and family home care providers in cross-cultural communication; language development; recognition of the symptoms of abuse and neglect; meeting the needs of chronically ill children, disabled children and their families; caring for infants and toddlers.

4) The State Board of Education should adopt a policy urging a maximum of 20 children per teacher in kindergarten through grade 3. The state should help fund local district efforts to meet that ratio.

5) The professional status of childcare workers should be recognized through appropriate compensation and benefits, positive working conditions, recognition of educational standards, creation of professional career ladders, and societal appreciation of their work's value.

6) Increase Education and Training Grant funds from the Department of Community and Regional Affairs so eligible programs, organizations and communities can offer developmentally appropriate early childhood education/training and scholarships for courses and other professional development.

7) The University of Alaska and the Department of Education should develop an early childhood career ladder.

8) More early childhood educators and family childcare providers from Alaska's diverse cultures must be recruited, trained and hired in local communities.

9) Childcare providers, educators and administrators should be trained to heighten their awareness of cultural differences and improve their ability to resolve issues in a culturally appropriate manner.

10) Curriculum and materials culturally appropriate for Alaska should be available to all early childhood programs through the state library and other services.

# Anchorage Daily News

VOL XLIV, NO 55 92 PAGES

ANCHORAGE, ALASKA, FRIDAY, FEBRUARY 24, 1989

PRICE 25 CENTS

## Child-care survey finds low wages and high turnover

By **DONNA FREEDMAN**  
Daily News reporter

Anchorage child-care centers are something like the Land of Oz: People come and go so quickly there.

A recent survey showed a 48 percent annual turnover rate in area child care centers. The survey also found that wages for most child-care workers average between \$9,859 and \$15,850 a year, and that benefits are almost nonexistent.

None of this surprised Mia Oxley, director of Child Care Connection, which conducted the mail survey.

"It confirmed our suspicions. It's the same conditions that exist elsewhere in the country: low pay and high turnover," Oxley said.

Child Care Connection is

a non-profit corporation that provides referrals to parents and training to caregivers. The group conducted the survey partly for its own use, and partly because Anchorage child-care centers requested it.

Beth Aaberg, assistant director of the Sunshine School, said the concerns raised by the survey are not easy to solve. Higher wages would mean lower turnover and better-qualified personnel, but profit margins in child-care are low.

"Parents can't pay any more than they pay now. It's already such a big chunk of their budget," Aaberg said. "We need to have something that helps through the gov-

Please see Back Page, **SURVEY**

## **SURVEY:** Child-care numbers

Continued from Page A-1

ernment, I think."

The state already offers subsidies to child-care centers, and day-care assistance to low-income families. Copies of the survey will be sent to Alaska legislators, Oxley said.

Work on the survey began last October. An 11-page questionnaire was mailed to all licensed child-care centers in Anchorage. Topics included wages, benefits, working conditions, hours of operation, employee turnover and training practices. Of the 65 copies mailed out, 41 were returned.

They showed that annual turnover rates in Anchorage are 48 percent, compared to 40 percent nationally. Usually, the reason for high turnover is low pay — the majority of workers make between \$4.74 and \$7.62 an hour.

Most child-care centers offer few benefits. According to the survey, 67 percent do not offer health insurance, 54 percent do not provide

sick or personal leave, and 34 percent do not offer paid vacations.

One encouraging trend, Oxley said, was that non-profit centers tend to offer slightly higher wages and more benefits. Another good sign was that a few centers offered a higher pay scale to more skilled employees.

"It implies there's some sort of career ladder available. That's a positive trend. It has to happen if people are going to stay in the field," Oxley said.

Oxley said the study shows there is a "hidden subsidy" for child care. "It's not the government who subsidizes child care — it's the caregivers who work for annual wages of \$8,000 to \$14,000 who are really footing the bill," she said.

"We can talk all we want about increasing the supply so there isn't a shortage anymore, or improving the quality. But as long as the whole system is built on the backs of those people, nothing will change."

# Los Angeles Times

Friday, November 23, 1990



## Child care: bottom line

By Sylvia Porter

For millions of women, "having it all" means being able to find quality, affordable child care that will enable them to stay in the labor force. This isn't easy to achieve.

Their need is being addressed by entrepreneurs who see an opportunity to profit. Commercial child care centers are a small part of the system today, but their continued rapid growth seems assured by the pent-up demand.

At the same time, employers who in the past have been slow to pick up on the issue are moving more rapidly to accommodate their employees. **There's a good reason. Women with infants make up the fastest growing group in the labor force, points out Barbara Reisman, executive director of Child Care Action Campaign (CCAC).**

U.S. companies lose as much as \$3 billion annually because of family-related absences, says Reisman. This has inspired 3,000 to 4,000 companies to underwrite child care assistance for employees -- and the number is increasing.

*How do organizations intercede?* Reisman cites these examples from the files of CCAC:

--At the University of California Medical Center, the union bargained for an on-site day care center to accommodate the schedules of nurses and other workers.

--At Leadville, Colo., when the mining industry collapsed, both par-

ents had to work. A coalition of private and public sector forces joined to form and finance a center. It is in operation every day of the year and charges fees as low as 25 cents per hour.

--In Atlanta, five companies, unable to go it alone, formed a consortium to open a child development center on the plaza floor of Rich's downtown department store. Now there is to be a second center in the city's hospital district.

--Companies that are hesitant to establish their own are retaining others to operate centers for them. A small company's reluctance is understandable. It takes little to create a significant legal liability. Better to acquire a trained, qualified staff.

--Other employers are contributing toward the cost of day care at non-company locations or making payments to employees as part of an overall benefits plan.

--Hotels, industrial parks and housing developments are including child care centers to attract both tenants and employers.

**The current child care system is both costly and chaotic, according to CCAC. For most parents, child care of any kind is not affordable. This results in women quitting the work force, or using unlicensed "mom and pop" operations, or simply leaving their children home alone. Congress included \$2.5 billion in the Budget Reconciliation Act**

to be used over three years for child care grants. Yet, government -- federal, state or local -- still hasn't fully recognized the critical need in terms of the state's own interest. Available government help reaches only a small portion of low-income families.

In the private sector, commercial child care operations are flowering but at tuition costs prohibitive for most families. The shares of a handful of chain operators are publicly traded. The largest of these is Kinder-Care Learning Centers, Inc. of Montgomery, Ala., with 1,260 centers.

The child care market is estimated today to be between \$10 and \$35 billion, according to Kinder-Care. All the national and regional chains serve only 3 percent of the nation's families, and Kinder-Care claims a third of the market. Its revenues in 1989 were \$344 million.

Yet the industry is not without problems. Observers comment that regulation is still too lax. Acceptable centers of any kind are hard to find, even though there are more than 65,000 of them.

Another problem: Child care workers are among the lowest paid in the nation. Few receive employee benefits. This and high turnover often result in low quality of care. For the commercial providers, it could mean escalating labor costs if the workers become unionized, eating up profits or forcing higher tuition.

## More Care, More Costs

Americans spent \$15.5 billion for child care in 1987 (the latest year for which figures are available). That came to an average of \$49 per week for each U.S. family.

That's up more than 17 percent from the 1984 figure. And it comes to about 7 percent of average family income, but more than 20 percent of the family



incomes of those near the poverty line.

The increase isn't all inflation, says the Census Bureau, which provided the stats. Children may be getting care more hours every week.

And more children are getting care. Between 1984 and 1987 the number of children under 15 in day care increased by about 9 percent, to 28.8 million. The number of children under the age of 5 in day care rose by about 11 percent, to 9.1 million.

*NSA Today 12/90  
Vol 9, No. 4*

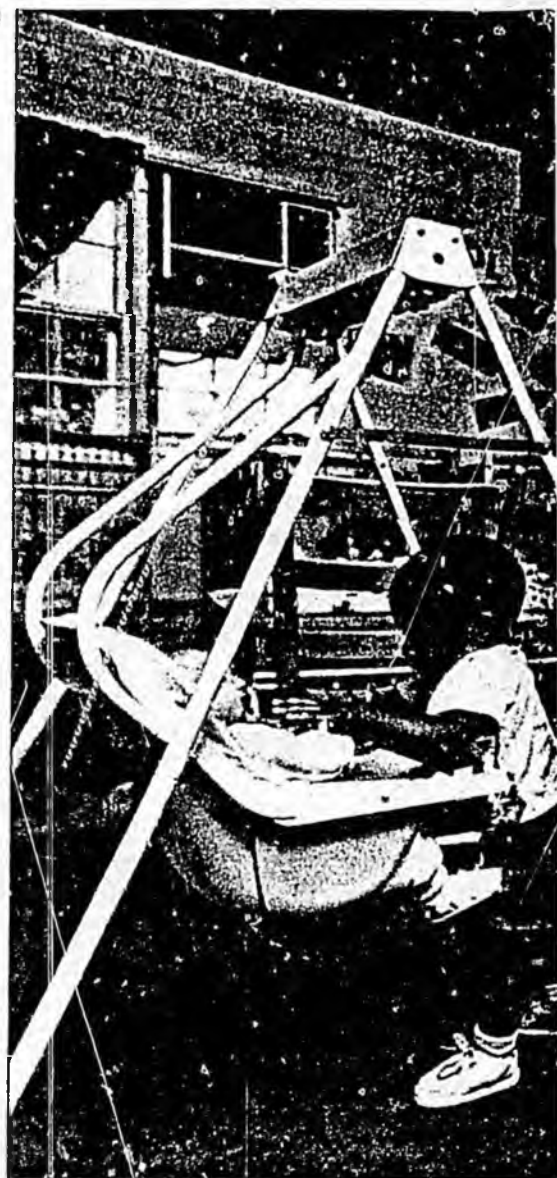
# The Day Care Generation

**Child care has immediate problems. But what about the long-term effect it will have on kids?**

**M**ery Frank is an expert on child care. For five years she ran a Yale University program that studied parental leave. But after she became a new mother two years ago, Frank discovered that even though she knew about such esoteric topics as staff-child ratios and turnover rates, she was a novice when it came to finding someone to watch her own child. Frank went back to work part time when her son, Isaac, was 5 months old, and in the two years since then she has changed child-care arrangements *nine* times.

Her travails began with a well-regarded day-care center near her suburban New Jersey home. On the surface, it was great. One staff member for every three babies, a sensitive administrator, clean facilities. "But when I went in," Frank recalls, "I saw this line of cribs and all these babies with their arms out crying, wanting to be picked up. I felt like crying myself." She walked out without signing Isaac up and went through a succession of other unsatisfactory situations—a babysitter who couldn't speak English, a woman who cared for 10 children in her home at once—before settling on a neighborhood woman who took Isaac into her home. "She was fabulous," Frank recalls wistfully. Three weeks after that babysitter started, she got sick and had to quit. Frank advertised for help in the newspaper and got 30 inquiries but no qualified babysitter. (When Frank asked one prospective nanny about her philosophy of discipline, the woman replied: "If he touched the stove, I'd punch him.") A few weeks later she finally hired her 10th babysitter. "She's a very nice young woman," Frank says. "Unfortunately, she has to leave in

BY PAT WINGERT  
AND BARBARA KANTROWITZ

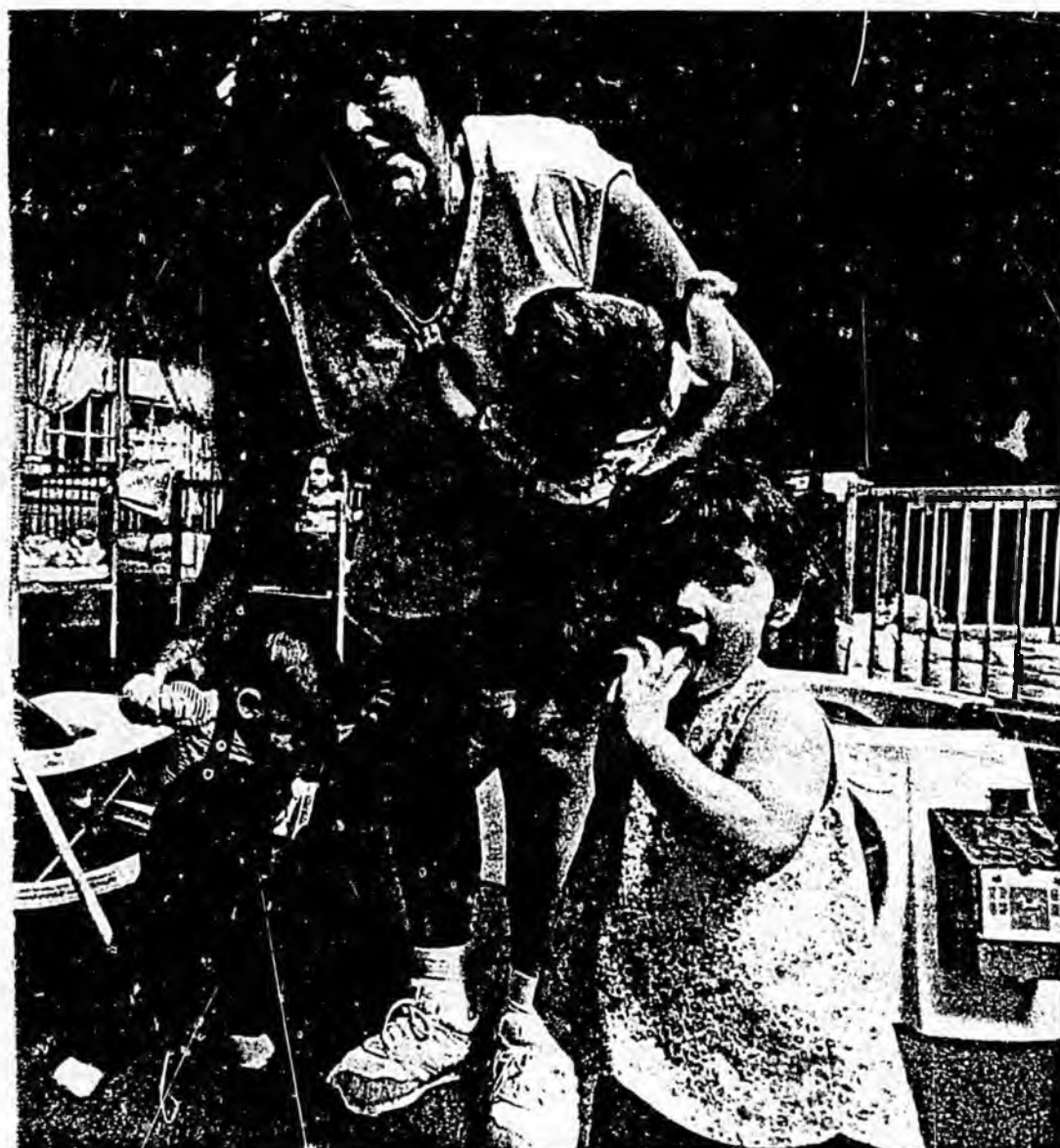


Good day care may be good for kids, bad care is definitely

May. And I just found out I'm pregnant again and due in June."

That's what happens when a *pro* tries to get help. For other parents, the situation can be even worse. Child-care tales of woe are a common bond for the current generation of parents. Given the haphazard state of day care in this country, finding the right situation is often just a matter of luck. There's no guarantee that a good thing will last. And always, there's the disturbing question that lurks in the back of every working parent's mind: *what is this doing to my kids?*

The simple and unsettling answer is, nobody really knows for sure. Experts say they're just beginning to understand the ramifications of raising a generation of youngsters outside the home while their parents work. Mothers in this country have always had jobs, but it is only in the past few years that a majority have gone back to the office while their children are still in diapers. In the past, most mothers worked out of necessity. That's still true for the majority today, but they have also been joined by mothers of all



The big concerns are staff turnover, health risks and the number of hours infants spend in day care.

economic classes. Some researchers think we won't know all the answers until the 21st century, when the children of today's working mothers are parents themselves. In the meantime, results gathered so far are troubling.

Some of the first studies of day care in the 1970s indicated that there were no ill effects from high-quality child care. There was even evidence that children who were out of the home at an early age were more independent and made friends more easily. Those results received wide attention and reassured many parents. Unfortunately, they don't tell the whole story. "The problem is that much of the day care available in this country is not high quality," says Deborah Lowe Vandell, professor of educational psychology at the University of Wisconsin. The first research was often done in university-sponsored centers where the child-care workers were frequently students preparing for careers as teachers. Most children in day care don't get such dedicated attention.

Since the days of these early studies, child

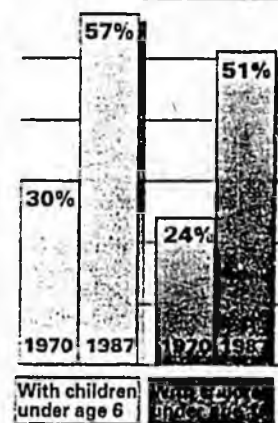
care has burgeoned into a \$15 billion-a-year industry in this country. Day-care centers get most of the attention because they are the fastest-growing segment, but they account for only a small percentage of child-care arrangements. According to 1986 Census Bureau figures, more than half of the kids under 5 with working mothers were cared for by nonrelatives: 14.7 percent in day-care centers and 23.8 percent in family day care, usually a neighborhood home where one caretaker watches several youngsters. Most of the rest were in nursery school or preschool.

Despite years of lobbying by children's advocates, there are still no federal regulations covering the care of young children. The government offers consumers more guidance choosing breakfast cereal than child care. Each state makes its own rules, and they vary from virtually no governmental supervision to strict enforcement of complicated licensing procedures for day-care centers. Many child-development experts recommend that each caregiver be responsible

## Who's Minding the Children?

Even with the sharp rise in working mothers, most children are still cared for at home—their own or someone else's.

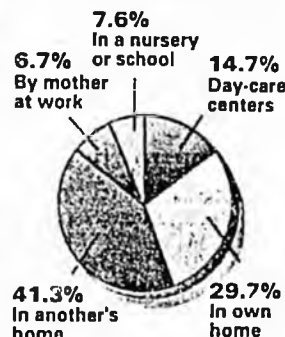
### Percent of Mothers Working



SOURCE: CHILD CARE INC.

### Day Care

WHO LOOKS AFTER CHILDREN UNDER AGE 6 WHILE THEIR MOTHERS WORK



SOURCE: U.S. CENSUS BUREAU

for no more than three infants under the age of 1. Yet only three states—Kansas, Maryland and Massachusetts—require that ratio. Other states are far more lax. Idaho, for example, allows one caregiver to look after as many as 12 children of any age (including babies). And in 14 states there are absolutely no training requirements before starting a job as a child-care worker.

Day-care centers are the easiest to supervise and inspect because they usually operate openly. Family day care, on the other hand, poses big problems for regulatory agencies. Many times, these are informal arrangements that are hard to track down. Some child-care providers even say that regulation would make matters worse by imposing confusing rules that would keep some potential caregivers out of business and intensify the shortage of good day care.

**N**o wonder working parents sometimes feel like pioneers wandering in the wilderness. The signposts point every which way. One set of researchers argues that babies who spend more than 20 hours a week in child care may grow up maladjusted. Other experts say the high turnover rate among poorly paid and undertrained child-care workers has created an unstable environment for youngsters who need dependability and consistency. And still others are worried about health issues—the wisdom of putting a lot of small children with limited immunities in such close quarters. Here's a synopsis of the current debate in three major areas of concern.

There's no question that the care of the very youngest children is by far the most controversial area of research. The topic so divides the child-development community that a scholarly journal, *Early Childhood Research Quarterly*, recently devoted two entire issues to the subject. Nobody is saying that mothers ought to stay home until their kids are ready for college. Besides that, it would be economically impossible; two thirds of all working women are the sole support of their families or are married to men who earn less than \$15,000 a year. But as the demographics have changed, psychologists are taking a second look at what happens to babies. In 1987, 52 percent of mothers of children under the age of 1 were working, compared with 32 percent 10 years earlier. Many experts believe that day-care arrangements that might be fine for 3- and 4-year-olds may be damaging to infants.

Much of the dispute centers on the work of Pennsylvania State University psychologist Jay Belsky. He says mounting research indicates that babies less than 1 year old who receive nonmaternal care for more than 20 hours a week are at a greater risk of developing insecure relationships with their mothers; they're also at increased risk of emotional and behavioral problems in later childhood. Youngsters who have weak emotional ties to their mothers are more likely to be aggressive and disobedient as they grow older, Belsky says. Of course, kids whose mothers are home all day can have these problems, too. But Belsky says that mothers who aren't with their kids all day long don't get to



Diaper changers run the risk of passing a bug from one child to the next

know their babies as well as mothers who work part time or not at all. Therefore, working mothers may not be as sensitive to a baby's first attempts at communication. In general, he says, mothers are more attentive to these crucial signals than babysitters. Placing a baby in outside care increases the chance that an infant's needs won't be met, Belsky says. He also argues that working parents have so much stress in their lives that they have little energy left over for their children. It's hard to find the strength for "quality time" with the kids after a 10- or 12-hour day at the office. (It is interesting to note that not many people are promoting the concept of quality time these days.)

Work by other researchers has added weight to Belsky's theories. Wisconsin's Vandell studied the day-care histories of 236 Texas third graders and found that youngsters who had more than 30 hours a week of child care during infancy had poorer peer relationships, were harder to discipline and had poorer work habits than children who had been in part-time child care or exclusive maternal care. The children most at risk were from the lowest and highest socioeconomic classes, Vandell says, probably because poor youngsters usually get the worst child care and rich parents tend to have high-stress jobs that require long hours away from home. Vandell emphasizes that her results in the Texas study may be more negative than those for the country as a whole because Texas has minimal child-care regulation. Nonetheless, she thinks there's a "serious problem" in infant care.

Other experts say there isn't enough information yet to form any definitive conclusions about the long-term effects of infant

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## Child-Care Checklist

Questions to ask at day-care centers:

- ❑ What are the educational and training backgrounds of staff members?
- ❑ What is the child-staff ratio for each age? Most experts say it should be no more than 4:1 for infants, 5:1 for 18 months to 2 years, 8:1 for 2 to 3 years, 10:1 for 3 to 4 years and 15:1 for 5 to 6 years.
- ❑ What are the disciplinary policies?
- ❑ Are parents free to visit at any time?
- ❑ Are the center's facilities clean and well maintained?
- ❑ Are child-safety precautions observed? Such as heat covers on radiators, childproof safety seals on all electrical outlets?
- ❑ Are staff members careful about hygiene? It's important to wash hands between diaper changes in order to avoid spreading diseases.
- ❑ Are there facilities and staff for taking care of sick children?
- ❑ Is there adequate space, indoors and out, for children to play?
- ❑ Most important of all, do the children look happy and cared for? Trust your instincts.

care. "There is no clear evidence that day care places infants at risk," says Alison Clarke-Stewart, a professor of social ecology at the University of California, Irvine. Clarke-Stewart says that the difference between the emotional attachments of children of working and of nonworking mothers is not as large as Belsky's research indicates. She says parents should be concerned but shouldn't overreact. Instead of pulling kids out of any form of day care, parents might consider choosing part-time work when their children are very young, she says.

For all the controversy over infant care, there's little dispute over the damaging effects of the high turnover rate among caregivers. In all forms of child care, consistency is essential to a child's healthy development. But only the lucky few get it. "Turnover among child-care workers is second only to parking-lot and gas-station attendants," says Marcy Whitebook, director of the National Child Care Staffing Study. "To give you an idea of how bad it is, during our study, we had tiny children coming up to our researchers and asking them, 'Are you my teacher?'"

The just-released study, funded by a consortium of not-for-profit groups, included classroom observations, child assessments and interviews with staff at 227 child-care centers in five cities. The researchers concluded that 41 percent of all child-care workers quit each year, many to seek better-paying jobs. In the past decade, the average day-care-center enrollment has nearly doubled, while the average salaries for child-care workers have decreased 20 percent. Typical annual wages are very low: \$9,931 for full-time, year-round employment (\$600 less than the 1988 poverty threshold for a family of three). Few child-care workers receive any benefits.

Parents who use other forms of day care should be concerned as well, warns UCLA psychologist Carollee Howes. Paying top dollar for au pairs, nannies and other in-home caregivers doesn't guarantee that they'll stay. Howes conducted two studies of 18- to 24-month-old children who had been cared for in their own homes or in family day-care homes and found that most had already experienced two or three changes in caregivers and some had had as many as six. In her research, Howes found that the more changes children had, the more trouble they had adjusting to first grade.

The solution, most experts agree, is a drastic change in the status, pay and training of child-care workers. Major professional organizations, such as the National Association for the Education of Young Children, have recommended standard accreditation procedures to make child care more of an established profession, for everyone from workers in large for-profit centers to women who only look after youngsters in their neighborhood. But so far, only a small fraction of the country's child-care providers are accredited. Until wide-scale changes take place, Whitebook predicts that "qualified teachers will continue to leave for jobs that offer a living wage." The victims are the millions of children left behind.

When their toddlers come home from day care with a bad case of the sniffles, parents often

joke that it's "schoolitis"—the virus that seems to invade classrooms from September until June. But there's more and more evidence that child care may be hazardous to a youngster's health.

A recent report from the Centers for Disease Control found that children who are cared for outside their homes are at increased risk for both minor and major ailments because they are exposed to so many other kids at such a young age. Youngsters who spend their days in group settings are more likely to get colds and flu as well as strep throat, infectious hepatitis and spinal meningitis, among other diseases.

Here again, the state and federal governments aren't doing much to help. A survey released this fall by the American Academy of Pediatrics and the American Public Health Association found that even such basic health standards as immunization and hand washing were not required in child-care facilities in half the states. Inspection was another problem. Without adequate staff, states with health regulations often have difficulty enforcing them, especially in family day-care centers.

Some experts think that even with strict regulation, there would still be health problems in child-care centers, especially among infants. "The problem is that caretakers are changing the diapers of several kids, and it's difficult for them to wash their hands frequently enough [after each diaper]," says Earline Kendall, associate dean of graduate studies in education at Belmont College in Nashville, Tenn. Kendall, who has operated four day-care centers herself, says that very young babies have the most limited immunities and are the most vulnerable to the diseases that can be spread through such contact. The best solution, she thinks, would be more generous leave time so that parents can stay home until their kids are a little older.

**D**espite the compelling evidence about the dark side of day care, many experts say there's a great reluctance to discuss these problems publicly. "People think if you say anything against day care, you're saying young parents shouldn't work, or if they do work, they're bad parents," says Meryl Frank, who is now a consultant on family and work issues. "For a lot of parents, that's just too scary to think about. But we have to be realistic. We have to acknowledge that good day care may be good for kids, but bad day care is bad for kids."

There is a political battle as well. Belsky, who has become a lightning rod for controversy among child-development professionals, says "people don't want working mothers to feel guilty" because "they're afraid the right wing will use this to say that only mothers can care for babies, so women should stay home." But, he says, parents should use these problems as evidence to press for such changes as paid parental leave, more part-time jobs and higher-quality child care. The guilt and anxiety that seem to be part of every working parent's psyche aren't necessarily bad, Belsky says. Parents who worry are also probably alert to potential problems—and likely to look for solutions. ■

# KIDPAC

A Voice for Children

## POSITION PAPER HB 51 CHILD CARE GRANT PROGRAM

Forty five percent of Alaskan jobs are held by women.

Compared to women nationally, Alaskan women are younger when they have babies, have more babies and return to work sooner.

Alaska has one of the highest percentages of working mothers and nearly 13% of Alaska's population is five years or younger.

The changing profile of Alaska's workforce has increased the need for reliable, affordable, quality child care.

In recent weeks the problem of availability and access to quality child care has been brought to light with the death of an infant in an unlicensed child care placement in Anchorage.

Quality child care is at a crisis in Alaska and is directly related to staff training, retention and wages. There is a scarcity of child care workers because the low pay, status and lack of benefits is not attracting nor keeping people to work with young children. This scarcity has reached crisis proportions in some urban areas.

The goals of the Child Care Grant program are to increase available, affordable and quality child care through financial assistance to child care practitioners.

The grant funds, paid directly to the day care centers and homes can be used to:

Enhance wages and benefits for caregivers.

Increase the number of staff employed.

Meet the health and nutritional requirements of children.

Purchase developmentally and culturally appropriate toys and equipment for the children.

Provide training opportunities for staff and for parents.

Children in licensed child care benefit directly by food and equipment or indirectly through increased staff wages, training and parent education.

HB 51 would allow this program to be fully funded for the first time allowing for the statutory maximum payments equal to \$50 per month per full time equivalent child to be paid to licensed child care centers and homes allowing increased quality to the care our children receive outside their home.

KIDPAC strongly encourages the passage of this legislation and urges your continued support for improved child care programs in Alaska.