

ALASKA LEGISLATURE COMMITTEE FILES 1991-1992 8672

6771 HOUSE COMMUNITY & REGIONAL AFFAIRS



ALASKA MINERS ASSOCIATION, INC.

Given an industry with these characteristics and boards of directors intimately concerned with the profitability of each operation, the question becomes: How can local or state tax assessors or their staffs even begin to determine the value of a mineral deposit when these companies have such difficulties determining the value?

The second major problem with the taxation of minerals in place is that it discourages exploration in two ways. First, it discourages exploration in any jurisdiction that utilizes a scheme of in place minerals taxation, and second, it discourages exploration even if in place taxation is on the books but not being used. It will discourage exploration of areas where little is currently known (grass roots exploration) and it will discourage a company from fully evaluating deposits that are already well defined or are already in production. In this instance the tax would discourage the most efficient management of the mine.

Mining companies and financial institutions that loan to them typically have a checklist of items that they consider at each step in their search for new mines. Before a company begins more than a cursory review of mineral prospects in Alaska, they will compare Alaska to the other states, provinces and countries where they may wish to invest their exploration dollars. The items on the checklist will include - regulations, regulatory stability, types of taxes, existing tax levels, tax stability, fiscal stability of the state or country that may affect taxes, etc. The checklist will also address political stability, labor force availability, labor force attitudes, and operating cost considerations.

These items are reviewed before approval is given to spend money in a particular state or country. The exploration business is one of finding likely exploration targets and developing sufficient information to determine if that target can ever become a mine. This process requires many years. For Greens Creek, the largest silver mine in North America, it took 17 years from the initial discovery until first production. For Red Dog, the largest zinc deposit in the world, it took 21 years from initial discovery until first production. For Diamond-Chuitna Coal Co., it has thus far taken 14 years and the first ton of coal has yet to be mined and sold.

If an in place tax had been charged on these minerals before they were mined, there is a high likelihood that no mining would ever have taken place. The cost burden in the early years of a project and the uncertainty as to how long this ongoing cost burden would continue before the mine could start would have been a significant argument against continuing exploration.



ALASKA MINERS ASSOCIATION, INC.

Each year a mining company re-evaluates the various projects around the world where it can invest its exploration dollars. Within overall corporate objectives, each prospect/project will compete with every other project for funding for the next year. Each year the checklist comes out and further investment is weighed against the results of this year's exploration findings and any changes to the regulatory, tax, political, etc climates. A project in Alaska will have to compete for funding with prospects in Mexico, Bolivia, Indonesia, USSR, etc. If the Alaskan project carries with it a tax on in place minerals, that project will be at a disadvantage.

Because of the lack of transportation infrastructure in Alaska, it is simply more expensive to conduct minerals exploration and develop and operate a mine here than in many other places of the world. In place taxation, and the scary prospect of being taxed on a resource before it is economic, is just one more disincentive to doing business in Alaska.

Alaska is already at a severe disadvantage for a variety of reasons. These include the cost of operating in the north and the lack of infrastructure. They also include the fact that most mining companies have, at least up until the past two years, seen Alaska as a bad place to do business. They have seen Alaska as a place where they will be harassed by all manner of preservationist groups that have claimed Alaska as their big park. They have watched as the state has milked the oil industry at every turn. They have watched some past state administrations thumb their nose at mining and even target mining companies for harassment.

Because of these and many other factors, there are now only five mines in the entire state with more than 100 employees. From World War II until 1989 when Greens Creek and Red Dog began operation there had been effectively no hard rock mining in the State of Alaska. There are 3000 coal mines in the U.S. and in spite of the fact that Alaska has as much coal as the other states combined, there is only one operating coal mine in Alaska. We are, however, now seeing many companies return to look for minerals in Alaska. It is as if Greens Creek and Red Dog have shown the world that it is possible to start a major mine in Alaska. This notion had been in question for many years. Taxation of minerals in place will act to negate the positive changes that have occurred.

A third fact to consider is that taxation of minerals in place is an additional burden on local communities that are already struggling to encourage creation of new jobs and expand their real property tax base. For much of Alaska the only opportunity for economic development and creation of new jobs is through development of the mineral resources. Many parts of the state do not have timber or fish or oil. The only opportunity in those areas for good-paying, skilled, close-to-home, year-around jobs is the development of the minerals. It should also be noted that on a nation-wide average, mining jobs are higher paying than comparable jobs in other industries.



ALASKA MINERS ASSOCIATION, INC.

If in place minerals are taxed, local communities will be hurt without even knowing it. Many of the mining companies that have the expertise to find and develop the minerals will not even go out in Alaska to look for new mines. They will not be there to provide exploration jobs in the early years of a project nor will they be there to provide mine operating jobs and long term employment.

During the meeting here in Anchorage, State Assessor Mr. Mike Worley described the assessment of value as a combination of many factors. He described this as the value of the facilities and improvements along with the value of a particular piece of land based on its location or setting. The value of an undeveloped lot therefore includes the potential value of the lot for the highest and best use to which it could be placed. A fourth major problem with in place taxation is therefore: How will the value of the non-tangible natural resources that exist due to location or setting be determined? For the lot in town, this non-tangible value is determined and it will have to be determined for all areas of the state.

For example, how will "wilderness character" be valued? This is clearly a natural resource that is in place and it too will have to be taxed. What is the value of "wilderness character" for a remote area where one can see wildlife on a consistent basis? What is the increased value of a parcel of land that has a fabulous view of Mt. McKinley or Mt. Saint Elias? Those sites have a natural resource value based on their location just as the lot in town has a value based on its location.

This is an "opportunity value" that exists for many different resources. A tremendous opportunity may exist if a lodge were to be constructed and marketed for European or Japanese customers at \$5000 per week. Until that lodge is built and has developed its niche in the market it will be impossible to determine what that opportunity value really is. It will be easier to calculate for lodges and resorts that are already in operation and are benefitting from the opportunity value of the natural resources around them.

Mr. Worley also discussed several tax policy considerations. These included fairness between taxpayers and fairness between municipalities. If natural resources are to be taxed in place and taxation is to be fair, all areas of the state will be subject to taxation of their scenic values, wilderness character, wilderness proximity, and other such resource values.



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What about hunting and fishing lodges? What about lodges that focus on hiking or mountain climbing? These often occupy and utilize the most beautiful parts of the state. They will be subject to taxation of the resources they utilize even if the resources are not consumed, just as in the case of minerals that are not extracted from the ground. Of course it could be argued that the hunting and fishing lodges do indeed consume some of the resources.

In a similar vein, a fifth problem with taxation of natural resources in place involves how will the fish resources available to fishing sites be taxed? The fish are clearly a natural resource. The "lot" where the fish site is located has a measurable market value but it also has an "opportunity value" by virtue of the fish that pass the site. If the fisherman is diligent and fishes every minute of every opening he will likely have a greater profit than if he fishes only the best or most convenient openings. What then is the basis for taxing the in place resource that is available to him?

A sixth problem is whether or not it would be cost effective to attempt taxation of in place resources. The above examples show some of the difficulties that will be encountered. What will be the cost of assessing the in place resource values for fish, timber, wilderness character, scenic views, lodges, and minerals? The direct financial costs to the municipalities and the state will be very high as will the indirect costs that will result.

The direct costs are not a one time charge either. Value assessment of in place resources will in many instances require a yearly re-evaluation. Fish resources available to the fisherman will vary from year to year as will the cost of operation and the price that he can get for the resource. From a minerals standpoint the "value" of ore deposits also change each year. Some ore is mined (hopefully), additional drilling may add to the ore reserves, changes in the metallurgy of the ore being mined (the difficulty of removing the metal from the rock) may increase cost other factors may increase costs, and the prices received for the metals will always fluctuate. Each of these changes means the "value" of the minerals in place will change.

The issue of annual re-evaluation should be a concern. I believe Arizona is one of only two states that still attempts to tax ore reserves in place. I talked with mining industry officials there and learned that in Arizona there are five major mining companies that have 14 operating properties with copper and gold being the primary commodities produced. The assessed value of the ore reserves are re-evaluated each year based on metal prices, operating costs and profits and the process is a very strenuous one for all concerned.



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The indirect costs will include disagreements between the lodges, fishermen, loggers, miners, etc. seeking to operate, and the municipalities. Arguments and discontent between these groups and the municipalities would become a very divisive factor for the communities. We need only look at the problems that arise right now when assessors seek to place a value on real property that can be seen, touched and measured. Therefore, what will it be like to value resources that cannot be seen, touched or measured?

A seventh problem will arise when a company that has been taxed for several years on the in place natural resources decides that the project is not economic and asks for reimbursement of the taxes that had been paid. This could be a lodge developer that sees his potential market change or it could be a mining company that concludes that the metallurgy of the ore is too complex and costly for a mine to be profitable.

The above points show the extreme difficulty of in place taxation of resources. For some resources the valuation process (assessing) is more difficult than for other resources. Considering minerals, it is nearly impossible for these to be valued for taxation and if they are taxed the ultimate effect will be less exploration in Alaska and there will be fewer jobs generated.

In considering taxation of in place resources, all of these resources will have to be valued and taxed. This would be a herculean task. We therefore urge you to provide the State Legislature a recommendation that the statute be changed to exempt all resources in place from taxation.

Sincerely,

Steven C. Borell, P.E.
Executive Director

Original sponsor(s): REP. MACLEAN, Cato, Zawacki

1 IN THE HOUSE BY THE C&RA COMMITTEE
2 SENATE CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 159 (C&RA)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 SIXTEENTH LEGISLATURE - SECOND SESSION
5 A BILL

6 For an Act entitled: "An Act relating to an exemption from municipal
7 property taxation for natural resources in place; and
8 providing for an effective date."

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

10 * Section 1. PURPOSE. It is the primary purpose of the legislature in
11 providing for a temporary tax exemption for natural resources in place to
12 gain the time necessary for an orderly and comprehensive study of the
13 issues relating to exempting natural resources in place from municipal
14 property taxation.

15 * Sec. 2. TEMPORARY TAX EXEMPTION. Natural resources in place, includ-
16 ing proven or unproven mineral and other deposits of valuable materials and
17 timber stumpage, are exempt from property taxation by a municipality.

18 * Sec. 3. STUDY AND REPORT. (a) The Department of Community and
19 Regional Affairs shall study and compare the potential effects of various
20 natural resource taxation options including

21 (1) total exemption from municipal property taxation for natural
22 resources in place;

23 (2) partial exemption from municipal property taxation for
24 natural resources in place;

25 (3) no exemption from municipal property taxation for natural
26 resources in place;

27 (4) total or partial exemption from municipal property taxation
28 for natural resources in place at the option of each municipality;

29 (5) taxation of natural resources in place by municipalities

1 other than property taxation for purposes of determining whether a perma-
2 nent exemption from property taxation is the most desirable approach.

3 (b) The Department of Community and Regional Affairs shall select
4 representatives of municipalities and of unincorporated communities in
5 boroughs and in the unorganized borough to advise in the design and exe-
6 cution of the study under (a) of this section. The Department of Community
7 and Regional Affairs shall conduct the study in concert with the Department
8 of Revenue and with the Alaska Municipal League. The study must include
9 consideration of

10 (1) tax treatment by other states of natural resources in place;

11 (2) the point in time that natural resources in place acquire a
12 value for tax purposes; and

13 (3) methods for determining the value of natural resources in
14 place that may be applied on a uniform basis in all municipalities.

15 (c) By January 15, 1992, the Department of Community and Regional
16 Affairs shall report to the legislature its findings and recommendations
17 regarding municipal property taxation of natural resources in place.

18 * Sec. 4. This Act is repealed July 1, 1992.

19 * Sec. 5. This Act takes effect immediately under AS 01.10.070(c).

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

WALTER J. HICKEL, GOVERNOR

400 WILLOUGHBY AVENUE
JUNEAU, ALASKA 99801-1796
PHONE: (907) 465-2400
FACSIMILE: (907) 586-2754

January 22, 1992

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

Dear Representative Mackie:

Subject: HB 366, HB 373, which relate to an exemption from municipal property taxation for natural resources in place.

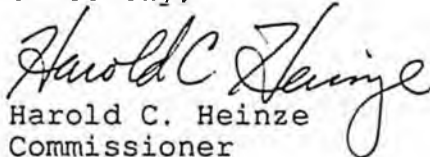
Position: Although these bills do not directly affect the Department of Natural Resources, we offer our support for the taxation policy they establish.

Background: The valuation of natural resources in place is an extremely difficult and costly task to accomplish, and the results are rarely acceptable to all involved parties. Resource development depends as much on markets, timing, and location as it does on the resource itself. Not exempting natural resources in place from municipal property taxation could further discourage natural resource development in Alaska and depress the price the state receives when offering its resources for sale.

In addition, not exempting natural resources in place from property taxation would raise the value of property within municipalities which, in turn, would negatively affect state education foundation aid and revenue sharing monies municipalities are eligible to receive.

Recommendation: Consider the report on taxation of natural resources in place prepared by the Department of Community and Regional Affairs, and adopt its recommendations.

Sincerely,


Harold C. Heinze
Commissioner

cc: Representative Cherie Davis
Representative Eileen MacLean
Committee Members
Paul Fuhs, Legislative Liaison, Office of the Governor
Edgar Blatchford, Commissioner, Department of Community and Regional Affairs

HOUSE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE
1/22/92

SPONSOR STATEMENT BY REP EILEEN P. MACLEAN

FOR HB 373 - RELATING TO AN EXEMPTION FROM
MUNICIPAL PROPERTY TAXATION FOR NATURAL
RESOURCES IN PLACE

Thank you, Mr. Chairman. The purpose of HB 373 is to place a permanent exemption into statutes to exclude the value of resources in place from municipal taxation. This bill is necessary because taxation of in-place resources is implied by law but has never been implemented. Alaska statutes exempt certain kinds of property from in-place resource taxation, such as oil and gas properties, but is silent as to other types of resources, such as mineral and timber. An AG opinion written in 1988, and enclosed in your back-up, stated that the value of in place resources should properly be included in the assessed values of municipalities. The State Assessor raised the issue in 1989 and asked the legislature to clarify the statutes by either clearly requiring that resources in place be taxable, or to exempt them altogether. Common practice in the state had been to exclude the value of resources in place because it is technically impractical to value mineral bodies under ground. Although large deposits of resources may exist, they often cannot be developed at a profit. It is difficult, if not impossible, to predict whether or not a resource will ever be economically developed.

In 1989, I sponsored HB 159, which enacted a two year temporary exemption, to allow the Department of Community and Regional Affairs time to study issues of taxing resources in place. HB 159 defined resources in place as "proven or unproven mineral and other deposits of valuable materials". A report was due to the legislature by January 15, 1992.

The DCRA report included in your back-up concludes on page 17, that "unless the Legislature totally exempts natural resources in place from local taxation during this session, a state of confusion will ensue for the municipalities, the State Assessor's Office and resource industries. There is a statewide consensus that the Legislature should adopt an amendment to AS 29.45.030 totally exempting natural resources in place from local property taxation".

HB 373 will make permanent the temporary exemption enacted in 1989 and removes an ambiguous and impractical requirement from the statutes. The passage of HB 373 does not preclude any other taxing options after extraction or development, it only prevents in place resources from being taxed while in their natural state, and removes a substantial negative incentive for all types of mineral development.

For the record, I would like to state that the definition of natural resources in place includes sand and gravel materials. A question arose yesterday in the Senate C&RA committee about

the sand and gravel issue. I have been informed by the Legal Services Division that sand and gravel is already included in the existing definition of resources in place as "other proven and unproven deposits of valuable materials".

The Alaska Municipal League supports this legislation. Your back-up includes a copy of the resolution passed at the AML Conference in November, the DCRA final report and position paper, a copy of HB 159, a 1988 AG opinion on the taxation of in place resources, a comment paper by the Alaska Miner's Association, and a Legislative Digest analysis of the issue.

I fully support the technical amendment submitted by the department. There is one other minor amendment I would like to offer for the Committee Substitute. On page 2, line 22, I would like to delete the word "stumpage" from the phrase "timber stumpage". I've been informed that this is the preferred language. The Senate version of the bill will also be modified to include this wording change.

Thank you for the prompt scheduling of HB 373. I ask for the committee's support and would be happy to answer any questions you have at this time.



attachment 1

ALASKA MINERS ASSOCIATION, INC.

501 W. Northern Lights Blvd., Suite 203, Anchorage, Alaska 99503 FAX: (907) 278-7997 Telephone: (907) 276-0347

House Bill No. 373

Exemption from municipal property taxation for natural resources in place.

My name is Steven C. Borell and I am the Executive Director of the Alaska Miners Association.

Thank you Mr. Chairman and committee members for the opportunity to comment on this important issue. Thank you also for scheduling this bill early in the session.

The AMA supports this legislation and the need for passing an exemption for the taxation of natural resources in place during this session of the Legislature. We are concerned that if taxation of natural resources in place is begun, the affect will be to discourage if not totally close down exploration in those areas where this form of taxation occurs.

We also wish to commend the Alaska Municipal League for taking the lead in support of an exemption from taxation for resources in place. We were very pleased to learn that the AML passed a resolution favoring exemption of taxation of natural resources in place and that the resolution passed on a unanimous vote. The AML recognized that in place taxation would have a very serious negative affect on local economies in several different ways.

Rather than addressing in detail all of the arguments why in place taxation is not a good policy, I shall list and summarize the major problems with this form of taxation.

The first and possibly most compelling reason for not taxing minerals in place is that it is extremely difficult to place a value on minerals before they are actually extracted from the ground. Major mining companies employing scores of exploration, financial, environmental, engineering, and management people have a very difficult time defining the value of a deposit.

The second major problem with the taxation of minerals in place is that it discourages exploration. Mining companies will not even look for minerals if they will be taxed for the many years that are required to determine if they have an economic deposit. For Greens Creek, the largest silver mine in North America, it took 17 years from the initial discovery until first production. For Red Dog, possibly the largest zinc deposit in the world, it took 21 years from initial discovery until first production. If an in place tax had been charged on these minerals before they were mined, there is a high likelihood that no mining would ever have taken place.

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A third fact to consider is that taxation of minerals in place is an additional burden on local communities that are already struggling to encourage creation of new jobs and expand their real property tax base. For much of Alaska the only opportunity for economic development and creation of new jobs is through development of mineral resources. If in place minerals are taxed, local communities will be hurt without even knowing it because the mining companies that have the expertise to find and develop the minerals will not even go out and explore for them.

A fourth problem involves the taxation of non-tangible natural resources that exist due to location or setting. For the city lot this non-tangible value is determined and under the doctrine of equal treatment, the value of non-tangible natural resources such as wilderness character, wilderness proximity, scenic values, proximity to rivers for rafting or floating, etc. would have to be taxed. Hunting and fishing lodges would have to be taxed for the fish and wildlife resources that are in their area.

A fifth problem involves how will the fish resources available to fishing sites be taxed? The fish are clearly a natural resource and the fish site has a measurable market value but it also has an opportunity value by virtue of the fish that pass the site.

A sixth problem is whether or not it would be cost effective to attempt taxation of in place resources. The above examples show some of the difficulties that will be encountered.

A seventh problem will arise when a company that has been taxed for several years on the in place natural resources decides that the project is not economic and asks for reimbursement of the taxes that had been paid. This could be a lodge developer that sees his potential market change or it could be a mining company that concludes that the metallurgy of the ore is too complex and costly for a mine to be profitable.

For all of the above reasons, a permanent exemption for taxation of natural resources in place is necessary during this session of the Legislature.

Thank you again and please feel free to contact me if you have any questions.

Testimony
HB 373
January 22, 1992

attachment 2

MY NAME IS KENT DAWSON. I AM HERE TODAY REPRESENTING THE ALASKAN PRODUCERS COUNCIL, WHICH IS A GROUP OF LARGE MINERAL PRODUCERS WITH AN INTEREST IN ALASKA DEVELOPMENT, INCLUDING SUCH FIRMS AS COMINCO, GREENS CREEK, ECHO BAY, AMERICAN COPPER AND NICKEL, AMAX, NORTH PACIFIC MINING, AND ALASKA GOLD.

THE ALASKAN PRODUCERS COUNCIL JOINS WITH THE MUNICIPAL LEAGUE IN SUPPORTING THIS LEGISLATION AND APPRECIATES THAT ALASKA MUNICIPALITIES HAVE ACKNOWLEDGED THE DETRIMENTAL EFFECT TO MINING DEVELOPMENT A TAX ON MINERALS IN PLACE WOULD CAUSE.

THE ALASKAN PRODUCERS COUNCIL WISHES TO ACKNOWLEDGE THE EXCELLENT JOB THE DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS HAS DONE WITH THEIR RATHER DIFFICULT STUDY.

MEMORANDUM

State of Alaska

To: The Honorable Walter J. Hickel
Governor

December 16, 1991

From: Rural Development Sub-cabinet

Phone: 465-4700

Re: Support for legislation exempting natural resources in place
from local property taxation

The rural development sub-cabinet has been following with concern the issue of whether or not natural resources in place should be subject to local property taxation. A study of the issue was conducted by the Department of Community and Regional Affairs, and a report will be submitted to the Legislature before January 13.

There is now consensus around the state that natural resources in place should be totally exempt from local property taxation. Legislation to effect a total exemption (with the exception of oil and gas which are treated separately under existing statutes) will be proposed in the forthcoming legislative session. Natural resource industries and associations, Native corporations, local governments, and the Alaska Municipal League have all endorsed a total exemption.

The rural development sub-cabinet supports a total exemption of natural resources in place from local property taxation, and urges the Governor to actively support legislation that will so amend Title 29 of The Alaska Statutes.

Ed. Blatchford

Commissioner Edgar Blatchford, Chair
Community & Regional Affairs

Glenn A. Olds

Commissioner Glenn A. Olds
Commerce & Economic Development

Carl L. Rosier

Commissioner Carl L. Rosier
Fish and Game

Harold C. Heinze

Commissioner Harold Heinze
Natural Resources

John A. Sandor

Commissioner John A. Sandor
Environmental Conservation

HOUSE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE
1/22/92

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FOR HB 373 - RELATING TO AN EXEMPTION FROM
MUNICIPAL PROPERTY TAXATION FOR NATURAL
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In 1989, I sponsored HB 159, which enacted a two year temporary exemption, to allow the Department of Community and Regional Affairs time to study issues of taxing resources in place. HB 159 defined resources in place as "proven or unproven mineral and other deposits of valuable materials". A report was due to the legislature by January 15, 1992.

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the sand and gravel issue. I have been informed by the Legal Services Division that sand and gravel is already included in the existing definition of resources in place as "other proven and unproven deposits of valuable materials".

The Alaska Municipal League supports this legislation. Your back-up includes a copy of the resolution passed at the AML Conference in November, the DCRA final report and position paper, a copy of HB 159, a 1988 AG opinion on the taxation of in place resources, a comment paper by the Alaska Miner's Association, and a Legislative Digest analysis of the issue.

I fully support the technical amendment submitted by the department. There is one other minor amendment I would like to offer for the Committee Substitute. On page 2, line 22, I would like to delete the word "stumpage" from the phrase "timber stumpage". I've been informed that this is the preferred language. The Senate version of the bill will also be modified to include this wording change.

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Alaska State Legislature

HOUSE OF REPRESENTATIVES

REPRESENTATIVE GAIL PHILLIPS

Official Business
PHONE: (907) 465-2689
FAX: (907) 465-3472

STATE CAPITOL
JUNEAU, ALASKA
99801-1182

CS SS HB 379

SPONSOR STATEMENT

PRESENTED TO THE HOUSE COMMUNITY
AND REGIONAL AFFAIRS COMMITTEE

MARCH 9, 1992

I introduced House Bill 379, which is titled "an act relating to motor vehicle registration and providing for an effective date," to help municipalities recover the costs of transporting motor vehicles that are at the end of their useful life, to recycling centers. Because Alaska has numerous abandoned vehicles cluttering up our scenic state, I feel passage of this bill will not only help in restoring it's beauty, but will allow for the recycling and reuse of the metal, etc..

Specifically, the bill works in this manner. Every year, upon registration or renewal of registration, a \$2 per vehicle fee would be imposed upon the owner of the car. It is the intent of this bill that the additional motor vehicle registration fees collected as a result of this Act will be placed in a specified account in the general fund. The Legislature would then appropriate these funds to the Department of Community and Regional Affairs for the sole purpose of providing grants to municipalities to reimburse them for the costs they incur for transporting these vehicles to recycling centers. If the municipalities have no recycling center, funds generated in their locations may be applied to their local disposal costs.

The bill is straight forward and exempts no motor vehicles, including state, borough or local government-owned vehicles. If enacted, the bill would become law on January 1, 1993.

Because Alaska already has so many junk vehicles I have been considering various means of getting rid of them. One possibility I am looking into is the possibility of back-hauling from the remote areas on our river systems which are served by barge throughout the summer months.

House Bill 379 was a pre-filed bill which was introduced on the first day of this session. However, since the original draft, I have submitted a sponsor substitute and minor changes were made in the House

Transportation Committee. In addition to this committee, HB 379 has a further referral to the Finance Committee.

I am pleased to find that there is a great deal of support for this bill among my colleagues, and I appreciate this opportunity for an early hearing in your committee.

Thank you.

Some Facts:

Currently there are 445,000 registered motor vehicles in Alaska. This would mean the first year this bill is in effect, it would produce approximately \$890,000 in funds to be deposited in the General Fund.

There will be some small cost (probably not more than 5% of the funds collected) to administer the program.

In the last four years, in Anchorage alone, the Street Maintenance Department tells me they have picked up 10,000 junk and abandoned cars.

FISCAL NOTE

No. 1

Bill Version: CSSSHB 379 (TRA)

(H) Publish Date: 2-28-92

STATE OF ALASKA
1992 LEGISLATIVE SESSION

Revision Date: _____

Title: An Act Relating to Motor Vehicle Registration

Department Affected: Community and Regional Affairs

BRU: Administration & Support

Component: Administrative Services

Sponsor: G. Phillips, Zawacki

Requestor: _____

COMPONENT SERIAL NO.

0	6	8	4
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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	27.0	55.9	57.8	59.7	61.6	63.5
TRAVEL						
CONTRACTUAL	0.6	1.2	1.2	1.2	1.2	1.2
SUPPLIES	0.3	0.6	0.6	0.6	0.6	0.6
EQUIPMENT	4.0					
LAND & STRUCTURES						
GRANTS, CLAIMS		800.4	830.4	828.5	826.6	824.7
MISCELLANEOUS						
TOTAL OPERATING	31.9	858.1	890.0	890.0	890.0	890.0

CAPITAL						
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REVENUE FUND SOURCE:	New *	New	New	New	New	New
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* = Motor Vehicle Recycling Registration Fees collected by the Department of Public Safety

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER FUND SOURCE: **	31.9	858.1	890.0	890.0	890.0	890.0
TOTAL	31.9	858.1	890.0	890.0	890.0	890.0

POSITIONS: ** = Motor Vehicle Recycling Grant Fund

FULL-TIME	1.0	1.0	1.0	1.0	1.0	1.0
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

See Attached

Prepared By: Remond Henderson *Remond Henderson*
Division: Administrative Services Division

Phone: 465-4725
Date: 2-21-92

Approved by Commissioner: Eon Reith
Agency: Department of Community and Regional Affairs

Date: 2-25-92

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Ofc., & Impacted Agency(ies).

The proposed legislation would create a \$2.00 Recycling Registration Fee for motor vehicles upon registration or renewal. The Department of Public Safety would collect this fee with motor vehicle registrations and renewals. When the funds are deposited, the \$2.00 per vehicle would be directed into a newly established Motor Vehicle Recycling Grant Fund in the Department of Community and Regional Affairs. Subject to appropriations, the Department of Community and Regional Affairs would then make grants to municipalities for the purpose of transporting junk or abandoned motor vehicles to recycling centers.

The Department of Public Safety estimates revenues from the Recycling Registration Fee will be approximately \$890,000 per fiscal year. These fees will be received throughout a fiscal year, including on June 30. This Fiscal Note assumes that the amount of funds appropriated for a fiscal year (except FY 93; see below for explanation of FY 93) will be based upon the prior year's fee receipts and that the full amount of the prior year's receipts will be appropriated by the Legislature. Basing appropriations on the prior year's receipts will avoid the potential problems of having to estimate a year's receipts and/or of seeking supplemental appropriations should the actual receipts be less than estimated.

This analysis also assumes that the operating costs of administering the grant program will be paid by the Motor Vehicle Recycling Grant Fund receipts and will not be supported with General Fund monies. It is assumed that during FY 93, program receipts will be used to pay the operating costs of \$31,900. As per above, no grants will be awarded in FY 93, as there will be no fee receipts in the prior fiscal year (i.e., FY 92).

At the end of FY 93, the Grant Fund will have a balance of \$858,500 (i.e., receipts of \$890,000 in FY 93 less operating costs in FY 93 of \$31,900 equals a fund balance of \$858,500). This balance will then be used for the FY 94 operating costs as well as grant awards. The analysis assumes that the \$57,700 of personal services, contractual and supplies costs for FY 94 will be deducted from the FY 94 beginning fund balance of \$858,500 to yield a remaining balance of FY 93 receipts of \$800,400 to be used for the FY 94 grant awards.

At the beginning of FY 95, the Grant Fund will have a balance of \$890,000 (i.e., the amount of the FY 94 fee receipts). The personal services, contractual and supplies costs for FY 95 of \$59,600 will be deducted from the \$890,000 fund balance to yield an amount available for grants in FY 95 of \$830,400.

FISCAL NOTE ANALYSIS
House Bill 379
Department of Community
and Regional Affairs
Page 3 of 3

No. 1
CSSS HB 379
(STA)

At the beginning of FY 96, the Grant Fund will have a balance of \$890,000 (i.e., the amount of the FY 95 fee receipts). The personal services, contractual and supplies costs for FY 96 of \$61,500 will be deducted from the \$890,000 fund balance to yield an amount available for grants in FY 96 of \$828,500.

At the beginning of FY 97, the Grant Fund will have a balance of \$890,000 (i.e., the amount of the FY 96 fee receipts). The personal services, contractual and supplies costs for FY 97 of \$63,400 will be deducted from the \$890,000 fund balance to yield an amount available for grants in FY 97 of \$826,600.

At the beginning of FY 98, the Grant Fund will have a balance of \$890,000 (i.e., the amount of the FY 97 fee receipts). The personal services, contractual and supplies costs for FY 98 of \$65,300 will be deducted from the \$890,000 fund balance to yield an amount available for grants in FY 98 of \$824,700. At the end of FY 98, the Grant Fund will have a balance of \$890,000, or the amount of fee receipts in FY 98.

FISCAL NOTE

No. 2
 Bill Version: CSSSHB379 (TRA)
 (H) Publish Date: 2-28-92

STATE OF ALASKA
 1992 LEGISLATIVE SESSION

Revision Date: _____ Department Affected: Public Safety
 Title: An Act relating to motor vehicle BRU: Motor Vehicles
registration Component: Field Service
 Sponsor: Representative G. Phillips
 Requestor: House Transportation COMPONENT SERIAL NO.

5	0	2
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EXPENDITURES/REVENUES: (Thousands of Dollars) (inflation not included)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	7.5	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	7.5	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	890.0	890.0	890.0	890.0	890.0	890.0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	7.5	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE:	0	0	0	0	0	0
TOTAL	7.5	0	0	0	0	0

POSITIONS:

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

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)

See attached.

Handwritten:
 Made
 2/11/92

Prepared By: Charles Hosack Phone: 269-5559
 Division: Motor Vehicles Date: 2/4/92
 Approved by Commissioner: *Richard L. Burton* Richard L. Burton
 Agency: Department of Public Safety Date: 2/11/92

Department of Public Safety
Fiscal Note Analysis - SSHB 379
Page 2 of 2

This bill requires the Division of Motor Vehicles to collect an additional fee of \$2.00 each time a motor vehicle is registered or upon a renewal of the registration. Approximately 445,000 motor vehicles are registered in Alaska each year. At \$2.00 per vehicle, this will bring in revenues of approximately \$890.0 per year to the state. These funds will be used to provide grants to municipal governments to recycle junked or abandoned vehicles.

7.5 in contractual monies will be needed for 100 hours of contract programmer time to revise all registration programs to collect the new fees and to revise all revenue reports so that the fees are correctly reported to AKSAS. This is a one-time expenditure, for the first year of the program only.

All registration fee amounts except those for trailers will be increased by \$2.00. Trailers are not included because the bill addresses "motor vehicles" rather than "vehicles". Forms will be revised to indicate the new fee and a new revenue account will be established to identify the fees collected under this bill.

FISCAL NOTE

No. 3
 Bill Version: CSSSHB 379(TRA)
 (H) Publish Date: 2-28-92

STATE OF ALASKA
 1992 LEGISLATIVE SESSION

Revision Date: _____ Department Affected: Environmental Conservation
 Title: Motor Vehicle Registration BRU: Environmental Quality
 Sponsor: Representative G. Phillips Component: Solid & Hazardous Waste Management
 Requestor: (H) Transportation COMPONENT SERIAL NO.

1	4	2	7
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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

REVENUE						
FUND SOURCE:						

FUNDING: (Thousands of Dollars)

GENERAL FUND	0.0	0.0	0.0	0.0	0.0	0.0
FEDERAL FUNDS						
OTHER						
FUND SOURCE:						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

Because any fees collected would be used for grants to municipalities to carry out the requirements of this legislation, DEC would not be involved.

Prepared By: Janice Adair Phone: 465-5050
 Division: Commissioner's Office Date: January 23, 1992
 Approved by Commissioner: *Janice Adair*
 Agency: Environmental Conservation Date: 1-23-92

STATE OF ALASKA
DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

WALTER J. HICKEL, GOVERNOR

150 THIRD STREET
JUNEAU, ALASKA 99801-1291
PHONE: (907) 465-4700

949 E. 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508-4302
PHONE: (907) 563-1073

February 20, 1992

POSITION PAPER

RE: SS HB 379

SPONSOR: Representatives G. Phillips, Zawacki

Program Effects of Bill:

The bill creates a \$2 recycling registration fee to be collected by the Division of Motor Vehicles and provides that the money collected may be appropriated by the legislature to the motor vehicle recycling grant fund to pay the cost of transporting junk or abandoned motor vehicles to recycling centers. The grant fund is established in the Department of Community and Regional Affairs.

Comments:

The Department of Community and Regional Affairs and the Department of Environmental Conservation have discussed the proposed grant fund and agree that the bill should be amended to put the fund in the Department of Environmental Conservation for coordination with DEC's spring cleanup and other solid waste programs.

Ed. Blatchford

Edgar Blatchford, Commissioner

BILL NO: SSHB 379

DATE: February 26, 1992

TITLE: An Act relating to motor vehicle registration

CONTACT: Juanita Hensley
Division of Motor Vehicles
465-4335

This bill would amend Alaska's motor vehicle registration law by imposing a \$2.00 fee on each motor vehicle registration or registration renewal. These funds would be available to provide grants to municipalities to recycle junked or abandoned vehicles. The \$2.00 fee would be applied to all vehicles registered except trailers; trailers are not included because the bill addresses "motor vehicles" rather than "vehicles". Registration forms will be revised to indicate the new fee and a new revenue account will be established to identify the fees collected under this bill.

According to the bill's sponsor, her intent was to have the \$2.00 fee imposed on all registered motor vehicles every year. To make this clear, the Department of Public Safety suggests the addition of the words "each year" to page 1, line 8, after the word "collected". The Department also suggests that a date certain be chosen for the effective date of the tax, to minimize confusion to the public and to promote administrative efficiency. This could be accomplished by adding a new Sec. 4 to the bill, to read: "The recycling fee established in this bill applies to all motor vehicles either due for registration or actually registered after January 1, 1993."

The Division registered approximately 445,000 motor vehicles during 1991. The amendments suggested above will allow the Division of Motor Vehicles time to establish the program and to phase in any needed revisions to the registration form and registration renewal notice. It would also avoid the problem of vehicle owners trying to register early to avoid fee increases.

The Department supports SSHB 379, but urges the committee to consider the suggested amendments.



Richard L. Burton
Commissioner



217 Second Street, Suite 200 • Juneau, Alaska 99801 • Tel (907)586-1325, Fax (907) 463-5480

February 10, 1992

Position Paper

SS HB 379 - Motor Vehicle Recycling Registration Fee

The Alaska Municipal League supports HB 379, providing for the collection of an additional fee on motor vehicle registrations to finance a fund established to provide grants to municipalities for the purpose of paying the cost of transporting motor vehicles that are the end of their useful life to recycling centers.

The Alaska Municipal League's 1992 Policy Statement states,

"Solid Waste Reduction Programs: The League supports funding and implementation of solid waste reduction programs, e.g., recycling, litter reduction, waste oil recycling, required deposits on beverage bottles and cans, etc., to be developed and operated in conjunction with municipal governments."

Municipalities operate landfills and community clean-up programs to protect the health and environment of their communities. Motor vehicles are often abandoned in yards and along roadsides or taken to municipal dumps or landfills for disposal at the end of their useful life. The disposal of vehicles is problematic and costly. The cost of preparing a vehicle for disposal or transportation to a recycling center alone is estimated to be in excess of \$100 dollars. The public must understand and participate in the true cost of solid waste disposal at the front end of a consumer product's life as well as at the end of its useful life.

HB 379 proposes adding a fee to the annual motor vehicle registration fee and establishing a grant program to assist municipalities with the cost of transporting motor vehicles to recycling centers. Such a program will assist municipalities pick up unsightly and potentially hazardous abandoned and junk vehicles keep the environment clean and healthy and extend the life of our landfills.

sab6:hb379rec.ycl



Alaska Environmental Lobby, Inc.

P.O. Box 22151 Juneau, Alaska 99802

907-586-2345

February 25, 1992

Representative Gail Phillips
P.O. Box V
Juneau, Alaska 99811

Dear Representative Phillips:

Alaska Environmental Lobby is writing in support of House Bill 379, "An Act relating to motor vehicle registration."

The additional fee of \$2.00 to a motor vehicle registration to help reimburse municipalities cover the costs of transporting abandoned, unused motor vehicles to recycling centers is a good step for our environment. The \$2.00 additional fee should be increased to \$5.00 to provide more funding to municipalities so they can clean up more abandoned vehicles.

I agree with you that we surely have too many abandoned unused vehicles lying around or even half buried in every city, town or village. These vehicles detract from beautiful scenic views and are hazardous to the environment due to the chemical and toxic materials they are attached with.

By reimbursing municipalities for the cost of transporting the vehicles to recycling centers, the Department of Community and Regional Affairs will encourage more involvement by municipalities to recycle these abandoned, unused vehicles.

I wish you best of luck for the passage of this environmentally sound legislation.

Best regards,

Anna Phillip
Volunteer Lobbyist



CITY OF WASILLA

290 E. HERNING AVE.

WASILLA, ALASKA 99654-7091

PHONE: (907) 373-9050

FAX: (907) 373-0788

February 11, 1992

The Honorable Gail Phillips
Alaska State Legislature
P. O. Box V
Juneau, Alaska 99811

Re: SS HB 379

Dear Representative Phillips:

I'm writing to support SS HB 379, auto recycling fees. Having struggled with a never-ending stream of abandoned and illegally dumped vehicles this legislature promises...relief. We simply must assess the cost of junk car removal and recycling to vehicle operators.

At \$2.00 annually, I'm afraid that the costs won't be covered. Given a generous 10-year life only \$20.00 would be collected per vehicle. Our local contracted towing costs to wrecking yards range from \$50.00 to \$75.00. I suggest that you review your costs, including administrative expenses, and confirm your proposal. I suspect that \$8.00 to \$10.00 per year makes more sense. Even if only half of the vehicles end up as a public responsibility we still have a fifty-year backlog to clean up.

Sincerely,

John C. Stein
Mayor, City of Wasilla

JCS/sbh

FEB 27 1992
J

1507 Second St.
Douglas, AK 99824
364-2928 home
586-6806 work
February 26, 1992

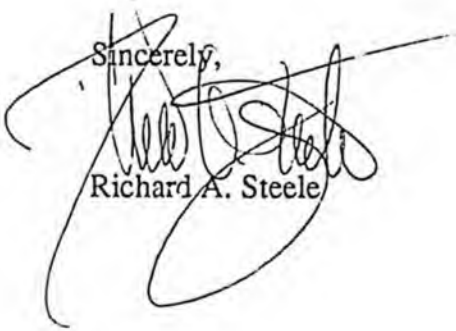
Rep. Gail Phillips
Alaska State House of Representatives
P.O. Box V
Juneau, AK 99811

Dear Rep. Phillips:

As Chair of the Juneau Citizens Advisory Committee on Waste Management, we would like to offer our support for House Bill No. 379, "An Act relating to motor vehicle registration." As we know to well, Alaska is infamous for its junk cars in yards. Why does Alaska seem to have so many junk cars? Part of the reason is the difficulty in getting those vehicles to a recycling center. This bill will establish some funds for that recycling effort. Also, it is commendable that this bill would use that money in the form of grants for retrieving those vehicles. This makes sense, will involve the private sector, and will go a long way to removing this blight on Alaska's landscape, not to mention provide steel and other materials for recycling.

We wholeheartedly support this bill.

Sincerely,



Richard A. Steele



KENAI PENINSULA BOROUGH

144 N. BINKLEY • SOLDOTNA, ALASKA 99669
PHONE (907) 262-4441

DON GILMAN
MAYOR

October 14, 1991

Representative Gail Phillip's Office
Attention: Mel
34824 Kalifonsky Beach Road
Soldotna, Alaska 99669

Subject: Junk/Abandoned Vehicles

Mel:

In response to your request, please find attached some of the information that I have accumulated on junk/abandoned vehicles.

The Kenai Peninsula Borough plans a one-time boroughwide junk vehicle cleanup next summer. The Borough plans to set up as a grant program to allow a business (successful proposer) to conduct the program with the Borough compensating the business for each vehicle that is removed from our Borough and is marketed as a recyclable.

Last summer over 400 vehicles from the Homer Landfill were crushed and transported for recycling. As these were vehicles that were brought to us for disposal, we did not require the disposers to have vehicle titles, and we did not have to follow the extensive steps that are necessary if vehicles are impounded (taken from the right-of-way or other location). The Borough does not have authority to remove vehicles from along the roadsides and therefore, does not perform any collection, this is handled by the various cities and/or through the troopers. If the Borough were to become involved in a program of picking up vehicles from the roadsides, it would require another staff person as well as substantial funding.

The costs to crush, transport and market scrap vehicles varies from \$15-\$70 per vehicle dependent on current market for scrap, location, condition of material, and transport costs. This does not include the cost if the vehicles have to be picked up from the roadsides and transported to a storage/impound location.

I hope this information is of some help. Please contact me at 262-9657 if I can be of further assistance.

Sincerely,

Catherine Mayer
Solid Waste Administrator

enclosures

xc. Ken Brown, Public Works Director



KENAI PENINSULA BOROUGH


144 N. BINKLEY • SOLDOTNA, ALASKA 99669
PHONE (907) 262-4441

M E M O R A N D U M

DON GILMAN
MAYOR

TO: Cathy Mayer, Solid Waste Administrator

TO: Thomas R. Boedeker, Borough Attorney

FROM:  Philip A. Reeves, Deputy Borough Attorney

DATE: July 16, 1991

SUBJECT: Abandoned vehicle and junk vehicle programs.

Over the past few months I've had several discussions with each of you regarding various possible programs dealing with abandoned and/or junk vehicles within the Borough. These programs range from dealing with junked cars currently stored in our landfill facilities to contracting or providing grants to private contractors for removal of abandoned vehicles from their site of abandonment. Through this memo I would like to point out the statutory requirements and potential liabilities which apply to the various scenarios which have been raised, and which I believe will require that we deal with "abandoned" vehicles and "junk" vehicles through separate programs. For the purpose of this memorandum I will refer to "junk" vehicles meaning vehicles still possessed by their titled owners (who are seeking to dispose of them) while "abandoned" vehicles will include vehicles whose titled owners can no longer be determined or located.

"Junked" vehicles can be dealt with fairly easily. The only real liability concern arising from dealing with "junked" vehicles is the potential for a hazardous material spill resulting from lost vehicle fluids (gasoline, lubricants, etc.) and batteries. While it is conceivable that a federal or state action seeking compensation for environmental clean-up costs arising from such a spill could be maintained against the borough, our landfill operational policy of removing batteries and draining fluids from all vehicles prior to final disposition should alleviate that potential problem.

"Abandoned" vehicles raise significant additional requirements as set out by the state statutes at A.S. Chapter 28.11 (see attached). These requirements include: 1.) written notice to the vehicle owner of record and to lienholders of record by certified mail, return receipt requested, stating grounds for removal and the location of impoundment of the vehicle, and 2.) that should the vehicle not be reclaimed within 30 days of notice the vehicle shall

be disposed of by public auction. These requirements expressly apply to "a wrecked, dismantled, or inoperative vehicle or a vehicle otherwise presumed to be abandoned." Cathy Mayer has apparently talked with representatives of other municipalities whose programs do not meet these requirements - I am at a loss to explain their rationale for non-compliance with AS Chapter 28.11.

Tom Boedeker has suggested a clever alternative to operation of a borough-run "abandoned" vehicle program through enactment of a grant procedure whereby private entities would be compensated on a per-vehicle basis for transporting junked vehicles to destinations outside of the Kenai Peninsula Borough. Presumably the Borough's sole involvement would be providing a compliance official who would document the junked vehicles loaded for immediate transport out of the Borough and process the paperwork necessary for issuing a check. While there are certainly many details to be worked out, a grant program would have the advantage (over a contract for services) of isolating the Borough from involvement in or oversight of the private entity's means and methods of possession, transport and disposal. Should the ultimate disposal of the vehicles result in a hazardous materials spill, there is still a potential for Borough liability as a person who "arranged with a transporter for transport for disposal or treatment, of hazardous substances" (42 USCA 9607 (a)(3)), but that potential liability is much more tenuous than in a situation where we would contract directly with a transporter. A direct contract would necessarily include contractor requirements regarding his methods of transport, disposal, and compliance with all federal and state regulations regarding hazardous materials, abandoned vehicles, etc., and would consequently require borough oversight of these details.

In summary, there is an important distinction between "junked" vehicles (provided by their title owner for disposal) and "abandoned" vehicles (where the title owner cannot be located). In consideration of the express requirements of AS Chapter 28.11, I would suggest that we clearly distinguish between the two situations and limit our active involvement in a vehicle disposal program to those vehicles presented by the titled owners. If we choose to deal with "abandoned" vehicles through an in-house program, we will have a significant effort involved in meeting the AS 28.11 requirements for notice to owners and lienholders of record and for sale by auction. If, however, the borough limits its involvement with abandoned vehicles to a grant program, whereby any private entity who brings a load of junked vehicles to the grant compliance officer's location in the course of removing those vehicles from the Borough will receive a grant payment on a per-vehicle basis, then I believe we can substantially limit any

Memorandum -- Abandoned Vehicles
July 16, 1991

Page 3

potential borough liability/responsibility arising from the
transporters' means and methods.

PAR:bl

FISCAL NOTE

BILL NO. CSSSHB 379(TRANS)

STATE OF ALASKA
1992 LEGISLATIVE SESSION

Revision Date: 3/12/92 Department Affected: Public Safety
 Title: "An Act relating to motor vehicle registration" BRU: Motor Vehicles
 Component: Field Service
 Sponsor: Representative G. Phillips
 Requestor: House C&RA COMPONENT SERIAL NO.

5	0	2
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EXPENDITURES/REVENUES: (Thousands of Dollars) (inflation not included)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	7.5	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	7.5	0	0	0	0	0

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

REVENUE	445.0	890.0	890.0	890.0	890.0	890.0
FUND SOURCE:						

FUNDING: (Thousands of Dollars)

GENERAL FUND	7.5	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
FUND SOURCE:						
TOTAL	7.5	0	0	0	0	0

POSITIONS:

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

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)

See attached.

Prepared By: Charles Hosack Phone: 269-5559
 Division: Motor Vehicles Date: 3/12/92
 Approved by Commissioner: *Wayne A. H. Oster* Richard L. Burton
 Agency: Department of Public Safety Date: 3/12/92

This bill requires the Division of Motor Vehicles to collect an additional fee of \$2.00 each time a motor vehicle is registered or upon a renewal of the registration. Approximately 445,000 motor vehicles are registered in Alaska each year. At \$2.00 per vehicle, this will bring in revenues of approximately \$890.0 per year to the state. These funds will be used to provide grants to municipal governments to recycle junked or abandoned vehicles.

7.5 in contractual monies will be needed for 100 hours of contract programmer time to revise all registration programs to collect the new fees and to revise all revenue reports so that the fees are correctly reported to AKSAS. This is a one-time expenditure, for the first year of the program only.

All registration fee amounts except those for trailers will be increased by \$2.00. Trailers are not included because the bill addresses "motor vehicles" rather than "vehicles". Forms will be revised to indicate the new fee and a new revenue account will be established to identify the fees collected under this bill.

A M E N D M E N T

OFFERED IN THE HOUSE

BY REPRESENTATIVE G.PHILLIPS

TO: CSHB 379 (TRANSPORTATION)

Page 1, line 11:

Delete "AS 44.47.070"

Insert "AS 44.46.120"

Page 1, line 12, after "centers":

Insert "and to the Department of Environmental Conservation to pay the cost of administering the grant program"

Page 1, line 13:

Delete "AS 44.47"

Insert "AS 44.46"

Page 1, line 14:

Delete "1A"

Insert "3"

Page 2, line 1:

Delete "Sec. 44.47.070"

Insert "Sec. 44.46.120"

H B

3 8 4

STATE OF ALASKA
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY
LEGISLATIVE REFERENCE LIBRARY

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

H HESS

2/4/92

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. HB 384

Revision Date: _____
Title: An act relating to administrative costs for DCAP

Department Affected: Community and Regional Affairs
BRU: Child Assistance
Component: Day Care Assistance Programs

Sponsor: Rep. C. Davis
Requestor: (H) Hes

COMPONENT SERIAL NO.

1	4	1	4
---	---	---	---

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	570.0	590.0	590.0	590.0	590.0	590.0
MISCELLANEOUS						
TOTAL OPERATING	570.0	590.0	590.0	590.0	590.0	590.0

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

REVENUE						
FUND SOURCE:						

FUNDING: (Thousands of Dollars)

GENERAL FUND	570.0	590.0	590.0	590.0	590.0	590.0
FEDERAL FUNDS						
OTHER						
FUND SOURCE:						
TOTAL	570.0	590.0	590.0	590.0	590.0	590.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: N/A

ANALYSIS: (Attach a separate page if necessary.)
See attached sheet

Prepared By: Remond Henderson *Remond Henderson*
Division: Administrative Services Division

Phone: 465-4708
Date: 1/31/92

Approved by Commissioner: E. A. Berry
Agency: Department of Community and Regional Affairs

Date: 2-2-92

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. HB 384

By increasing the allowable administrative rate from 10% to 15% the Bill increases the costs to the program by 5% or \$570,000 in FY 93 and by \$590,000 thereafter. The increase of \$20,000 is due to \$400,000 which will be reinstated into the Day Care Assistance Program during the FY 94 that is currently being used as a required GF match to the federal At Risk Assistance child care program. Federal funding decreases by this amount in FY 94 due to the fact that Alaska received two year's worth of funds the first year the program was implemented, FY 92.

If the increment is not funded it will mean a decrease of assistance to approximately 160 children for a full year. Although there has been an influx of new federal funds into the program this year, it has served to clear waiting lists statewide and possibly fund new communities. Another program financial impact which will increase the costs of services during FY 93 is the new market rate survey results. Preliminary data indicate that there will be a 5% - 8% increase in child care provider rates as of July 1, 1992. This item alone would mean fewer people served with the same funds, but it is anticipated that the impact will be minimized due to increased federal dollars. However, the program could not absorb a additional 5% increase of costs without decreasing the number of families assisted.

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

X 150 THIRD STREET
JUNEAU, ALASKA 99801-1291
PHONE: (907) 465-4700

□ 949 E. 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508-4302
PHONE: (907) 563-1073

RECEIVED
2-5-92

OFFICE OF THE COMMISSIONER

January 31, 1992

POSITION PAPER

RE: House Bill No. 384

Sponsor: Representative Davis

Program Effects of the Bill

This bill effects two items in current Statute: (1) it increases the allowable administrative cost for the contractor from 10% to 15%, and; (2) it allows contractors to utilize Day Care Assistance funds for administrative costs based on the contract amount instead of on the amount expended. This bill will allow greater predictability of annual administrative budget. A contractor will be able to plan on a designated amount for administration where that has not been the case in the past.

The Statute gives priority in contracting for day care administration services to municipalities, but some municipalities have been hesitant to participate because of the uncertainty about the state funds to be received and because at 10% the funds do not cover the full cost of administration. Passage of this bill will encourage more municipalities to participate in the Day Care Assistance Program. It is critical to proper program implementation and oversight that contractors have sufficient staff available to administer the program.

Comments:

The Department of Community & Regional Affairs supports passage of this bill.

Edgar Blainford

Edgar Blainford
Commissioner
Department of Community and
Regional Affairs

ALASKA STATE LEGISLATURE

ELECTIVE DISTRICT 1

BYDER
KETCHIKAN
KUPREANOF
MEYERS CHUCK
PETERSBURG
SAXMAN
WRANGELL



HOME
P.O. BOX 5723
KETCHIKAN, AK 99901
PHONE 225-6304

DURING SESSION
P.O. BOX 1
STATE CAPITOL BUILDING
JUNEAU, AK 99811
PHONE 465-3424

Representative Cheri L. Davis

SPONSOR STATEMENT HB 384

Good morning and thank you for scheduling this bill so promptly.

House Bill 384, is legislation which will increase the amount of money that a day care facility or organization may use for their administrative costs. As the law is written now, Day Care Assistance Programs can only use 10 percent of their annual day care benefits from the state for administrative costs. This legislation increases the amount of money available for administrative costs to 15 percent and insures the facility or organization will not receive less than \$1,000 in administrative payments.

Many cities and boroughs are finding that their administrative costs are in excess of the 10 percent allowed by current law. If a municipality needs more than 10 percent, it must take the money from somewhere else or compromise the quality of their day care assistance program.

Direct operational costs usually exceed 10 percent. These costs have, for example, averaged 12 to 13 percent in the last two fiscal years in the Fairbanks North Star Borough and are 22 percent in Ketchikan. Clients and accountability suffer when administration of the program is underfunded, an increase to 15 percent will alleviate some of the monetary pressures these municipalities are facing.

Again I thank you for hearing this bill today, and I will be glad to try and answer any questions you may have.

Sponsor Statement

FY 91 DAYCARE ASSISTANCE EXPENDITURES

(AS OF 2/11/92)

<u>COMMUNITY</u>	<u>TOTAL AWARD</u>	<u>SUBSIDY EXPENDED</u>	<u>ADMIN. EXPENDED</u>
Anchorage	6,568,279.00	5,379,591.42	537,959.16
Aniak	25,063.00	18,410.31	1,841.04
Bethel	152,596.00	124,067.00	12,406.71
Cordova	61,618.00	49,698.84	4,969.89
Craig	71,400.00	66,157.65	6,615.78
Delta Junction	22,075.00	10,520.72	1,096.82
Dillingham	56,737.00	45,102.87	4,510.30
Fairbanks	2,324,488.00	1,984,224.16	198,176.88
Ft. Greely	39,637.00	18,037.63	1,803.79
Glennallen	10,282.00	7,938.40	999.96
Haines	20,481.00	17,840.25	1,784.03
Healy	2,350.00	343.00	535.26
Homer	129,855.00	109,609.12	10,960.93
Juneau	689,730.00	589,479.35	58,947.92
Kenai	104,648.00	85,365.41	8,536.54
Ketchikan	509,968.00	379,390.58	37,939.07
Kodiak	187,543.00	164,547.73	16,454.54
Kotzebue	138,794.00	121,185.80	12,118.59
Mat-Su Borough	639,803.00	506,184.38	50,618.47
Metlakatla	97,329.00	75,527.80	7,552.79
Nenana	5,599.00	3,502.00	999.96
Nome	59,974.00	39,176.32	3,917.63
North Slope	24,050.00	8,966.60	963.88
Petersburg	52,404.00	41,402.10	4,140.23
Seward	77,590.00	64,494.55	6,449.46
Sitka	232,353.00	161,364.00	16,136.43
Skagway	11,404.00	10,048.60	1,004.86
Soldotna	243,385.00	187,744.53	18,774.46
Valdez	63,448.00	57,680.00	5,768.00
Wrangell	49,116.00	32,279.66	3,227.99

FY 90 DAYCARE ASSISTANCE EXPENDITURES
(AS OF 2/11/92)

<u>COMMUNITY</u>	<u>TOTAL AWARD</u>	<u>SUBSIDY EXPENDED</u>	<u>ADMIN. EXPENDED</u>
Anchorage	5,407,625.00	4,522,905.70	452,290.58
Aniak	32,266.00	22,626.81	2,262.69
Bethel	134,956.00	101,469.03	10,376.91
Cordova	80,629.00	53,599.17	5,359.94
Craig	74,600.00	65,113.70	6,834.39
Delta Junction	32,215.00	19,933.45	1,993.35
Dillingham	48,241.00	40,107.92	4,010.80
Fairbanks	2,315,995.00	2,058,375.81	205,991.60
Ft. Greely	26,303.00	15,738.70	1,777.88
Glennallen	19,631.00	10,084.42	1,008.44
Haines	39,540.00	16,487.69	2,099.78
Healy	7,505.00	112.50	11.25
Homer	82,114.00	62,999.53	6,423.97
Juneau	673,636.00	584,272.56	58,670.28
Kenai	166,571.00	76,007.44	7,673.73
Ketchikan	333,885.00	295,378.50	29,537.88
Kodiak	221,157.00	165,183.01	16,518.32
Kotzebue	112,407.00	99,436.31	10,253.63
Mat-Su Borough	541,073.00	428,414.40	42,889.44
Metlakatla	97,998.00	84,895.74	8,489.59
Nenana	9,059.80	2,767.42	666.64
Nome	64,399.00	52,005.72	5,510.57
North Slope	12,635.00	5,997.24	1,579.72
Petersburg	63,979.00	44,958.87	4,782.90
Seward	70,631.00	62,702.52	6,270.2
Sitka	267,314.00	191,696.17	19,412.62
Skagway	12,137.00	8,798.94	1,268.90
Soldotna	203,712.00	153,738.26	15,373.82
Valdez	69,131.00	56,454.85	5,645.49
Wrangell	62,676.00	42,219.40	4,221.95

FY 89 DAYCARE ASSISTANCE EXPENDITURES
(AS OF 2/11/92)

<u>COMMUNITY</u>	<u>TOTAL AWARD</u>	<u>SUBSIDY EXPENDED</u>	<u>ADMIN. EXPENDED</u>
Anchorage	4,608,894.00	4,013,971.56	401,397.18
Aniak	29,906.00	21,613.25	2,161.33
Bethel	136,598.00	91,030.21	9,333.04
Cordova	95,124.00	83,801.55	8,483.16
Craig	67,572.00	60,843.88	6,392.38
Delta Junction	15,001.00	12,354.66	1,316.75
Dillingham	25,086.00	17,631.46	2,004.16
Fairbanks	2,031,098.00	1,783,357.48	178,493.08
Ft. Greely	26,434.00	21,204.66	2,345.48
Galena	5,669.00	852.55	449.21
Glennallen	15,215.00	10,308.80	1,030.88
Haines	34,690.00	28,315.15	3,174.52
Healy	6,026.00	1,442.91	225.93
Homer	73,244.00	58,285.79	5,942.58
Juneau	590,078.00	530,787.40	53,321.78
Kenai	184,245.00	167,365.69	16,818.55
Ketchikan	363,642.00	317,603.47	32,068.37
Kodiak	239,330.00	211,437.92	21,343.79
Kotzebue	122,046.00	99,594.46	10,289.45
Mat-Su Borough	670,123.18	553,586.48	55,406.66
Metlakatla	72,259.00	65,341.10	6,872.13
Nome	76,491.00	58,167.76	6,126.79
North Slope	26,760.00	6,027.82	1,113.78
Petersburg	71,414.00	56,755.24	5,962.53
Seward	71,460.00	55,090.41	5,509.05
Sitka	211,401.00	157,645.75	16,007.58
Skagway	7,941.00	6,152.51	1,024.25
Soldotna	138,356.00	116,157.50	11,615.71
Valdez	70,802.00	54,361.14	5,436.12
Wrangell	46,281.00	39,349.49	3,934.95

February 4, 1992

Representative Georgianna Lincoln
P.O. Box V
State Capitol Building
Juneau, AK 99811

Dear Representative Lincoln,

The Association of Local Administrators of Day Care Assistance supports HB 384, and urges you to do the same.

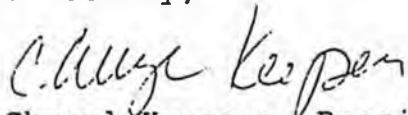
The Local Administrator's Association is an informal organization of local governments and organizations that run the 30 Day Care Assistance programs in Alaska. At our most recent annual meeting (April 1991), the issue of administrative funding was discussed at length. The members present voted unanimously to support changing the existing statute to address both the amount and mechanism of administrative funding for local contractors.

HB 384 addresses both issues. Ten percent is not enough to run a quality program. Clients, child care providers and accountability suffer when administration is underfunded. Actual costs vary from one local contractor to another, but Local Administrators support 15% as a fair level of state support.

The mechanism currently used is reimbursing local contractors on the basis of the amount of subsidy funds paid each month. The amount varies from month to month, and the actual amount of administrative funds a local contractor will receive is not known until after the fiscal year is over - too late to budget effectively. This can lead local contractors to be too conservative in their spending, keeping staffing levels so low that clients can't get appointments when they need them, and leaving subsidy funds unspent.

We urge you to support HB 384. By allowing for more reasonable funding levels and more efficient budget management, local contractors can do a better job of meeting the needs of clients and child care providers, and meeting state administrative requirements. If you have any questions regarding our position, please feel free to contact me at 459-1474.

Sincerely,



Cheryl Keepers, President
Association of Local Administrators
c/o Day Care Assistance
Fairbanks North Star Borough
PO Box 71267
Fairbanks, AK 99707

Local Administrator's Association

1991-92 Officers

President	Cheryl Keepers Fairbanks North Star Borough PO Box 71267 Fairbanks, AK 99707
Vice-President	Linda Inglis Ketchikan Gateway Borough 215 Main Street #212 Ketchikan, AK 99901
Secretary	Alice Gates Women's Resource & Crisis Center 325 South Spruce Kenai, AK 99611
Treasurer	Pat Booth Nome Child Care, Inc. PO Box 1189 Nome, AK 99762

DCAP programs at April 1991 Local Administrator's Association meeting:

Anchorage	Ketchikan
Aniak	Kodiak
Barrow	Kotzebue
Bethel	Mat-Su
Cordova	Palmer
Craig	Sitka
Fairbanks	Skagway
Haines	Valdez
Juneau	Wrangell
Kenai/Soldotna	

Supplemental Information:

Day Care Assistance Administrative Funding

The Day Care Assistance program exists to help eligible families work or train for work by paying for child care costs. To do that, staff must meet with families, work with child care providers, process child care billings and perform related administrative tasks.

Funding comes from the State of Alaska, via the Department of Community and Regional Affairs. The Day Care Assistance grant provides money for child care subsidies and program administration. An amount equal to 10% of monies spent on subsidies can be used for administration. There are three problems with this:

1. families are not served even though subsidy monies go unexpended;
2. program and budget management is less effective; and
3. ten percent is not enough to cover direct operational costs.

Further explanation of each of these follows:

1. Every month the grantee pays for child care: after totalling the amount spent, an additional 10% for administrative costs is added to the invoice to the State. Every month a different amount is spent on subsidies, and the amount of administrative funding changes. Total annual administrative receipts will not be known until the fiscal year is over.

This uncertainty leads to being very conservative in administrative spending - which would be good, except that it means fewer families are served than could have been helped with the available subsidy funds. Keeping staffing levels low enough to be certain to stay within budget

limits restricts the time available for client interviews. People then have to wait for appointment openings. Some families lose job opportunities because they can't cover child care costs until their appointment. This affects some programs more than others, depending in part on program size and local financial support.

2. It is difficult to manage effectively with an ever shifting amount of administrative funding: monies that could have been spent earlier in the year to greater client service are not spent until the end of the year. This results in poorer service to families and child care providers.

3. Direct operational costs to the grantee (salaries, rent, supplies) usually exceed 10%. For example, these costs averaged 12 to 13% in fiscal years 1989 & 90 in the Fairbanks North Star Borough, but increased to 18% in FY 91. In Ketchikan, direct costs are 22%. In both these examples, the local governments have made up the difference.

A sample of administrative costs for FY91:

Anchorage:	12% (direct)	
Aniak:	14% (direct)	2% (indirect)
Bethel:	10% (direct)	
Craig:	14% (direct)	1% (indirect)
Fairbanks:	18% (direct)	8.6% (indirect)
Homer:	20% (direct)	
Juneau:	13% (direct)	
Kenai:	10% (direct)	
Ketchikan:	22% (direct)	

Some local governments do not contribute to their Day Care Assistance programs: those programs are not able to use all of the available grant subsidy funds because they cannot hire enough staff to run the program.

Families are unable to work or go to school because they can't get Day Care Assistance, even though the subsidy monies are there.

The solution being proposed is simple: to change the law to provide administrative funds not to exceed 15% of total day care assistance funds. The administrative amount would be specified in the grant award, so local administrators could budget with certainty. Fifteen percent would be enough to cover direct program operating costs for some organizations: yet it is not enough for any grantee organization to "skim".

If the overall funding for Day Care Assistance does not increase, this could cut into the allowable subsidy funds. However, by promoting more effective management, a greater percentage of subsidy monies will be spent statewide, helping more families.

February 1992
prepared by
Cheryl Keepers
Day Care Assistance
Fairbanks North Star Borough
Fairbanks, AK 99707
459-1474



Fairbanks North Star Borough

809 Pioneer Road

P.O. Box 71267

Fairbanks, Alaska 99707-1267

907/459-1000

February 4, 1992

Representatives Pat Carney & Georgianna Lincoln, Co-Chairs
House Health, Education & Social Services Committee
Alaska State Legislature
Box V
Juneau, Alaska 99811

Dear Representatives Carney and Lincoln,

The Fairbanks North Star Borough supports HB 384, and urges its passage. The bill addresses two issues: the level and method of administrative funding for local contractors. Both are important.

The first issue is clear: the costs to local contractors are simply not covered by 10%. The State requires local contractors to follow state policies and procedures, and those requirements cannot be met at 10% cost. Adequate service to program participants cannot be met at 10% funding.

Direct costs in the FNSB for several years averaged 12 - 13%, with indirect costs an additional 8.6%. The Borough was therefore contributing more than the State. In the last two years, DCRA has made many program changes. The Borough has also improved the level of service. As a result, costs have risen. Direct costs last fiscal year approached 20%: indirect costs continue at 8.6%. Raising the State contribution to 15% will approach a more equal sharing of the cost.

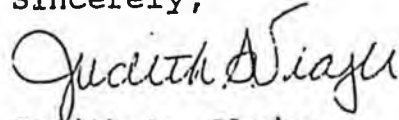
Equally important is setting the administrative fee on the contract award rather than on the amount of benefits paid. The costs locally to operate the Day Care Assistance program do not fluctuate in direct relationship to the benefits paid out each month. For example, the cost one month to qualify 400 clients for the program is not materially different that to qualify 375 clients for the program the next month. However, the administrative fee recovery can be very different. We cannot adjust our operating costs month by month, such as laying off staff, rehiring staff, etc. to keep the administrative fee recovery in line with the operating expenses.

The current situation causes local contractors who cannot subsidize the State's administrative fee to keep their operating costs down permanently by understaffing the program. This understaffing causes day care benefits to lapse and not to reach the clients as the program intended.

In December 1990, the Borough Assembly adopted a resolution urging the Legislature to change the level and method of administrative funding for local contractors. A copy is attached in support of HB 384.

Should you have any questions or need further information, do not hesitate to contact me or the Borough's Day Care Assistance administrator, Cheryl Keepers. Thank you for your consideration.

Sincerely,



Judith A. Slajer
Chief Financial Officer

encl. as stated

cc: House HESS Committee Members:

Rep. Bettye Davis, Vice-Chairman

Rep. Cheri Davis

Rep. John C. Gonzales

Rep. Mary Miller

Rep. Mark Hanley

James Sampson, Mayor

Fairbanks North Star Borough

Hank Hove, Presiding Officer,

Fairbanks North Star Borough Assembly

Edgar Blatchford, Commissioner

Dept. of Community and Regional Affairs

By: Juanita Helms
Introduced: 12/13/90
Adopted: 12/13/90

RESOLUTION NO. 90-123

PROPOSING A CHANGE IN ALASKA STATUTES TO ESTABLISH A
STABLE AND ADEQUATE ADMINISTRATIVE FEE FOR ADMINISTRATION
OF THE DAY CARE PROGRAM

WHEREAS, the Day Care Assistance program was created to help low and moderate income parents work or train for work by paying for child care costs; and

WHEREAS, to accomplish this goal certain administrative tasks are required and costs are incurred; and

WHEREAS, the current law provides for a reimbursement to local program administrators for costs of administration based on actual subsidy expenditures; and

WHEREAS, a change from the reimbursement method to a flat rate of program allocation would enable more dollars to be used for parent subsidies rather than lapse (unspent) at year-end; and

WHEREAS, the direct operational costs (such as rent, salaries, supplies) of determining and monitoring parent eligibility, and processing provider billings is 12-13% of the subsidies expended, therefore, the local governments are making up the dollars to keep the program stable; and

WHEREAS, it is in the best interest of the State to continue to have the Day Care Program administered at the local level; and

WHEREAS, the State is responsible to provide funds for administration sufficient to:

1. pay the total cost of direct program operations (administration), and
2. maximize the funding available for parent subsidies.

NOW, THEREFORE, BE IT RESOLVED, that the Assembly of the Fairbanks North Star Borough supports amending A.S.44.47.260 to read

Section 44.47.260 Payments to municipality or organization. When a contract is made under AS 44.47.250(b)(2) or (b)(4) between the department and a municipality or an organization, the department shall pay to that municipality or organization the greater of

(1) an amount equal to 13 [10] percent of the total annual contract, award to [day care benefits paid to day care facilities in the geographic area administered by] that municipality or organization, or

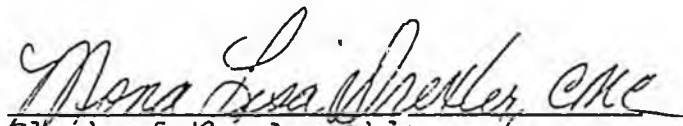
(2) \$1,000 per year.

PASSED AND APPROVED THIS 13TH DAY OF DECEMBER, 1990.



Presiding Officer

ATTEST:



Clerk of the Assembly



Fairbanks North Star Borough

800 Pioneer Road

P.O. Box 71267

Fairbanks, Alaska 99707 1267

907/459-1000

January 27, 1992

Representative Cheri Davis
P.O. Box V
State Capitol Bldg.
Juneau, AK 99811

Dear Representative Davis,

Thank you for introducing HB 384. The issue of administrative funding for local organizations who run the Day Care Assistance program is of great concern to me, as the Local Administrator of the Fairbanks North Star Borough Day Care Assistance program, and to my colleagues across the state. As you may know, Local Administrators have an informal association which meets annually. At our meetings in both 1990 and 1991 this came up as the top priority issue. Over 20 of the 30 programs were represented at the April 1991 meeting: the vote to support changing the statute was unanimous.

There are actually two issues that need to be addressed in this change. One is the percentage, as you note: 10% is not enough to run a quality program. Clients and accountability suffer when administration of the program is underfunded. Actual costs vary from one municipality/organization to another, but Local Administrators supported 15% as a fair compromise.

The second issue is the mechanism, i.e. payments based on the amount of subsidy expended. This is a complex problem, but the bottom line is that not knowing how much administrative funding one will receive until after the year is over (and the administrative funds spent) leads organizations to be so conservative in their administrative spending that people who need the assistance may not get it, even when subsidy funds are available. Please refer to the attached "supplemental information" for greater detail on this aspect of the problem. I would ask you to consider rewording HB 384 to address this issue as well.

Again, thank you for your work on this issue. Please let me know how we, as Local Administrators of the Day Care Assistance program, can assist in passage of HB384.

Sincerely,

Cheryl Keepers
Cheryl Keepers, President
Local Administrator's Association
c/o Day Care Assistance
Fairbanks North Star Borough
PO Box 71267
Fairbanks, AK 99707

**Day Care Assistance
Administrative Payments
Position Paper**

Administrative payments for local contractors running Day Care Assistance are controlled by statute. The relevant section of the statute currently reads:

Sec. 44.47.260 Payments to municipality or organization. When a contract is made under AS 44.47.250(b) between the department and a municipality or an organization, the department shall pay to that municipality or organization the greater of

- (1) an amount equal to 10 percent of the total annual day care benefits paid to day care facilities in the geographic area administered by that municipality or organization under the contract; or*
- (2) \$1,000 per year.*

There are two problems with the existing law:

1. the mechanism (how the administrative payments are made) causes poor service to families and ineffective program management; and
2. the amount paid to local contractors is far less than it costs to run the program.

Local Administrators support deleting Section 44.47.260 and replacing it with:

*Sec. Contractor Administrative Payments
Contractor administrative payments may not exceed 15 percent of the annual day care assistance program funds. A contractor may not receive less than \$1,000 in administrative payments.*

This change will resolve the mechanism issue, and improve the adequacy of funds to meet costs of running the program.

We are aware that increasing the administrative funding could impact the funding available for subsidies. However, it would be irresponsible to continue to try to operate the program at the current level, as this does not allow for adequate service to parents, child care providers, or the community at large. It also does not allow adequate program/fiscal accountability.

The proposed language would allow the state discretion in allocating administrative funds, so that programs that only needed, for example, 12% administrative funding would get that. It does not mandate the full 15% be spent on administration.

Supplemental Information: DCA Administrative Funding

The Day Care Assistance program exists to help eligible families work or train for work by paying for child care costs. To do that, staff must meet with families, work with child care providers, process child care billings and perform related administrative tasks.

Funding comes from the State of Alaska, via the Department of Community and Regional Affairs. The Day Care Assistance grant provides money for child care subsidies and program administration. An amount equal to 10% of monies spent on subsidies can be used for administration. There are three problems with this:

1. families are not served even though subsidy monies go unexpended;
2. program and budget management is less effective; and
3. ten percent is not enough to cover direct operational costs.

Further explanation of each of these follows:

1. Every month the grantee pays for child care: after totalling the amount spent, an additional 10% for administrative costs is added to the invoice to the State. Every month a different amount is spent on subsidies, and the amount of administrative funding changes. Total annual administrative receipts will not be known until the fiscal year is over.

This uncertainty leads to being very conservative in administrative spending - which would be good, except that

it means fewer families are served than could have been helped with the available subsidy funds. Keeping staffing levels low enough to be certain to stay within budget limits restricts the time available for client interviews. People then have to wait for appointment openings. Some families lose job opportunities because they can't cover child care costs until their appointment. (This affects some programs more than others. It is not a current problem in Fairbanks because the Borough partially funds the administrative budget. It was a problem in Fairbanks as recently as 1 year ago.)

2. It is difficult to manage effectively with an ever shifting amount of administrative funding: monies that could have been spent earlier in the year to greater client service are not spent until the end of the year. This results in poorer service to families and child care providers.

3. Direct operational costs to the grantee (salaries, rent, supplies) usually exceed 10%. For example, these costs have averaged 12 to 13% in the last two fiscal years for the Fairbanks North Star Borough. In Ketchikan, direct costs are 22%. In Fairbanks, the Borough has made up the difference in general fund revenues. Some local governments do not contribute to their Day Care Assistance programs: those programs are not able to use all of the available grant subsidy funds because they cannot hire enough staff to

run the program. Families are unable to work or go to school because they can't get Day Care Assistance, even though the subsidy monies are there.

Providing administrative funding in this manner is a major flaw in the legislation that created the Day Care Assistance program. Day Care Assistance administrators statewide are working toward correcting the problem.

The solution being proposed is simple: to change the law to provide administrative funds not to exceed 15% of total day care assistance funds. The administrative amount would be specified in the grant award, so local administrators could budget with certainty. Fifteen percent would be enough to cover direct program operating costs for many organizations: yet it is not enough for any grantee organization to "skim". This language would also give DCRA some discretion in allocating percentages: it is possible one grantee might only need 12% and another need 16%, as long as the total for all programs would not exceed 15%.

If the overall funding for Day Care Assistance does not increase, this will cut into the allowable subsidy funds. However, by promoting more effective management, a greater percentage of subsidy monies will be spent statewide, helping more families.

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:

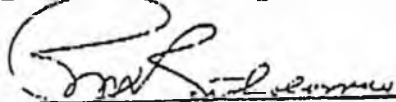
Section 1: The Borough Assembly hereby supports legislation to establish stable and sufficient funding for costs incurred in the administration of the State Day Care Program.

RESOLUTION NO. 968

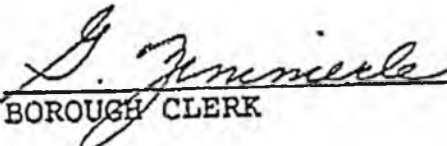
Page 2

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.

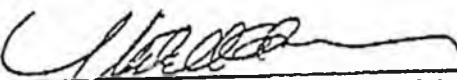
Section 3: This Resolution is effective upon adoption.


BOROUGH MAYOR

ATTEST:


BOROUGH CLERK

Approved as to form:


INTERIM BOROUGH ATTORNEY

KIDPAC Position Paper
Day Care Assistance
Administrative Payments

KIDPAC supports changing how local contractors are paid for administering the Day Care Assistance program.

Administrative payments for local contractors running Day Care Assistance are controlled by statute. There are two problems with the existing law:

1. the amount paid to local contractors is far less than it costs to run the program, and
2. the mechanism (how the administrative payments are made) causes poor service to clients as well as giving local contractors unnecessary fiscal headaches.

KIDPAC supports deleting Section 44.47.260, which restricts administrative payments to 10% of benefits paid for child care, and replacing it with:

Contractor administrative payments may not exceed 15 percent of the annual day care assistance program funds. A contractor may not receive less than \$1,000 in administrative payments.

This change will resolve the mechanism issue, and improve the adequacy of funds to meet costs. Please note that 15% will NOT cover the full cost of running the program: local communities will still be paying something toward administering Day Care Assistance.

We are aware that increasing the administrative funding could impact the funding available for subsidies. However, it would be irresponsible to continue to try to operate the program at the current level, as this does not allow for adequate service to parents, child care providers, or the community at large. It also does not allow adequate program/fiscal accountability.

The proposed language would allow the state discretion in allocating administrative funds, so that programs that only needed, for example, 12% administrative funding would get that. It does not mandate the full 15% be spent on administration.

KIDPAC Position Paper
Day Care Assistance Administrative Funding
Supplemental Information
11/91

The Day Care Assistance program exists to help eligible families work or train for work by paying for child care costs. To do that, staff must meet with families, work with child care providers, process child care billings and perform related administrative tasks.

Funding comes from the State of Alaska, via the Department of Community and Regional Affairs. The Day Care Assistance grant provides money for child care subsidies and program administration. An amount equal to 10% of monies spent on subsidies can be used for administration. There are three problems with this:

1. families are not served even though subsidy monies go unexpended;
2. program and budget management is less effective; and
3. ten percent is not enough to cover direct operational costs.

Further explanation of each of these follows:

1. Every month the grantee pays for child care: after totaling the amount spent, an additional 10% for administrative costs is added to the invoice to the State. Every month a different amount is spent on subsidies, and the amount of administrative funding changes. Total annual administrative receipts will not be known until the fiscal year is over.

This uncertainty leads to being very conservative in administrative spending - which would be good, except that it means fewer families are served than could have been helped with the available subsidy funds. Keeping staffing levels low enough to be certain to stay within budget severely limits the time available for client interviews. People then have to wait for appointment openings. Families lose job opportunities because they can't cover child care costs until their appointment.

2. It is difficult to manage effectively with an ever shifting amount of administrative funding: monies that could have been spent earlier in the year to greater client service are not spent until the end of the year. This results in poorer service to families and child care providers.

3. Direct operational costs to the grantee (salaries, rent, supplies) usually exceed 10%. For example, these costs have averaged 13% in the last two fiscal years in Fairbanks. In Ketchikan, direct costs are 22%. While the 10% was designed to require local contribution, some local governments do not contribute to their Day Care Assistance programs. Those programs are not able to use all of the available grant subsidy funds because they cannot hire enough staff to run the program. Families are unable to work or go to school

because they can't get Day Care Assistance, even though the subsidy monies are there.

Providing administrative funding in this manner is a major flaw in the legislation that created the Day Care Assistance program.

The solution being proposed is simple: to change the law to provide administrative funds not to exceed 15% of total day care assistance funds. The administrative amount would be specified in the grant award, so local administrators could budget with certainty. Fifteen percent would be enough to cover direct program operating costs for many organizations: yet it is not enough for any grantee organization to "skim". This language would also give DCRA some discretion in allocating percentages: it is possible one grantee might only need 12% and another need 16%, as long as the total for all programs would not exceed 15%.

If the overall funding for Day Care Assistance does not increase, this will cut into the allowable subsidy funds. However, by promoting more effective management, a greater percentage of subsidy monies will be spent statewide, helping more families.

KIDPAC - A Voice for Children
PO Box 202266
Anchorage, AK 99520.



KETCHIKAN GATEWAY BOROUGH

Day Care Assistance
360 Main Street
Ketchikan, Alaska 99901
(907) 228-6636

February 15, 1992



Representative Cheri Davis
P.O. Box V
Juneau Alaska 99811

Dear Representative Davis:

As the Local Administrator for the Ketchikan Day Care Assistance Program I am writing in support of HB 384.

The DCAP program has been functioning for the past 12 years with the same percentage (10%) for administrative cost. Two other day care related programs, Transitional Day Care (TCCB) and At Risk Assistance (ARA) both allocate 15% for administrative costs.

I appreciate your efforts to put DCAP in line with TCCB and ARA.

Please add my name to those in support of HB 384.

Sincerely,

Linda Inolis
Day Care Administrator

February 18, 1992

Representative Cheri Davis
Alaska State Legislature
State Capitol
Juneau, Alaska 99801-1182

RE: HB 384

Dear Representative Davis:

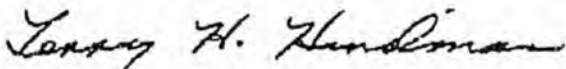
I am the Daycare Assistance Local Administrator in Petersburg and wish to convey to you my strong support for the passing of HB 384.

Administrative costs have remained at 10% since the inception of the Daycare Assistance program which has been nearly 15 years. As we both know, the costs of administrative expenses have done nothing but increase.

Local administrators have had to absorb the increase of phone, postage, office supplies, advertising, gas, etc. even though they have received no increase for administrative costs to help absorb the increase of expenses leaving the local administrators going backwards for too many years and this doesn't even allow for inflation or a recession.

It is long past-due for an increase for administrative expenses and I strongly send my support for the passage of HB 384.

Sincerely,



Terry H. Hindman
Local Daycare Assistance Administrator
P.O. Box 1089
Petersburg, Alaska 99833
(907) 772-3565

cc: Cheryl Keepers

HOUSE COMMITTEE REPORT

(7)

Date Referred: January 13, 1992

FURTHER REFERRALS: Community & Regional Affairs
Finance

Date of Committee Action: 2/6/92

The HEALTH, EDUCATION AND SOCIAL SERVICES Committee considered:

HB 384

HOUSE BILL NO. 384

ADMIN. COSTS OF DAY CARE PROGRAMS

"An Act relating to administrative costs of contractors under the day care assistance program."

RECOMMENDATIONS: the same title
 be replaced with _____ a new 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 Community & Regional Affairs] fiscal note(s) _____

zero fiscal note _____ [] zero fiscal note(s) _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Patricia Lewis</i>	✓				
<i>Betty Davis</i>	✓	<i>Mary Miller</i>		✓	
<i>Cheri Davis</i>	✓	<i>Mark Stanley</i>		X	
<i>J. L. Soyales</i>	✓				

Patricia Lewis
 CHAIRMAN'S SIGNATURE

CS FOR HOUSE BILL NO. 476 (CRA)
IN THE LEGISLATURE OF THE STATE OF ALASKA
SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Offered:
Referred:

Sponsor(s): HOUSE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act requiring municipal fiscal notes for bills and resolutions."

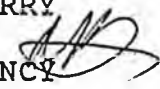
2 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

3 * Section 1. AS 24.08.035 is amended by adding a new subsection to read:

4 (e) If a bill or resolution that is referred to at least two committees, except an
5 appropriation bill, affects a municipality, there shall be attached to the measure a municipal fiscal
6 note containing an estimate for the current fiscal year and five succeeding fiscal years of the cost
7 to municipalities that would result from enactment of the measure. If the measure does not
8 increase costs to a municipality, a statement to that effect shall be attached. The second
9 committee of referral shall request the municipal fiscal note. It shall be prepared by the
10 Department of Community and Regional Affairs in cooperation with other affected state agencies.
11 It shall be delivered in accordance with (d) of this section within five days of the request, or
12 within two days if the request is made after the 90th day of a regular session or during a special
13 session. To the extent practicable, before delivering the fiscal note the department shall consult
14 with municipalities that would be affected by the measure. The municipal fiscal note must

- 1 contain information that substantially complies with (c)(1), (2), (6), and (7) - (9) of this section.
- 2 An amendment or a substitute measure proposed by a committee of referral that changes the
- 3 fiscal effect of a bill on a municipality shall be explained by the department in a revised
- 4 municipal fiscal note attached to the bill.
- 5 * Sec. 2. This Act is repealed July 1, 1997.

MEMORANDUM

TO: JERRY
FROM: NANCY 
RE: TODAY'S MEETING 3/16/92

HB 384 - Current law limits administrative costs of day care assistance to 10%; this bill would increase it to 15%. DCRA fiscal note reflects that the 5% increase in administrative costs will remove \$570,000 from the program and eliminate funding for 160 children if new funds are not received for the program to cover the increase. The department supports the bill because it believes the increased administrative funding will encourage more municipalities to participate. I also note that DCRA proposes to reduce day care assistance by \$884.7 under their budget reduction scenario.

HB 526 - Rep. Lincoln is meeting this morning with Commerce and DOTPF to try to work out some issues with the bill. DOTPF apparently has problems with the bill; Commerce has submitted a \$99.9 fiscal note (none received as yet from DOTPF). This bill allows communities to form local citizen's commissions to monitor state construction contracts in progress and evaluate performance. Commerce would be required to base decisions on the renewal of a contractor's license on the recommendation of these local commissions. Unincorporated communities would be given the right to participate in contract administration; they may assume all or part of the public works administration, or jointly administer with the department (DOTPF). Small communities (under 2,000) would be relieved from the competitive bid process for contracts for goods or services on projects under \$100,000.

HB 476 - We have a new draft CS. I have incorporated amendments which include: the fiscal note will be requested at the second committee of referral; will reflect only costs and not savings; will be done by C&RA in cooperation with any affected state agencies; will be distributed in accordance with AS 24.08.035(d); will include information required in AS 24.08.035(c) (1), (2), (6) and (7) - (9); and will sunset in five years.

I did not include two of the amendments requested by the AML. One was to define "mandate", a term which does not appear in the bill; the other one provided that no legislation or agency rule would be binding on local governments if a fiscal note form was not attached. The legislature cannot pass a bill which binds them to any future action; also, if you have a bill with only one committee referral, there would be no requirement for a fiscal note to be prepared. I was also confused by the term "agency rule"; I would assume that includes policy and regulation, which goes beyond the scope of this bill.