

ALASKA LEGISLATURE COMMITTEE FILES 1991-1992 8672

6783

HOUSE COMMUNITY & REGIONAL AFFAIRS

Q10 Satisfaction by Q2 Council Area

# SATISFACTION W ENFORCEMENT/COUNCIL

		Q2									
		Abbott	Basher	Bear	Glen	Hill-E.	Huffman	Mid-Hil	Rabbit	D.K.	Row Total
Q10	Count Row Pct Col Pct Tot Pct	1.00	2.00	3.00	5.00	6.00	7.00	8.00	9.00	10.00	
VerySat	1.00	59	4	6	4	29	86	42	62	20	312
		18.9	1.3	1.9	1.3	9.3	27.6	13.5	19.9	6.4	15.5
		12.9	19.0	14.3	23.5	16.3	15.1	14.6	17.7	20.2	
Sat	2.00	96		13	6	57	132	62	87	26	479
		20.0		2.7	1.3	11.9	27.6	12.9	18.2	5.4	23.7
		21.1		31.0	35.3	32.0	23.2	21.5	24.9	26.3	
Neutral	3.00	137	9	7	6	37	181	85	90	22	574
		23.9	1.6	1.2	1.0	6.4	31.5	14.8	15.7	3.8	20.4
		30.0	42.9	16.7	35.3	20.8	31.9	29.5	25.7	22.2	
DisSat	4.00	98	5	8		34	115	65	75	10	418
		23.4	1.2	1.9		8.1	27.5	15.6	17.9	4.3	20.7
		21.5	23.8	19.0		19.1	20.2	22.6	21.4	18.2	
VeryDis	5.00	66	3	8	1	21	54	34	36	13	236
		28.0	1.3	3.4	.4	8.9	22.9	14.4	15.3	5.5	11.7
		14.5	14.3	19.0	5.9	11.8	9.5	11.8	10.3	13.1	
	3.3	.1	.4	.0	1.0	2.7	1.7	1.8	.6		
Column Total		456	21	42	17	178	568	288	350	99	2019
		22.6	1.0	2.1	.8	8.8	28.1	14.3	17.3	4.9	100.0

Q11 Preferred Agency by Q2 Council Area / **COUNCIL**

Q11	Count Row Pct Col Pct Tot Pct	Q2										Row Total
		Abbott	Basher	Bear	Glen	Hill-E.	Huffman	Mid-Hil	Rabbit	D.K.	Non-res	
		1.00	2.62	3.00	5.00	6.00	7.00	8.00	9.00	10.00	11.00	
A.S.T.	1.00	181 16.9 39.5 8.9	9 .8 42.9 .4	28 2.6 65.1 1.4	15 1.4 88.2 .7	122 11.4 67.4 6.0	291 27.1 51.1 14.3	171 16.0 58.6 8.4	208 19.4 58.9 10.2	47 4.4 49.0 2.3		1072 52.8
A.P.D.	2.00	97 35.7 21.2 4.8	1 .4 4.0 .0	5 1.8 11.6 .2		21 7.7 11.6 1.0	74 27.2 13.0 3.6	36 13.2 12.3 1.8	26 9.6 7.4 1.3	11 4.0 11.5 .5	1 .4 100.0 .0	272 13.4
?????	7.00	180 26.2 39.3 8.9	11 1.6 52.4 .5	10 1.5 23.3 .5	2 .3 11.8 .1	38 5.5 21.0 1.9	204 29.7 35.9 10.0	85 12.4 29.1 4.2	118 17.2 33.4 5.8	38 5.5 39.6 1.9		686 33.8
	5.00								1 100.0 .3 .0			1 .0
Column Total		458 22.6	21 1.0	43 2.1	17 .8	181 8.9	569 28.0	292 14.4	353 17.4	96 4.7	1 .0	2031 100.0

2 H.P.D. at \$300 by

Q2

Count	Abbott	Basher	Bear	Glen	Hill-E.	Huffman	Mid-Hil	Rabbit	B.K.	Non-res	Row Total
Row Pct	1.00	2.00	3.00	5.00	6.00	7.00	8.00	9.00	10.00	11.00	
Col Pct											
Tot Pct											
12											
Yes	1.00	129 29.9 29.9 6.7	4 .9 21.1 .2	8 1.9 21.1 .4		36 8.3 20.7 1.9	109 25.2 20.1 5.7	62 14.4 22.5 3.2	64 14.8 19.0 3.3	20 4.6 20.8 1.0	432 22.4
No	2.00	303 20.2 70.1 15.7	15 1.0 78.9 .8	30 2.0 78.9 1.6	16 1.1 100.0 .8	138 9.2 79.3 7.2	432 28.9 79.9 22.4	214 14.3 77.5 11.1	272 18.2 81.0 14.1	76 5.1 79.2 3.9	1497 77.6
Column Total		432 22.4	19 1.0	38 2.0	16 .8	174 9.0	541 28.0	276 14.3	336 17.4	96 5.0	1929 100.0

Q13 **Leave As Now** by Q2 Council Area

Page 1 of 1

Q2

Count	Abbott	Basher	Bear	Glen	Hill-E.	Huffman	Mid-Hil	Rabbit	D.K.	Non-res	Row Total
Row Pct	1.00	2.00	3.00	5.00	6.00	7.00	8.00	9.00	10.00	11.00	
Col Pct											
Tot Pct											
Q13											
Yes	1.00	116 18.8 28.0 6.2	6 1.0 31.6 .3	9 1.5 25.7 .5	7 1.1 41.2 .4	69 11.2 39.9 3.7	176 28.6 33.3 9.4	82 13.3 30.8 4.4	112 18.2 34.1 6.0	38 6.2 40.9 2.0	616 32.8
No	2.00	299 23.7 72.0 15.9	13 1.0 68.4 .7	26 2.1 74.3 1.4	10 .8 58.8 .5	104 8.3 60.1 5.5	353 28.0 66.7 18.8	184 14.6 69.2 9.8	216 17.1 65.9 11.5	55 4.4 59.1 2.9	1260 67.2
Column Total		415 22.1	19 1.0	35 1.9	17 .9	173 9.2	529 28.2	266 14.2	328 17.5	93 5.0	1876 100.0

Q14 **A.S.T. below \$300** by Q2 Council Area

Page 1 of 1

Q2

Count	Abbott	Basher	Bear	Glen	Hill-E.	Huffman	Mid-Hil	Rabbit	D.K.	Non-res	Row Total
Row Pct	1.00	2.00	3.00	5.00	6.00	7.00	8.00	9.00	10.00	11.00	
Col Pct											
Tot Pct											
Q14											
Yes	1.00	239 19.2 59.0 12.8	11 .9 61.1 .6	29 2.3 76.3 1.6	15 1.2 88.2 .8	116 9.3 69.5 6.2	352 28.3 67.7 18.9	189 15.2 70.0 10.2		53 4.3 58.9 2.8	1243 66.8
No	2.00	166 26.9 41.0 8.9	7 1.1 38.9 .4	9 1.5 23.7 .5	2 .3 11.8 .1	51 8.3 30.5 2.7	168 27.2 32.3 9.0	81 13.1 30.0 4.4	76 15.5 28.7 5.2	37 6.0 41.1 2.0	618 33.2
Column Total		405 21.8	18 1.0	38 2.0	17 .9	167 9.0	520 27.9	270 14.5	335 18.0	90 4.8	1861 100.0

# L.I.E. SERVICE ALTERNATIVES/COUNCIL

Q15 **A.S.T. with A.P.D. Contribution** by Q2 Council Area

		Q2										
		Abbott	Basher	Bear	Glen	Hill-E.	Huffman	Mid-Hil	Rabbit	D.K.	Non-res	Row Total
Count	Row Pct	1.00	2.00	3.00	5.00	6.00	7.00	8.00	9.00	10.00	11.00	
Col Pct	Tot Pct											
Yes	1.00	164 21.9 40.3 8.9	10 1.3 52.6 .5	21 2.8 55.3 1.1	6 .8 42.9 .3	34 7.2 32.9 2.9	209 27.9 41.0 11.4	109 14.6 40.5 5.9	133 17.8 41.0 7.2	42 5.6 45.7 2.3		740 40.7
No	2.00	243 22.3 59.7 13.2	9 .8 47.4 .5	17 1.6 44.7 .9	8 .7 57.1 .4	110 10.1 67.1 6.0	301 27.6 57.0 16.4	160 14.7 54.5 8.7	191 17.5 59.0 10.4	49 4.5 53.3 2.7	1 .1 100.0 .1	1089 59.2
	22.00									1 100.0 1.1 .1		1 .1
Column Total		407 22.1	19 1.0	38 2.1	14 .8	164 8.9	510 27.7	269 14.6	324 17.6	92 5.0	1 .1	1838 100.0

Q16 **A.P.D. separate service area** by Q2 Council Area

Page 1 of 1

		Q2										
		Abbott	Basher	Bear	Glen	Hill-E.	Huffman	Mid-Hil	Rabbit	D.K.	Non-res	Row Total
Count	Row Pct	1.00	2.00	3.00	5.00	6.00	7.00	8.00	9.00	10.00	11.00	
Col Pct	Tot Pct											
Yes	1.00	197 27.0 48.0 10.7	10 1.4 55.6 .5	15 2.1 39.5 .8	3 .4 20.0 .2	57 7.8 33.3 3.1	208 28.5 40.9 11.3	91 12.5 34.6 5.0	124 17.0 38.3 6.8	25 3.4 28.7 1.4		730 39.8
No	2.00	213 19.3 52.0 11.6	8 .7 44.4 .4	23 2.1 60.5 1.3	12 1.1 80.0 .7	114 10.3 66.7 6.2	300 27.1 59.1 16.3	172 15.6 65.4 9.4	200 19.1 61.7 10.9	62 5.6 71.3 3.4	1 .1 100.0 .1	1105 50.2
Column Total		410 22.3	18 1.0	38 2.1	15 .8	171 9.3	508 27.7	263 14.3	324 17.7	87 4.7	1 .1	1835 100.0

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

BILL NO. HR 591

Revision Date: \_\_\_\_\_ Department Affected: Public Safety  
 Title: relating to police protection service areas in municipalities BRU: Alaska State Troopers  
 Component: Detachments  
 Sponsor: Rep. Bruckman  
 Requestor: House C&RA Committee COMPONENT SERIAL NO. 

	7	9	9
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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						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0	0	0	0	0	0
<b>CAPITAL</b>						
<b>REVENUE</b>	0	0	0	0	0	0
<b>FUND SOURCE:</b>						

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER FUND SOURCE:						
<b>TOTAL</b>	0	0	0	0	0	0

POSITIONS:

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

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

**ANALYSIS: (Attach a separate page if necessary.)**

Department would need Program Receipt authority if a service area were established and trooper services were purchased under this bill.

Prepared By: Nancy Bennett Phone: 465-3882  
 Division: House Community and Regional Affairs Date: 5/7/92  
 Approved by Commissioner: Representative Jerry Mackie  
 Agency: Chair. House Community and Regional Affairs Date: 5/7/92

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

BILL NO. HB 591

Revision Date: \_\_\_\_\_ Department Affected: Public Safety  
Title: relating to police protection service areas in municipalities BRU: Alaska State Troopers  
Component: Detachments

Sponsor: Rep. Bruckman  
Requestor: House T&RA Committee COMPONENT SERIAL NO. 

7	9	9
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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						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

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

REVENUE	0	0	0	0	0	0
FUND SOURCE:						

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

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

**ANALYSIS: (Attach a separate page if necessary.)**

Department would need Program Receipt authority if a service area were established and trooper services were purchased under this bill.

Prepared By: Nancy Bennett Phone: 465-3882  
 Division: House Community and Regional Affairs Date: 5/7/92  
 Approved by Commissioner: Representative Jerry Mackie  
 Agency: Chair, House Community and Regional Affairs Date: 5/7/92

HCR

17

# HOUSE COMMITTEE REPORT

(7) Date Referred: April 8, 1991 FURTHER REFERRALS: Finance

Date of Committee Action: 4-10-91

The COMMUNITY AND REGIONAL AFFAIRS Committee considered: HCR 17

HOUSE CONCURRENT RESOLUTION NO. 17 TASK FORCE ON GOVERNMENTAL ROLES

Establishing a Task Force on Governmental Roles.

- 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 \_\_\_\_\_  fiscal note(s) (.AA)  
 zero fiscal note \_\_\_\_\_  zero fiscal note(s) \_\_\_\_\_

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Richard Foster</i>	*	<i>Jerry W. Baker</i> <span style="float: right;">BAKER</span>		✓	
<i>Danny M. Macie</i> <span style="float: right;">MACIE</span>	*				
<i>Cheri Davis</i>	✓				
		<i>J. C. Gonzales</i>		✓	

*Danny M. Macie* MACIE  
 \_\_\_\_\_  
 CHAIRMAN'S SIGNATURE

# STATE OF ALASKA

**DEPT. OF COMMUNITY & REGIONAL AFFAIRS**

**OFFICE OF THE COMMISSIONER**

April 9, 1991

**STEVE COWPER, GOVERNOR**

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

## POSITION PAPER

RE: House Concurrent Resolution 17

REFERRED: State Affairs, Community & Regional Affairs,  
Finance

### Program Effects

House Concurrent Resolution 17 proposes the creation of a task force to examine the roles of local, state, and federal governments in the funding and provision of services for the people of Alaska. The task force would compare Alaska's current practices with those of other states and return by April 30, 1993 with a report of its findings and, where appropriate, with recommendations for the Legislature.

### Comments

The Department believes the time is right to embark on this important undertaking. During the past few years it has become evident to the Department that Alaska is in need of a thorough examination and subsequent understanding of the many problems which now exist, and which we are likely to be facing in both the short and the long term. HCR 17 provides the mechanism for accomplishing that.


The Department is engaged, on an ongoing basis, in working to overcome problems relating to education funding, borough formation, provision of services, enhancement of revenue streams, and many other problems. Each of these problems is identified within the scope of the goal of HCR 17. The bill provides for a proactive approach toward accomplishing an honest and candid assessment of our current situation, and provide for a policy umbrella under which we can work jointly to address immediate and future difficulties in Alaska. The Department's substantial efforts over the past few years have addressed only parts of the economic puzzle with which the State is dealing. HCR 17 provides the catalyst for framing the entire puzzle, and the mechanisms for correctly assembling it.

Position Paper - HCR 17  
April 9, 1991  
Page Two

We believe it is important for Alaskans to revisit the Home Rule Doctrine, the foundation of Alaska's governmental structure, and carefully and systematically examine the roles and powers of different levels of government in Alaska under that concept. As a matter of course, we believe that undertaking will be accomplished within the scope of HCR 17.

In summary, the Department believes Alaska's public sector has, for too many years, served in a reactionary role in attempting to deal with individual problems as they arise. These problems are inextricably connected, and addressing only those which happen to be at the immediate forefront and without the benefit of the larger picture, sometimes causes undesirable complications or creates additional problems in other areas. The goal set out in HCR 17, is intended to provide the larger picture necessary to overcome this situation, and the Department strongly supports its passage.

The Department is aware that there is some concern with regard to the fiscal note on HCR 17, and we share that concern from a budgetary point of view. On the other hand, we do not believe the tasks required under HCR 17 can be accomplished without adequate funding for the purpose.

  
Edgar Blatchford, Commissioner

# Alaska State Legislature

REPRESENTATIVE  
MARK BOYER

VICE CHAIRMAN  
HOUSE FINANCE COMMITTEE



House of Representatives

FAIRBANKS

1098 LAKEVIEW TERRACE  
FAIRBANKS, ALASKA 99701  
(907) 456-6473

JUNEAU

P.O. BOX V  
STATE CAPITOL  
JUNEAU, ALASKA 99811  
(907) 465-3466

## MEMORANDUM

DATE: April 5, 1991                      gional A

TO: Representative Jerry Miller                      Chairman  
House Community and Intergovernmental Affairs Committee

FROM: Representative Mark Boyer

RE: Scheduling of HCR 17

Thank you for your prompt scheduling of HCR 17, establishing a task force on governmental roles. Attached is a copy of the resolution, which has been introduced by the House Finance Committee at my request. I've also attached information from the Alaska Municipal League (AML) on this topic. The AML has actively pursued this type of legislation for many years and I've come to believe that it is time to focus on the roles and responsibilities of local and state governments.

With the decline in oil revenues, it is imperative for municipalities, school boards, and other political subdivisions of the state to look to their own resources as a means of continuing or expanding many programs and services, which have been provided by the state. Both federal and state governments have reduced assistance to municipalities and shifted responsibilities to avoid increasing taxes.

The primary purpose of the task force is to define local and state governmental roles and responsibilities. The task force will examine these roles as they relate to the services provided by the different levels of government. Another area to examine will be the methods of funding for governmental services and the task force will be required to make recommendations for appropriate funding sources or elimination of mandates as appropriate.

The task force will consist of 11 members, two from the Senate, two from the House, two from the executive branch and five persons representing different areas of the state and different municipalities appointed by the Alaska Municipal League.

If you have additional questions please contact me or Alexis Miller of my staff at 465-3467. Thanks for your attention and early scheduling of HCR 17.

FAIRBANKS 20B



Official Business

**Alaska State Legislature**  
**HOUSE OF REPRESENTATIVES**  
**House State Affairs Committee**

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

**LETTER TO THE  
HOUSE FINANCE COMMITTEE  
For  
HCR 17**

The House State Affairs Committee requests that the House Finance Committee review the attached fiscal note for HJR 17 and take into consideration the following:

(1) The budget can be reduced by approximately \$210. by utilizing existing staff and technical expertise in the Department of Community and Regional Affairs and the Office of Management and Budget. The State Affairs Committee anticipates DCRA and OMB to work closely with organizations representing local government interests such as the Alaska Municipal League, the Association of Municipal Finance Officers, as well as municipal managers and attorneys.

(2) It is anticipated that local governments will assist with soliciting public and local government input. We hope that municipal finance officers, municipal managers and attorneys will take on this project and provide technical support. We believe that the state should be prepared to pay travel and per diem for officials from communities that cannot otherwise afford to participate in task force meetings. It is the expectation of the committee that most communities will be able to bear their own travel and per diem expenses.

A handwritten signature in cursive script, appearing to read "Tom Meyer", written over a horizontal line.

House State Affairs Committee  
April 5, 1991

## State-Local Relations Bodies in the States, 1990 (Recognized Counterparts to U.S. ACIR)

State	Type of Organization	Legal Basis	Governing Body		Approximate Budget FY1990	Staff: Full/Part-Time	FUNCTIONS					
			Size	Composition			Research	Conferences/Seminars	Recommend Policy/Legislation	Constituent Work <sup>14</sup>	News-letter	Other
Colorado	ACIR	Informal	30	SL,SE,L,A	—	—	X		X	X		
Connecticut	ACIR	Statute	25	SL,SE,R,L,A,P	\$131,500 <sup>1</sup>	2/0	X	X	X	X		
Florida	ACIR	Statute	21	SL,SE,L,A,P	\$623,411 <sup>1</sup>	8/1	X	X	X	X		13
Illinois	Legislative	Statute	12	SL	\$1,110,700 <sup>1</sup>	19/0	X	X	X	X	X	5
Indiana	LAP	Executive Order	45	L	\$75,000 <sup>1</sup>	1/0			X	X		
Louisiana	ACIR	Statute	17	SL,SE,L	\$10,000 <sup>2</sup>	3/0	X	X	X	X		
Maine	LAP	Executive Order	12	R,L,A <sup>16</sup>	—	—	X		X	X		
Maryland	Legislative	Statute	16	SL <sup>13</sup>	—	0/1 <sup>15</sup>	X	X	X	X		6
Massachusetts	ACIR	Statute	40	SL,SE,L	—	—	X		X			7,8
Michigan	ACIR	Statute	21	SL <sup>16</sup>	\$135,000 <sup>1</sup>	2/1	X	X				13
Minnesota	ACIR	Executive Order	20	SL,SE,R,L,A	—	0/2	X		X	X		
Missouri	ACIR	Executive Order	30	SL,SE,L,A,P	\$81,500 <sup>1</sup>	2/0	X	X	X	X		8
New Jersey	ACIR	Statute	15	SL,L,P	\$235,000	6/0	X		X	X		
New York	Legislative	Statute	10	SL	\$425,700 <sup>1</sup>	9/1	X	X		X	X	13
North Carolina	ACIR	Statute	19	SL,L <sup>16</sup>	\$5,397 <sup>1</sup>	0/2	X		X	X		9
North Dakota	ACIR	Statute	11	SL,SE,A	\$4,100 <sup>1</sup>	—	X		X	X		
Ohio	ACIR	Statute	14	SL,SE,L,P	\$212,000 <sup>1</sup>	4/0	X	X	X	X	X	8
Oklahoma	ACIR	Statute	22	SL,SE,L,A,C	\$150,000 <sup>1</sup>	3/0	X	X		X		
Pennsylvania	ACIR	Incorporated	18	SL,SE,L	\$525,000 <sup>3</sup>	11/0	X	X			X	10,13
Rhode Island	ACIR	Statute	17	SL,SE,L,A	4	0/1	X		X			
South Carolina	ACIR	Statute	21	SL,R,L,P	\$235,000 <sup>1</sup>	4/0	X	X	X			11
South Dakota	Legislative	Statute	15	SL,L	\$5-6,000 <sup>1</sup>	0/2	X		X			
Tennessee	ACIR	Statute	29	SL,SE,L,P	\$375,900 <sup>1</sup>	8/0	X	X	X	X	X	13
Utah	ACIR	Statute	20	SL,SE,L,P	—	0/1	X	X	X	X		8
Virginia	ACIR	Statute	18	SL,SE,L,A,P	\$13,000 <sup>1</sup>	1/0	X				12	
Washington	ACIR	Executive Order	22	SL,SE,L	\$50,000 <sup>1</sup>	0/1	X			X		

### Legend and Notes

A = Association (e.g., of officials or governments)

C = Member of U.S. Congress

L = Local government

LAP = Local Advisory Panel

P = private citizen

R = Regional council of governments

SE = State government, executive branch

SL = State government, legislative branch

<sup>1</sup>State Appropriation

<sup>2</sup>Municipal Association Grant

<sup>3</sup>99 percent contracts

<sup>4</sup>State funds administrative expenses, while private sources provide in-kind services.

<sup>5</sup>State representation in Washington, DC

<sup>6</sup>Liaison, congressional delegation

<sup>7</sup>Input into the regulatory process

<sup>8</sup>Represent local governments on other commissions

<sup>9</sup>Liaison between state agencies, local governments, and COGs

<sup>10</sup>Provides technical assistance

<sup>11</sup>Participates in leadership development/continuing education program for public officials

<sup>12</sup>Newsletter in planning stage

<sup>13</sup>Data base services

<sup>14</sup>This includes a variety of services, from filling simple information requests to providing complex ombudsman services.

<sup>15</sup>In addition, there are several nonvoting, ex officio members who represent the executive branch of state government as well as local governments.

<sup>16</sup>Maine—6 at large members appointed by governor; Michigan—5 at large members appointed by governor; 2 by supreme court; North Carolina—3 at large members appointed by governor

**FISCAL NOTE**

**REQUEST:**

Revision Date: \_\_\_\_\_  
Title: Establishing a Task Force on  
Governmental Roles  
Sponsor: Rep. Mark Boyer  
Requestor: Rep. Mark Boyer

Agency Affected: Legislative Affairs Agency  
BRU: Legislative Council  
Components: Councils & Subcommittees  
Session Expenses, Legis. Operating Budget

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	287.0	143.5				
TRAVEL	59.0	20.7				
CONTRACTUAL	75.0	41.0				
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						
CAPITAL	421.0	205.2				
REVENUE	0	0				

**FUNDING: (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

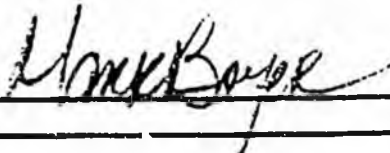
**POSITIONS:**

FULL-TIME	5	0				
PART-TIME	0	5				
TEMPORARY	0	0				

**ANALYSIS : (Attach a separate page if necessary)**

HCR 17 would establish a task force on governmental roles in the Legislative Branch. The following is requested to adequately support the task force:

Prepared by: Rep. Mark Boyer  
Division: \_\_\_\_\_



Phone: 465-3466  
Date: 3/27/91

Approved by Commissioner: \_\_\_\_\_  
Agency: \_\_\_\_\_

Date: \_\_\_\_\_

**Distribution (by preparer):**

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

FISCAL NOTE FOR HCR 17

PERSONAL SERVICES

Staff is requested as follows to assist the Task Force on Governmental Roles

Executive Director - Range 22A  
12 months at \$75,000  
6 months at \$37,500 = \$112,500

OMB Research Analyst - Range 21A  
12 months at \$70,000  
6 months at \$35,000 = \$105,000

DCRA Research Analyst - Range 21A  
12 months at \$70,000  
6 months at \$35,000 = \$105,000

Administrative Assistant - Range 13A  
12 months at \$40,000  
6 months at \$20,000 = \$60,000

Clerk Typist - Range 8A  
12 months at \$32,000  
6 months at \$16,000 = \$48,000

\$430.5

Funding for FY93 is for eighteen months. The task force is terminated April 30, 1993.

TRAVEL

It is anticipated there will be 10 meetings of the 11 member Governmental Roles Task Force.

TASK FORCE MEMBER TRAVEL

10 meetings x 11 members requiring airfare each meeting =  
110 airfares x \$436 = \$47,960  
2 days per diem x 110 = 220  
220 x \$95 = \$20,900

68.9

STAFF TRAVEL

5 meetings x 3 staff member requiring airfare each meeting =  
15 airfares  
15 airfares x \$436 = \$6,540  
3 days per diem x 15 = 45  
45 x \$95 = \$4,275

\$10.8

\$79.7

It is anticipated there will be 5-7 meetings in FY93.

CONTINUATION OF FISCAL NOTE: HCR 17

CONTRACTUAL

Professional services funding to contract with State Health Care policy expert \$100,000 for the duration of the project

Advertising of public notices for meetings \$5,000

Teleconferencing - 100 sites @ \$60.00 average site \$6,000

Printing & Distribution of Information \$5,000 \$116.0

SUPPLIES AND PHONES

Supplies and phones for the task force will be absorbed within the Session Expenses and Legislative Operating Budgets.

OFFICE SPACE AND EQUIPMENT

Office space and equipment for the task force will be absorbed within the Session Expenses and Legislative Operating Budgets.

TOTAL COSTS \$626.2



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

## Task Force on Governmental Partnerships

The Alaska Municipal League supports state funding of a Task Force on Governmental Partnerships to study and recommend appropriate roles and responsibilities of state, local, and federal governments to deliver and finance priority public services in Alaska.

The League requests that the legislature assist in financing a Task Force on Governmental Partnerships to analyze the existing roles and responsibilities of state, local, and federal governments in providing and financing public services and to recommend service priorities and future delivery and financing mechanisms. The goal of the task force would be to produce a final report to League members, the legislature, and the administration by July 1993. Because the study will benefit the state as a whole, the League is seeking funding for task force operations from the Alaska State Legislature. Total costs for the Task Force are estimated at \$300,000.

Throughout the nation, essential public services are provided to Americans by several levels of government -- federal, state, borough, county, city, village, school district, special district, and others. In many states, the overlapping and interweaving of various local governmental units causes confusion and conflict. When the framers of the Alaska Constitution developed a model for governance of the new state, they made a conscious decision to "provide for maximum local self-government with a minimum of local government units, and to prevent duplication of tax-levying jurisdictions" (Article X, Section 1, Constitution of the State of Alaska).

That constitutional language and the accompanying statements that "a liberal construction shall be given to the powers of local government units" and "the State may delegate taxing powers to organized boroughs and cities only" define the basic groundwork for the relationship between state and local governments in Alaska. However, neither the Constitution nor statutes define clearly the relative roles and responsibilities of the two levels of government, each of which provides essential services to Alaska's citizens. As a result, there is often disagreement about basic questions -- not only "What services are the responsibility of government" and "What level of government is responsible for providing them?", but, seemingly more fundamentally in an era of tight financial resources, "How should they be paid for?"

State and local governments nationwide have felt the impact of cutbacks in federal funding, over 50 percent in domestic assistance since 1980. The federal government has also increased restrictions on how state and local governments operate, and it has mandated increasing responsibilities, for instance those under the Clean Air and Clean Water Acts. Many of these cutbacks and increased demands for government activity have put pressure directly on the states, which, in turn, have tended to shift costs and responsibilities to local governments. Municipalities have had to bear these burdens by increasing taxes and reducing services at the local level.

Because of the oil wealth Alaska has enjoyed, which has brought increased services, reduced taxes, increased operating and capital budgets, and complacency, Alaskan public policy makers have not, until recently, been forced to seriously try to sort out the issues of state/local roles and responsibilities, particularly in the areas of providing governmental services and raising revenues and doing so in the most efficient, effective, and equitable manner. The state's ownership of land and resources, its youth, and its need to develop both physical and institutional infrastructure have also meant that the state-local government relationship differs significantly from that in other areas of the country.

However, drops in revenue, combined with the effects of federal action noted above, have caused significant cutbacks in aid to Alaska's municipalities in the last six years. Appropriations in the two major programs of state assistance to the operations of municipal governments, Municipal Assistance and State Revenue Sharing, have been cut over 38 percent since 1985. Following the federal lead, the state has also shifted responsibilities, and thus costs, to municipalities without providing reimbursement. Examples of this include increases in environmental regulation, retirement benefits, senior citizens tax relief, and education costs.

The time has come for a serious evaluation of the ways priority public services are delivered and financed in Alaska and the relative roles and responsibilities of the local, state, and federal governments.

Recognizing this need, the Alaska Municipal League has decided to take the lead in establishing a forum to discuss state and local responsibilities in a comprehensive manner. The League will work to create a Task Force on Governmental Partnerships that will, over a period of 24 months, address such issues as

- What is the priority order of governmental services, i.e., what is cut first as revenues decline and what services are added first as revenues increase?
- What level of government should provide what services?
- What revenue source is appropriate to fund what services?
- Who should collect which revenue and how should it be distributed?

- At what point must revenues be increased to provide basic services?
- How can we insure that policy makers know the full cost of mandated programs?

The need for some sort of forum for the discussion of these issues has been obvious for some time. At the end of 1986, the Task Force on State and Local Relations of the National Conference of State Legislatures released its recommendations to guide states in dealing with this "period of significant change in the way state and local governments interact, caused in part by the continuing reduction of federal financial support" or "'fend-for-yourself' federalism." One of the recommendations of the task force was that "each state needs an organization dedicated to studying state-local issues and resolving problems, either a state advisory commission on intergovernmental relations or a legislative commission on state-local relations" and that "it should be created by statute, have strong legislative representation, and have an adequate budget and staff."

Such an idea is not new to the AML or the state. The first Alaska State Legislature failed to act on a recommendation of the Public Administration Service report that it "make provision for the study of local government problems before establishing long-range policies". That was in 1959!

The AML has requested a blue-ribbon commission to study priorities for delivering basic services since 1984, but no such commission has been formed. Staff within the Governor's Office of Management and Budget have also investigated and recommended state advisory commissions to provide a forum or mechanism for local governments to participate in state fiscal policy decisions affecting them and for the state to achieve consensus on statewide fiscal policy issues affecting local government. However, in the absence of a state government-level initiative to establish such a commission, the League now seeks to take the lead in addressing these important issues by establishing a Task Force on Governmental Partnerships.

The task force, which would operate under the auspices of the League, would include representatives from local government, the legislature, the state administration, and the public. It would, with the help of a limited staff, conduct a survey of existing relationships, public services, and funding sources; identify areas of disagreement and dispute; compare the Alaska situation with other states and with recommendations of the National Conference of State Legislatures; and recommend possible changes. The task force could be continued after July 1993 if it seems desirable and additional funding is available.

Depending on the level of funding received from the legislature, the League will also pursue funding from a variety of other sources, including the executive branch, the university, private sources and its own member municipalities.

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REFORMING STATE-LOCAL  
RELATIONS:  
A PRACTICAL GUIDE

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by  
Steven D. Gold  
Director of Fiscal Studies

edited by  
Sharon Schwoch

National Conference of State Legislatures

1560 Broadway, Suite 700  
Denver, CO 80202-5140  
(303) 830-2200 FAX (303) 863-8003

444 North Capitol Street, N.W., Suite 500  
Washington, D.C. 20001

December 1989

NCSL Report

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# Executive Summary

**O**ur federal system is going through a period of significant change, with states playing a more prominent role. States should reassess their policies toward local governments across a broad spectrum, and this book lays out the major issues that will be on the agenda of the states as they rethink state-local relations.

This book relies heavily upon a set of recommendations developed by the National Conference of State Legislatures' Task Force on State-Local Relations. The task force said, "We recognize that many proposed policies go beyond the existing practice in many states. This does not imply that there was anything wrong with past policies but rather that the changed times require new directions."

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## Chapter 1

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There are four reasons why states should reconsider their policies affecting local governments:

- The federal government is cutting back on its role as a provider of assistance to local governments, creating a vacuum that states cannot ignore. The federal cut-backs provide an opportunity for states to reassert their historical role as a leading player in the federal system.
- State-local relations are closely related to many pressing state problems, including economic development, provision of human services, and tax reform.
- Reforming the state-local system can make government more efficient and economical.
- Many aspects of state-local relations are overdue for searching and objective review.

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## Chapter 2

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State-local relations differ greatly from one state to another. Four of the major differences are how local governments are structured, how autonomous local governments are, how fiscally centralized the state-local system is, and how local governments raise revenue.

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## Chapter 3

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Three major policy objectives in reforming state-local relations are:

- Providing the right amount of services, considering citizens' willingness to pay for them;
- Providing services efficiently; and
- Financing services through a system that is fair.

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## Chapter 4

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State-local organizations can play a vital role in reforming state-local policies. They can provide a forum for discussion of long-range state-local issues, conduct research on local developments and new state policies, develop solutions to problems, and carry out many other important functions. No single model for state-local organizations is appropriate for all states, but they should be well-funded, be created by statute, and incorporate major roles for legislators and local government representatives. Although a majority of states have either a state Advisory Commission on Intergovernmental Relations or a legislative commission on state-local relations, most of the existing organizations need to be significantly strengthened if they are to fulfill their potential.

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## Chapter 5

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States should develop monitoring systems to track local fiscal developments because they generally lack sufficient information about local fiscal trends to provide a sound basis for policymaking. This monitoring system should be used to produce an annual report on the state of local governments explaining in clear, simple language how the fiscal situation of local governments has been changing.

Among the components of an ideal monitoring system are measures of beginning and ending cash balances, total revenue, tax revenue, tax rates, tax bases, federal and state aid, user charges, expenditures, indebtedness, credit ratings, fiscal capacity, fiscal effort, needs, and fiscal stress.

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## Chapter 6

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States should allow local governments to diversify their revenue systems, with consideration for permitting use of local sales and income taxes. These taxes should be structured so as to minimize the problems they may entail. The decision about which local options to permit is a complicated one, with numerous considerations for and against each tax. In any case, user charges should be encouraged in appropriate contexts.

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## Chapter 7

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The property tax should be strengthened by reforming its administration and by other means. Among the steps that improve assessment administration are requiring that assessments be close to full market value, mandating professionalism among assessment personnel, not allowing long periods to occur before assessments are updated, and using computer-assisted mass appraisal systems.

Truth-in-taxation programs and tax relief for the poor can also help overcome some of the major defects of the property tax. Consideration should also be given to homestead exemptions or credits, land value taxation, and reforming the treatment of tax-exempt property.

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## Chapter 8

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Most states impose limitations on local taxes or spending, but the structure of these limitations differs considerably. The effects of limits should be studied to assure that they do not prevent local government budgets from at least keeping up with inflation. Limitations on local debt should also be reviewed because they often provide an incentive for localities to finance capital spending in ways that may raise their costs.

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## Chapter 9

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States should reconsider how responsibilities are assigned for providing and financing services. If they do not already do so, they should move in the direction of assuming the costs of major poverty-related services such as Medicaid and welfare. Aid programs should be redesigned, with improved targeting based on needs and local fiscal capacities.

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## Chapter 10

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Mandates imposed on local governments should be reconsidered because they often raise local costs and hence tax rates. All mandates should not, however, be treated similarly, since some are more appropriate than others. Mandates involving personnel policies such as pensions are among the most objectionable mandates to local governments. Prohibiting unfunded mandates can be helpful in reducing the mandate problem but only if the prohibition is constitutional. Fiscal notes are useful in raising consciousness about the costs of mandates.

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## Chapter 11

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Reforming state-local policies can cut the cost of government in many ways. Among the options are relaxing mandates; eliminating incentives in aid programs to increase spending; increasing reliance on user charges; improving the targeting of aid programs; encouraging local government cooperation; providing technical assistance to local governments; organizing investment, insurance, and other kinds of pools; allowing localities to purchase goods and services through state procurement channels; facilitating local mergers; and improving citizen input in the budget process through a full-disclosure process.

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## Chapter 12

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States can help localities with infrastructure finance problems through technical assistance and supervision programs, bond banks, revolving loan funds, infrastructure banks, and interest rate subsidy programs.

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## Chapter 13

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A checklist of 19 policies can help citizens of a state assess the state of state-local relations. Although many elements of this checklist apply to relations with all kinds of local governments, big cities may require special attention because of the concentration of social problems and the key role they play in state economies.

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tions will be helpful to legislators as they grapple with the difficult challenges of this new environment.

The bulk of our recommendations falls into two categories: approaches for improving the process of developing new state-local policies and substantive policies themselves. One recommendation underlies all of our other proposals: *Legislators should place a higher priority on state-local issues than has been done in the past. The time has come for states to change their attitude toward local governments—to stop considering them like just another special interest group and to start treating them like partners in our federal system of providing services for citizens.* Likewise, local governments should resist a "go-it-alone attitude" and should participate in the process as partners.

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## Improving the State-Local Policy Development Process

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*If a state is to have the necessary tools to improve its system of state-local relations, two elements are critical: (1) an organization dedicated to studying state-local issues and resolving problems, and (2) good information about how local governments are faring.*

### A State-Local Organization

A specific organization dedicated to state-local issues is needed because the profound changes in this area require ongoing study. States have research organizations and standing legislative committees capable of studying a particular problem and developing new policies to deal with it, but those existing entities have many other responsibilities and cannot continuously devote the attention that is required to state-local issues. Other reasons for creating a specific state-local organization are the complexity of the issues and the rapidity with which they are changing. The various local governments within a state differ significantly, local revenue systems are complicated, and solutions to problems must consider both revenue and spending ramifications. An organization that specializes in state-local issues is best able to study the nature of problems in this area and to suggest alternative policies for addressing those problems.

A state-local organization can perform four important functions: provide a forum for discussion of long-range state-local issues, a place where local officials can be heard and engaged in focused dialogue; conduct research on local developments and new

state policies; promote experimentation in intergovernmental processes, both state-local and local-local; and develop suggested solutions to state-local problems.

No single model can be developed for such an organization because of differences in traditions and governmental structure among states, but a number of specific guidelines have been developed by the task force, based upon the experience of states with various approaches:

- The organization should be created by statute rather than by executive order so that the legislature is involved in its design and operation.
- The organization should be either a legislative commission with a strong role for local governments as advisers or a state Advisory Commission on Intergovernmental Relations (ACIR). (State ACIRs typically have members representing each major type of local government along with executive and legislative branch state officials.) If it is an ACIR, legislators should play a prominent role in it. The legislators should be drawn from among leadership and the chairmen of committees with responsibility for policies affecting local governments, including revenue, appropriations, and local affairs. It is essential that the organization have strong ties to the legislature so that (1) it is responsive to legislative concerns, and (2) its proposals receive priority attention from the legislature. ACIR members should not be appointed by the governor, except for those who represent the executive branch.
- The organization should be either part of the legislature or an independent entity, not part of the executive branch.
- The organization should have an adequate budget and qualified staff. A recommended model for funding sufficient resources would be a minimum budget of \$200,000 and a staff of at least four persons. Local governments should participate in funding the organization.

These guidelines are at variance with most of the existing state-local organizations. According to the U.S. ACIR, 24 states have ACIRs or similar bodies, but most of them have smaller budgets and less influence than envisioned by the task force, and the role of legislators in most of them is too limited. We believe that state-local organizations can play a pivotal role in studying

## *An Improved Information Base*

One of the most important tasks of a state-local organization should be to monitor local fiscal developments and to inform the public about significant trends in local finance. We envision creation of systems to keep track of changes in tax rates, expenditures, state and federal aid, tax bases, and fiscal stress, among other measures. An annual report on the state of local governments should be published, explaining in clear, simple language how the fiscal situation of local governments has been changing.

Such an information system will be vital over the next decade if, as appears possible, some local governments experience increasing fiscal stress. State officials are certain to hear complaints from local representatives about their fiscal predicament, and they will be in a much better position to respond to those complaints if a good monitoring system is in place. *Improved information will make it possible to raise the level of discussion of state-local issues.*

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## **Improving State-Local Policies**

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We have developed recommendations in three areas—local revenue systems, mandates imposed by states on local governments, and state aid to local governments, including “sorting out” responsibilities for various governmental functions. States need to reevaluate their policies in these areas for two reasons: federal aid to localities probably will continue to decrease, while increases in state aid to localities will be constrained by the state governments’ own fiscal problems.

These recommendations should be viewed as a starting point for reassessing policies, not as an exhaustive list. Each state’s agenda for improving its policies toward local governments will vary.

### *Local Revenue Systems*

State governments control the revenue sources that local governments have available to them. Traditionally, the property tax has been the mainstay of local revenue systems. While there has been a shift away from the property tax, it still accounts for 50 percent of tax revenue for municipalities, 76 percent for counties, and 94 percent for townships. While the property tax is properly an important component of a balanced state-local tax system, the heavy reliance on it in many states is undesirable because the property tax is so unpopular with the public. Local governments

should not be forced to depend so heavily on the most disliked state-local tax.

*States should give localities more discretion in raising revenues. Sales and income taxes should be considered among the options available to local governments because all other nonproperty taxes, while some of them are appropriate, have only limited revenue potential. States, however, should not adopt a no-strings-attached, “tax-anything” policy for local governments. The task force recommends that states consider a set of safeguards such as those proposed by the U.S. ACIR that can avoid problems arising from unfettered use of these taxes. The ACIR’s safeguards call for state collection and administration of local sales and income taxes, conformance of local tax bases to the state base if the state imposes the tax, encouragement of uniform or widespread geographic coverage, limits on maximum and minimum local rates, some degree of equalization of revenue among jurisdictions with large and small tax bases, and sharing earnings taxes between place of work and residence.*

Another aspect of revenue diversification is promotion of user charges when they are appropriate, particularly when beneficiaries of services are easily identified and charges do not impose an unacceptable burden on low-income households. Impact fees in developing areas are an example. *States should provide technical assistance to help local governments implement user charges. Part of such assistance should be to serve as a clearinghouse for information on user charges implemented by localities.*

The recommendation in favor of revenue diversification does not imply that the property tax should be abandoned. It has a valid role to play in a balanced state-local tax system. *States should, however, work to make the property tax more acceptable by improving assessment systems, adopting state-financed relief programs to shield the poor from excessive burdens, and enacting “truth-in-taxation” provisions to improve public understanding of why property tax payments may be increasing.* Aspects of improving assessment systems include raising standards for assessors, providing adequate funding, having the state play a strong role in supervising assessments to ensure that laws are being followed, and basing assessments on the full value of property.

Most states limit local property taxes, total revenue, or spending in some manner. The task force takes no position either in favor of or against such restrictions, but it *urges states to evaluate their system of limitations to assure that it does not prevent local revenue per capita from rising at least as fast as the inflation rate. Any limitations enacted should be flexible, both in that they respond to the local economy and in that they are subject to override by voter referendum. Even though the level of local taxes is the*

responsibility primarily of local rather than state officials, legislators often feel that they are held accountable by their constituents when local taxes increase, which is why they often find it necessary to enact limitations.<sup>4</sup>

### *Mandates Imposed on Local Governments*

State governments impose many costly requirements on local governments. In view of the harsh new fiscal environment faced by state and local governments, *the task force recommends that states review their mandates placed on local governments. States should consider relaxing or eliminating those requirements and in some cases assuming the cost of complying with them. Some method should be developed, such as requiring fiscal notes, to assure that the costs of all prospective new mandates are taken fully in account before they are enacted.*

The task force believes that the mandates deserving closest analysis are those prescribing local personnel policies, environmental standards, service levels, and tax base exemptions. Many other mandates set out standards of "good government," assuring high ethical standards, nondiscrimination, and full disclosure of government affairs to citizens. Such mandates are appropriately financed at the local level. They may, however, be reconsidered to assure that they are not unnecessarily restrictive.

One of the undesirable effects of mandates is that they may inhibit positive innovations by local governments, either in terms of cutting costs or delivering services most effectively. In weighing the desirability of particular mandates, states should be aware of this danger.

### *'Sorting Out' Responsibilities and State Aid to Local Governments*

States have an important responsibility in a decentralized fiscal system such as ours to determine which services should be provided at the state rather than the local level and the extent, if any, to which local services should receive state financial aid. There is no single correct solution to this issue of "sorting out" responsibilities, since it depends on a state's size, diversity, wealth, and the desires of citizens, among other factors. Once established, the assignment of responsibilities usually changes only gradually if at all.

*The task force urges that each state reevaluate its system of "sorting out" responsibilities in view of the new fiscal environment that lies ahead. This reevaluation should consider why each major program to aid local government was created and whether those reasons are still valid. It should determine the goals of specific*

programs and whether changes in the structure of the program might help to achieve those goals more effectively or at lower cost. The result of such a reevaluation of "sorting out" should be a simplification of the state-local system, with some programs expanded, others contracted, and still others combined or eliminated. In other words, states should take a step toward rationalizing the intergovernmental system that has developed incrementally over time, often with confusing results. In the process, some programs may be shifted from the state to the local level while others are transferred in the other direction.

The consideration of "sorting out" should be governed by certain general principles, such as keeping responsibility at the lowest level of government unless there is an important reason to do otherwise. A second important principle of federalism is that poverty-related services should be financed by the highest level of government possible, although local administration may or may not be desirable. A state or local government has no control over the number of poor people within its borders, and there is an inverse relationship between the need for poverty-related programs and the ability to pay for them. This principle underlies NCSI's long-standing position that welfare and Medicaid programs should be national responsibilities and is reflected in the fact that most states have assumed the full cost of Aid to Families with Dependent Children (AFDC) and Medicaid programs in excess of that paid by the federal government. About half of the states also finance general assistance programs for those ineligible for categorical welfare programs. *As part of the "sorting out" process, states should move in the direction of assuming major poverty-related costs from local governments.*

*States need to develop sophisticated formulas for distributing local aid. In a period of "fend-for-yourself" federalism, a danger exists that inequality will increase and that local governments with relatively small tax bases in relation to their populations will be unable to finance needed services, particularly if federal aid cutbacks affect them disproportionately. States should target assistance to jurisdictions with the lowest fiscal capacity, attempting to equalize resources to some extent among rich and poor communities. Aid formulas also should reflect needs for services and spillovers of benefits and costs among local jurisdictions.*

By its very nature, the implementation of a process of "sorting out" will affect the relationships of local governments with the state and with one another. States should anticipate the difficulties this process will entail. They should develop procedures that provide the means of resolving the disputes that arise as "sorting out" takes place. Simplification, in other words, must be coupled with flexibility.

## *Other Low-Cost Ways for States to Assist Local Governments*

A theme running through many of the previous recommendations is that states should search for methods of helping local governments without incurring heavy financial costs for state government itself. Allowing localities to tap new tax sources, relaxing mandates, providing technical assistance in implementing user charges—all of these do not cost states much money and yet could be beneficial.

Providing technical assistance is a low-cost activity that can pay big dividends, especially for small governments. State help is particularly appropriate when activities involve new functions or processes, when common issues are faced by a broad spectrum of local governments, and when economies of scale are significant. These conditions often exist when activities involve information and technical expertise. State-financed "circuit-rider" programs are popular with local governments in many states, as are bond banks and insurance pools in which the state combines the resources of a large number of small communities.

Approved: New Orleans, Louisiana  
August 5, 1986

Revised: Hartford, Connecticut  
November 6, 1987

Adopted: NCSI Executive Committee  
Washington, D.C.  
December 4, 1987

### Notes

1. "Truth-in-taxation" provisions also are known as "full-disclosure" laws. They attempt to demystify property tax changes by requiring clear explanations of why tax bills are changing, including newspaper advertisements and statements sent out with tax bills as well as extra public hearings on budgets. They separate increases due to higher assessments from increases due to rate increases.

2. If the price level fell, it could be appropriate to force local governments to reduce their tax revenue. If such a reduction were forced while prices were rising, it sooner or later would result in a lower level of local services.

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## Why State-Local Policies Should Be Reconsidered

**"T**here is no faster way to clear out a room than to begin talking about federalism," according to Charles Robb, the former governor of Virginia. Although his remark was made in the context of relations between the federal government and state and local governments, its thrust applies as well to the relationship between state and local governments. According to an article in the *New Yorker* a few years ago, "Government tends to be boring, and local government bores absolutely."

These sentiments are anachronistic. Abstract discussions of state-local relations may often make eyes glaze over, but the issues involved are too important to be neglected any longer. They lie at the heart of vital, controversial questions such as the role of the property tax, centralization of power away from local control, the size and efficiency of government, and the overall level of taxes.

State and local governments are the major service providers in our country. Considering only outlays to purchase goods and services, state and local government spending is more than 40 percent greater than federal government spending. Considering only nondefense spending, state and local expenditures are six times as great as federal spending.<sup>2</sup>

## STATES MUST MAKE UP FOR THE INFORMATION DEFICIT

**T**he American system of government is so extensive and complex that making it run well requires constant examination. That, in turn, rests on the availability of the information that will make valid assessments possible. If a government fails to provide adequate information, it harms itself and ultimately the public, too.

Yet that is exactly what the national government has been doing in recent years. Departments and agencies are disbursing billions of dollars based on obsolete statistics because current ones are not to be had.

During the '50s, when the country was moving to correct the long neglect of the physical infrastructure—roads, bridges and so on—myopic budget slashing caused a deep decline in the volume of information infrastructure and a deterioration in its quality. Recent minor funding increases have not begun to repair the damage.

Aside from statistics, another area in the broad range of neglected domestic intelligence is in tracking the many changes that have occurred in governments at all levels. Staffs and studies for this purpose have been reduced or eliminated even though the shifting of programs and authority from Washington to state and local governments should require an even closer watch than in the past.

Staff of the Advisory Commission on Intergovernmental Relations, created by Congress in the Eisenhower administration to monitor the workings of the federal system, stood at 37 in 1978 but is only 19 now. And because funding has been reduced for monitors elsewhere in government, this small agency has to spend a considerable part of its time and resources just answering questions that come in from all over.

The ACIR has, however, inspired 26 of the 50 states to set up agencies to monitor the thickets of local governments and their relations to each other and to the state capitals. These "little ACIRs" are yet another example of the states assuming powers and functions abandoned by the national government.

The state agencies have varying names but are known generically as state-local relations bodies. Six were set up either by the governor or the legislature, but their usefulness may be less than optimal because they are tempted to be partisan to whichever branch created them. The other 20 are modeled after the federal ACIR and operate under a board whose members come from both the executive and legislative branches at each level of state and local government and from the private sector. Thus they are better able to make

independent decisions. Most were created by statute and operate on appropriated funds.

These agencies are considered especially important now. The conflicts that were built into the constitutional system of overlapping and competing governments have increased as more federal grants have been funneled through the states, which at the same time have assumed more authority over the localities. The state ACIRs have been created with the express intent of fostering cooperation rather than conflict.

State ACIRs perform a variety of roles. They provide clearinghouses for the exchange of information, forums for development of policy, and statistics and other data for shaping policy and legislation.

New Jersey's agency provided the database for the passage of laws that absorbed elected special districts into general-purpose governments. The ACIRs in Connecticut, Florida and South Carolina also contributed to moves in those states to bring the proliferation of special districts under control.

Several of the state agencies, including those in Colorado, Illinois, Louisiana, Maryland, Massachusetts, Minnesota, New York, Ohio and Rhode Island, are involved in attempting to settle the burning issue of state mandates to local governments. The Missouri agency played a crucial role in the enactment of a law establishing a statewide insurance

pool for local governments.

Minnesota, Ohio and Oklahoma produce statistical abstracts detailing an array of fiscal information and data on a variety of governmental services. The Indiana body is building a strategic plan for statewide improvement in the environment, tax policy, public safety, economic development and the physical infrastructure.

The agencies vary in size and function. Illinois has the largest, with 19 professional staffers. Others, including those in Maine and Utah, function with staff borrowed from other agencies.

It is all very fragile, however. Like their federal model, the state ACIRs have a shaky existence because they can so easily become the target of budget cuts. Long-established agencies in Arizona, California and Texas were killed to save money. A change in administration or in the political climate, the federal ACIR says in a new report, is the "primary factor" in official decisions that a state ACIR is not worth the money.

Nationwide, the collapse of the information infrastructure could well do more damage than the more widely known neglect of physical facilities. □



# Passing the Buck to the States —Without the Bucks

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**O**n July 31, 1990, 21 legislative leaders from 17 states stormed into Washington, D.C. A few days earlier they had learned that congressional and White House negotiators were considering eliminating the deductibility of state and local income taxes as a way of reducing the federal deficit. The state leaders, including Illinois Minority Leader Lee Daniels, president of NCSL, and Maine Speaker John Martin, NCSL president-elect, spent the day carrying their message to key congressional and administration officials. They met privately with Senate Majority Leader George Mitchell, Senate Minority Leader Bob Dole and House Minority Leader Bob Michel. They talked to Senator Lloyd Bentsen, chairman of the Finance Committee, Representative Dan Rostenkowski, chairman of the Ways and Means Committee, and Representative Jamie Whitten, chairman of the Appropriations Committee. They met with Andrew Call, the deputy White House chief of staff.

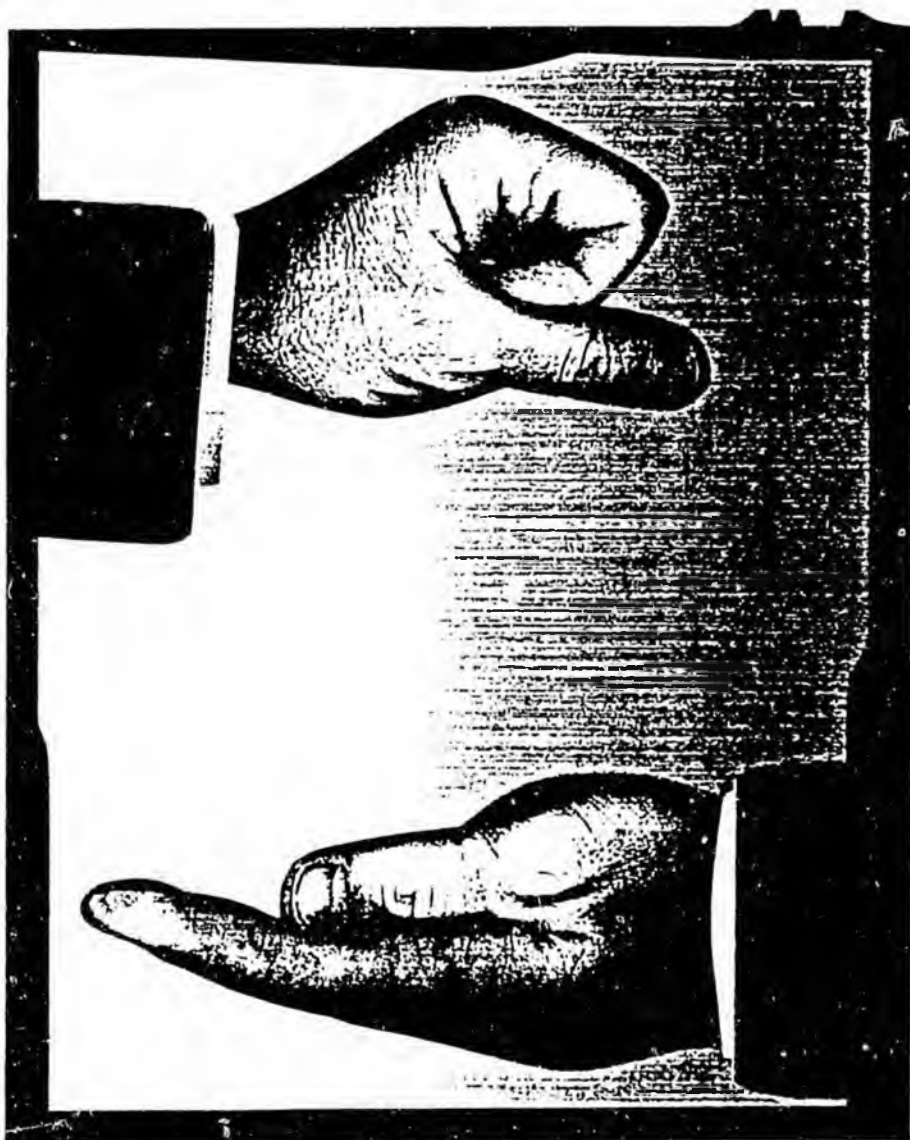
In seven hours, the 21 state legislators — Republicans and Democrats from every region of the country — talked with over 70 members of the United States Congress. Over and over they hammered their theme about the federal budget: "You must reduce the federal deficit, but don't export it to the states."

A week later, some of the leaders heard from a member of the budget summit. "You killed deductibility," he said. Indeed, elimination of deductibility of state and local income taxes came off the negotiating table.

As the budget talks — with all their acrimony and partisanship, with all the charges of paralysis they engendered — alternately charged and dragged into the late summer and autumn, it became clear that far more was at stake than deductibility. Nearly every proposal to raise federal revenue and many of the major

Ignoring the pain to the states, Congress in trying to resolve the budget mess has considerably altered the federal system.

Carl Tubbesing



proposals for cutting spending would affect state revenues and budgets.

Building on the momentum begun on July 31, state legislators from throughout the country talked with congressmen and administration officials, poking holes in

arguments about specific revenue and expenditure proposals and expressing fundamental arguments about federalism and intergovernmental fiscal relationships. On specifics, they were often joined by advocates for other organizations and

Carl Tubbesing is director of NCSL's Washington, D.C. office and State Federal Relations.

interests. Often, however, they were the only ones reminding the federal officials of their obligations to the intergovernmental fiscal system.

When, early in the morning of October 28, Congress adjourned *sine die*, having approved "the largest deficit reduction package in the nation's history," major clean air and child care legislation, and countless other measures, there really were two stories of how the states had fared.

One story is about a set of nearly unprecedented successes—victories—for state governments in decisions regarding domestic programs and policies. The other, more sobering story is about fundamental changes in the federal system—alterations perhaps unmatched in significance since the New Deal.

The child care legislation adopted as part of budget reconciliation represents a significant victory for state governments. Under consideration for several years, the issue activated perhaps hundreds of state legislators who insisted that states must have flexibility in running child care programs. The final package is a combination of earned income tax credits, a new child care block grant and child care services that contains no federally mandated standards.

"The new law is, in some ways, even better than some of us had expected, especially with the new block grant," says Texas Senator Eddie Bernice Johnson.

Passage of a new Clean Air Act offers promise for significant improvements in air quality. The new law was the result of a 13-year struggle fought in a variety of venues, including presidential campaigns, the subcommittees and committees of Congress and, ultimately, a protracted and sometimes contentious conference committee. It engaged numerous interests with very high stakes in the final outcome, including state governments. The legislation includes strong components that will help state and local governments achieve air quality standards over the next 10 years.

With a month to go in the session, legislation to revise the Hazardous Materials Transportation Act of 1974 was presumed dead, a victim of the crowded calendar and disagreements between the Senate and House. With only a day or two left, however, key House and Senate members resolved their differences and the legislation passed in the last hours of

the session. The new law limits federal pre-emption to technical matters and preserves state autonomy in most important aspects.

The new farm bill reauthorizes the food stamp program. An important provision in the reauthorization is a waiver of quality control sanctions imposed on states for 1983, 1984 and 1985. This forgiveness of nearly \$270 million represents the majority of the backlog of quality control sanctions against the states.

Congress' approval of the FY 91 transportation appropriations bill contains a mechanism that offers a creative alternative to federal sanctions and mandates. As proposed by U.S. Senator Frank Lautenberg of New Jersey, the amendment was a substitute for language that would have denied a state a portion of its federal highway funds if it failed to impose a six-month driver's license penalty for drug offenders. Instead, the Lautenberg language allows the state to continue to receive its highway money if both the legislature and governor refuse to support legislation imposing the driver's license penalty. Representative Michael Box, Alabama, commended proponents of the measure. "The use of federal sanctions is counterproductive to ongoing state efforts to design the most appropriate drug enforcement programs. Senator Lautenberg's approach is a novel one that appears much more reasonable than sanctions."

Legislation designed to prohibit age discrimination in employee benefits—that is, overturning the Supreme Court's *Beltz* decision—represents both a defeat and a victory for state governments. By forcing a collection of age-related requirements on disability, health and early retirement programs, the legislation may impose considerable costs on the states. On the other hand, state legislators managed, after meeting initial resistance, to gain concessions that make the law more palatable to state governments.

There were many other successes for state governments during 1990. Legislators aggressively fought back attempts to pass anti-drug money in the crime bill directly through to local governments. Oil spill legislation adopted in August preserves state liability laws. Major AIDS legislation, passed in the summer, authorizes \$230 million in state grants for

AIDS-related services. The appropriations bill contained modest increases for a number of other important state programs, including unemployment insurance and refugee and immigration assistance. The farm bill's rural development sections contain a number of components supported by state legislators.

As usual, there were victories, too, in what did not happen. U.S. Senator Lloyd Bentsen of Texas succeeded in stripping two provisions out of the appropriations bill that would have shifted some costs for foster care and child support enforcement to state and local governments. Legislation stalled in the House that would have pre-empted state taxing authority over natural gas pipeline property. Congress again failed to adopt legislation that would pre-empt state product liability laws.

By far the most expensive defeat for state governments came in the last hours of the session with the adoption of massive expansions of mandatory Medicaid coverage. Pushed aggressively by Congressman Henry Waxman of California, the mandates will cost the states at least \$3 billion over the next five years.

There were two priority issues for state legislatures that Congress failed to adopt. Congressman Jack Brooks' bill allowing states to collect sales tax on catalogue sales was never brought to mark-up. And even though the budget reconciliation bill takes the Social Security trust fund off-budget, trust funds important to the states—unemployment insurance, highways and aviation—remain in the budget and, therefore, part of the Gramm-Rudman-Hollings calculations.

**B**ut despite all the accomplishments and the defeats of the second session of the 101st Congress, it will be remembered most for passage of a five-year plan to reduce the federal deficit. The package, adopted after six months of negotiation between Congress and the White House, is a combination of spending cuts and revenue increases designed to achieve \$500 billion in deficit reduction over five years. The measure has serious, long-term consequences for the intergovernmental fiscal system.

These consequences are found principally in the revenue portion of the package and in the budget process reforms it includes. Nearly every one of the major sources of tax increases in the plan impacts state and local government

revenues. These revenue sources, in many cases, are those traditionally used by state governments to provide services and balance their budgets.

Increases in federal taxes on gasoline, beer, tobacco, wine and distilled spirits will suppress demand and, therefore, reduce revenue to states by as much as \$3.6 billion over five years. Requiring Social Security coverage for state employees not included in a public pension plan will cost states \$9.1 billion over five years. The 3 percent limit on deductions—the so-called Pease Plan, after its author Congressman Don Pease of Ohio—though not a direct assault on state income and property taxes, is a federal tax on state and local taxes and will represent an inviting source when the federal government looks for additional revenue in future years. These revenue increases, combined with significant changes in Medicare and Medicaid, mean that nearly 70 percent of the plan will impact state and local governments, with a cost to states of \$16.9 billion over five years.

Frustrated by the unresponsiveness of congressional and administration leaders to state concerns, Speaker Martin and Representative Daniels followed the adjournment of Congress with an angry press statement. "Once again, congressional and administration budget negotiators have taken the easy way out by exporting difficult decisions to the states. More significantly," they said, "the negative impact on federalism in this country will be of a magnitude never seen before."

Indeed, the deficit reduction package continues, but probably does not end, a trend in state-federal relations begun 10 years ago. Combined with the U.S. Supreme Court decisions in *South Carolina vs. Baker* and *Garcia vs. San Antonio Metropolitan Transit Authority*, the plan represents a dramatic and fundamental change in the nation's federal system. The Supreme Court decisions perhaps irreparably weakened the constitutional standing of the states. The budget plan is a *de facto* shift of responsibilities to state governments in a political and governmental environment that drastically constrains state governments in how responsive they can be and how many services they can provide.

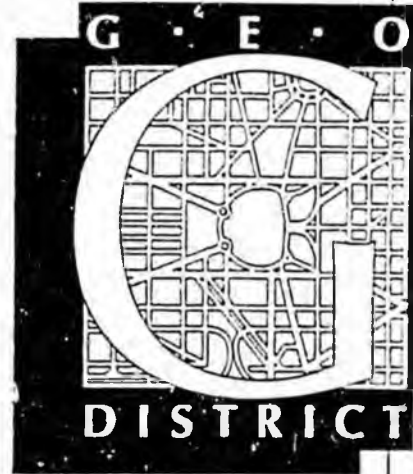
Part of the governmental environment is the growth in federal mandates—statutory and regulatory language dictating how state governments must

implement federal decisions, often at considerable cost to themselves. Budget process reforms adopted as part of the deficit reduction package will only exacerbate this trend. The new procedures place specific spending caps on domestic, defense and international discretionary programs. Chris Zimmerman and Martha Fabricius, NCSL's Washington tax specialists, point out, "Under these enforcement procedures, Congress will apparently have relatively little room for new initiatives. This makes it more likely than ever before that any new initiatives will rely heavily upon unfunded mandates upon the states." Unable to suppress the desire to address unmet needs, the federal government will most likely decide on an approach, require the states to follow it, and severely limit their ability to respond to the particular demands of their citizens.

The current political environment is marked by voter alienation, cynicism and distrust, provoked, in part at least, by the tortuous attempt to produce a deficit reduction package. This anger is manifested in the popularity of term limit initiatives and in the "throw the bums out" mood last November. When directed at state legislatures, which have proven to be both responsive and responsible, this anger may be misplaced and unjustified. Nonetheless, it is part of an environment that will further constrain the ability of state legislatures to make policy—in other words, to assume the responsibilities required of them by their own constitutions, their constituents and the federal government.

While state legislatures begin this year to operate within these new parameters, Congress will attempt to deal with a considerable array of policy issues. Of particular concern to the states will be such issues as groundwater, solid waste, child welfare, a national energy strategy, reform of the unemployment insurance system, pesticide regulation, the highway safety program and insurance insolvency. Each will pose challenges and imply consequences for state legislatures. Each will be dealt with in an environment in which state-federal relations have been substantially redefined. The greatest challenge for state legislatures will be to make sure that federal officials are aware of these new realities and to ensure that they do no further damage to a federal system already considerably altered. □

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March 27, 1991

TO: Representative Gene Kubina, Chair  
and  
Members, House State Affairs Committee

FROM: Scott A. Burgess, Executive Director

RE: HCR 17 - Establishing a Task Force on Governmental Roles

On behalf of the 126 municipalities who are members of the Alaska Municipal League, and the citizens who live in those communities, I offer strong support for HCR 17, which would establish a Task Force on Governmental Roles.

For several years, AML has advocated that the state and local governments undertake a comprehensive, in-depth study of the relationship between and among the local, state, and federal governments. The AML Board of Directors identified establishment of a task force to "study and recommend appropriate roles and responsibilities of the state, local, and federal governments" as one of the League's top priority issues for the 1991 legislative session. We appreciate the interest and support of the sponsors of this resolution.

For your information, I have attached copies of AML Resolution 91-1 and of the Municipal Platform statement supporting creation of the task force. As you can see from these documents, AML had originally envisioned that the proposed study would be undertaken under the direction of the League, with support from the Legislature and the Executive Branch as well as from other interested parties. However, we support the legislative task force proposed in HCR 17. While our financial resources are not great, the AML is willing to assist in this endeavor with the expertise and participation of our membership and with in-kind and contract assistance to the degree possible.

Why is an evaluation of the relationships between and among the local, state, and federal governments necessary? What do we hope that the Task Force on Governmental Roles will accomplish?

Although the need to define relative roles and responsibilities of governmental units is not unique to Alaska, our state, probably more than others because its relative youth, its previous relationship to the federal government, the nature of land ownership within the state, its size, and the lack of infrastructure at the time of statehood, has an unusual situation with regard to intergovernmental relationships and responsibilities.

These relationships worked fine in times of large federal and state budgets to support government in Alaska. However, in times of shrinking revenues

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page 2

and resources at the federal and state level it is becoming increasingly apparent that it is essential to evaluate these relationships, possibly to propose new ones, to sort out priorities for public service, and to reach agreement about which level of government is responsible for providing which services and how those services are to be financed.

The proposed Task Force on Governmental Roles would have as its primary mission to do just that, and to work toward a commonly accepted definition of the roles and responsibilities of the state and local governments.

Far too often in recent years, when state budget cuts have been required agencies have pushed program responsibility downward without any clear definition of why local governments should provide the service or how they can do so, and with no choice. The state may claim to save money, but at the local level citizens are forced to pay for a state-mandated program or service without having any opportunity to decide whether they want it. A perfect example of this is the Senior Citizens/Disabled Veterans Property Tax Exemption Program, a state-mandated program over 70 percent of which is currently funded by municipal taxpayers.

In other situations, too -- for instance in the proposed transfer of Class 3, contract jails, environmental mandates, funding of education and school buildings -- there are many questions about who should fund public services, who should decide what those services will be, and who will provide them. Some changes may be necessary, but neither the state nor local governments can adequately plan for a future of reduced financial resources without a clearer definition of their roles and relationships.

The Task Force on Governmental Roles should, at a minimum,

- survey existing relationships among levels of government in Alaska and identify public services provided by governments
- identify existing and potential revenue sources
- compare the Alaska situation with that in other states
- prioritize public services
- classify various public services by the appropriate level of government responsibility in terms of efficient service delivery, local control, constitutional responsibilities, ability to pay, and beneficiaries
- assign the proper revenue source for each service and which level of government should most appropriately collect that revenue

House State Affairs Committee  
Testimony on HCR 17  
March 27, 1991  
page 3

- recommend revenue distributions in situations in which revenue is collected by one level of government (for efficiency of collection) and used to provide a service at another level (for efficiency of service delivery)
- recommend corrections of existing inequities and inconsistencies
- recommend mechanisms for addressing mandated services or responsibilities in terms of cost and local option
- recommend changes to local government structures and powers
- recommend appropriate mechanisms and procedures for transition between the current relationship and proposed new relationships

This is not an easy assignment, but the challenge facing Alaska's governments in the next decade are not easy. Now is the time for us to take a long, hard look at how we deliver public services and to determine the best, most efficient, and most cost effective ways to do so. The Task Force on Governmental Roles that HCR 17 would establish can help us focus that endeavor.

I urge your support of HCR 17.

Attachments

CSS91TEST/hcr17.327

Hello, I am Ron Garzini - I am representing myself as a professional local government manager, twice president of Alaska City Managers, I can tell you HCR17 is desperately needed. The relationship between the State of Alaska and its local governments is in great disarray. In fact, four and one-half years ago, the Alaska City Managers asked incoming Governor Cowper for an effort similar to HCR17!

Thanks to Governor Cowper's vetoes last fall, the problems we have been pointing out came to light. His veto of third class road maintenance funds, social service block grants, etc., were accompanied with the statement "these are local responsibilities, therefore, the first to go." In addition, this year again we are discovering the hillside police in Anchorage and the problems of local jails in Kodiak and other cities. Please be assured that all these problems are the tip of the iceberg which will be uncovered when we start cutting the budgets in a big way. If you cut state operating budgets 15%, I bet every Commissioner will discover programs that, in his or her opinion, should be local responsibilities; for example:

- troopers in Wasilla
- troopers in other urban areas
- parks on the Kenai
- services to the court system - warrant officers
- public defender service
- prosecutor of certain crime levels
- local jails
- class III roads

- traffic signals within cities
- fire marshal duties
- elevator inspections
- grants to clinics and health services - alcohol and drug abuse
- day care assistance
- airports in small cities
- boat harbors
- wildfire within boroughs
- on and on and on -

At the same time, the legislature will have cut revenue sharing, municipal assistance, school foundation, and 25% funded the senior citizen tax exemption. Several new bills will have passed increasing local costs in the same year. In many cases, the cities will have tax caps in place.

In the past 20 years, I have been the top appointed official in three local government: including the largest and one of the smallest - I have consulted for six other local governments in the State and I assure you none of us is prepared for substantial cuts in revenues combined with transfers of new responsibilities.

Further none of the efforts underway will work very well --- and I include the DOT class III road transfer effort - even though its the right idea, for a number of reasons, the outcome will not be what's expected.

HCR17, if taken seriously .... and I mean very seriously, will help. It will not prevent anger, frustration, and severe public retaliation, but it will allow you to more fairly deal with the tough issues to be faced in the very near future! Please, for everyone's benefit, support this legislation.

HCR

27

# HOUSE COMMITTEE REPORT

(7)  
Date Referred: April 17, 1991

FURTHER REFERRALS:

Date of Committee Action: 4-25-91

The COMMUNITY AND REGIONAL AFFAIRS Committee considered:

HCR 27

HOUSE CONCURRENT RESOLUTION NO. 27

SUPPORTING YAKUTAT BOROUGH INCORPORATION

Supporting the Yakutat Borough Incorporation Petition.

**RECOMMENDATIONS:**

be replaced with \_\_\_\_\_

CS HCR 27 (CCA)

the same title  
 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 \_\_\_\_\_

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

zero fiscal note DCBA

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

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Gail Phillips</i>	x				
<i>Betty Davis</i>	x				
<i>Sam Walker</i>	✓				
<i>Sam M.</i>	x				
<i>Cheri Dancy</i>	x				
<i>John C. Duples</i>					

  
CHAIRMAN'S SIGNATURE

REPRESENTATIVE  
JERRY MACKIE

P. O. BOX 73  
CRAIG, ALASKA 99921  
(907) 828-3008 OFFICE  
(907) 828-2930 HOME

CHAIRMAN,  
COMMUNITY & REGIONAL AFFAIRS COMMITTEE

VICE CHAIRMAN,  
TRANSPORTATION COMMITTEE

# Alaska State Legislature



WHILE IN JUNEAU  
P. O. BOX V  
JUNEAU, ALASKA 99811  
(907) 465-4925

## House of Representatives

### SPONSOR STATEMENT

#### HCR 27

HCR 27 requests that the Department of Community & Regional Affairs and the Local Boundary Commission expedite the public hearing process for the proposed Yakutat Borough. HCR 27 also recognizes Yakutat's desire to assume self government responsibilities.

The legislature has always supported local government initiatives for borough formation. The proposed formation of the Yakutat borough is consistent with the current efforts to reduce dependency on state government, and increase self sufficiency among local governments.

The creation of the proposed Yakutat borough would provide for enhancement of basic services in the area such as planning and zoning responsibilities, school systems, road maintenance, public safety, health programs, water & sewer services and fishery facilities.

The expansion of local government responsibilities would be paid for by various forms of taxes and revenue opportunities for the new borough. The proposed borough would receive an organizational grant of \$600,000 over a three year period to help offset start up expenses. The most substantial increase in revenue for the proposed borough would come from National Forest Receipts followed by an increase in sales and property taxes.

REPRESENTATIVE  
JERRY MACKIE

P.O. BOX 73  
CRAIG, ALASKA 99921  
(907) 826-3008 OFFICE  
(907) 826-2930 HOME

CHAIRMAN,  
COMMUNITY & REGIONAL AFFAIRS COMMITTEE

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# Alaska State Legislature



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P.O. BOX V  
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(907) 485-4925

## House of Representatives

### BACKGROUND INFORMATION ON THE PETITION FOR THE FORMATION AND INCORPORATION OF THE CITY OF YAKUTAT

#### HCR 27

#### SUPPORT OF THE PETITION FOR THE CITY AND BOROUGH OF YAKUTAT

The City of Yakutat formally petitioned the Local Boundary Commission on October 1, 1990 for the formation and incorporation of a home rule borough. Yakutat's request occurred after a decade of efforts to organize the region as a Coastal Zone Management Unit, a Local Emergency Response District, and a Coastal Resource Service Area in the hopes of gaining local control over matters critical to the welfare of its residents.

The boundaries of the proposed borough are generally the Gulf Coastal region of Alaska from Cape Suckling to Cape Spencer, approximating 7,776 square miles. The area proposed for inclusion in the borough consists of an uninterrupted oceanic coastline, sometimes referred to as "coastal lowland." This area is distinct, geographically from Southeast Alaska and the Prince William Sound region as noted by the Department of Community & Regional Affairs (DC&RA), Municipal and Regional Assistance Division (MARAD), in their review of Yakutat's Coastal Resource Service Area Proposal.

#### HISTORY

The community or "old village" of Yakutat was established in 1889 with the building of a mission, but the Tlingit and Eyak peoples settled this area much, much earlier. The 1880 U.S. Census reported that 500 Indians lived here. Historically and traditionally, Yakutat has been the center of self-government for the areas people since the middle of the 18th century.

### SERVICES

Yakutat is prepared to extend all its services to the outlying areas connected by road. With substantial logging taking place in the region over the past several decades, there exists a network of roads connecting a vast area. These services shall include, but not be limited to the following:

- maintenance of streets and roads not maintained by the State;
- continued operation of the school system currently servicing a substantial student population from outside existing municipal boundaries;
- public safety services, including EMS, fire and police;
- solid waste services;
- operation of parks and recreation services;
- planning services;
- public works services;
- continued operation of a power utility currently servicing residents outside existing municipal boundaries;
- operation of a health clinic;
- fisheries enhancement services; and
- water and sewer utilities.

The new borough will also be prepared to extend education, tax assessment and land use regulation to the areas not connected to the road system. Yakutat proposes to administer the Icy Bay school by means of a cooperative arrangement with the Chugach REAA for a short time.

As the sponsor of this resolution, I submit to you, the members of this committee, that Yakutat has a long record of exemplary municipal service to its residents. This is a community that has rigorously pursued an opportunity to extend their efforts of local self-government and self-determination. I believe that it should be afforded that opportunity.

### ANTICIPATED REVENUES

The formation of a borough will bring a much needed benefit to the area economically. Initially, the borough will receive an organizational grant of \$300,000 for the first year; \$200,000 for the second year; \$100,000 for the third fiscal year under AS 29.05.190.

National Forest Receipts comprise the bulk of funds that would come into the new borough at the outset. Federal law permits boroughs which contain national forest lands within

their boundaries to receive payments from revenue generated in the forest. The proposed borough contains approximately 1,250,000 acres of national forest land situated in the Tongass National Forest. The proposed borough's share of these revenues would have been as follows:

FY 89	\$378,434
FY 88	23,113
FY 87	-0-
FY 86	36,886
FY 85	3,924
FY 84	76,185
FY 83	100,611
FY 82	405,427
TOTAL	\$1,024,580

The borough would also receive state shared taxes. The borough's share of the Fisheries Business Tax would increase if the value of the product increased or value added processing was established outside the current municipal boundaries. Municipal Assistance is estimated to bring in \$70,000 with Municipal Revenue Sharing contributing approximately \$60,000 for FY 92. Federal and state programs can be expected to bring in \$90,000 the first two years, \$45,000 the third year, and \$20,000 each year thereafter for development and implementation of a borough coastal management program. Additional monies are anticipated from sales tax/use tax (sales occurring within the expanded boundaries), personal property taxes if enacted by ordinance, real property taxes (half the areas current assessed valuation lies outside the cities boundaries), and a bed tax (taxing the tourists that frequent the area's lodges.)

FISCAL NOTE

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

BILL NO. HCR 27

Revision Date: \_\_\_\_\_ Department Affected: Community & Regional Affairs

Title: Supporting the Yakutat Borough Incorporation Petition. BRU: \_\_\_\_\_

Sponsor: Reps Mackie, Grussendorf & Component: \_\_\_\_\_

Requestor: Zawacki COMPONENT SERIAL NO. 

--	--	--	--

Expenditures/Revenues: (Thousands of Dollars)

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

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

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

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

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: Remond Henningson, Director Phone: 465-4708  
 Division: Administrative Services Date: 4/19/91

Approved by Commissioner: Edgar Blatchford  
 Agency: Community & Regional Affairs Date: 4/19/91

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

**DEPT. OF COMMUNITY & REGIONAL AFFAIRS**

OFFICE OF THE COMMISSIONER

April 23, 1991

POSITION PAPER

RE: House Concurrent Resolution 27

SPONSORS: Representatives Mackie, Grussendorf and Zawacki.

Program Effects of Resolution

If adopted, the current resolution would express the wish of both houses that: 1) DCRA act quickly in reviewing the petition for incorporation of the Yakutat Borough, and 2) the Local Boundary Commission (LBC) expedite consideration of the proposal.

Comments

DCRA ACTION TO DATE

DCRA is aware of the petitioners' desire for expeditious consideration of their petition. The record clearly demonstrates that DCRA is attempting to accommodate this desire, while carrying out its duties in a responsible fashion.

The following is a summary of the principal activities to date:

- 11/26/90 In anticipation of the Yakutat petition, DCRA requested AG's opinion on key legal issues concerning the regulatory standards for borough formation.
- 12/26/90 Current petition for incorporation of the Yakutat Borough submitted to the Department.
- 01/07/91 Preliminary review of petition discloses insufficient signatures; petitioners advised.
- 01/11/91 Petitioners submit additional required signatures.
- 01/16/91 DCRA formally notifies petitioners that form and content of the petition are in substantial compliance with state law; DCRA arranged to have notice of the filing of the petition published; DCRA mailed individual notice to more than 150 potentially interested parties; March 12 established as deadline for comments.

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

- 02/15/91 AG's Office advises DCRA that regulatory standards are legal and must be enforced (see attachment). This raises significant doubt that Yakutat petition could be approved under existing regulations which require a minimum of two communities and 1,000 persons. LBC agrees to consider amendments to regulatory standards for borough formation in the course of other changes to its regulations. Debate on these proposed changes begins in earnest.
- 02/25/91 Contract issued by DCRA to provide expert legal services in drafting changes to regulations of the LBC.
- 03/01/91 LBC meets with contractor to discuss proposed changes in regulations.
- 03/08/91 LBC Regulations Committee meets to review proposed changes in regulations. LBC agrees to extend deadline for comments on Yakutat petition given pending proposed changes in the regulatory standards for borough formation. LBC indicates that it may attempt to expedite changes in borough incorporation standards to accommodate pending Yakutat proposal.
- 03/20/91 LBC Regulations Committee meets again to review proposed changes in regulations.
- 04/16/91 Draft of proposed changes to regulations substantially complete.
- 04/26/91 Entire LBC scheduled to meet to review proposed revisions to regulations.

The above summary of proceedings makes it clear that DCRA has acted quickly and responsibly in all matters relating to the Yakutat proposal. Once issues concerning the standards for borough formation are addressed, DCRA expects to move forward on this matter. The following is the anticipated schedule following resolution of the regulations issues:

- 14 days Additional comment period on the Yakutat proposal.
- 30 days Preparation of draft report and recommendation by DCRA concerning the Yakutat petition and model borough boundaries in the Prince William Sound, Yakutat and Cross Sound/Icy Straits areas.
- 30 days Opportunity for public comment on DCRA's draft report.

- 15 days Completion of DCRA's final report and recommendation.
- 25 days LBC begins hearings on the petition and model boundaries. Hearings likely to be held in Yakutat, Cordova, Valdez, Whittier and Gustavus. Hearings will be scheduled to promote maximum local participation.
- 90 days The LBC may take up to 90 days to reach a decision following its last hearing.
- 30 days If the LBC approves the petition, the Director of the Division of Elections will schedule an election within 30 days of notification of LBC action.
- 90 days The election will be held at least 30 and no more than 90 days following the order of the election.
- 21 days If a majority of the voters support borough formation, DCRA certifies the incorporation following the reporting of the election results and documentation of preclearance under the federal Voting Rights Act.

LBC SHOULD BE PERMITTED TO ADDRESS THIS ISSUE

The Local Boundary Commission (LBC) is independent of DCRA. The LBC is responsible for the adoption of regulations concerning formation of boroughs and is also responsible for judging the merits of the Yakutat proposal.

While the effect of the resolution is simply to request expeditious action, its title (A Resolution Supporting the Yakutat Borough Incorporation Petition) and preamble (lines 3 - 12) suggest legislative support specifically for the Yakutat proposal. The Department is aware that there are significant policy issues relating to the Yakutat proposal.

Given these circumstances, DCRA strongly encourages the Committee to postpone action on the proposed resolution until the LBC has had the opportunity to review and comment on the matter. The LBC is scheduled to meet on April 26 and the department will ask the Commission to comment on the proposed resolution at that time.

  
Edgar Blatchford, Commissioner

Attachment: February 15, 1991 memorandum from Assistant Attorney General Marjorie Odland.

A M E N D M E N T

OFFERED IN C&RA COMMITTEE

BY REP. MACKIE, sponsor

Page 1, line 9,

DELETE

Page 1, line 10,

DELETE

Page 1, line 9 and 10,

INSERT "WHEREAS the people of the region have historically constituted a culturally and economically cohesive group; and"

This amendment is offered in the hopes of eliminating any confusion or possibility of the legislature becoming involved in the establishment of boundaries, a responsibility that this body has relegated to the Local Boundary Commission.

**SPONSOR SUBSTITUTE FOR HOUSE CONCURRENT RESOLUTION NO. 27**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**SEVENTEENTH LEGISLATURE - FIRST SESSION**

**BY REPRESENTATIVES MACKIE, Grussendorf, Zawacki**

**Introduced:**

**Referred:**

**A RESOLUTION**

**1 Supporting the Yakutat Borough Incorporation Petition.**

**2 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

**3 WHEREAS** it is in the best interest of the state that its citizens achieve maximum self  
**4 government; and**

**5 WHEREAS** the citizens of the Yakutat and Yakataga area have expressed a desire to form an  
**6 organized borough; and**

**7 WHEREAS** recently the trend has been to transfer more and more responsibility for providing  
**8 government services from the federal and state governments to local government; and**

**9 WHEREAS** the people of this region have historically constituted a culturally and economically  
**10 cohesive group; and**

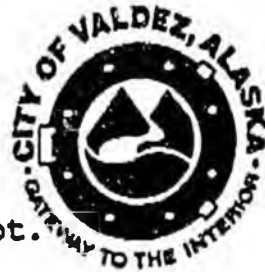
**11 WHEREAS** the legislature encourages communities in the state to assume local government  
**12 powers wherever feasible and desired by the residents;**

**13 BE IT RESOLVED** by the Alaska State Legislature that the Department of Community and  
**14 Regional Affairs is urged to act with dispatch in reviewing the incorporation petition for the proposed**  
**15 Yakutat Borough and in making its recommendations regarding the petition to the Local Boundary**  
**16 Commission; and be it**

**17 FURTHER RESOLVED** that the Local Boundary Commission is urged to expeditiously hold

1 a public hearing in the area proposed to be incorporated and to give full consideration to the desire  
2 expressed by the people in the area for self government as provided for under state law.

3       **COPIES** of this resolution shall be sent to the Honorable Edgar Blatchford, Commissioner of  
4 Community and Regional Affairs; and to the Honorable Charles Bettisworth, Chair, Local Boundary  
5 Commission.



RECEIVED

FEB 27 1991

Community Development Dept.  
February 20, 1991

CITY OF YAKUTAT  
CITY CLERK

Local Boundary Commission  
949 East 36th Avenue, Room 405  
Anchorage, Alaska 99508

Dear Commissioners:

This letter is in response to the City of Yakutat's petition to incorporate the City and Borough of Yakutat and dissolve the City of Yakutat.

The City of Valdez fully supports the City of Yakutat's position that they should be allowed to form a single city borough. The City agrees with the City of Yakutat's contention that the statutory standards do not include a requirement that there be two separate communities or a population of 1,000 person. These regulations were developed by the Department of Community & Regional Affairs and they are regulations only not statutory requirements.

Article 10, Section 3 of the Constitution of the State of Alaska discusses borough government. It says that a borough shall embrace an area in population with common interests to the maximum degree possible. In the case of Yakutat as well as perhaps other communities, there are not neighboring communities with common interests. Based on the regulations, either a very large unwheeling regional government is formed or areas of the state remain outside of local government control.

Again, the City of Valdez supports the City of Yakutat's petition to form the City & Borough of Yakutat and dissolve the City of Yakutat.

Thank you for providing the City of Valdez with the opportunity to review and comment on the petition submitted by the City of Yakutat.

Sincerely,  
*David Dengel*  
David Dengel  
Director of Community Development

cc: Doug Griffin, City Manager  
City of Cordova Mayor  
City of Yakutat Mayor

Post-It™ brand fax transmittal memo 7871		# of pages	1
To	John Hecklund Jim Brennan	From	Beth McMillan
Co.	HFB&C	Co.	City of Yakutat
Dept.		Phone #	
Fax #	270-0277	Fax #	784 3281

#518boundary.F20

JAN 21 1991

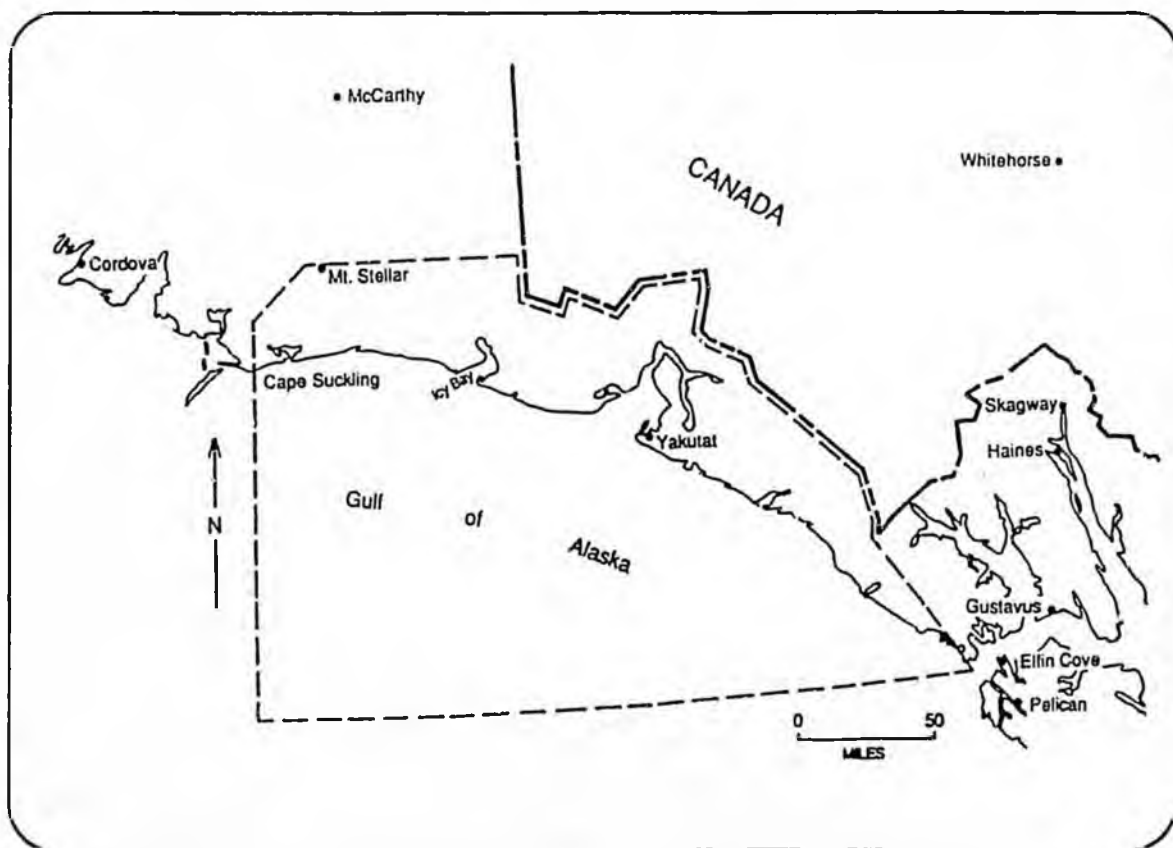
**NOTICE OF PROPOSAL TO  
INCORPORATE THE "CITY AND BOROUGH OF YAKUTAT"  
AND DISSOLVE THE CITY OF YAKUTAT**

Voters of the Gulf Coastal region from Cape Suckling to Cape Spencer have petitioned the State of Alaska to incorporate a home rule borough under AS 29.05.031 and to dissolve the City of Yakutat under AS 29.06.450(c). A copy of the petition, brief and proposed borough charter is available for public review at the following locations:

Yakutat City Hall (telephone: 784-3323)  
DCRA Southeast Regional Office in Juneau (tel. 465-4814)  
Local Boundary Commission staff in Anchorage (tel. 563-1073)

Copies of the petition have also been provided to the City of Valdez, City of Cordova, City of Whittier, Haines Borough and the Chatham School District.

**BOUNDARIES:** The area proposed for incorporation encompasses an estimated 7,776 square miles of land, plus offshore waters. The map which appears below shows the approximate boundaries of the proposed borough.



**TAXES:** The petition anticipates that the borough would levy a 1% raw fish tax, a 3% general sales tax and real property taxes amounting to 12.3 mills in the area connected by road to Yakutat and 9 mills in all other parts of the borough. The taxes would be in lieu of taxes currently levied by the City of Yakutat.

**OPPORTUNITY FOR COMMENT:** Individuals may file answering briefs under 19 AAC 10.390 or written comments concerning this matter. Answering briefs and written comments must be received at the following address no later than March 12, 1991:

Local Boundary Commission  
949 East 36th Avenue, Room 405  
Anchorage, Alaska 99508  
telefax: 563-1734/telephone: 563-1073

**FURTHER INFORMATION:** Individuals wishing further information concerning this matter (including future notice of meetings and hearings, copies of reports, etc.)

HJR

67

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

2/4/92 House C&RA

## ANNEXATION TIMELINE

- 1988 Hoonah requests the LBC to conduct a feasibility study for a Chatham Borough
- May 25, 1989 CBJ Assembly passes a resolution authorizing submission of annexation petition
- June 1, 1989 DCRA receives petition
- June, 1989 LBC decides to suspend all annexation petitions pending completion of the Model Borough Boundary study.
- July 7, 1989 DCRA notifies CBJ that petition is in compliance with laws and regulations
- Aug 4, 11, 18 Notice published
- April 9, 1990 First draft of CBJ report released by DCRA
- May 7, 1990 DCRA met with CBJ Assembly
- May 17, 1990 Deadline for comments on draft
- June 22, 1990 DCRA releases final report and recommendation (recommends expansion from 140 sq. miles requested to 3,000 sq. miles to include Hobart Bay, Glass Peninsula and other areas of Admiralty Island)
- July 13, 1990 CBJ withdraws application for annexation
- July 13, 1990 LBC holds public hearing
- July 14, 1990 LBC approves application; asks CBJ to rescind action of withdrawing petition
- Aug 20, 1990 CBJ Assembly reinstates petition conditioned on deferred effective date of January 1, 1994
- Sept 6, 1990 LBC rejects deferred annexation request
- Sept 17, 1990 Greens Creek attorney requests reconsideration; CBJ Assembly adopts resolution agreeing to immediate annexation if LBC rejects Greens Creek reconsideration request
- Sept 22, 1990 LBC approves CBJ resolution, recommends petition approval of immediate annexation
- Oct 29, 1990 Greens Creek files for reconsideration again

Nov 8, 1990      CBJ files response to reconsideration stating  
it is appropriate and 1994 effective date  
should be considered

Nov 10, 1990      LBC votes to reconsider denial of deferred  
effective date

Dec 13, 1990      Notice of proposal to defer annexation  
is published

March 15, 1991    DCRA issued draft report and recommendation on  
deferred effective date

June 4, 1991      DCRA issues final report and recommendation

June 29, 1991    LBC holds public hearing on the deferred  
effective date

                    LBC approves deferred effective date  
application withdrawal

**REVIEW OF THE PROPOSAL TO DEFER THE EFFECTIVE DATE  
OF THE ANNEXATION OF THE GREENS CREEK MINE TO THE  
CITY AND BOROUGH OF JUNEAU**

---

**ANALYSIS AND RECOMMENDATION  
TO THE LOCAL BOUNDARY COMMISSION**



**WALTER J. HICKEL    EDGAR BLATCHFORD  
GOVERNOR            COMMISSIONER**



**JUNE 4, 1991**

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## EXECUTIVE SUMMARY

In June of 1980, the City and Borough of Juneau (CBJ) filed a petition to annex the Greens Creek Mine and surrounding territory. In August of 1990, the petition was amended to propose a deferral of the annexation until January 1, 1994.

The requested deferral was intended to provide the mine with temporary relief from CBJ sales taxes and property taxes. Deferring municipal land use regulation offered the prospect of additional savings for the mine. CBJ officials supported the deferral in order to 'secure the long-term future of the mine'.

In October of 1990, the Local Boundary Commission (LBC) approved the annexation, but denied the request to defer its effective date. The following month, the LBC agreed to reconsider the deferral of the effective date.

The Department of Community and Regional Affairs (DCRA), acting as staff to the LBC, has examined the proposed deferral. Based upon this analysis, DCRA concludes that there is a legitimate need for the immediate annexation of the territory in question. This conclusion is based upon the following points:

- ° The LBC has formally concluded that the Greens Creek Mine is presently in need of municipal services.
- ° Standards for borough annexation contemplate the immediate extension of services to newly annexed areas.
- ° The taxes and regulatory burden placed upon the Greens Creek Mine are not unreasonable when viewed in the context of the size of the mine, its impact upon Juneau and the taxing and regulatory practices of the CBJ.
- ° If the annexation is deferred to provide financial relief to the Greens Creek Mine, others are likely to seek similar treatment. Such actions are counter to the Constitutional provisions requiring boroughs to "embrace an area and population with common interests to the maximum degree possible".
- ° The deferral would have adverse financial impacts on the State.
- ° The deferral is contrary to the State's goal of diminishing reliance on the State to support local services.

DCRA notes that delays in the annexation proceedings have already resulted in substantial tax savings to the mine. The annexation might have been effected as early as March, 1990; the earliest it can now be implemented is March, 1992. Those delays have resulted in projected tax savings to the mine amounting to \$972,000.

DCRA does not dispute the critical public benefit associated with ensuring the viability of the mine. However, to the extent that deferral of taxes may be necessary to accomplish that end, DCRA stresses that the CBJ enjoys independent authority to grant full relief from municipal sales and property taxes to the mine following annexation.

Therefore, DCRA recommends that the LBC deny the proposed deferral of the annexation.

## SECTION I - BACKGROUND

### A. Petition for Annexation.

On May 25, 1989, the Assembly of the City and Borough of Juneau (CBJ) adopted a resolution authorizing a petition for the annexation of approximately 140 square miles. The area included the Greens Creek Mine on Admiralty Island.

The CBJ's annexation petition was filed on June 1, 1989. Six days later, the Local Boundary Commission (LBC) announced that it would postpone consideration of all pending proposals for borough annexation and incorporation. This action was taken to allow the LBC the opportunity to develop a boundary guideline map which identifies 'model' boundaries for existing and future boroughs throughout Alaska.

Following a review of the petition, the Department of Community and Regional Affairs (DCRA) notified CBJ officials on July 7, 1989 that the form and content of the petition were in substantial compliance with applicable laws. Public notice of the filing of the petition was subsequently provided.

On April 12, 1990 DCRA (in its role as staff to the LBC) issued its draft report and recommendation concerning the proposed annexation and ideal boundaries of the CBJ. Public comments on the report were accepted over a period of more than five weeks.

On June 22, 1990, DCRA released its final report and recommendation on the proposed annexation and model boundaries for the CBJ. DCRA recommended in its final report that the annexation be approved on the condition that the area to be annexed be expanded to encompass all of the territory within the CBJ's ideal boundaries. The ideal boundaries identified by DCRA extended to Hobart Bay on the mainland and included the Glass Peninsula and other areas on Admiralty Island. DCRA recommended that the annexation be expanded from 140 square miles to more than 3,000 square miles.

The LBC scheduled a hearing on the annexation petition and CBJ model boundaries for July 13, 1990 in Juneau. Arrangements were made to allow residents of the communities of Angoon, Hoonah, Kake and Petersburg to participate in the hearing via teleconference. Notice of the hearing was provided as required by law.

### B. Withdrawal of Petition.

Approximately 6 hours prior to the scheduled start of the LBC's hearing, the Assembly of the CBJ adopted a motion to withdraw its annexation petition. Notwithstanding that action, the LBC proceeded with the hearing. The LBC did so on the basis that: 1) extensive notice of the hearing had already been given; 2) it was likely that residents in Juneau and surrounding

communities wished to testify before the LBC on the boundary issues; 3) the CBJ Assembly may have acted hastily in its attempt to withdraw the petition due to a concern that the recommendation of DCRA for the expansion of the territory proposed for annexation would be given "rubber stamp" approval by the LBC; and 4) there is no mechanism set out in statute or regulation by which a petitioner may withdraw a petition submitted to the LBC.

#### C. LBC Approval of Petition.

On July 14, 1990, the LBC adopted a motion to approve the annexation of the 140 square mile area requested in the CBJ petition. Approval was granted on the condition that the CBJ Assembly rescind its withdrawal of the petition.

On August 20, 1990, the CBJ Assembly adopted a resolution reinstating the annexation petition. However, the action was subject to the condition that the LBC defer the effective date of the annexation to January 1, 1994.

On September 6, 1990, the LBC rejected the request to defer the annexation. The LBC set September 22, 1990 as a deadline for concurrence by the CBJ Assembly for the Commission to proceed without delay on the annexation.

On September 17, James F. Clark, Attorney for the Kennecott Greens Creek Mining Company (KGCMC), notified the LBC that reconsideration of the LBC's decision would be requested. Later that same day, the CBJ Assembly adopted Resolution No. 1469 agreeing to annexation without delay on the condition that the LBC deny the anticipated request for reconsideration by KGCMC.

On September 22, 1990, the LBC adopted a motion stating that the action taken by the CBJ Assembly through Resolution No. 1469 satisfied the terms stipulated by the LBC on September 6. Thus, the petition was considered approved and annexation was to proceed without delay.

The LBC adopted a written statement of decision concerning the annexation on October 8, 1990. A copy of that statement was provided to CBJ officials, KGCMC officials and other interested parties.

#### D. Reconsideration.

On October 29, 1990, KGCMC filed a timely request for reconsideration of the LBC's decision. The request for reconsideration raised the following allegations:

1. Once the petition had been "withdrawn" by the CBJ, the LBC had no authority to approve it.

2. After the CBJ "reinstated" its petition, the matter should have been treated as a new petition, beginning with new notice of the filing of the petition.
3. The LBC did not seriously consider the CBJ's request to defer the effective date of the annexation.
4. The LBC's decision on the proposed deferral was made without substantive discussion, the conclusions presented in its statement of decision were not supported by the record.
5. The LBC was arbitrary in that it approved the petition based upon the action of the CBJ Assembly on September 17, 1990 (which did not provide for an immediate effective date, given the pending reconsideration) but denied the proposed deferral without debate.
6. The LBC's decision to approve the CBJ petition is arbitrary in light of its denial of a similar annexation petition from the Fairbanks North Star Borough.

On November 8, 1990, the CBJ filed a response to the request for reconsideration. The response stated that "the city and borough believes that reconsideration of the reinstated amended petition with the 1994 effective date proposal as set forth in CBJ Resolution No 1462 (Substitute) is appropriate." The following three reasons were cited as the basis for the CBJ's position.

1. The CBJ Assembly action of September 17, 1990 was not intended to preclude reconsideration.
2. Neither the statutes nor LBC regulations provide procedures for withdrawal or amendment of petitions.
3. Reconsideration would result in a full hearing on the CBJ's reinstated amended petition.

On November 10, the LBC voted to reconsider its earlier denial of the proposed deferral of the annexation. The LBC limited reconsideration to the effective date of the annexation. That is, approval of the annexation itself would not be reconsidered.

On December 13, 1990, the CBJ filed a brief urging the LBC to approve the proposal to defer the annexation. Copies of the brief were served by the CBJ on 62 interested parties. Copies were also provided to the LBC.

Notice of the proposal to defer the annexation was served on 62 parties by the CBJ on December 13. As the notice contained a typographical error in the deadline for comments (February 1 instead of February 11) a corrected notice was served on the same 62 parties on December 17, 1990. The notice was also published in the Juneau Empire on December 21, 28 and January 4, 1991.

On February 8, 1991, KGCMC filed an answering brief in support of the deferral. The Mayor of the City of Kake was the only party to offer written comments on the matter by the February 11, 1991 deadline.

On March 15, 1991, DCRA issued its draft report and recommendation concerning the pending reconsideration of the proposed deferral. Individuals were given until April 15, 1991 to comment on the draft. Comments were submitted by the CBJ and KGCMC (copy of each included in Appendix).

The LBC is scheduled to meet in Juneau to address reconsideration on June 29 in the CBJ Assembly Chambers. The meeting will convene at 11:00 a.m. with a hearing on an unrelated matter (proposed changes to LBC regulations). The LBC will take up the reconsideration following the hearing on the proposed modification of its regulations, but not before 1:00 p.m.

The following is the analysis of the proposed deferral, including consideration of the briefs of the CBJ and KGCMC, as well as the written comments of the City of Kake and the comments from the CBJ and KGCMC on DCRA's March 15, 1991 draft report.

## SECTION II - ANALYSIS

### A. CBJ ARGUMENTS

As noted earlier, the CBJ filed a brief supporting the proposed deferral on December 13, 1990. The brief makes three principal points to support its contention that "approval of the January 1, 1994 deferred effective date would be in the best interests of the CBJ, the territory to be annexed and the State of Alaska". Each of the points raised in the CBJ brief are identified and examined below.

#### 1. Authority to Defer Effective Date

The CBJ notes correctly that the Office of the Attorney General has previously advised the LBC that it may delay the effective date of a boundary change. The CBJ goes on to draw an analogy between the proposed deferral of the Greens Creek Mine annexation and a two year deferral granted by the LBC for an annexation to the City of Haines.

In 1983, the LBC approved a proposal initiated by the City of Haines to expand its boundaries by approximately 3.5 square miles. The area in question had a relatively substantial resident population. Most of the adult population in the area opposed the annexation.

At the same time, officials of the City of Haines and the Haines Borough began exploring the option of unifying the two governments. The LBC viewed unification (a matter which is not

subject to consideration by the LBC) as preferable to annexation for the following reasons:

- ° A unified government is inherently more efficient.
- ° A home rule government would permit greater flexibility and local control over service delivery boundaries (i.e. service areas established by local control under the charter vs. city boundaries established through State control).
- ° Unification would eliminate the only 3rd class borough in the state. At that time, 3rd class boroughs were viewed by the State as an "outmoded" form of government, given their limited areawide powers. In fact, in 1985, the legislature adopted a law prohibiting the formation of additional 3rd class boroughs.

The LBC stipulated in its recommendation to the 1984 legislature that if the City of Haines and the Haines Borough were not unified by March, 1986, the annexation would then be implemented. The LBC believed that the leverage offered by the prospect of annexation would promote serious consideration of the unification proposal. As it turned out, the legislature rejected the LBC's recommendation concerning the Haines annexation in 1984, and a vote on unification was never held.

At the time, the action of the LBC was characterized by Assistant Attorney General James Baldwin as:

. . . a reasoned choice between the competing objectives of encouraging cooperation between the city and borough, and those of settling boundary questions promptly to facilitate planning and assure responsiveness to current conditions.

CBJ officials suggest that the issue presently before the LBC is analogous. That is, they claim that the proposed deferral presents "a reasoned choice between competing objectives" of the desire to ensure long-term stability of the mine and the need, eventually, to tax the mine.

However, the deferral in the Haines case clearly promoted a number of valid and important public purposes directly related to the constitutional goal of strengthening and extending local government. DCRA does not consider the Greens Creek Mine circumstances to be analogous, as is discussed in the following section.

## 2. CBJ Argues Deferral Serves Public Purposes.

The CBJ claims that the proposed deferral provides the "CBJ, Greens Creek and the state with certainty and predictability with regard to the future of the mine as a part of the CBJ without putting at risk the vital long-term role that the mine will play in the CBJ's economy."

The State strongly endorses the goal of promoting predictability with respect to borough boundaries. To this end, the LBC and DCRA began the "model borough boundaries" project in 1989, as noted earlier. That effort is designed specifically to promote predictability of boundaries for all existing and potential boroughs.

Further, the State strongly supports steps which promote healthy and diversified local economies. However, in order to reasonably demonstrate that the deferral would serve a valid public purpose, it would be necessary to show that the levy of local sales and property taxes on the mine and the imposition of land use regulation prior to January 1, 1994 will jeopardize the financial viability of the mine.

Media accounts offer conflicting views on the profitability of the mine. An article appearing in several newspapers, including the Anchorage Times on February 25, 1991, (see Appendix) indicates that although the price of silver is in a slump, the Greens Creek operation appears to be profitable. However, a month later, the Juneau Empire reported on April 5, 1991 that low silver prices have forced cutbacks at the mine (see Appendix).

KGCMC's response to DCRA's March 15, 1991, draft report offers additional comments concerning the profitability of the mine. These include an affidavit from Cliff Davis, Manager of the mine, indicating that the mine "is not currently profitable and will not be profitable under current circumstances . . . it is unlikely that the mine will be profitable in 1991 or 1992."

CBJ officials have indicated that sales taxes would be levied upon sales to the mine immediately following annexation. However, the CBJ would not begin to levy property taxes on the mine until January 1 of the year following annexation. The earliest that annexation can occur at this point is mid-March of 1992.

The CBJ has estimated that the mine would pay \$150,000 annually in sales taxes (\$12,500 monthly) and \$336,000 annually in property taxes. Thus, deferral of the annexation until January of 1994 would save the mine an estimated \$268,750 in sales taxes (21.5 X \$12,500) and \$336,000 in property taxes, for a total of \$604,750.

Additionally, KGCMC officials are contemplating expanding the mine's operations in order to improve operating efficiencies. This expansion would reportedly have to comply with land use regulations of the CBJ. KGCMC officials suggest that these permit requirements could be onerous, noting that "several hundred thousand dollars" have been spent by the Echo Bay mining operation to process its permit application under "the CBJ large mine development permit requirement" (letter from Jim Clark 5/22/91).

The projected savings in taxes and costs associated with compliance of local land use regulations clearly constitute a significant sum of money. However, that savings must be considered in the context of the scope of the mine, its impacts upon the community, and the burden that other property owners bear with respect to municipal land use regulations and taxes.

DCRA agrees that there is public interest in ensuring the long-term viability of the mine. However, it has never been clearly demonstrated that tax relief is necessary to accomplish this end.<sup>1</sup>

If tax relief is not necessary to ensure the continued operation of the mine, granting the deferral or other tax relief is counter to the public interest. Any tax relief for the mine results in higher taxes for others in Juneau. The projected \$604,750 in tax relief from March 1992 to January 1994 is the equivalent of more than a one-half mill property tax levy (based upon 1990 assessed values). On a \$100,000 home, that would amount to \$50.36 in additional taxes.

To the extent that tax relief may be necessary to ensure the continued viability of the mine, DCRA stresses that the CBJ has totally independent authority to defer the projected \$604,750 in municipal taxes which would be levied on the mine prior to January of 1994.

### 3. CBJ Believes Deferral is Best Option

The CBJ brief indicates that local officials examined two alternative methods of providing tax relief to the Greens Creek Mine. These were: (1) adopting the optional property tax exemption authorized for "economic development property" under AS 29.45.050(m) as well as exemptions from sales taxes; and (2) reducing the areawide property tax rate.

The first alternative was rejected by local officials because it was considered not to be in the best interests of the CBJ. This was based upon the following conclusions by CBJ officials:

- ° It would be difficult to structure sales and property tax exemptions to apply only to the annexed territory and not property already within the CBJ boundaries.
- ° If the exemptions were applied to similar developments already within the CBJ boundaries, it would lose potentially significant tax revenues.

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<sup>1</sup> KGCMC officials have invited DCRA and the CBJ to "review the joint venture's economics on a confidential basis" in order to determine the need for the deferral. While the invitation is appreciated, DCRA lacks the resources to properly determine whether the deferral is clearly necessary to ensure the long-term viability of the mine.

- ° It may be politically difficult to repeal the exemptions once enacted.
- ° If the property tax exemption were granted, the value of the mine would still be included in calculations under the education foundation formula which would reduce State aid to the CBJ.

The second option was dismissed by CBJ officials because the CBJ areawide property tax mill rate is currently at 5.42 mills. Since State law requires the equivalent of a 4 mill property tax contribution in support of schools, the CBJ brief notes that "an areawide mill rate of less than four mills would mean a net loss to the CBJ".

DCRA acknowledges that if tax relief is granted to the mine, deferral of the annexation is the most desirable approach from the standpoint of CBJ officials. If the CBJ granted exemptions from sales and property taxes to the Greens Creek Mine, other developers might be expected to seek equal treatment.

Tax relief to certain other prospective developments would indeed be costly to the CBJ. For example, the CBJ is projected to levy a property tax of 11.41 mills on the proposed AJ Mine development (compared to 5.42 mills on the Greens Creek Mine). At their peak, property tax revenues from the AJ mine are projected to be in excess of \$2.8 million annually (compared to \$336,000 for the Greens Creek Mine). Anticipated sales taxes from the AJ Mine are projected to be as high as \$247,970 annually (compared to \$150,000 for the Greens Creek Mine). (Source: Socioeconomic Impact Assessment: Alaska-Juneau Mine - draft, January, 1991).

In addition, since much of the AJ Mine is located on property owned by the CBJ, projections call for leasehold payments to the CBJ amounting to \$100,000 annually and royalty payments in excess of \$37 million over a 13 year period.

Further, by deferring the annexation, the State of Alaska bears an estimated additional \$248,000 in payments to the CBJ under the education foundation formula. That figure isn't particularly significant in the context of the State's total budget. However, it should be recognized that the State will pay an estimated \$28,921,900 to the CBJ under major financial aid programs (education funding, State Revenue Sharing and Municipal Assistance) in the current fiscal year. This amounts to the equivalent of 24.09 mills in property taxes (source: Craig Duncan, CBJ Treasurer -- 3/14/91).

Given its declining revenues, the State must encourage local governments to assume greater responsibilities for the provision of local services, wherever sufficient financial resources exist.

DCRA considers the deferral of the annexation as conflicting with the goal of encouraging greater local support in the

provision of services. Further, deferral will have adverse financial impacts upon the State of Alaska. Perhaps most importantly, DCRA is concerned that deferring the annexation will set a poor precedent.

In DCRA's view, deferring the annexation to grant relief from municipal taxes and regulation runs the risk of promoting similar proposals elsewhere. In addition to annexations, these may include proposals for deferred incorporations or even for "temporary detachments".

Compliance with the Constitutional requirement to 'divide the entire state into boroughs which embrace an area and population with common interests to the maximum degree possible' (Article X, Section 3) has gone unfulfilled for 33 years. In large measure, it has gone unfulfilled because residents and other property owners seek to avoid local government taxation and regulation. This is evident from the fact that approximately 95% of borough residents in Alaska live in boroughs which were formed only under a mandate from the State legislature.

Given these considerations, DCRA does not feel that deferral is the appropriate method for granting tax relief to the mine.

#### B. KGCMC'S ARGUMENTS

The KGCMC submitted an answering brief on February 8, 1991, supporting the proposed deferral of the annexation. The major points raised in the brief were:

1. The LBC has authority to grant the deferral.
2. It is good public policy to meet the needs of a local community in an annexation as expressed by the affected local government.
3. The LBC's decision should reflect the community's judgment.
4. The mine meets the standards for annexation to the CBJ and should not be included within another existing or prospective borough, therefore, the deferral is not inappropriately "locking up" parts of the the unorganized borough.

The first issue has been dealt with under the discussion of the CBJ brief. Again, DCRA does not dispute the authority of the LBC to grant the deferral.

With respect to points 2 and 3, DCRA carefully considers public policy implications and the sentiments of local officials in developing its recommendations to the LBC. However, the LBC has a duty to consider the interests of the state as a whole, not just the sentiments of locally elected officials.

The LBC was created under Alaska's Constitution for the very

purpose of removing municipal boundary determinations from parochial political influence. This position is clearly reflected in the 1962 Alaska Supreme Court case, Fairview Public Utility District Number One v. City of Anchorage, 368 P.2d 540. The Court noted:

An examination of the relevant minutes of [the 31 meetings held by the Committee on Local Government at the Constitutional Convention] shows clearly the concept that was in mind when the local boundary commission section [of the Constitution] was being considered: that local political decisions do not usually create proper boundaries and that boundaries should be established at the state level. The advantage of the method proposed, in the words of the committee -- "lies in placing the process at a level where areawide or statewide needs can be taken into account. By placing authority in this third-party, arguments for and against boundary change can be analyzed objectively".

Thus, while it is important for the LBC to consider the wishes of local officials, the Constitution requires consideration of broader viewpoints as well.

With respect to KGCMC's fourth issue, DCRA agrees that the LBC has already concluded that the mine is most appropriately included within the corporate boundaries of the CBJ. While municipal boundaries are always subject to change in order to accommodate evolving economic, social and political developments, DCRA is unaware of current circumstances that would suggest the mine should be included within another borough. However, at least one legislator and a number of local officials in the Chatham Region do not agree with the LBC's approval of the annexation.

As noted earlier, only one letter was received during the public comments period concerning this matter. On December 19, 1990, Lonnie Anderson, Mayor of the City of Kake wrote:

. . . [the City of Kake] also agrees with the request to delay annexation to January 1, 1994. This delay will give many concerned villages and small cities the chance to review their status and get their act together.

Mayor Anderson's comments seem to reflect the hope that the annexation will be denied by the legislature and that Chatham Region communities will be in a position to organize a borough encompassing the Greens Creek Mine.

Since the proposed annexation remains subject to legislative review under the terms of Article X, Section 12 of the State Constitution, one cannot conclude that the mine will necessarily end up within the boundaries of the CBJ.

### C. REASONS FOR IMMEDIATE ANNEXATION

DCRA believes that immediate annexation of the territory is warranted for the following reasons.

#### 1. Territory Currently Needs CBJ Services

The LBC concluded in its written statement of decision concerning the CBJ annexation adopted October 8, 1990, that:

The area is in need of municipal services which the CBJ can provide more efficiently than another municipality or the State. Thus, the standard set out in 19 AAC 10.190(a)(3) is satisfied. This conclusion is based upon the following findings.

While the area has no permanent residents, it is a major industrial site in close proximity to Juneau. More than 200 individuals reportedly work at the Greens Creek Mine. All of these individuals are believed to reside within the boundaries of the CBJ.

The CBJ would provide the following direct services to the area upon annexation:

- emergency police services (offered in a limited capacity and only in emergencies);
- search and rescue;
- emergency medical services;
- planning, zoning and coastal management;
- tax assessment and collection; and
- building inspection.

In addition, services delivered by the CBJ in other locations, but available to the workers in the annexed area include:

- Juneau public school system;
- Juneau International airport;
- Juneau hospital;
- Juneau harbor facilities;
- social services;
- cemeteries;
- libraries;
- convention facilities; and
- museums.

Thus, the LBC has concluded that there are presently unfulfilled needs for municipal services in the area proposed for annexation. KGCMC officials dispute this finding of the LBC. In their comments of April 15, 1991 (see appendix), Mr. Clark states:

There is not a single service that the CBJ can offer that Greens Creek "needs". The mine is completely self-sufficient and has its own emergency response

team for medical problems. With respect to support services for mine employees, the mine employees pay for those services through their own taxes.

The Department's argument goes on to state that KGCMC has a need for planning and zoning and coastal management, tax assessment and collection, and building inspection. These are the very problems associated with annexation that both the CBJ and KGCMC are seeking to avoid by deferral and thus, the statement is ludicrous on its face.

Mr. Clark seems to suggest that the mine should be viewed in an isolated fashion -- totally separate from the community of Juneau. In DCRA's view, KGCMC "needs" the services of the CBJ because it requires an educated, healthy, protected workforce -- one which travels to and from work on roads maintained by the CBJ and uses other facilities and services of the CBJ.

While the Greens Creek Mine may have its own emergency response team, any injured worker requiring serious medical attention is likely to receive such at the Juneau hospital. Regardless of the extent to which the mine endeavors to be self-supporting, any calamity of the mine site would likely require direct services from the CBJ (police, EMS, search and rescue).

Arguments that residential property and sales taxes pay an appropriate share of the costs of providing services to local residents are unpersuasive. The 1990 taxable value of residential real property within the boundaries of the CBJ amounted to only 50.7% of the total taxable property in the CBJ (\$609,218,700 of \$1,200,903,075 - source: State Assessor).

Thus, the territory proposed for annexation is in need of services and it is appropriate that all taxable properties within the CBJ contribute to the financial support of the local government.

## 2. Law Contemplates Immediate Annexation

The LBC's standards for annexation to boroughs (19 AAC 10.200) require that:

The commission will not approve an annexation unless the annexing organized borough demonstrates to the satisfaction of the commission that it is capable of extending and willing to extend services to the annexed area in accordance with this subsection. If possible, areawide and non-areawide borough services shall be extended to the annexed area immediately. . .

The LBC formally concluded in its October 8, 1990 statement of decision that "the CBJ is capable of extending and willing to extend areawide services to the 140 square mile area proposed for annexation in accordance with 19 AAC 10.200." DCRA is

unaware of any circumstance which suggests that it is not possible to extend immediate services to the Greens Creek Mine upon annexation. As such, the LBC's regulations contemplate that annexation occur immediately.

#### D. CONCERNS OVER DUE PROCESS

Mr. Clark indicates in his comments of April 15, 1991 that "KGCMC has previously asserted and continues to assert that the LBC did not have authority to approve the application for annexation after it was withdrawn by the CBJ Assembly on July 13, 1989".

DCRA and the LBC have taken every conceivable measure to ensure the rights of KGCMC in this matter. The reconsideration process has followed all of the steps which would be required of a new petition.

Mr. Clark's comments of April 15 conflict with testimony provided to the Commission in November (see appendix). The November testimony states on page 5:

Greens Creek urges the commission to grant its request for reconsideration because the proper measure of due process has not occurred to date. In order to rectify the situation, the CBJ petition with the 1994 deferred effective date should be noticed and the LBC procedures begun anew. This would give all interested parties the opportunity to submit testimony on the issue and allow the commission to make an informed decision. (emphasis added)

The concerns expressed by Mr. Clark last November were fully addressed in the procedures used in the reconsideration DCRA believes that these procedures are in substantial compliance with all applicable requirements.

#### SECTION III - CONCLUSIONS AND RECOMMENDATION

The CBJ initiated its petition for annexation in May of 1989. That annexation, which might have been implemented as early as March of 1990, was delayed by one year as a result of the model boundaries project. The annexation was delayed an additional year as a result of the current reconsideration proceedings. The earliest that the annexation could now be implemented is March of 1992. The Greens Creek Mine has already gained nearly one million dollars in tax relief.

The Department does not believe that further delay in the annexation of the Greens Creek Mine is warranted. This position is based upon the following:

- ° The LBC has formally concluded that the Greens Creek Mine is presently in need of municipal services.

- ° Standards for borough annexation contemplate the immediate extension of services to newly annexed areas.
- ° The taxes and regulatory burden placed upon the Greens Creek Mine are not unreasonable when viewed in the context of the size of the mine, its impact upon Juneau and the taxing and regulatory practices of the CBJ.
- ° If the annexation is deferred to provide financial relief to the Greens Creek Mine, others in Alaska are likely to seek similar treatment. Manipulating regional government boundaries in such a fashion is counter to the Constitutional provisions requiring boroughs to "embrace an area and population with common interests to the maximum degree possible".
- ° The deferral would have adverse financial impacts on the State.
- ° The deferral is contrary to the State's goal of diminishing reliance on the State to support local services.

DCRA notes that delays in the annexation proceedings have already resulted in substantial tax savings to the mine. The annexation might have been effected as early as March, 1990; the earliest it can now be implemented is March, 1992. Those delays have resulted in projected tax savings to the mine amounting to \$972,000.

DCRA does not dispute the critical public benefit associated with ensuring the viability of the mine. However, to the extent that deferral of taxes may be necessary to accomplish that end, DCRA stresses that the CBJ enjoys independent authority to grant full relief from municipal sales and property taxes to the mine following annexation.

Therefore, DCRA recommends that the LBC deny the proposed deferral of the annexation.