

ALASKA LEGISLATURE COMMITTEE FILES 1993-1994 8672

8341 SENATE JUDICIARY

## MORRISON &amp; FOERSTER

Pete Jeans  
November 16, 1993  
Page Three

Since the enactment of ERISA, a majority of public retirement systems have adopted legislative changes that substitute general fiduciary standards for legal list statutory restrictions. The rationale underlying these changes has been similar to the legislative intent of Congress in enacting ERISA, that the legal list restrictions are either duplicative with the general standards of prudence and diversification, are obsolete interpretations of such standards or are general examples of such standards that may not be appropriate in specialized investment contexts.

It would be beneficial to the APFC to pursue investment opportunities in real estate under standards similar to the fiduciary standards applicable to the majority of institutional investors competing for these investment opportunities. Because the APFC will be fully obligated to pursue real estate investments that satisfy the prudence, diversification and other standards applicable under Section 37.13.120, to the extent that the legal list restrictions of current subsection (g)(16) are appropriate to ensure prudence or diversification, these restrictions will still apply to real estate investments of the APFC. Thus, for example, if a purchase of more than forty percent of the beneficial ownership of a particular real estate investment would not be consistent with the standard of maintaining a reasonable diversification among investments, the "forty percent rule" would continue to apply. If, however, it was not only prudent and consistent with diversification standards to invest in a larger percentage of a particular real estate investment, but would allow greater controls with respect to operating budgets, leasing decisions and other control features determined relevant to enhance the APFC's investment return, the forty percent rule would operate to limit potential investment returns in the APFC real estate portfolio.

In summary, the legal list restrictions of subsection (g)(16) are generally redundant with the prudence and diversification standards of sections (a) and (c) of Section 37.13.120. In those instances where these restrictions do not duplicate the general standards, but provide more onerous restrictions, it is difficult to justify rules that do not further the standards of prudent real estate acquisitions or may impede such acquisitions.

It is widely recognized that the current real estate acquisitions market demands a greater scrutiny of

MORRISON & FOERSTER

Pete Jeans  
November 16, 1993  
Page Four

current income opportunities than was the case in years where capital appreciation in real estate could be more easily projected. It is significant to note that the APFC's ability to control decisions that are economically relevant to both income and potential capital appreciation is limited by its current inability to acquire a majority interest in its real estate investments. By allowing the board and, to the extent delegated by the board, the APFC staff, the ability to balance the economic benefits of control against the costs of such a percentage acquisition, the APFC will be able to maximize its investment objectives in a context relevant to each particular investment opportunity it reviews for potential acquisition.

Please contact me if we can be of further assistance in this matter.

Very truly yours,

*Rachel Markun, pmd*

Rachel Markun

RM:pmd

RECEIVED #3

DEC 6 1993

ALASKA PERMANENT  
FUND CORPORATION

*SAYLOR PROPERTY CAPITAL, INC.*

EIGHT PIEDMONT CENTER  
SUITE 320  
ATLANTA, GEORGIA 30305

TEL: (404) 261-8049  
FAX: (404) 261-0271

NEW YORK OFFICE  
437 MADISON AVENUE, 40TH FLOOR  
NEW YORK, NEW YORK 10022-7380  
TEL: (212) 754-6260  
FAX: (212) 754-6264

PAUL H. SAYLOR

November 9, 1993

Mr. Pete Jeans  
Investment Officer  
The Alaska Permanent Fund Corporation  
801 West Tenth Street  
Suite 302  
Juneau, AK 99801

RE: Proposed Legislation

Dear Pete:

You have asked that I give a few thoughts why I am in favor of a legislative change to allow you to take up to a 100% interest in an investment.

1) *Control*

Although co-investment documentation is evolving to the point where a minority investor will not necessarily be disadvantaged as to influence or control, there is no such thing as a 40% gorilla. In other words, it would be preferable for the APFC to invest on a basis that would allow it to control major investment, management and divestment decisions in its own best economic interests, rather than be influenced by one or more investors which may, at least over time, have differing objectives.

While I believe the APFC has been advantaged by retaining discretion over major investment, management and divestment issues, it is currently required to be totally aligned with one or more partners in order for activities which best serve it to occur. Examples include the inability to close recent transactions because of (what I consider) minor differences with a 60% partner, and your lack of influence in matters associated with Boston Real Estate Counsel assets in a situation where at least one of your partners was lethargic and bureaucratically hamstrung from acting in all partners' best interests.

2) *Maximum New Opportunities*

As property markets turn back in favor of sellers, the APFC will receive

REAL ESTATE CONSULTANT  
LETTER OF SUPPORT

increasingly fewer high quality investment opportunities, as investment managers will be less in need of the APFC's capital and wish to conclude transactions with either one investor or a commingled format over which they have discretion. Currently, it is relatively complicated for a transaction originator to identify an asset for the APFC with the condition the APFC will only pursue due diligence or the consummation of a transaction once a compatible investment partner has been identified. Recently, transactions have gone elsewhere to avoid this process.


Additionally, there are increasing concerns regarding potential incompatibility of APFC requirements with those of certain other active investors. Although the multi-asset co-investment opportunity which we have collectively pursued for the last several months will go a long way to establish levels of overall compatibility among several investors and standardized processes, sellers or transaction originators generally attempt to avoid the unknowns associated with due diligence and documentation requirements of multiple investors.

3) *Management Changes*

Since the APFC appropriately exercises rights of management oversight, it is more likely to recognize management program weaknesses and to move to correct them than most other institutional investors. Existing assets and portfolios need to be intensively managed in order to improve their performance and occasionally to position assets for sale. Managers who are ineffective should be replaced, and manager replacement is most difficult to accomplish for the APFC as a minority investor especially since most partners of the APFC are required to live with an "approved list" of investment managers.

I do not at all advocate that the APFC should only pursue acquisition of full interests in individual assets and portfolios, but I believe a change of legislation to allow you to do so is most important. It is my view that the immediate effect of such change will not be termination of your co-investment programs, but rather a gearing up of the process contemplated by your co-investor conference this past April. Your ability to be a major partner, rather than (always) a minor partner is most important to the achievement of your objectives set forth for the asset class of real estate and to your competitiveness in the marketplace.

Yours very truly,



Paul H. Saylor

CC: Llewellyn Lutchansky

#2

Alaska Permanent Fund Corporation  
P.O. Box 25500 Juneau, Alaska 99802-5500  
(907) 465-2047

MEMORANDUM

DATE: November 18, 1993  
TO: Board of Trustees  
Alaska Permanent Fund Corporation  
FROM: Pete Jeans *[Signature]*  
Real Estate Investment Officer  
THROUGH: William H. Scott  
Executive Director  
SUBJECT: Recommended Legislative Changes, Real Estate

I am recommending a change to Title 37, Chapter 13, Section 37.13.120. the Alaska statute that authorizes the Fund's investments in real estate. The reference to real estate investment responsibilities of the Board of Trustees will be changed to read:

- (g)(16) equity interest in, and debt obligations secured by mortgages granting a first lien on, real estate located in the United States.
- (16)(A) deleted
- (16)(B) deleted
- (16)(B)(i) deleted
- (16)(B)(ii) deleted
- (16)(B)(iii) deleted

This change removes the 40% restriction on real estate acquisitions. The real estate "investment list" is stricken from the Statute and transfers to the Board of Trustees, the responsibility for establishing prudent investment standards and guidelines through the annual real estate resolution.

In order to justify this recommendation it is necessary to give a brief description of the Fund's real estate experience over the past ten years, along with my views on the changes that are taking place in the industry.

In 1983, the year the Alaska Permanent Fund Corporation made its first investment in real property, the Board of Trustees had allocated 6% of the \$3 billion Fund to real estate. The Board of Trustees hired a real estate consultant to assist

MEMORANDUM

in selecting three real estate advisors. From 1983 through 1987, the Fund took a passive role in real estate investing and relied almost exclusively on the recommendations of the consultant and advisors. Additionally, the 40% co-investment requirement created a high comfort level for the Trustees. By co-investing with larger, more sophisticated pension funds and endowments, the Permanent Fund took advantage of their expertise and leadership in real estate investing. During this period, control and involvement in property decisions were not priorities for the APFC.

In the later part of the 80's, there was a turnover in Permanent Fund real estate staff. Soon after, the Fund employed new real estate consultants and attorneys, all of which resulted in a more directive approach to real estate investing. The Fund has become more involved in the real estate investment process, from requiring certain controls and buy-sell arrangements on each real estate transaction to initiating disposition activities. Even as a 40% player, the Fund has been able to negotiate either equal or favorable terms and receive coequal treatment from larger investors.

Historically, market conditions played an important role in negotiations for favorable terms. During the recent market decline in the industry, many pension funds sat on the side lines, offering little competition for deals. Now that the market has shown signs of recovery, pension funds are re-entering the markets. Like the APFC, our institutional partners are gaining knowledge and confidence in their abilities to control investments and they no longer allow us to participate as an equal partner in a 40/60 deal. The only way to secure the same level of control that the Fund historically obtained with past investments is to acquire an equal or majority interest.

~~Control is by far the greatest benefit of holding a majority position in an investment.~~ Timing of major capital events, such as a property sale or the funding of a mall redevelopment designed to head off new competition, is often crucial to enhancing returns on a property. The inertia of some institutional partners has caused numerous missed opportunities for the Permanent Fund in the past.

~~Other advantages also exist. The real estate asset allocation set by the Board of Trustees will be more easily attainable!~~ Unless a single deal is exceptionally large, the acquisition of a single property will not materially affect the diversification strategy. Through resolution, the Board of Trustees will continue to maintain control over the diversification goals.

~~Legal costs will be reduced substantially by eliminating or decreasing the negotiations over control issues in partnership agreements.~~ Complications in replacing investment advisors are directly correlated with the number of partners in a deal. The replacement process is simplified in a 50/50 to 100% investment.

Board of Trustees  
November 18, 1993  
Page 3

~~By making the option to take 100% of an investment,~~ we anticipate an increase in ~~deal flow~~. With only one or two investors involved, advisors will be more likely to propose acquisitions to us, particularly those with short closing time frames.

This proposed change to the Statute will give the Board of Trustees the flexibility to direct the real estate staff by board resolution. Attached is a letter from our legal counsel and real estate consultant recommending these changes.

# 1



**Alaska Permanent Fund Corporation**  
P.O. Box 25500 Juneau, Alaska 99802-5500  
(907) 466-2047

**RESOLUTION OF THE BOARD OF TRUSTEES  
OF THE ALASKA PERMANENT FUND CORPORATION  
PERTAINING TO LEGISLATIVE CHANGES IN THE ALASKA STATUTES  
RELATING TO REAL ESTATE INVESTMENTS BY THE  
ALASKA PERMANENT FUND CORPORATION**

**RESOLUTION 93-11**

WHEREAS, the Fund is limited in directing business decisions on real estate investments as a 40% participant; and

WHEREAS, the Alaska Permanent Fund Corporation is impaired in its ability to reach its targeted real estate asset allocation within current parameters; and

WHEREAS, the Alaska Permanent Fund Corporation has lost opportunities to acquire high return, low risk real estate investments:

NOW, THEREFORE, BE IT RESOLVED, THAT the Board of Trustees unanimously directs staff to seek legislative changes to provide for up to 100% ownership in real estate investments.

PASSED AND APPROVED by the Board of Trustees of the Alaska Permanent Fund Corporation, this 6th day of December, 1993.

Chairman, Board of Trustees  
Alaska Permanent Fund Corporation

ATTEST:

  
Corporate Secretary

RESOLUTION



**Alaska Permanent Fund Corporation**

P.O. Box 25500 Juneau, Alaska 99802-5500

(907) 465-2047

**MEMORANDUM**

DATE: April 5, 1994

TO: Senator Robin Taylor  
Chairman, Senate Judiciary Committee

FROM: William H. Scott  
Executive Director

SUBJECT: **House Bill No. 373 and Senate Bill 245**

HB 373 and SB 245 were originally identical bills introduced by the Legislative Budget & Audit Committee at the request of the Board of Trustees. The Trustees' goal is to amend the Permanent Fund's list of authorized investments to provide for up to 100 percent ownership in real estate investments.

HB 373 – which would accomplish the Trustees' goal – passed the House nearly unanimously with only one vote in opposition. SB 245 was amended by the Senate Labor & Commerce Committee to include two changes: (1) AS 37.13.040 was amended to state explicitly that the Board of Trustees have a fiduciary responsibility to the people of the state; and (2) the 100 percent rule would be restricted to real estate investments under \$100 million, with a 67 percent ownership limitation on all real estate investments greater than that amount.

The Board of Trustees requests that you move the House Bill, HB 373 as originally introduced, from your committee, and here are the reasons why the Corporation supports this version over CS SB 245(L&C).

There is no doubt that CS SB 245(L&C) would provide the Fund increased flexibility compared to existing law, and one might think that \$100 million would be an appropriate limit for 100 percent ownership. However, I would offer three reasons not to adopt this limit:

Senator Robin Taylor

April 5, 1994

Page 2

- 1) For existing investments, it would restrict the Fund's ability to get out of a bad investment.
- 2) For new investments, it would restrict the Fund's ability to get into a good investment.
- 3) This limitation appears to offer increased safety, but actually increases the Fund's risk.

**Existing Investments** – The Fund currently owns approximately 10 investments with a market value in excess of \$100 million. If for some reason, the Fund determines that it would be in our best interest to buy out our partners, even if only on a temporary basis in order to find new partners, the \$100 million limitation would prevent that opportunity.

**New Investments** – Real estate is an increasingly competitive market, and finding good new investments is getting harder all the time. For example, the Fund has made no new purchases in the first quarter of this calendar year and there are no closings scheduled for the second quarter either.

Last year, the Fund purchased 40 percent of an excellent office building in Atlanta – IBM's regional headquarters building. The Fund's portion was \$41 million; but had we been authorized, the Fund would likely have purchased the entire building at \$103 million. With the \$100 million limitation, this still would have been impossible.

The current restriction – and the \$100 million limitation – create significant opportunity costs and place the Permanent Fund and the Fund's beneficiaries at a competitive disadvantage. PERS and TRS, the state's pension plans for example, do not operate with such restrictions.

**Safety** – Although \$100 million is a great deal of money it is only two-thirds of one percent of a \$15 billion Fund, and in the past, the Fund has made investments larger than this. For example, it has not been uncommon for the Fund to own as much as \$400 million of a single issue of U.S. Treasury bonds.

As for the language in CS SB 245(L&C) which explicitly states that the Board of Trustees have a fiduciary responsibility to the people of the state,

Senator Robin Taylor

April 5, 1994

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the Corporation certainly does not object to the inclusion of such language. However, a legal brief prepared for the Legislative Budget & Audit Committee on December 1, 1981, entitled "The Prudent Investor Rule," indicates that the statutes currently require the Fund to follow the Prudent Investor Rule, including fiduciary responsibility.

For the information of the members of the Senate Judiciary Committee, I have attached a number of supporting documents which thoroughly describe the rationale for this legislation (see below.) In addition, I would offer the following comments.

As of February 28, 1994, the Permanent Fund had a market value of \$15.7 billion - \$1.0 billion of which is invested in real estate. That means real estate investments equal less than 7 percent of the total value of the Fund. The Legislature in 1983, when it originally approved real estate investments for the Fund, authorized the Board of Trustees to invest up to 15 percent of the Fund in real estate; the Trustees, by Board resolution, have further limited real estate investments to 10 percent, plus or minus 2 percent.

The primary reasons your Fund managers are seeking changes to the existing real estate statute are: (1) to gain increased management control over the Fund's real estate investments; and (2) to help the Board of Trustees reach their real estate asset allocation target. We have been trying to reach that 10 percent target for about ten years and have never come much closer than we are today. It is our view that the Fund will be unable to reach its desired real estate asset allocation until there is relief provided from the 40 percent ownership rule.

Besides the control issue and the need to make larger investments to reach the asset allocation targets, there are other reasons to allow your Permanent Fund managers to purchase up to 100 percent ownership in properties. The first is that the Fund sometimes loses excellent investment opportunities simply because sellers are unwilling or unable to wait for the Fund to identify a co-investment partner, or because our co-investment partner ultimately decides to take the entire investment.

Another reason for choosing no dollar limitation is that the market values that you see on one of the attachments below only reflect current prices - and real estate in the U.S., as you know, is currently at or near the bottom

Senator Robin Taylor

April 5, 1994

Page 4

of its market cycle. As prices rise in the future (which they have begun to do) a dollar-amount limitation will increasingly disadvantage the Fund.

Attachment #1 is the Board of Trustees resolution dated December 6, 1993 in support of this proposed change. The Trustees adopted this resolution unanimously.

Attachment #2 is a memorandum dated November 18, 1993 addressed to the Board of Trustees from our Real Estate Investment Officer, Pete Jeans. It describes the specific proposed change in the Permanent Fund statutes and explains the need for the change from an historical perspective.

Attachment #3 is a letter dated November 9, 1993 addressed to Mr. Jeans from the Corporation's outside real estate consultant, Paul Saylor. This letter provides the consultant's fiduciary opinion in support of the proposed change.

Attachment #4 is a letter dated November 16 addressed to Mr. Jeans from the Corporation's outside law firm, Morrison & Foerster, which also provides a fiduciary opinion in support of the proposed change.

Attachment #5 is a copy of an article which appeared in the July 1993 issue of *The Institutional Real Estate Letter*. The article, I think, makes a compelling case from an uninterested but expert third-party perspective that the concept of co-investing as currently practiced by the Alaska Permanent Fund Corporation is not necessarily in the Fund's best long-term interest.

Attachment #6 is a listing of the real estate holdings of the Permanent Fund, broken down by size of investment and percentage of ownership.

Attachment #7 is another memorandum from Mr. Jeans to myself addressing the issue of lost investment opportunities.


The Fund invests in real estate to maximize the risk and return benefits of diversification. There is nothing in the bill which would hinder that, and much that would enhance it. On behalf of the Board of Trustees, I request that you give their concerns serious consideration.



#7

**Alaska Permanent Fund Corporation**  
P.O. Box 25500 Juneau, Alaska 99802-5500  
(907) 468-2047

**MEMORANDUM**

**DATE:** December 27, 1998  
**TO:** William H. Scott  
Executive Director  
**FROM:** Pete Jeans   
Real Estate Investment Officer  
**SUBJECT:** Elimination of 40% restriction on real estate acquisitions

This memorandum should be attached to the memorandum dated November 18, 1998 to the Board of Trustees as additional information.

The following three investment opportunities are examples that were lost by APFC during the past three months due to the 40% restriction on real estate acquisitions.

1. **Park 227**  
Industrial Property  
Kent, Washington

This proposal was received from the L & B Group. The proposed investment included 39 acres with 5 industrial buildings, 100% leased. The total purchase price was \$26,500,000 and the initial cash on cash was 9% after fees.

After preliminary review, APFC decided to move forward and hired Saylor Capital to perform in-depth due diligence. APFC was considering 40% and the Public Employees Retirement Association of Colorado (PERA) was considering the remaining 60%. The due diligence was completed by both APFC and PERA and the decision was made to proceed with documentation. During this process, APFC and its attorneys could not negotiate acceptable buy-sell arrangements and were forced into backing out of this investment. PERA is proceeding to do 100%. The interesting thing on this investment is that it was presented to the APFC first, and we recommended PERA to the L & B Group as a potential partner.

INTERNAL MEMORANDUM  
LOST INVESTMENT  
OPPORTUNITIES

Mr. William H. Scott  
December 27, 1993  
Page 2

2. 278 Post Street  
San Francisco, CA  
(Retail Property on Union Square)

This proposal was received from LaSalle Advisors. The property is being converted to Nike Town and other upscale retail. The cash on cash is projected to be over 9% after the renovation. The total investment was \$34,600,000. The same situation occurred as above and PERA is doing 100%.

3. Sequoia Station Shopping Center  
Redwood City, CA

This proposal was received from TCW Realty Advisors. The total purchase price was \$33,725,000. The initial cash on cash after fees was 9.33%. The proposal was presented to APFC toward the end of October and the seller required a closing by December 15, 1993. We looked at the property and were interested in proceeding. TCW was unable to locate co-investors that could close by the December deadline. As a result, we lost the opportunity to consider this investment.

As more institutional dollars are made available for real estate, it is going to become more and more difficult for APFC to become involved in the better investments unless we can control the investment. In order to do this, we need to have the flexibility to go up to 100% on some of the smaller investment opportunities.

**HB**

**374**

STATE OF ALASKA  
 1994 LEGISLATIVE SESSION

Revision Date: 02/03/94  
 Title: "An Act relating to reimbursable service agreements between state agencies ..."  
 Sponsor: Rules Committee  
 Requestor: (H) Fin

Department Affected: Administration  
 BRU: Finance  
 Component: Finance  
 COMPONENT SERIAL 59

Expenditures/Revenues:

OPERATING	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
PERSONAL	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND &	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING:

1002 Federal	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

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

Estimate of current year (FY94) impact: 0

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: Don Wanie *DW*  
 Division: Finance

Phone: 465-2240  
 Date: \_\_\_\_\_

Approved by Commissioner: Nancy Bear Usura *NBU*  
 Agency: Administration

Date: 2/3/94

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# FISCAL NOTE

No. 1

Bill Version: CSHB 374 (FIN)

B: (H) Publish Date: 2/3/94

**STATE OF ALASKA  
1994 LEGISLATIVE SESSION**

Revision Date: \_\_\_\_\_ Dept. Affected: Office of the Governor  
 Title: "An act relating to BRU: Management and Budget  
reimbursable service agreements..." Component: Budget Review  
 Sponsor: House Rules  
 Requestor: \_\_\_\_\_ COMPONENT SERIAL NO. 16

**Expenditures/Revenues**

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 95	FY 98	FY 97	FY 98	FY 99	FY 00
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE**

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1008 GF/MHTIA						
Other						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY84) cost: \$ 0.0

**POSITIONS**

FULL-TIME						
PART-TIME						
TEMPORARY						

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

Prepared by: Nancy Single, Director Phone: 465-4881  
 Division: Budget Review Date: 2/2/94  
 Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
 Agency: Office of the Governor

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# ALASKA STATE LEGISLATURE

## LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



P. O. Box 113300  
Juneau, AK 99811-3300  
(907) 465-3830  
FAX (907) 465-2347

### MEMORANDUM

TO: The Honorable Robin Taylor, Chairman  
Senate Judiciary Committee

FROM: Randy S. Welker *Randy*  
Legislative Auditor

DATE: March 18, 1994

RE: Reimbursable Service Agreements (RSAs) - CS for House Bill 374 (FIN)

Last fall, we issued the accompanying audit report on the Commissioner's Office of the Department of Health and Social Services. The audit criticized the department for the method used to increase the appropriation for the commissioner's office — inappropriate use of RSAs.

A legal memorandum included as an appendix on page 17 of the report from the Division of Legal Services stated:

*It is apparent that the use of an RSA to effectuate transfers between appropriations within a department, the net effect of which is to circumvent the legislature's enacted expenditure authority for the department, is an abuse of the RSA system.*

Reimbursable Service Agreements are a valid method for one agency to acquire services from another agency. A January listing of RSAs (attached) produced by the Office and Management and Budget shows in excess of \$124.6 million in RSA activity to date in FY 94. Therefore, we believe that statutory clarification is warranted.

While we do not believe that legislation can be drafted that will prevent all inappropriate use of RSAs, we do believe that clarification can be added to statute to better define the allowable uses of RSAs.

The attached legislation provides the clarification without unduly restricting the ability of agencies to acquire services from one another. The bill emphasizes two basic elements of a valid agreement: legal authority to enter the agreement and billing for services based on actual costs or a cost allocation methodology approved by the Office of Management and Budget.

A Reimbursable Service Agreement should be just that — a reimbursement for the actual cost of a quantifiable service actually provided.

Please contact me if you have any questions or if I can provide additional information.

Attachments

FY 94 RSA TRANSACTIONS IDENTIFIED BY REQUESTING AGENCY  
AS OF JANUARY 14, 1994

<u>Requesting Department</u>	<u>Amount</u>
Office of the Governor	\$ 5,957,500
Department of Administration	7,284,300
Department of Law	4,536,300
Department of Revenue	2,362,000
Department of Education	11,396,200
Department of Health and Social Services	44,990,600
Department of Labor	3,688,900
Department of Commerce and Economic Development	1,111,800
Department of Military and Veterans Affairs	2,193,600
Department of Natural Resources	3,557,800
Department of Fish and Game	2,968,400
Department of Public Safety	3,118,000
Department of Environmental Conservation	2,910,800
Department of Corrections	5,631,600
Department of Community and Regional Affairs	2,182,200
Department of Transportation and Public Facilities	20,137,900
Ombudsman	3,300
Legislative Affairs	107,100
Division of Legislative Finance	5,100
Division of Legislative Audit	2,400
Alaska Court System	98,100
University of Alaska	<u>401,600</u>
 TOTAL INTER/INTRA-DEPARTMENTAL RSAs	 <u>\$124,645,500</u>



# Audit Report

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DEPARTMENT OF HEALTH AND  
SOCIAL SERVICES  
COMMISSIONER'S OFFICE  
FUND TRANSFERS AND  
RELATED EXPENDITURES

July 2, 1993

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Audit Control Number:

06-4465-93

Division of Legislative Audit

P.O. Box 113300, Juneau, Alaska 99811-3300

# LEGISLATIVE BUDGET AND AUDIT COMMITTEE

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## DIVISION OF LEGISLATIVE AUDIT

The Legislative Budget and Audit Committee is a permanent interim committee of the Alaska Legislature. The committee is made up of five senators and five representatives, with one alternate from each legislative chamber. The chairmanship of the committee alternates between the two chambers every legislature.

The committee is responsible for providing the legislature with audits of state government agencies. The programs and activities of state government now cost more than \$5 billion a year. As legislators and administrators try increasingly to allocate state revenues effectively and make government work more efficiently, they need information to evaluate the work of governmental agencies. The audit work performed by the Division of Legislative Audit helps provide that information.

As a guide to all their work, the Division of Legislative Audit complies with generally accepted auditing standards established by the American Institute of Certified Public Accountants and with government auditing standards established by the U.S. General Accounting Office.

Audits are performed at the direction of the Legislative Budget and Audit Committee. Individual legislators or committees can submit requests for audits of specific programs or agencies to the committee for consideration. Copies of all completed audits are available from the Division of Legislative Audit's offices in either Anchorage or Juneau.

### BUDGET AND AUDIT COMMITTEE

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Senator Al Adams  
Senator Steve Frank  
Senator Steve Rieger  
Senator Bert Sharp  
Senator Jay Kerttula (alternate)

Representative Terry Martin, Vice Chair  
Representative John Davies  
Representative Mark Hanley  
Representative Ron Larson  
Representative Eileen MacLean  
Representative Sean Parneil (alternate)

### DIVISION OF LEGISLATIVE AUDIT

Randy S. Welker, CPA  
Legislative Auditor  
Merle R. Jenson, CPA  
Deputy Legislative Auditor

P.O. Box 113300  
Juneau, Alaska 99811-3300

(907) 465-3830, Juneau  
(907) 561-1445, Anchorage  
(907) 465-2347, Juneau FAX

# ALASKA STATE LEGISLATURE

## LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



P. O. Box 113300  
Juneau, AK 99811-3300  
(907) 465-3830  
FAX (907) 465-2347

July 2, 1993

Members of the Legislative Budget  
and Audit Committee:

In accordance with the provisions of Title 24 of the Alaska Statutes, the attached report is submitted for your review.

DEPARTMENT OF HEALTH AND SOCIAL SERVICES  
COMMISSIONER'S OFFICE  
FUND TRANSFERS AND RELATED EXPENDITURES

July 2, 1993

Audit Control Number

06-4465-93

The audit addresses the circumstances and legal basis surrounding the Department of Health and Social Services commissioner's office use of Reimbursable Services Agreements (RSAs) to obtain funds from operating divisions to supplement the commissioner's office budget. We also attempted to ascertain whether the divisions transferring funds to the Commissioner's office were receiving services directly related to those transferred funds and how the funds were expended. The report also addresses the purpose and concept of RSAs.

The audit was conducted in accordance with governmental performance auditing standards. Fieldwork procedures utilized in the course of developing the findings and discussion presented in this report are discussed in the Objectives, Scope, and Methodology section of this report.

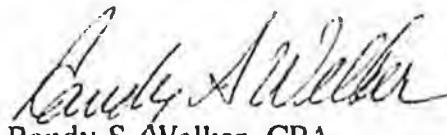
  
Randy S. Welker, CPA  
Legislative Auditor

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## OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Title 24 of the Alaska Statutes and a special request by the Legislative Budget and Audit Committee, an audit was conducted to address the circumstances surrounding the Department of Health and Social Services (DHSS) commissioner's office use of Reimbursable Services Agreements (RSAs) to obtain funds from operating divisions to supplement the commissioner's office budget.

### Objectives

The primary objective of this report is to document the circumstances and issues surrounding DHSS' use of RSAs to supplement the department's commissioner office budget. Secondary objectives were to evaluate the legal basis for those fund transfers and to identify whether or not DHSS' use of RSAs for this purpose was proper.

### Scope

We focused our review primarily on DHSS commissioner's office expenditures for fiscal years 1992 and 1993, RSA transactions between operating divisions and the commissioner's office, and the legal authority for those transactions.

### Methodology

Our evaluation of the decision to utilize RSAs to supplement the commissioner's office budget involved review and analysis of the following documents and interviews:

1. Fiscal years 1991 - 1993 RSAs between the commissioner's office and DHSS operating divisions.
2. DHSS documents showing the methods used to allocate the commissioner's office expenditures to the funding operating divisions.
3. An assessment of the nature and extent of the services rendered by the commissioner's office to the funding operating divisions through inquiry and review of expenditures.
4. Review of legal memorandum issued by the Legislative Affairs Agency, Division of Legal Services.

5. Discussions were held with the following personnel:

Director, DHSS Division of Administrative Services  
Administrative Assistant, DHSS Division of Administrative Services  
Budget Chief, DHSS  
Director, DHSS Division of Public Assistance  
Director, DHSS Division of Medical Assistance  
Finance Officer, DHSS Division of Family and Youth Services  
Director, DHSS Division of Public Health  
Director, DHSS Division of Alcoholism and Drug Abuse  
Acting Director, Division of Mental Health and Developmental Disabilities  
Accounting Supervisor, DHSS  
Budget Analyst, Office of Management and Budget  
Director, Division of Budget Review, Office of Management and Budget  
Budget Analyst, Division of Legislative Finance  
Counsel, Legislative Affairs Agency, Division of Legal Services

## ORGANIZATION AND FUNCTION

The Department of Health and Social Services (DHSS) Office of the Commissioner represents the governor of Alaska on health and social services issues and provides executive leadership in fulfilling the governor's goals.

The office defines and clarifies policy; has final review authority of department programs; provides a unified focus for management direction and program coordination among the divisions; and represents the department in addressing private providers, federal delegations, and the legislature.

Within the Office of the Commissioner are two deputy commissioners who are responsible for Direct Services Programs and Financial Programs, the department's special assistant for legislative affairs and the department's information officers.

The department works with a number of citizen advisory boards. Their members include citizens appointed by the governor for the purpose of advising the department about policies concerning health and social service programs.

Within the department are the following divisions and programs:

### Division of Administrative Services

Budget, Personnel, and Payroll; Facilities; Finance; Planning; and Supply Sections.

### Division of Family and Youth Services

Adult Protective Services, Foster Care, Residential Child Care, Family Services, Early Intervention Services, Youth Corrections, and Social Services Block Grants.

### Division of Mental Health and Developmental Disabilities

Community Mental Health Centers, Community support for the Developmentally Disabled, Alaska Psychiatric Institute, Harborview Developmental Center, Alaska Youth Initiative, Mental Health Housing Project, Village Suicide Prevention Program, Village Research and Demonstration Projects, Youth Peer Helper Program, and Alaska Family Resource Specialist Program.

Division of Public Assistance

Aid to Families with Dependent Children, Food Stamps, Medicaid, General Relief Assistance, General Relief Medical, Energy Assistance, Adult Public Assistance, and Alaska Work Program (JOBS).

Division of Medical Assistance

Medicaid payments, General Relief Medical payments, Medical Care Advisory Committee, and Certification and Licensing.

Division of Public Health

Public Health Nursing; Epidemiology; Maternal, Child, and Family Health; Public Health Laboratories; Emergency Medical Services; Bureau of Vital Statistics; and Health grants.

Office of Alcoholism and Drug Abuse

Alcohol and Drug Abuse Programs, Alcohol Safety Action Program, Alcohol Prevention Programs, Youth Substance Abuse Programs, Inhalant Abuse Services, Inmate Substance Abuse Programs, and Federal Block Grants.

## AUDITOR'S CONCLUSION

By using unbudgeted Reimbursable Services Agreements (RSAs), the Department of Health and Social Services (DHSS) effectuated fund transfers between appropriations for at least the past three fiscal years, which is contrary to law. Additionally, by utilizing these funds differently than originally budgeted for, DHSS violated the spirit and intent of the legislature's appropriation authority.

As discussed in greater detail in the Auditor's Analysis section of this report, DHSS determined that the funding levels provided by the legislature and approved by the governor were insufficient to meet the commissioner's operating needs. The appropriations to the commissioner's office in FY 92 and FY 93 were less than the agency had requested. Rather than adapting to the reduced funding levels, the commissioner's office continued to expend at levels originally requested by the agency. To fund the anticipated over-expenditures, the commissioner's office executed RSAs with seven divisions within the department approximating \$264,700 and \$93,900 in fiscal years 1992 and 1993, respectively. Contrary to proper use, these RSAs were not initiated based on a discernable or identifiable scope of services that the commissioner's office would render to those seven divisions, but rather were based on a desired funding level beyond that authorized. Lacking an identified scope of services at the time the RSA was executed to measure against, these RSAs did not create the contractual relationship (and therefore obligation) that should exist between a requesting and servicing agency.

The method by which the commissioner's office expenditures were charged against the RSA further supports the conclusion that there was no basis for the RSAs other than the need to maintain expenditures within the commissioner's office at their desired, rather than appropriated, levels.

Our review of the commissioner's office expenditures charged to the various divisions budgets identified a number of transactions that are of debatable benefit to those divisions. For example, we question what benefits the Division of Family and Youth Services received by paying for "fashion accessories" for foreign dignitaries, customized stationary, and travel to Russia.

Additionally, the commissioner's office personal services expenditures charged against the FY 92 RSA and allocated to the various divisions included costs for three positions which were not funded by the legislature.

This method of financing operational needs beyond that appropriated by the legislature is not limited to DHSS. We have been informed that other departments use RSAs to transfer operating funds from various divisions to fund activities in other operational areas. Recent examples of using RSAs to avoid legislative appropriation — or in response to an appropriation — include the Media Center within the Office of the Governor. Another example is the Department of Administration's plans for establishing a video teleconference network by transferring funds from departmental travel budgets, despite the possibility that

those departments may not utilize the network. We believe these types of funding decisions for programs or activities are within the purview of the legislature.

Other than indirect references in AS 36.30 (state procurement code), the Alaska Statutes are relatively silent on the purpose and use of RSAs. As evidenced by the above, RSAs can effectuate a transfer of expenditures between appropriations to circumvent the legislature's appropriation authority. We recommend that the legislature consider legislation which would statutorily define the legitimate purposes and uses of RSAs.

## AUDITOR'S ANALYSIS

In 1981, the Office of Management and Budget (OMB) requested an opinion from the Department of Law as to whether or not an appropriation to the commissioner of the Department of Health and Social Services (DHSS) could be used to pay expenses of the Board of Parole.

The Attorney General issued a memorandum, stating in part:

*The board of parole is located within the Department of Health and Social Services, AS 33.15.010. The commissioner of health and social services is the head of that department, AS 44.29.010. One of the duties of the department is to administer health and social services programs, AS 44.29.020, probation and parole. Id. All commissioners of the principal departments have broad supervisory authority over all functions of their departments, AS 44.17. Because of this relationship, we have long taken the position that an appropriation to the office of the commissioner of any department is, unless otherwise validly restricted, a lump-sum appropriation to the department. That is so here.*

*Accordingly, money appropriated to the office of the commissioner of health and social services may be expended in support of the board of parole.*

In the fall of 1990 (FY 91), the former DHSS commissioner approved an unbudgeted Reimbursable Services Agreement (RSA) which provided additional funding to the commissioner's office, Office of Personnel and Payroll, and the Division of Administrative Services. The RSA, in the amount of \$234,600, was funded by the Divisions of Public Assistance, Medical Assistance, Family and Youth Services, Public Health, Alcohol and Drug Abuse, and Mental Health and Developmental Disabilities. Of that amount, the commissioner's office received \$49,900 which was intended to cover travel expenditures for the commissioner's office for commissioner related travel to attend "high level management" meetings.

It appears that the authority which DHSS used to execute the RSA was the Attorney General's 1981 memorandum cited above. However, the funding for the "high level management" RSAs is not comparable to the 1981 situation nor is it addressed in the memorandum. Rather than providing funding from the Office of the Commissioner to operating divisions within DHSS, these RSAs are transferring funds from operating divisions to the commissioner's office.

### Commissioner's office RSA use continues despite budget reductions and governor veto

In FY 92 with the change in administration, the present DHSS commissioner continued the practice of using unbudgeted RSAs to fund the operations of the commissioner's office. For

FY 92 the commissioner requested funding for his office in the amount of \$891,400, which included \$775,100 for eleven positions. This was amended down by the Governor's Office to a request of \$825,900, which included \$712,800 in personal services for ten positions. However, the House, Senate, and Conference Committees each recommended a funding level of \$624,900, allocating \$511,800 to personal services for funding of seven positions. The legislature's appropriation of \$624,900 was further reduced by a governor's veto in the amount of \$1,500, for an authorized budget of \$623,400. This level of funding represented a \$268,000 reduction from the commissioner's request (of which the largest reduction was in personal services in the amount of \$263,300).

In response to the \$623,400 budget approved by the legislature and governor, on July 2, 1991 (two days into the new fiscal year) DHSS internally determined the commissioner's office required \$888,100 to cover operating expenditures for FY 92, representing a \$264,700 shortfall (which approximates the reduction in personal services). See Exhibit "A" below.

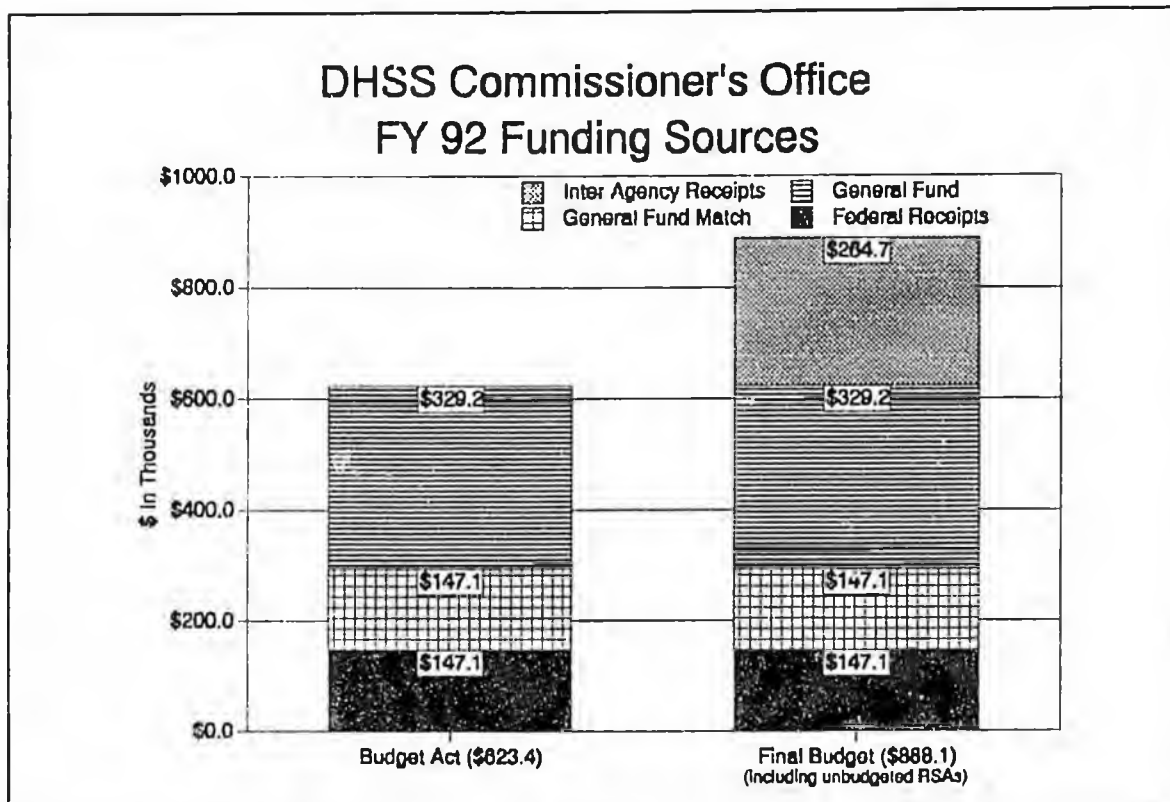


Exhibit A

To accommodate the shortfall, DHSS established an unbudgeted RSA in the amount of \$264,700. The commissioner's office expenditure authority was increased by this amount with contributions from the Divisions of Administrative Services, Public Health, Medical Assistance, Public Assistance, Family and Youth Services, Mental Health and Developmental Disabilities, and Alcoholism and Drug Abuse. Also as stated above, in its FY 92 governor's amended budget submission, the commissioner's office had requested funding for ten positions. The House, Senate, Conference Committees, and final budget act funded seven

of those positions. DHSS used the FY 92 RSA to fund personal services at the level the commissioner's office originally requested.

DHSS acknowledges commissioner office RSAs impacts program service delivery

In FY 93 DHSS budgeted for reinstatement of general fund monies in the amount of \$220,000. In its "Form C5" increment/decrement request DHSS stated that if general fund monies are restored no additional RSAs would be required, while also acknowledging "because the RSA impacts program service, a decision was made to reinstate general funds via an increment for services provided by the Commissioner's Office."

OMB approved the funding level, however, changed the funding source from general fund to inter-agency receipts. While reducing the agency request by \$73,500, the legislature and governor did approve the \$220,000 inter-agency funding source. However, in December 1992, the commissioner's office was once again projecting a shortfall. In a memorandum to all division directors the commissioner noted:

*I have reviewed the current status of the Commissioner's Office budget and have determined that it is in the best interest of the Department to continue FY93 at the current rate of expenditure. This will require additional funds from each division . . .*

The commissioner's office then executed RSAs with the seven divisions mentioned previously in the amount of \$93,900, increasing total inter-agency receipt authorizations to the commissioner's office to \$318,600. See Exhibit "B" below.

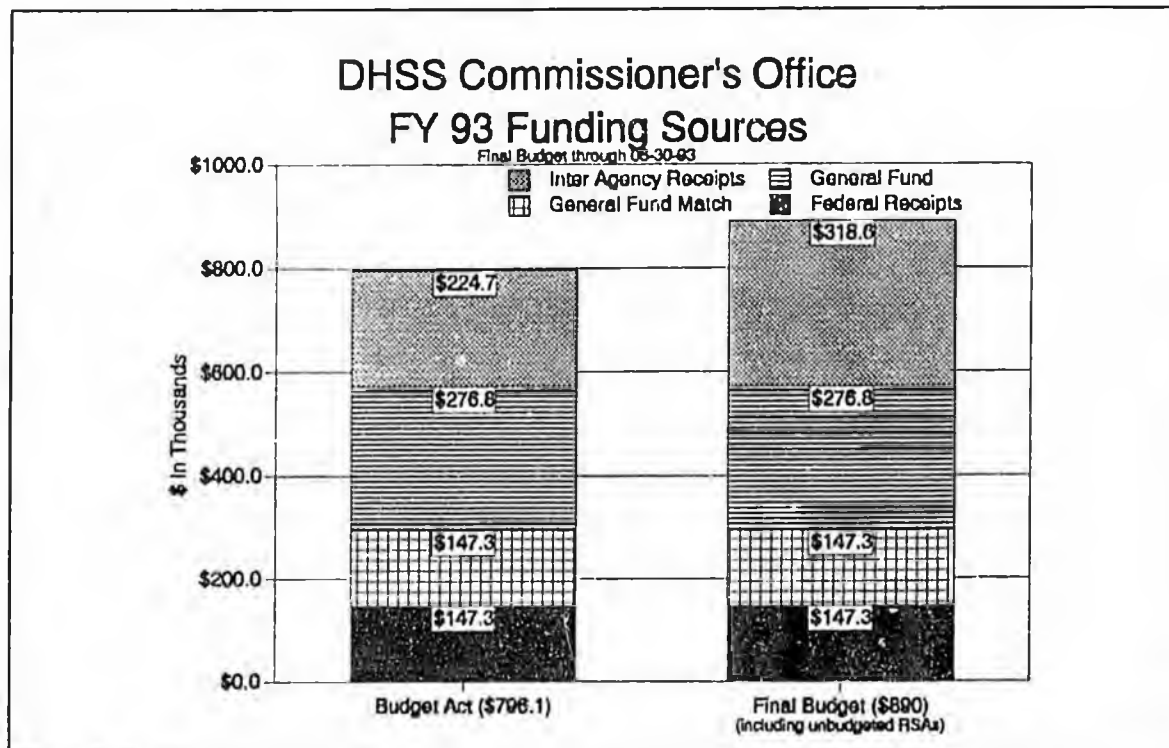


Exhibit B

Legal opinion condemns DHSS' use of RSAs to transfer expenditures

At the request of Representative Nordlund who was interested in DHSS funding methods, the Division of Legal Services, Legislative Affairs Agency issued a memorandum opinion in February 1993. The memorandum (see Appendix "A") states in part:

*You have asked whether certain transfers of appropriations from programs in the Department of Health and Social Services to the commissioner's office through the use of reimbursable service[s] agreements (RSA's) were appropriate. The short answer is no.*

The memorandum further states:

*If the legislature had wanted the commissioner's office to fulfill the functions funded by the RSA's, the legislature would have appropriated the money to the commissioner rather than to the programs. It is hard to conceive of a more blatant violation of AS 37.07.080(e) than the manipulation of the Health and Social Services budget described by [Legislative Finance].*

As was questioned in the legal opinion, we also question the method by which the commissioner's office allocated costs to the various operating divisions. The commissioner's office allocated costs to all the divisions based upon the percentage relationship between each divisions personal services budget to the total departmental budget allocated to payroll. Allocation of costs under RSAs should be based upon the cost of a direct benefit received by the requesting (paying) agency and not a formula that does not take into consideration whether or not a direct benefit was received.

Expenditure review raises questions on benefit to departmental programs

Our review of expenditures occurring in the commissioner's office and charged against the RSAs to the various divisions identified a number of transactions for which there was no discernible benefit to the divisions providing the funds. That is one of the basic precepts of RSA usage - that there exists a relationship between the two agencies party to the contract and that a direct, identifiable benefit is received by the agency providing the funds.

As shown in Exhibits "C" and "D" on the following page, FY 92 and FY 93 commissioner's office expenditures exceeded that budgeted by the legislature and approved by the governor, most notably in the areas of personal services, travel, and contractual (expenditure data for FY 93 is through July 13, 1993 - additional expenditures are anticipated before the close of the accounting period for FY 93).

### DHSS Commissioner's Office FY 92 Budget Act Authorizations and Actual Expenditures

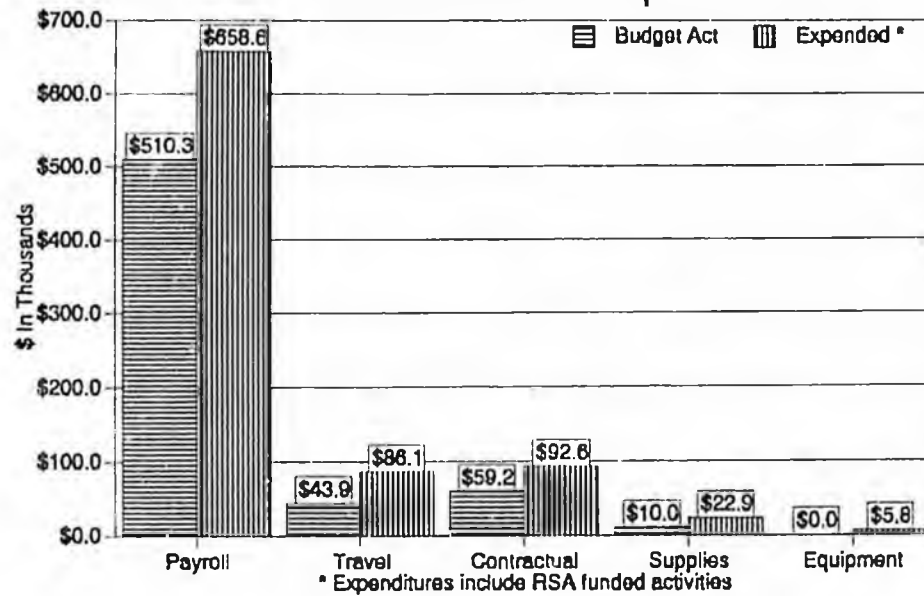


Exhibit C

### DHSS Commissioner's Office FY 93 Budget Act Authorizations and Actual Expenditures

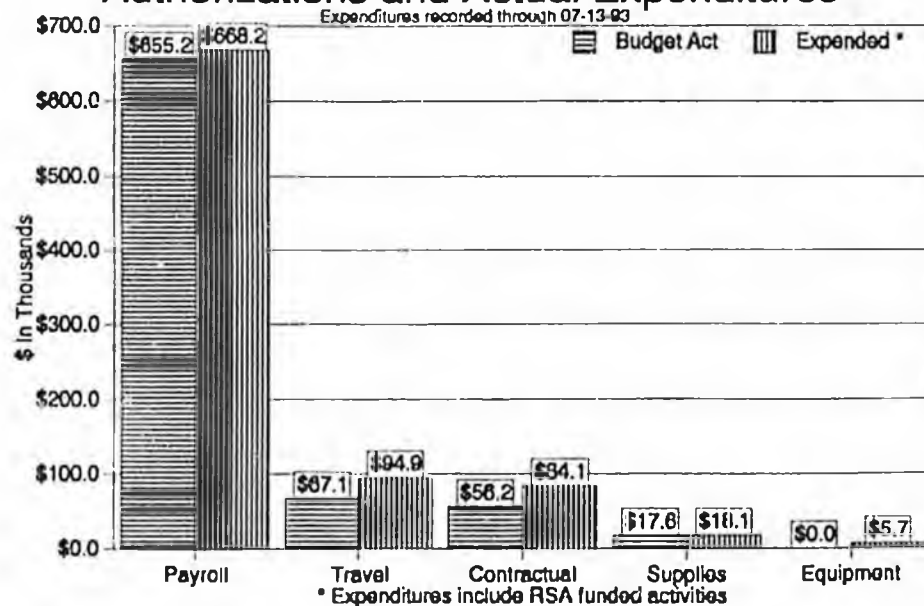


Exhibit D

### Personal Services

As discussed earlier, in FY 92 DHSS commissioner's office had requested funding for eleven positions, which the governor's office reduced by one position for a total of ten. The legislature approved a funding level which provided for seven positions. In response to the legislature's appropriation and a governor's line item veto, the commissioner's office increased its personal services budget by using RSAs to transfer payroll expenses, thereby allowing the commissioner to fill three additional positions that were not originally funded.

In FY 93, the commissioner's office requested and received funding for the ten positions.

### Travel

As shown in Exhibits "C" and "D," DHSS commissioner's office travel expenditures in both fiscal years 1992 and 1993 exceeded the amounts originally budgeted by 96% and 41% (as of July 13, 1993) respectively. The funds to accommodate the amount of travel beyond that originally budgeted came from the seven operating divisions within DHSS with whom the commissioner established RSAs. Commissioner's office travel expenditures charged to the divisions funding the RSAs included numerous trips between Juneau and Anchorage offices and other Alaska destinations by a number of commissioner's office staff; travel to Seattle, Atlanta, South Carolina, and South Dakota to attend a variety of health conferences; mental health facilities inspections in Copenhagen and attendance at a health conference in Reykjavik, Iceland; and at the request of the governor, travel to the former USSR to perform ground work in the preparation of the governor's trip to Moscow.

While these and other travel expenditures may have plausible explanations as to the benefit received for the operation of the commissioner's office or the enlightenment of the commissioner's office staff, we question the direct benefit provided to the various divisions which funded the travel.

### Other Services and Charges

Similar to travel expenditures, as shown in Exhibits "C" and "D," Other Services and Charges (OSC) expenditures in FY 92 and FY 93 exceeded that originally budgeted by 56% and 50% (as of July 13, 1993), respectively. Once again the funds used to pay for the commissioner's office charges that exceeded the original budget were those transferred from other divisions within DHSS via the RSAs.

Commissioner's office OSC expenditures charged to the operating divisions via RSA included numerous purchases of film, photo development, and picture frames; telephone charges; numerous and varied newspaper and magazine subscriptions; purchases of gifts and "fashion accessories" for visiting officials; rental of the Anchorage Egan Civic and Convention Center for departmental in-service day; printing services; minor Anchorage office renovations; office supplies; communication equipment; rental of booth space at Anchorage Fur Rondy; equipment rental; and contract for the provision of video taping services to

DHSS. Additional supply purchases consisted of: customized stationary for the commissioner, various office supplies, photographic services, and drafting supplies.

We question what benefit is received by agencies such as Public Health, Medical Assistance, and Family and Youth Services by their paying for items such as personalized stationary for the commissioner, gifts for foreign dignitaries, or foreign political/goodwill travel. We agree with the DHSS acknowledgement that use of RSAs to fund the commissioner's office operations does impact program services delivered by other divisions within DHSS.

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## FINDINGS AND RECOMMENDATION

### Recommendation No. 1

The legislature should consider amending statute to define and clarify the proper usage of Reimbursable Services Agreements (RSAs) between state agencies.

In our opinion the Department of Health and Social Services (DHSS) circumvented the legislature's appropriation authority by executing RSAs to recoup funding lost through legislative mandated budget reductions and a veto of the governor.

It is clear that DHSS' use of RSAs to restore funding cuts made to the commissioner's office violates AS 37.07.080(e), which states in part: "*transfers may not be made between appropriations except as provided in an act making the transfers between appropriations.*" The power of appropriation rests with the legislature. In FY 92 the legislature appropriated less funds to the DHSS commissioner's office than was requested. In addition to legislative funding reductions, the governor further reduced the commissioner's budget using the line item veto. However, rather than adapting to the legislative and executive mandated budget reductions, the commissioner's office used RSAs to obtain funding from divisions within the department which restored the commissioner's budget to near the full amount originally requested.

RSAs, used properly, are a means to obtain legitimate goods and services from other state agencies. These agreements are, in effect, a binding contract between the two agencies — there is a contractual relationship between the two parties where there is an exchange of identifiable goods and services and payment for those goods and services. The party providing the goods and/or services must have the legal authority to do so, and the party paying for the goods or services must have the legal authority and funds to do so. Using RSAs in the manner that DHSS did to restore funding to the commissioner's office is an inappropriate use of the RSA.

The Alaska Statutes are silent on the intent, purposes, and uses of RSAs. To avoid similar abuses and diminish the subjectivity inherent in RSA activities in the future, we believe that statutes should be amended to define the circumstances when RSAs can, and cannot, be used by state agencies.

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# DIVISION OF LEGAL SERVICES

## LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

130 Seward Street, Suite 409  
Juneau, Alaska 99801-2105

### MEMORANDUM

February 17, 1993

**SUBJECT:** Transfer of Appropriations in Department of Health and Social Services (Work Order No. 8-LS0639)

**TO:** Representative Jim Nordlund

**FROM:** David R. Dierdorff  
Revisor of Statutes

You have asked whether certain transfers of appropriations from programs in the Department of Health and Social Services to the commissioner's office through the use of reimbursable service agreements (RSA's) were appropriate. The short answer is no.

In the interest of time and space, I will not recite the factual background. It is set out in the attached memo from Nancy Slagle.

There is no explicit statutory authority for RSA's as such, but there is one statutory reference to them (AS 47.65.100(b)). AS 36.30.700 - 36.30.790 in the procurement code provide for various intergovernmental agreements. Except for those provisions, agreements between government entities are exempt from the procurement code. See AS 36.30.850(c). The provisions found in AS 36.30 are apparently the base authority for RSA's.

RSA's are used when one agency (usually a department) purchases a service from another agency, such as the central telephone services provided by the Department of Administration. It is apparent that the use of an RSA to effectuate transfers between appropriations within a department, the net effect of which is to circumvent the legislature's enacted expenditure authority for the department, is an abuse of the RSA system.

The basic rule for transfers of appropriated money is that administrative transfers may be made between and among allocations and other items of expenditure in an appropriation, but not between appropriations except by act of the legislature. AS 37.07.080(e). Further, a state agency may not "employ additional employees, or

Representative Jim Nordlund  
February 17, 1993  
Page 2

expend money or incur obligations except in accordance with law and [a] properly approved operations plan." AS 37.07.080(d).

The executive branch has relied on a brief attorney general's opinion letter dated April 13, 1981. This reliance is misplaced. The opinion dealt with a situation where the commissioner's office had extra money and used some of it for direct program support. Clearly, because the commissioner is responsible for the execution of all duties of the department, it is appropriate for the commissioner's budgeted funds to be used to support a program that may be short of funds. The opinion letter described appropriations to the commissioner as "a lump-sum appropriation to the department."

In the instant case, program money is being used by the commissioner to support department-wide activities. Although the burden on each program is proportional to the size of the program (measured by its budget for personal services), there is no indication that the benefit to the program is proportional to its contribution. To the extent that a program receives no proportional benefit, the RSA effects a prohibited transfer between appropriations. Further, while the commissioner may have the power to perform any duty assigned to the department, units within the department, such as divisions, do not necessarily have the power to perform functions performed by the commissioner. It is basic to the concept of RSA's that the unit purchasing the services (in this case the various program units of the department) have the authority to perform all of the functions (services) that they are purchasing. It is questionable whether that authority exists in the instant case.

If the legislature had wanted the commissioner's office to fulfill the functions funded by the RSA's, the legislature would have appropriated the money to the commissioner rather than to the programs. It is hard to conceive of a more blatant violation of AS 37.07.080(e) than the manipulation of the Health and Social Services budget described by Ms. Slagle.

The review of this situation suggests that it might be appropriate for the legislature to address the subject of RSA's and other methods of contracting between and within agencies. It is obvious that RSA's can serve a salutary purpose in government. It is also obvious that they can be abused and used to circumvent legislative spending decisions.

DRD:mi  
93-028.mai

Attachment

WALTER J. HICKEL, GOVERNOR

THEODORE A. MALA, COMMISSIONER

**DEPT. OF HEALTH AND SOCIAL SERVICES**

**DIVISION OF ADMINISTRATIVE SERVICES**

P.O. BOX 110650  
JUNEAU, ALASKA 99811-0650  
PHONE: (907) 465-3082

October 11, 1993

Randy S. Welker  
Legislative Auditor  
Alaska State Legislature  
Legislative Budget and Audit Committee  
Division of Legislative Audit  
P.O. Box 113300  
Juneau, Alaska 99811-3300

RECEIVED  
OCT 11 1993

LEGISLATIVE AUDIT

Dear Mr. Welker:

This is in response to the confidential preliminary audit report on the Department of Health and Social Services Commissioner's Office Fund Transfers and Related Expenditures, July 2, 1993.

Recommendation No. 1

The legislature should consider amending the statute to define and clarify the proper usage of Reimbursable Services Agreements (RSA) between state agencies.

The Department of Health and Social Services has no opinion on your recommendation. However, we strongly disagree with the auditor's opinion that the Department of Health and Social Services (DHSS) circumvented the legislature's appropriation authority by executing RSAs to recoup funding lost through legislative mandated budget reductions and a veto of the governor.

RSAs are viewed by DHSS as contractual obligations between agencies rather than transfers of funds. DHSS considers the RSA in question as a normal funding necessity for effective management to accomplish the objectives and goals of the department. To attain these objectives and goals, DHSS management philosophy views that service and assistance programs must be made available to all eligible Alaskans through an effective dispersement of information. The public must be informed of available state programs rather than leaving them to search for information on programs when they need help, particularly due to the nature of needs/emergencies which arise amongst clients served by DHSS. Department employees require inservice training to become well informed of all the various programs administered by each division and to enable them to be more informative to the public. The inservice training also provides an opportunity to recognize exemplary performance of certain employees and to elevate morale.

These objectives are not funded through the regular allocation for the Commissioner's office; thus, funding support is required from divisions due to the indirect benefit to programs. While we agree that the measure of dollar direct benefit is not identifiable, we believe that the objective of public and employee program awareness has been accomplished. The determination of the share of each program is an acceptable cost allocation methodology based on the department's federally approved cost allocation plan.

DHSS never intended to circumvent the appropriation process. The generation of the RSA document was intended for proper identification and management of expenditures. The expenditures could have been directly charged to various divisions through a federally approved cost allocation methodology without generating an RSA.

DHSS also strongly rejects the assertion that the services purchased through the RSA expenditures are unrelated to the functioning of the divisions. Departmental staff whose salaries were paid through the RSA process worked directly with the divisions on media projects. An example is a media campaign to recruit foster parents. Clearly this is directly related to the mission of the Division of Family and Youth Services.

Similarly, travel by the Commissioner's Office staff is a necessary activity for overall program management. Meetings with Federal officials, many of whom are out of state, are necessary to learn of Federal changes to programs and to determine the impact that these changes will have on Alaska programs. Additionally, these meetings are opportunities for State policy makers to make Alaska's case with regard for desired changes in Federal policy. Obviously, these Federal policy changes directly impact the operations of the Department's divisions.

Finally, your assertion that DHSS "violated the spirit and intent of the Legislature's appropriation authority" implies that the existence or purpose of the questioned RSAs was unknown to the Legislature or the information was deliberately withheld by DHSS. This is not the case. For FY 92 and FY 93 DHSS Budget Subcommittees of both the House and Senate, as well as the Division of Legislative Finance, were well aware of these RSAs. As noted in your report, the Legislature appropriated \$224,700 in Interagency Receipts in the Commissioner's Office budget in FY 93. The purpose of funds from the budgeted RSA approved by the Legislature in FY 93 is indistinguishable from the purposes of the unbudgeted RSAs in FY 91 and FY 92 and the additional unbudgeted RSA of \$93,900 in FY 93.

This raises an interesting question. Is it the position of the Division of Legislative Audit that these RSAs were illegal because they were unbudgeted, i.e., the Legislature did not appropriate the Interagency Receipts in the budget, or were they invalid because there was no "contractual relationship between the two parties

where there is an exchange of identifiable goods and services and payment for those goods and services?"

If the former is the case, then *every unbudgeted RSA between state agencies is illegal*. I suspect there are *hundreds if not thousands of these each year*.

If the latter is the case, then the question of circumventing the Legislature's appropriation authority is moot insofar as even if an appropriation of Interagency Receipts was made by the Legislature with full knowledge of the purpose--as was the case with the Commissioner's Office budget in FY 93--the resulting RSAs would still be illegal because, in your opinion, a valid contractual relationship did not exist between the agencies involved. Is it the Division of Legislative Audit's opinion that the Legislature's appropriation of \$224,700 in Interagency Receipts in FY 93 was illegal?

Frankly, I do not believe you have very carefully considered the ramifications of the conclusions and recommendations in your report.

If the rules of the road regarding RSAs are to change, DHSS will comply with the new rules. I do resent, however, being told that the Department's past actions were illegal when those actions are judged by new rules which neither the Department, the Office of Management and Budget or the Legislature were aware of at the time.

Finally, as stated on page five of your report "This method of financing operational needs beyond that appropriated by the legislature is not limited to DHSS. We have been informed that other departments use RSAs to transfer operating funds from various divisions to fund activities in other operational areas". It is clear that DHSS is not alone in using RSAs in this manner. It is also unfair to solely target and criticize DHSS when other state agencies use the same funding mechanism.

Sincerely,

*Jay Lewis for*

Theodore A. Mala, MD, MPH  
Commissioner

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# ALASKA STATE LEGISLATURE

## LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



P. O. Box 113300  
Juneau, AK 99811-3300  
(907) 465-3830  
FAX (907) 465-2347

October 20, 1993

Members of the Legislative Budget  
and Audit Committee:

We have reviewed the Department of Health and Social Service's (DHSS) response to our preliminary report and have the following comments.

The department has taken no position on our recommendation that the legislature address the issue of Reimbursable Services Agreement (RSA) use and abuse. The department does, however, take exception to the instances of RSA abuse by DHSS cited in the report.

In its response, DHSS discusses their use of the RSAs in question as ". . . a normal funding necessity for effective management to accomplish the objectives and goals of the department." We do not consider the utilization of RSAs to supplement funding lost through the budget process as a normal funding necessity. DHSS does not discuss in the response the circumstances under which the RSAs were initiated or the fact that the Commissioner's Office unilaterally decided to maintain its own spending plan despite the fact that the legislature and governor had established a spending plan, albeit one lower than desired by the commissioner. As detailed in the report, the RSAs in question transferring funding from operating divisions to the Commissioner's Office were in response to the budget established by the legislature and approved by the governor.

The department also responded:

*DHSS never intended to circumvent the appropriation process. The generation of the RSA document was intended for proper identification and management of expenditures. The expenditures could have been directly charged to various divisions through a federally approved cost allocation methodology without generating an RSA.*

DHSS states that the RSA was designed for management of expenditures but yet acknowledges that ". . . the measure of dollar direct benefit is not identifiable. . .". Within this contradiction lies the premise for the proper use of RSAs: A direct identifiable benefit must be received by the paying agency. Without this relationship between the paying and providing agency, the requisite contractual relationship is non-existent and the RSA is no

more than a document used for transferring funds between appropriations. That is the case of the RSAs in question. We also point out that DHSS did in fact charge the RSA expenditures in question to the federally approved cost allocation plan, sometimes twice — which we also take exception to (See Recommendation No. 21 of the Fiscal Year 1992 Statewide Single Audit). Charging this type of expenditure to federal programs would also be inappropriate as those expenditures would fail the test of whether they were necessary and reasonable.

In its response DHSS also "*strongly rejects the assertion that the services purchased through the RSA expenditures are unrelated to the functioning of the divisions.*" We found no documentation that supports the expenditures in question, such as travels to Russia or purchases of gifts for foreign dignitaries and the like, which would show those expenditures were in fact related to the functioning of the Divisions of Public Health, Medical Assistance, Family and Youth Services, and the remaining divisions.

Finally in its response, DHSS raises two questions. Specifically DHSS asks:

*Is it the position of the Division of Legislative Audit that these RSAs were illegal because they were unbudgeted, i.e., the Legislature did not appropriate the Interagency Receipts in the budget, or were they invalid because there was no "contractual relationship between the two parties where there is an exchange of identifiable goods and services and payment for those goods and services?"*

and,

*Is it the Division of Legislative Audit's opinion that the Legislature's appropriation of \$224,700 in Interagency Receipts in FY 93 was illegal?*

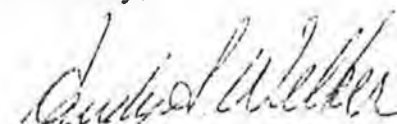
It is not our position that unbudgeted RSAs are illegal. It is common practice for agencies to enter into contractual relationships using an unbudgeted RSA. As long as the receiving agency has sufficient funds and the providing agency has the legal authority to provide the service, the use of unbudgeted RSAs are acceptable and, as DHSS points out, is common practice. However, considering the circumstances of the Commissioner's Office budget and the desire to maintain spending at levels above that approved by the legislature and governor, the use of unbudgeted RSAs to replace lost funding or pay for unanticipated bills is inappropriate. Again, we emphasize the need for a contractual relationship to exist between two agencies to have a legitimate RSA.

Also, it is not our opinion that the FY 93 Legislative appropriation was illegal. The fact that the legislature and governor approve an appropriation of inter-agency receipts does not ensure the propriety of subsequent expenditures from that appropriation if those expenditures are inappropriate. The legislature anticipates that laws, regulations, and procedures will be

followed by agencies when appropriations are made — including appropriations of budgeted inter-agency receipts.

We do not question the appropriation of budgeted inter-agency receipts or the use of unbudgeted RSAs. We do question DHSS' use of both budgeted and unbudgeted RSAs — with funds provided by the operating divisions — to supplement funding to the Commissioner's Office without a direct identifiable benefit to those divisions providing the funds.

Sincerely,



Randy S. Welker, CPA  
Legislative Auditor

**HB**

**397**



March 4, 1994

TO: Representatives Ron Larson and Eileen MacLean, Co-chairs  
and Members  
House Finance Committee

FROM: Chrystal Smith, Director of Member Services, AML

RE: **HB 397 - Power of second class cities to levy property taxes**

Thank you for the opportunity to respond to some of the committee's concerns regarding HB 397, particularly the sponsor's proposed amendments to the Sponsor Substitute.

The Alaska Municipal League supports the concept and purpose of HB 397, which is to give second class cities additional tools to help themselves. The League's Resolution 94-11, copy attached, was adopted by the members in November 1993 and urges the legislature to remove the statutory limitation on the ability of second class cities to tax property.

As you well know, declining state- and federal-shared revenues, unfunded mandates, inflation, and the increased demands for service caused by growth in the state's population have severely eroded the ability of Alaska's municipal governments to provide basic services for their citizens. In particular, these forces have hurt the second class cities, which are limited in their ability to raise local revenues by a number of factors, including the statutory limitation on ad valorem taxation of 5 mills (.5 percent). As originally introduced, HB 397 would remove that limitation and put second class cities on an equal footing when it comes to the ability to raise property tax revenue; the proposed amendment would increase the limitation to 20 mills, not the 30 mills allowed for first class cities.

For your information, at present only three second class cities (Houston, Eagle, and Whittier) levy a property tax, with the rates ranging from 1 to 5 mills. In contrast, 61 second class cities have a sales tax, and seven others levy other types of taxes. Many of the second class cities without property taxes have limited tax bases; others have undoubtedly decided that the 5 mill limitation keeps collection of a property tax from being a cost effective way to raise revenue. Increasing the limit could make property taxation a more viable option.

Also for your information, and in response to a question posed by the committee last week, let me mention that only 37 of the 117 second class cities are large enough to be first class cities, and some of those just top the 400 population requirement.

With regard to the proposed amendments:

**Placing the limitation at 20 mills** - The League understands the concern of the committee members and can accept the 20 mill limitation as a reflection of the differing obligations and powers of first and second class cities.

- **Allowing council to set property tax levy** - The League supports the proposed amendment, which would remove the requirement that any property tax levy be set by referendum. In Alaska's second class cities, just as in its other municipalities, council members are elected by the voters to make the decisions necessary to run the city. They should be given the ability to set property tax levies by ordinance without having to refer each change to the voters. Conducting elections is both expensive and time consuming; requiring a referendum to approve a property tax levy makes the process of governing efficiently and effectively more difficult.

City councils do not act in a vacuum, particularly in the small cities. If the amendment is adopted, property tax levies would be set by ordinance, just as they are in other types of municipalities, and citizens would have ample opportunity to express their concerns. Council members should be given authority to do that for which they have been given responsibility. Nothing would keep them from referring the issue of a property tax levy to the public for an advisory vote, but it should not be required.

- **Repealing provision that proposed property tax levy may be included in petition for incorporation of a second class city.** Repeal of AS 29.45.600 was suggested in the sponsor's proposed amendments of February 24. The committee generally indicated its interest in retaining that section, which says that a property tax proposal may be included with a petition for incorporation of a second class city and that, if it is, the proposed property tax rate must be stated. The League would support the committee's wishes on this issue, so long as it is optional, not required.

In summary, the Alaska Municipal League urges your support of SS HB 397, including the sponsor's proposed amendment, which would allow second class cities to determine the appropriate property tax rate for their situations and remove an arbitrary limit on their ability to generate revenue locally.

Enclosure

**Resolution of the Alaska Municipal League**

**Resolution No. 94-11**

**A RESOLUTION SUPPORTING ELIMINATION OF THE  
AD VALOREM TAX LIMITATION FOR  
SECOND CLASS CITIES**

WHEREAS, many second class cities have been established under Alaska law and second class cities are now the most numerous form of local government in the State of Alaska; and

WHEREAS, the principal means of financing the administration of second class city government is through local municipal taxation and state-funded Municipal Assistance and Revenue Sharing programs; and

WHEREAS, ad valorem property taxation is established for all municipal governments as a key funding mechanism, with limits set as provided by AS 29.45.090 and .100; and

WHEREAS, there is an additional property tax limitation established for second class cities only, whereby under AS 29.45.590 such cities may tax only up to one-half of one percent of the assessed value of real and personal property within their boundaries; and

WHEREAS, such special limitations on the powers of second class cities are arbitrary, unnecessary, and unreasonable and should be eliminated in order to enable such cities to cope better with reduced revenues in the future:


NOW, THEREFORE, BE IT RESOLVED by the Alaska Municipal League that the Alaska Legislature is respectfully encouraged to repeal the provisions of AS 29.45.590 as they limit the ability of second class cities to assess ad valorem taxes in any way different than other cities in the State of Alaska.

BE IT FURTHER RESOLVED that consideration of this issue should be addressed in the context of examining the overall structure of cities and their powers.

Adopted this 12th day of November 1993 in Soldotna, Alaska.

  
Rosalee T. Walker, President

ATTEST:

  
\_\_\_\_\_  
Kent E. Swisher, Executive Director

## Second Class Borough

**Powers:** Three mandatory area-wide powers: taxation; education; and planning, platting and zoning. The exercise of other areawide powers must be approved by referendum. Non-areawide powers are either adopted by ordinance or by referendum, depending on the types of power.

**Municipal Officers:** Elected borough assembly and mayor. Elected school board. Appointed planning and zoning commission. May adopt the manager plan of government.

## Third Class Borough

**Powers:** Two mandatory area-wide powers: taxation and education. Must establish service areas for the exercise of additional powers.

**Municipal Officers:** Elected borough assembly. The borough assembly is the school board. Borough chairperson is also president of the school board.

## Unified Municipality

**Requirements:** An organized borough and all cities included within it may unite to form a single unit of home rule local government called a unified municipality.

**Powers:** A unified municipality has all powers granted by charter or by law as for separate boroughs and cities of the first class.

**Action Needed:** A unified municipality may be initiated through a petition to the Department of Community and Regional Affairs. A charter commission, if approved by referendum, drafts a charter for the unified municipality. Following public hearings, an election is held.

**Municipal Officers:** Elected assembly. Elected school board. Commissions as provided by charter. May adopt the manager plan of government.

## Home Rule Municipality

Provisions for home rule municipalities is also provided for in the Municipal Code. A home rule municipality is a municipal corporation and political subdivision. It has all powers not prohibited by law or charter.

## First Class City

**Requirements:** A community that meets the following standards may incorporate as a first class city:

1. The community has 400 or more permanent residents.
2. The boundaries of the proposed city include all areas necessary to provide municipal services on an efficient scale.
3. The economy includes the human and financial resources necessary to provide local services. In considering the economy of the community, the Local Boundary Commission shall consider property valuations, economic base, personal income, resource and commercial development, anticipated functions, and the expenses and income of the proposed city,



including the ability of the community to generate local revenue.

4. The population of the community is stable enough to support local government.

5. There is a demonstrated need for local government.

**Powers:** If the city is not in a borough, by law it must provide planning, platting, zoning; taxation; and education. Can add other powers for services (police, water, sewer, etc.) by council action.

**Local Action Needed:** Petition to the Department of Community and Regional Affairs with the signature and resident addresses of 50 permanent resident voters or 15 percent of the permanent resident voters within the proposed municipality whichever is greater, based on the number who voted in the last general election.

**Municipal Officers:** Elected council and mayor. If the city is not part of a borough it will have an elected school board and appointed planning and zoning commission. May adopt the manager plan of government.

## Second Class City

**Requirements:** A community which meets all of the above standards except (1) must incorporate as a second class city.

**Powers:** If the city is not in a borough, it may provide planning, platting and zoning. It is not required by law to do so. May add other powers for services (such as police, water, sewer, etc.) by council action. The city does not have the power of education; therefore, the city is not a school district.

**Local Action Needed:** Petition to the Department of Community and Regional Affairs with the signatures and resident addresses of 25 permanent resident voters or 15 percent of the permanent resident voters within the proposed municipality whichever is greater, based on the number who voted in the last general election.

**Municipal Officers:** Elected council. The mayor is appointed from council members. If the city is not part of a borough, it could have an appointed planning and zoning commission and an advisory school board. May adopt the manager plan of government.

**Source:** Adapted from Title 29 of State of Alaska Municipal Code. Detailed information on local government can be obtained from the State Department of Community and Regional Affairs, Juneau, Alaska. Also prepared by the League of Women Voters of Alaska.

12 Home Rule Cities

19 First Class Cities

110 Second Class Cities

# Summary of City Government

CHARACTERISTIC	TYPE OF CITY CLASSIFICATION		HOME RULE
	SECOND CLASS	FIRST CLASS	
	<u>Term of Office</u>		
City Council	3 or 4 years	3 years	Home Rule: All characteristics determined by home rule charter.
School Board	No school powers	3 years	
Mayor	1 year	3 years	
City Manager	Serves at pleasure of Council	Serves at pleasure of Council	
City Administrator	Serves at pleasure of Mayor or Mayor assumes Administrator duties	Serves at pleasure of Mayor or Mayor assumes Administrator duties	
	<u>Method of Election</u>		
City Council	Elected at large	Elected at large	
School Board	No school powers	Elected at large	
Mayor	Elected by City Council	Elected at large	
City Manager	Manager Plan adopted by Referendum. City Manager appointed by Council	Manager Plan adopted by Referendum. City Manager appointed by Council	
City Administrator	Appointed by Mayor in absence of Manager Plan	Appointed by Mayor in absence of Manager Plan	
	<u>Membership</u>		
City Council	7 members	6 members	
School Board	No school powers	5 members	
Voting Power (Mayor)	Votes on all issues	Only votes in case of ties	
Veto Power (Mayor)	No veto power	Veto power over Council action; Council has 2/3 override	

# Summary of Municipal Powers

Powers	TYPE OF CITY CLASSIFICATION		
	Second Class	First Class	Homo Rule
<b>Codify Ordinances</b>	Mandatory	Mandatory	Mandatory
<b>Establish Election Procedures</b>	Mandatory; election procedure established by ordinance	Mandatory; election procedure established by ordinance	Mandatory; election procedure established by home rule charter and by ordinance
<b>Taxation: Property Tax</b>	Optional; tax and levy established by referendum	Optional; property tax and rate established by council action	Optional; property tax and rates established by ordinance unless referendum required by home rule charter
<b>Sales Tax</b>	Optional; tax and levy established by referendum	Optional; tax and levy established by referendum rule charter	Optional; procedure established in home
<b>Education</b>	Provided by REAA	Mandatory school district*	Mandatory school district*
<b>Planning and Zoning</b>	Optional	Mandatory	Mandatory
<b>Eminent Domain</b>	Granted by referendum	Granted by ordinance	Granted by ordinance unless required by home rule
<b>Sell, Buy, Exchange Real Property</b>	Granted by ordinance	Granted by ordinance	Granted by home rule charter and by ordinance
<b>Incur Indebtedness</b>	Referendum required	Referendum required	Referendum required
<b>Revenue Bonds</b>	Ordinance required	Ordinance required	Ordinance required unless referendum required by home rule charter
<b>General Administrative Powers</b>	Optional	Optional	Optional
<b>Operate Facilities and Services</b>	Optional	Optional	Optional
<b>Regulate Rights-of-Way</b>	Optional	Optional	Optional
<b>Establish Historical Districts</b>	Optional	Optional	Optional
<b>Extraterritorial Jurisdiction</b>	Optional; powers adopted by ordinance	Optional; powers adopted by ordinance	Optional; powers adopted by ordinance

\* Only applies to cities outside of an organized borough.

## Organized Boroughs and Home Rule Municipalities

Aleutians East Borough .....	Second Class
Municipality of Anchorage .....	Unified Home Rule
Bristol Bay Borough .....	Second Class
Denali Borough .....	Home Rule
Fairbanks North Star Borough .....	Second Class
Haines Borough .....	Second Class
City and Borough of Juneau .....	Unified Home Rule
Kenai Peninsula Borough .....	Second Class
Ketchikan Gateway Borough .....	Second Class
Kodiak Island Borough .....	Second Class
Lake and Peninsula Borough .....	Home Rule
Matanuska-Susitna Borough .....	Second Class
North Slope Borough .....	Home Rule
Northwest Arctic Borough .....	Home Rule
City and Borough of Sitka .....	Unified Home Rule
City and Borough of Yakutat .....	Home Rule

## Cities Within Organized Boroughs

### Aleutian East Borough

Akulon .....	Second Class
Cold Bay .....	Second Class
False Pass .....	Second Class
King Cove .....	First Class
Sand Point .....	First Class

### Denali Borough

Anderson .....	Second Class
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### Fairbanks North Star Borough

Fairbanks .....	Home Rule
North Pole .....	Home Rule

### Kenai Peninsula Borough

Homer .....	First Class
Kachemak .....	Second Class
Kenai .....	Home Rule
Seldovia .....	First Class
Seward .....	Home Rule
Soldotna .....	First Class

### Ketchikan Gateway Borough

Ketchikan .....	Home Rule
Saxman .....	Second Class

### Haines Borough

Haines .....	First Class
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### Kodiak Island Borough

Akhiok .....	Second Class
Kodiak .....	Home Rule
Larsen Bay .....	Second Class
Old Harbor .....	Second Class
Ouzinkie .....	Second Class

### Lake and Peninsula Borough

Chignik .....	Second Class
Newhalen .....	Second Class
Nondalton .....	Second Class
Port Heiden .....	Second Class

### Matanuska-Susitna Borough

Houston .....	Second Class
Palmer .....	Home Rule
Wasilla .....	First Class

### North Slope Borough

Anaktuvuk Pass .....	Second Class
Atkasuk .....	Second Class
Barrow .....	First Class
Kaktovik .....	Second Class
Niisqut .....	Second Class
Point Hope .....	Second Class
Wainwright .....	Second Class

### Northwest Arctic Borough

Ambler .....	Second Class
Buckland .....	Second Class
Deering .....	Second Class
Kiana .....	Second Class
Kivalina .....	Second Class
Kobuk .....	Second Class
Kotzebue .....	Second Class
Noorvik .....	Second Class
Selawik .....	Second Class
Shungnak .....	Second Class

## Local Government Directory

### Municipalities and Boroughs

#### Aleutians East Borough

Second Class Borough  
P.O. Box 349  
Sand Point 99661  
383-2699/ fax: 383-3496  
Incorporated: 10/23/87  
Population: 2,745

#### Municipality of Anchorage

Unified Home Rule Municipality  
P.O. Box 196650  
Anchorage 99519-6650  
343-4431/ fax: 258-5210  
Incorporated: Sept. 1975  
Population: 240,258

#### Bristol Bay Borough

Second Class Borough  
P.O. Box 189  
Naknek 99633  
246-4224/ fax: 246-6633  
Incorporated: 10/02/62  
Population: 1,415

#### Denali Borough

Home Rule Borough  
P.O. Box 480  
Healy 99743  
683-1330/ fax: 683-1340  
Incorporated: 12/07/90  
Population: 1,832

#### Fairbanks North Star Borough

Second Class Borough  
P.O. Box 71267  
Fairbanks 99707  
452-4761/ fax: 459-1102  
Incorporated: 1/01/64  
Population: 79,730

#### Haines Borough

Third Class Borough  
Box 1209  
Haines 99827  
766-2711/ fax: 766-2716  
Incorporated: 9/29/68  
Population: 2,212

#### City and Borough of Juneau

Unified Home Rule Municipality  
155 S. Seward Street  
Juneau 99801  
586-5278  
fax: 586-5385  
Incorporated: 7/01/70  
Population: 29,251

#### Kenai Peninsula Borough

Second Class Borough  
144 N. Binkley St.  
Soldotna 99669  
262-4441/ fax: 262-1892  
Incorporated: 1/01/64  
Population: 42,242

#### Ketchikan Gateway Borough

Second Class Borough  
344 Front Street  
Ketchikan 99901  
228-6625/ fax: 247-6625  
Incorporated: 9/06/63  
Population: 14,110

#### Kodiak Island Borough

Second Class Borough  
710 Mill Bay Road  
Kodiak 99615  
486-5736/ fax: 486-9374  
Incorporated: 9/24/63  
Population: 15,535

#### Lake and Peninsula Borough

Home Rule Borough  
P.O. Box 495  
King Salmon 99613  
246-3421/ fax: 246-6602  
Incorporated: 4/24/89  
Population: 1,722

#### Matanuska-Susitna Borough

Second Class Borough  
350 E. Dahlia Ave.  
Palmer 99645-6488  
745-4801/ fax: 745-0888  
Incorporated: 1/01/64  
Population: 41,797

#### North Slope Borough

Home Rule Borough  
P.O. Box 69  
Barrow 99723  
852-2611/ fax: 852-033  
Incorporated: 7/01/72  
Population: 8,578

#### Northwest Arctic Borough

Home Rule Borough  
P.O. Box 1110  
Kotzebue 99752  
442-2500/ fax: 442-2931  
Incorporated: 6/02/86  
Population: 6,303

#### City and Borough of Sitka

Unified Home Rule Municipality  
304 Lake St.  
Sitka 99835  
747-3294/ fax: 747-7401  
Incorporated: 12/02/71  
Population: 8,815

#### City and Borough of Yakutat

Home Rule  
P.O. Box 160  
Yakutat 99689  
784-3323/ fax: 784-3281  
Incorporated: 9/22/92  
Population: 729

## Cities

**Akhiok**  
Second Class City  
P.O. Box 5050  
Kodiak 99615  
Phone: 836-2229  
Fax: 836-2209  
Incorporated: 1972  
Population: 81

**Akiak**  
Second Class City  
P.O. Box 52167  
Akiak 99552  
Phone: 765-7411  
Fax: 765-7936  
Incorporated: 1970  
Population: 287

**Akutan**  
Second Class City  
General Delivery  
Akutan 99553  
Phone: 698-2228  
Fax: 698-2202  
Also:  
721 Sesame St.,  
Suite 2A  
Anchorage 99501  
Phone: 279-9245  
Incorporated: 1979  
Population: 487

**Alakanuk**  
Second Class City  
P.O. Box 167  
Alakanuk 99554  
Phone: 238-3313  
Fax: 238-3620  
Incorporated: 1969  
Population: 559

**Aleknagik**  
Second Class City  
P.O. Box 33  
Aleknagik 99555  
Phone: 842-5953/2528  
Fax: 842-2107  
Incorporated: 1973  
Population: 200

**Allakaket**  
Second Class City  
P.O. Box 30  
Allakaket 99720  
Phone: 968-2241  
Fax: 968-2251  
Incorporated: 1975  
Population: 172

**Ambler**  
Second Class City  
P.O. Box 9  
Ambler 99786  
Phone: 445-2122  
Fax: 445-2174  
Incorporated: 1971  
Population: 301

**Anaktuvuk Pass**  
Second Class City  
P.O. Box 21030  
Anaktuvuk 99721  
Phone: 661-3612  
Fax: 661-3613  
Incorporated: 1957  
Population: 246

**Anchorage**  
(See Municipalities and  
Boroughs)

**Anderson**  
Second Class City  
P.O. Box 3100  
Anderson 99744  
Phone: 582-2500  
Fax: 582-2496  
Incorporated: 1962  
Population: 649

**Angoon**  
Second Class City  
P.O. Box 189  
Angoon 99820  
Phone: 788-3653  
Fax: 788-3821  
Incorporated: 1963  
Population: 705

**Aniak**  
Second Class City  
P.O. Box 43  
Aniak 99557  
Phone: 675-4481  
Fax: 675-4486  
Incorporated: 1972  
Population: 529

**Anvik**  
Second Class City  
P.O. Box 50  
Anvik 99558  
Phone: 663-6328  
Fax: 663-6321  
Incorporated: 1969  
Population: 104

**Atka**  
Second Class City  
P.O. Box 47070  
Atka 99547  
Phone: 839-2233  
Fax: 839-2234  
Incorporated: 1988  
Population: 87

**Atmoutluak**  
Second Class City  
General Delivery  
Atmoutluak 99719  
Phone: 553-5610  
Incorporated: 1976  
Population: 267

**Atkasuk**  
Second Class City  
P.O. Box 91119  
Atkasuk 99791  
Phone: 633-6811  
Fax: 633-6812  
Incorporated: 1982  
Population: 217

**Barrow**  
First Class City  
P.O. Box 629  
Barrow 99723  
Phone: 852-5211  
Fax: 852-5871  
Incorporated: 1959  
Population: 3,702

**Bethel**  
Second Class City  
P.O. Box 388  
Bethel 99559  
Phone: 543-2097/2047  
Fax: 543-4171  
Incorporated: 1957  
Population: 4,868

**Bettles**  
Second Class City  
P.O. Box 26023  
Bettles 99726  
Phone: 692-5191  
Incorporated: 1985  
Population: 33

**Brevig Mission**  
Second Class City  
P.O. Box 85021  
Brevig Mission 99785  
Phone: 642-3851  
Incorporated: 1969  
Population: 234

**Buckland**  
Second Class City  
P.O. Box 49  
Buckland 99727  
Phone: 494-2121  
Fax: 494-2149  
Incorporated: 1966  
Population: 340

**Chefornak**  
Second Class City  
P.O. Box 29  
Chefornak 99561  
Phone: 867-8528  
Fax: 867-8920  
Incorporated: 1974  
Population: 330

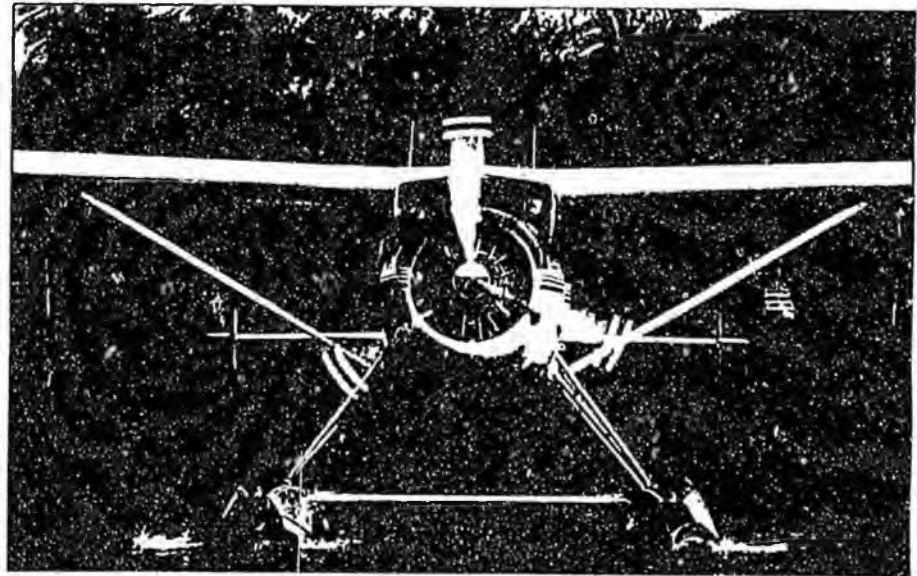
**Chevak**  
Second Class City  
P.O. Box 136  
Chevak 99563  
Phone: 858-7926  
Fax: 858-7128  
Incorporated: 1967  
Population: 619

**Chignik**  
Second Class City  
P.O. Box 110  
Chignik 99564  
Phone: 749-2280/2281  
Fax: 749-2300  
Incorporated: 1983  
Population: 177

**Chuathbaluk**  
Second Class City  
P.O. Box CHV  
Chuathbaluk 99557  
Phone: 467-4115  
Fax: 467-4313  
Incorporated: 1975  
Population: 129

**Clarks Point**  
Second Class City  
P.O. Box 9  
Clarks Point 99569  
Phone: 236-1221  
Fax: 236-1221  
Incorporated: 1971  
Population: 58

**Coffman Cove**  
Second Class City  
310 Harbor Ave.  
Coffman Cove 99918  
Phone: 329-2232  
Fax: 329-2212  
Incorporated: 1989  
Population: 198



*The mail plane! For many of Alaska's small communities, airplanes provide the only practical means of transportation. (Photo by Peter Metcalfe)*

**Cold Bay**  
Second Class City  
P.O. Box 10  
Cold Bay 99571  
Phone: 532-2401  
Fax: 532-2401  
Incorporated: 1982  
Population: 137

**Cordova**  
Home Rule City  
P.O. Box 1210  
Cordova 99574  
Phone: 424-6200  
Fax: 424-6000  
Incorporated: 1909  
Population: 2,504

**Craig**  
First Class City  
P.O. Box 725  
Craig 99921  
Phone: 826-3275  
Fax: 826-3278  
Incorporated: 1922  
Population: 1,637

**Deering**  
Second Class City  
P.O. Box 36049  
Deering 99736  
Phone: 363-2136  
Fax: 363-2156  
Incorporated: 1970  
Population: 158

**Delta Junction**  
Second Class City  
P.O. Box 229  
Delta Junction 99737  
Phone: 895-4656  
Fax: 895-4102  
Incorporated: 1960  
Population: 736

**Dillingham**  
First Class City  
P.O. Box 889  
Dillingham 99576  
Phone: 842-5211  
Fax: 842-5691  
Incorporated: 1963  
Population: 2,110

**Diomedea**  
Second Class City  
P.O. Box 7039  
Little Diomedea 99762  
Phone: 686-3071  
Fax: 686-3061  
Incorporated: 1970  
Population: 180

**Eagle**  
Second Class City  
P.O. Box 1901  
Eagle 99738  
Phone: 547-2282 (Mon-  
days)  
Incorporated: 1901  
Population: 161

**Eek**  
P.O. Box 009  
Eek 99578  
Phone: 563-5129  
Fax: 536-5711  
Incorporated: 1970  
Population: 284

**Ekwook**  
Second Class City  
P.O. Box 49  
Ekwook 99580  
Phone: 464-3311  
Fax: 464-3328  
Incorporated: 1974  
Population: 78

**Elim**  
Second Class City  
P.O. Box 39009  
Elim 99739  
Phone: 890-3441  
Fax: 890-3811  
Incorporated: 1970  
Population: 267

**Emmonak**  
Second Class City  
P.O. Box 9  
Emmonak 99581  
Phone: 949-1227  
Fax: 949-1926  
Incorporated: 1964  
Population: 592

**Fairbanks**  
Home Rule City  
410 Cushman Street  
Fairbanks 99701  
Phone: 452-6719  
Fax: 459-6710  
Incorporated: 1903  
Population: 32,156

**False Pass**  
Second Class City  
P.O. Box 50  
False Pass 99583-0050  
Phone: 548-2212  
Fax: 548-2214  
Incorporated: 1990  
Population: 84

**Fort Yukon**  
Second Class City  
P.O. Box 269  
Fort Yukon 99740  
Phone: 662-2379/2479  
Fax: 662-2717  
Incorporated: 1959  
Population: 718

**Galena**  
First Class City  
P.O. Box 149  
Galena 99741  
Phone: 656-1301/1302  
Fax: 656-1769  
Incorporated: 1971  
Population: 829

**Gambell**  
Second Class City  
P.O. Box 189  
Gambell 99742  
Phone: 985-5112  
Fax: 985-5927  
Incorporated: 1963  
Population: 546

**Golovin**  
Second Class City  
P.O. Box 62059  
Golovin 99762  
Phone: 779-3681  
Incorporated: 1971  
Population: 146

**Goodnews Bay**  
Second Class City  
P.O. Box 70  
Goodnews Bay 99589  
Phone: 967-8614  
Fax: 967-8925  
Incorporated: 1970  
Population: 236

**Grayling**  
Second Class City  
P.O. Box 89  
Grayling 99590  
Phone: 453-5148  
Fax: 453-5148  
Incorporated: 1969  
Population: 203

**Haines**  
First Class City  
P.O. Box 1049  
Haines 99827  
Phone: 766-2231  
Fax: 766-3179  
Incorporated: 1910  
Population: 1,265

**Holy Cross**  
Second Class City  
P.O. Box 203  
Holy Cross 99602  
Phone: 476-7139  
Fax: 476-7141  
Incorporated: 1968  
Population: 273

**Homer**  
First Class City  
491 E. Pioneer Avenue  
Homer 99603  
Phone: 235-8121  
Fax: 235-3140  
Incorporated: 1964  
Population: 3,937

**Hoonah**  
First Class City  
P.O. Box 360  
Hoonah 99829  
Phone: 945-3663  
Fax: 945-3445  
Incorporated: 1946  
Population: 793

**Hooper Bay**  
Second Class City  
P.O. Box 37  
Hooper Bay 99604  
Phone: 758-4311  
Fax: 758-4912  
Incorporated: 1966  
Population: 890

**Houston**  
Second Class City  
P.O. Box 27  
Houston 99694  
Phone: 892-6869  
Fax: 892-6180  
Incorporated: 1966  
Population: 815

**Hughes**  
Second Class City  
P.O. Box 45010  
Hughes 99745  
Phone: 889-2206  
Fax: 889-2220  
Incorporated: 1973  
Population: 66

**Huslia**  
Second Class City  
P.O. Box 10  
Huslia 99746  
Phone: 829-2256  
Fax: 829-2224  
Incorporated: 1969  
Population: 224

**Hydaburg**  
First Class City  
P.O. Box 49  
Hydaburg 99922  
Phone: 285-3761  
Fax: 285-3760  
Incorporated: 1927  
Population: 405

**Juneau**  
(See Municipalities and  
Boroughs)

**Kachemak**  
Second Class City  
P.O. Box 958  
Homer 99603  
Phone: 235-8897  
Fax: 235-8854  
Incorporated: 1961  
Population: 372

**Kake**  
First Class City  
P.O. Box 500  
Kake 99830  
Phone: 785-3804  
Fax: 785-4815  
Incorporated: 1952  
Population: 725

**Kaktovik**  
Second Class City  
P.O. Box 27  
Kaktovik 99747  
Phone: 640-6313  
Fax: 640-6314  
Incorporated: 1971  
Population: 224

**Kaltag**  
Second Class City  
P.O. Box 9  
Kaltag 99748  
Phone: 534-2230  
Fax: 534-2236  
Incorporated: 1969  
Population: 257

**Kasaan**  
Second Class City  
P.O. Box KXA-Kasaan  
Kelchikan 99950-0340  
Phone: 542-2212  
Fax: 542-2223  
Incorporated: 1976  
Population: 52

**Kasigluk**  
Second Class City  
Akula Heights  
Kasigluk 99609  
Phone: 477-6929  
Incorporated: 1982  
Population: 459

**Kenai**  
Home Rule City  
210 Fidalgo Ave.  
Kenai 99611  
Phone: 283-7535  
Fax: 283-3014  
Incorporated: 1960  
Population: 6,535

**Home Rule City**  
334 Front Street  
Ketchikan 99901  
Phone: 225-3111  
Fax: 225-5075  
Incorporated: 1900  
Population: 8,478

**Kiana**  
Second Class City  
P.O. Box 150  
Kiana 99749  
Phone: 475-2136  
Fax: 475-2174  
Incorporated: 1964  
Population: 401

**King Cove**  
First Class City  
P.O. Box 37  
King Cove 99612  
Phone: 497-2340  
Fax: 497-2594/ Also:  
1007 W. 3rd Ave., #201  
Anchorage 99501  
Phone: 274-7555  
Incorporated: 1947  
Population: 871

**Kivalina**  
Second Class City  
P.O. Box 50079  
Kivalina 99750  
Phone: 645-2137  
Fax: 645-2175  
Incorporated: 1969  
Population: 327

**Klawock**  
First Class City  
P.O. Box 113  
Klawock 99925  
Phone: 755-2261  
Fax: 755-2403  
Incorporated: 1929  
Population: 758

**Kobuk**  
Second Class City  
P.O. Box 20  
Kobuk 99751  
Phone: 948-2217  
Fax: 948-2228  
Incorporated: 1973  
Population: 110

**Home Rule City**  
P.O. Box 1397  
Kodiak 99615  
Phone: 486-8636  
Fax: 486-8600  
Incorporated: 1940  
Population: 7,229

**Kotlik**  
Second Class City  
P.O. Box 20268  
Kotlik 99620  
Phone: 899-4313  
Fax: 899-4826  
Incorporated: 1970  
Population: 503

**Kotzebue**  
Second Class City  
P.O. Box 46  
Kotzebue 99752  
Phone: 442-3401  
Fax: 442-3742  
Incorporated: 1958  
Population: 3,075

**Koyuk**  
Second Class City  
P.O. Box 29  
Koyuk 99753  
Phone: 963-3441  
Fax: 963-3442  
Incorporated: 1970  
Population: 277

**Koyukuk**  
Second Class City  
P.O. Box 49  
Koyukuk 99754  
Phone: 927-2214  
Fax: 927-2215  
Incorporated: 1973  
Population: 127

**Kupreanof**  
Second Class City  
P.O. Box 50  
Petersburg 99833  
Phone: 772-3660  
Incorporated: 1975  
Population: 24

**Second Class City**  
P.O. Box 63  
Kwethluk 99621  
Phone: 757-6614  
Incorporated: 1975  
Population: 559

**Larsen Bay**  
Second Class City  
P.O. Box 8  
Larsen Bay 99624  
Phone: 847-2211  
Fax: 847-2239  
Incorporated: 1974  
Population: 149

**Lower Kalskag**  
Second Class City  
P.O. Box 81  
Lower Kalskag 99626  
Phone: 471-2228  
Fax: 471-2308  
Incorporated: 1969  
Population: 299

**Manokotak**  
Second Class City  
P.O. Box 170  
Manokotak 99628  
Phone: 289-1027/2007  
Fax: 289-2035  
Incorporated: 1970  
Population: 404

**Marshall**  
Second Class City  
P.O. Box 09  
Marshall 99585  
Phone: 639-6415/6215  
Fax: 679-6220  
Incorporated: 1970  
Population: 318

**McGrath**  
Second Class City  
P.O. Box 30  
McGrath 99627  
Phone: 542-3825  
Fax: 524-3536  
Incorporated: 1975  
Population: 531

**Mekoryuk**  
Second Class City  
P.O. Box 29  
Mekoryuk 99630  
Phone: 827-8314  
Fax: 827-8626  
Incorporated: 1969  
Population: 206

**Metlakatla**  
Federal Law City  
P.O. Box 8  
Metlakatla 99926  
Phone: 886-4441  
Fax: 886-7997  
Incorporated: 1944  
Population: 1,564

**Mountain Village**  
Second Class City  
P.O. Box 32085  
Mountain Village 99632  
Phone: 591-2929/2715  
Fax: 591-2920  
Incorporated: 1967  
Population: 727

**Napakiak**  
Second Class City  
General Delivery  
Napakiak 99634  
Phone: 589-2611  
Fax: 589-2412  
Incorporated: 1970  
Population: 323

**Napaskiak**  
Second Class City  
P.O. Box 6109  
Napaskiak 99559  
Phone: 737-7626  
Fax: 737-7412  
Incorporated: 1971  
Population: 362

**Nenana**  
Home Rule City  
P.O. Box 70  
Nenana 99760  
Phone: 832-5501  
Fax: 832-5503  
Incorporated: 1921  
Population: 504

**New Stuyahok**  
Second Class City  
P.O. Box 10  
New Stuyahok 99636  
Phone: 693-3111/3171  
Fax: 693-3176  
Incorporated: 1972  
Population: 396

**Newhalen**  
Second Class City  
P.O. Box 165  
Iliamna 99606  
Phone: 571-1226  
Incorporated: 1971  
Population: 161

**Newtok**  
Second Class City  
Gen. Delivery/City Office  
Newtok 99559  
Phone: 237-2315  
Incorporated: 1976  
Population: 213

**Nightmute**  
Second Class City  
P.O. Box NME  
Nightmute 99690  
Phone: 647-6426  
Incorporated: 1974  
Population: 178

**Nikolai**  
Second Class City  
P.O. Box 25  
Nikolai 99691  
Phone: 293-2113  
Fax: 293-2428  
Incorporated: 1970  
Population: 107

**Nome**  
First Class City  
Pouch 281  
Nome 99762-0281  
Phone: 443-5242  
Fax: 443-5349  
Incorporated: 1901  
Population: 4,559

**Nondalton**  
Second Class City  
P.O. Box 089  
Nondalton 99640  
Phone: 294-2235  
Fax: 294-2239  
Incorporated: 1971  
Population: 212

**Noorvik**  
Second Class City  
P.O. Box 146  
Noorvik 99763  
Phone: 636-2100/2211  
Fax: 636-2135  
Incorporated: 1964  
Population: 520

**North Pole**  
Home Rule City  
P.O. Box 55109  
North Pole 99705  
Phone: 488-2281  
Fax: 488-3002  
Incorporated: 1953  
Population: 1,671

**Nuiqsut**  
Second Class City  
P.O. Box 148  
Nuiqsut 99789  
Phone: 480-6727  
Fax: 480-6928  
Incorporated: 1975  
Population: 391

**Nulato**  
Second Class City  
P.O. Box 65009  
Nulato 99765  
Phone: 898-2205  
Fax: 898-2207  
Incorporated: 1963  
Population: 364

**Nunapitchuk**  
Second Class City  
P.O. Box 190  
Nunapitchuk 99641  
Phone: 527-5327  
Incorporated: 1969  
Population: 475

**Second Class City**  
P.O. Box 109  
Old Harbor 99643  
Phone: 286-2204/2203  
Fax: 286-2278  
Incorporated: 1966  
Population: 298

**Ouzinkie**  
Second Class City  
P.O. Box 109  
Ouzinkie 99644  
Phone: 680-2209  
Fax: 680-2223  
Incorporated: 1967  
Population: 216

**Palmer**  
Home Rule City  
231 W. Evergreen Ave.  
Palmer 99645  
Phone: 745-3271  
Fax: 745-0930  
Incorporated: 1951  
Population: 3,039

**Pelican**  
First Class City  
P.O. Box 757  
Pelican 99832  
Phone: 735-2202  
Fax: 735-2258  
Incorporated: 1943  
Population: 265

**Petersburg**  
Home Rule City  
P.O. Box 329  
Petersburg 99833  
Phone: 772-4511  
Fax: 772-3759  
Incorporated: 1910  
Population: 3,680

**Pilot Point**  
Second Class City  
P.O. Box 430  
Pilot Point 99649-0430  
Phone: 797-2200  
Fax: 797-2211  
Incorporated: 1992  
Population: 97

**Second Class City**  
P.O. Box 5040  
Pilot Station 99650  
Phone: 549-3211  
Fax: 549-3014  
Incorporated: 1969  
Population: 470

**Platinum**  
Second Class City  
General Delivery  
Platinum 99651  
Phone: 979-8114  
Fax: 979-8114  
Incorporated: 1975  
Population: 54

**Point Hope**  
Second Class City  
P.O. Box 169  
Point Hope 99766  
Phone: 368-2537/2836  
Fax: 368-2835  
Incorporated: 1966  
Population: 680

**Port Alexander**  
Second Class City  
P.O. Box 8068  
Port Alexander 99836  
Phone: 568-2211  
Incorporated: 1974  
Population: 119

**Port Heiden**  
Second Class City  
P.O. Box 490  
Port Heiden 99549  
Phone: 837-2009  
Fax: 837-2240  
Incorporated: 1972  
Population: 119

**Port Lions**  
Second Class City  
P.O. Box 110  
Port Lions 99500  
Phone: 454-2002  
Fax: 454-2420  
Incorporated: 1966  
Population: 233

**Quinhagak**  
Second Class City  
P.O. Box 90  
Quinhagak 99655  
Phone: 556-8315/8615  
Incorporated: 1975  
Population: 501

**Ruby**  
Second Class City  
P.O. Box 90  
Ruby 99768  
Phone: 468-4401/4424  
Fax: 468-4443  
Incorporated: 1973  
Population: 207

**Russian Mission**  
Second Class City  
P.O. Box 49  
Russian Mission 99657  
Phone: 584-5111  
Incorporated: 1979  
Population: 266

**St. George**  
Second Class City  
P.O. Box 929  
St. George Island 99591  
Phone: 859-2263/2264  
Fax: 859-2212 Also:  
4000 Old Seward Highway,  
Suite 301  
Anchorage 99503  
Phone: 561-2124  
Incorporated: 1983  
Population: 287

**St. Mary's**  
First Class City  
P.O. Box 163  
St. Mary's 99658  
Phone: 438-2515/2617  
Fax: 438-2719  
Incorporated: 1967  
Population: 477

**St. Michael**  
Second Class City  
P.O. Box 70  
St. Michael 99659  
Phone: 923-3222  
Fax: 932-2284  
Incorporated: 1969  
Population: 324

**Second Class City**  
P.O. Box 901  
St. Paul Island 99660  
Phone: 546-2331  
Fax: 546-2365  
Incorporated: 1971  
Population: 771

**Sand Point**  
First Class City  
P.O. Box 249  
Sand Point 99661  
Phone: 383-2696  
Fax: 383-2698  
Also:  
1007 W. 3rd Ave., #201  
Anchorage 99501  
Phone: 274-7555  
Incorporated: 1966  
Population: 1,073

**Savoonga**  
Second Class City  
P.O. Box 87  
Savoonga 99769  
Phone: 984-6614  
Fax: 984-6411  
Incorporated: 1969  
Population: 545

**Saxman**  
Second Class City  
Route 2, Box 1  
Saxman 99901  
Phone: 225-4166  
Fax: 225-6450  
Incorporated: 1930  
Population: 379

**Scammon Bay**  
Second Class City  
P.O. Box 90  
Scammon Bay 99662  
Phone: 558-5529  
Fax: 558-5626  
Incorporated: 1967  
Population: 360

**Second Class City**  
P.O. Box 49  
Selawik 99770  
Phone: 484-2132  
Fax: 484-2209  
Incorporated: 1977  
Population: 597

**Seldovia**  
First Class City  
P.O. Drawer B  
Seldovia 99663  
Phone: 234-7643  
Fax: 234-7430  
Incorporated: 1945  
Population: 302

**Seward**  
Home Rule City  
P.O. Box 167  
Seward 99664  
Phone: 224-3331  
Fax: 224-3248  
Incorporated: 1912  
Population: 2,806

**Shageluk**  
Second Class City  
P.O. Box 107  
Shageluk 99665  
Phone: 473-8221  
Fax: 473-8220  
Incorporated: 1970  
Population: 144

**Shaktoolik**  
Second Class City  
P.O. Box 10  
Shaktoolik 99771-0027  
Phone: 955-3441  
Fax: 955-3221  
Incorporated: 1969  
Population: 212

**Sheldon Point**  
Second Class City  
P.O. Box SXP  
Sheldon Point 99666  
Phone: 498-4226/4250  
Fax: 498-4250  
Incorporated: 1974  
Population: 103

**Second Class City**  
General Delivery  
Shishmaref 99772  
Phone: 649-3781/4811  
Fax: 649-3731  
Incorporated: 1969  
Population: 466

**Shungnak**  
Second Class City  
P.O. Box 59  
Shungnak 99773  
Phone: 473-2161  
Fax: 437-2176  
Incorporated: 1967  
Population: 224

**Skagway**  
First Class City  
P.O. Box 415  
Skagway 99840  
Phone: 983-2297  
Fax: 983-2151  
Incorporated: 1900  
Population: 735

**Soldotna**  
First Class City  
177 N. Birch St.  
Soldotna 99669  
Phone: 262-9107  
Fax: 262-1245  
Incorporated: 1967  
Population: 3,652

**Stebbins**  
Second Class City  
P.O. Box 22  
Stebbins 99671  
Phone: 934-3451  
Fax: 934-3452  
Incorporated: 1969  
Population: 442

**Tanana**  
First Class City  
P.O. Box 249  
Tanana 99777  
Phone: 366-7159  
Fax: 366-7205  
Incorporated: 1961  
Population: 407

# Federal Government and International

**Teller**  
Second Class City  
P.O. Box 548  
Teller 99778  
Phone: 642-3401  
Fax: 642-2051  
Incorporated: 1963  
Population: 254

**Tenakee Springs**  
Second Class City  
P.O. Box 52  
Tenakee Springs 99841  
Phone: 736-2221  
Incorporated: 1971  
Population: 106

**Thorne Bay**  
Second Class City  
P.O. Box 19110  
Thorne Bay 99919  
Phone: 828-3380  
Fax: 828-3374  
Incorporated: 1982  
Population: 637

**Togiak**  
Second Class City  
P.O. Box 99  
Togiak 99678-0099  
Phone: 493-5820/5920  
Fax: 493-5932  
Incorporated: 1969  
Population: 738

**Toksook Bay**  
Second Class City  
Gen. Delivery, Nelson Is.  
Toksook Bay 99637  
Phone: 427-7613/7511  
Incorporated: 1972  
Population: 449

**Tuluksak**  
Second Class City  
General Delivery  
Tuluksak 99679  
Phone: 695-6212  
Incorporated: 1970  
Population: 371

**Tununak**  
Second Class City  
P.O. Box 69  
Tununak 99681  
Phone: 652-6527  
Incorporated: 1975  
Population: 333

**Unalakleet**  
Second Class City  
P.O. Box 28  
Unalakleet 99684  
Phone: 624-3531  
Fax: 624-3130  
Incorporated: 1974  
Population: 732

**Unalaska**  
First Class City  
P.O. Box 89  
Unalaska 99685  
Phone: 581-1251  
Fax: 581-1417  
Incorporated: 1942  
Population: 3,825

**Upper Kalskag**  
Second Class City  
P.O. Box 80  
Upper Kalskag 99607  
Phone: 471-2220  
Incorporated: 1975  
Population: 173

**Valdez**  
Home Rule City  
P.O. Box 307  
Valdez 99686  
Phone: 835-4313  
Fax: 835-2992  
Incorporated: 1901  
Population: 4,360

**Wainwright**  
Second Class City  
P.O. Box 9  
Wainwright 99782  
Phone: 763-2815  
Fax: 763-2811  
Incorporated: 1962  
Population: 536

**Wales**  
Second Class City  
P.O. Box 489  
Wales 99783  
Phone: 664-3501  
Fax: 664-3641  
Incorporated: 1964  
Population: 147

**Wasilla**  
First Class City  
290 E. Herning Ave.  
Wasilla 99654-7091  
Phone: 373-9050  
Fax: 373-9085  
Incorporated: 1974  
Population: 4,124

**White Mountain**  
Second Class City  
P.O. Box 66  
White Mountain 99784  
638-3411/ fax: 638-3421  
Incorporated: 1969  
Population: 182

**Whittier**  
Second Class City  
P.O. Box 608  
Whittier 99693  
472-2327/ fax: 472-2404  
Incorporated: 1969  
Population: 279

**Wrangell**  
Home Rule City  
P.O. Box 531  
Wrangell 99929  
874-2382/ fax: 874-3952  
Incorporated: 1903  
Population: 2,539

**Yakutat**  
(See Municipalities and  
Boroughs)



## FEDERAL GOVERNMENT and INTERNATIONAL

Congressional Delegation .....	
Alaska Congressional Office Addresses .....	
Federal Judges Since Statehood .....	
International Trade .....	
Foreign Consuls in Residence in Alaska .....	
Military in Alaska .....	

# First Class City

**Requirements:** A community that meets the following standards may incorporate as a first class city:

1. The community has 400 or more permanent residents.
2. The boundaries of the proposed city include all areas necessary to provide municipal services on an efficient scale.
3. The economy includes the human and financial resources necessary to provide local services. In considering the economy of the community, the Local Boundary Commission shall consider property valuations, economic base, personal income, resource and commercial development, anticipated functions, and the expenses and income of the proposed city, including the ability of the community to generate local revenue.
4. The population of the community is stable enough to support local government.
5. There is a demonstrated need for local government.

**Powers:** If the city is not in a borough, by law it must provide planning, platting, zoning; taxation; and education. Can add other powers for services (police, water, sewer, etc.) by council action.

**Local Action Needed:** Petition to the Department of Community and Regional Affairs with the signature and resident addresses of 50 permanent resident voters or of 15 percent of the permanent resident voters within the proposed municipality, whichever is greater, based on the number who voted in the last general election.

**Municipal Officers:** Elected council and mayor. If the city is not part of a borough it will have an elected school board and appointed planning and zoning commission. May adopt the manager plan of government.

# Second Class City

**Requirements:** A community which meets all of the above standards except (1) may incorporate as a second class city.

**Powers:** If the city is not in a borough, it may provide planning, platting and zoning. It is not required by law to do so. May add other powers for services (such as police, water, sewer, etc.) by council action. The city does not have the power of education; therefore, the city is not a school district.

**Local Action Needed:** Petition to the Department of Community and Regional Affairs with the signatures and resident addresses of 25 permanent resident voters or of 15 percent of the permanent resident voters within the proposed municipality, whichever is greater, based on the number who voted in the last general election.

**Municipal Officers:** Elected council. The mayor is appointed from council members. If the city is not part of a borough, it could have an appointed planning and zoning commission and an advisory school board. May adopt the manager plan of government.

**Source:** Adapted from Title 29 of State of Alaska Municipal Code. Detailed information on local government can be obtained from the State Department of Community and Regional Affairs, Juneau, Alaska. Also prepared by the League of Women Voters of Alaska.

# Summary of Municipal Powers

Powers	TYPE OF CITY CLASSIFICATION		
	Second Class	First Class	Home Rule
<b>Codify Ordinances</b>	Mandatory	Mandatory	Mandatory
<b>Establish Election Procedures</b>	Mandatory; election procedure established by ordinance	Mandatory; election procedure established by ordinance	Mandatory; election procedure established by home rule charter and by ordinance
<b>Taxation: Property Tax</b>	Optional; tax and levy established by referendum	Optional; property tax and rate established by council action	Optional; property tax and rates established by ordinance unless referendum required by home rule charter
<b>Sales Tax</b>	Optional; tax and levy established by referendum	Optional; tax and levy established by referendum rule charter	Optional; procedure established in home
<b>Education</b>	Provided by REAA	Mandatory school district*	Mandatory school district*
<b>Planning and Zoning</b>	Optional	Mandatory	Mandatory
<b>Eminent Domain</b>	Granted by referendum	Granted by ordinance	Granted by ordinance unless required by home rule
<b>Sell, Buy, Exchange Real Property</b>	Granted by ordinance	Granted by ordinance	Granted by home rule charter and by ordinance
<b>Incur Indebtedness</b>	Referendum required	Referendum required	Referendum required
<b>Revenue Bonds</b>	Ordinance required	Ordinance required	Ordinance required unless referendum required by home rule charter
<b>General Administrative Powers</b>	Optional	Optional	Optional
<b>Operate Facilities and Services</b>	Optional	Optional	Optional
<b>Regulate Rights-of-Way</b>	Optional	Optional	Optional
<b>Establish Historical Districts</b>	Optional	Optional	Optional
<b>Extraterritorial Jurisdiction</b>	Optional; powers adopted by ordinance	Optional; powers adopted by ordinance	Optional; powers adopted by ordinance

\* Only applies to cities outside of an organized borough.

# Summary of City Government

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## TYPE OF CITY CLASSIFICATION

CHARACTERISTIC	SECOND CLASS	FIRST CLASS	HOME RULE
	<u>Term of Office</u>		
City Council	3 or 4 years	3 years	Home Rule: All characteristics determined by home rule charter
School Board	No school powers	3 years	
Mayor	1 year	3 years	
City Manager	Serves at pleasure of Council	Serves at pleasure of Council	
City Administrator	Serves at pleasure of Mayor or Mayor assumes Administrator duties	Serves at pleasure of Mayor or Mayor assumes Administrator duties	
	<u>Method of Election</u>		
City Council	Elected at large	Elected at large	
School Board	No school powers	Elected at large	
Mayor	Elected by City Council	Elected at large	
City Manager	Manager Plan adopted by Referendum. City Manager appointed by Council	Manager Plan adopted by Referendum. City Manager appointed by Council	
City Administrator	Appointed by Mayor in absence of Manager Plan	Appointed by Mayor in absence of Manager Plan	
	<u>Membership</u>		
City Council	7 members	6 members	
School Board	No school powers	5 members	
Voting Power (Mayor)	Votes on all issues	Only votes in case of ties	
Veto Power (Mayor)	No veto power	Veto power over Council action; Council ... override	

**First and Second Class City Powers  
for Municipalities Not in a Borough**

<u>General Powers</u>	<u>Second Class</u>	<u>First Class</u>	<u>References</u>
Municipal Property	Mandatory	Mandatory	AS 29.35.090
Administrative, Legal, Financial	Optional	Optional	AS 29.35.010
Alcoholic Beverages	Optional	Optional	AS 29.35.080 As 04.11.480-560
Emergency Disasters	Optional	Optional	AS 29.35.040
Emergency Services Communication Center	Optional	Optional	AS 29.35.130
Eminent Domain	Optional w/voter OK	Optional	AS 29.35.030
Extraterritorial Jurisdiction	Opt/limited w/voter OK	Opt/limited w/voter OK	AS 29.35.020
Franchise and Permits	Optional	Optional	AS 29.35.060
Gargage and Solid Waste	Optional	Optional	AS 29.35.050
Public Utilities	Optional	Optional	AS 29.35.070
Taxes - Assessment and Collection	Optional w/voter OK	Optional w/voter OK	As 29.35.010(6) As 29.45.550
Property Tax Limits	5 Mills	30 Mills	As 29.45.090 & 590
Sales Tax Limit	6 Percent	6 Percent	AS 29.45.650 & 700
<u>Other Powers</u>			
Education	Not Allowed	Mandatory	AS 29.35.260(b)
Planning, etc...	Optional	Mandatory	AS 29.35.260(c)
Any Other Power Not Prohibited by Law	Optional	Optional	AS 29.35.260

# ALASKA STATE LEGISLATURE

Delta Junction Office  
P.O. Box 1189  
Delta Junction, AK 99737-1189  
907-895-4236



White in Juneau  
State Capitol, Room 110  
Juneau, AK 99801  
907-465-4859

Representative Harley Olberg

## SPONSOR SUMMARY CS FOR SSHB 397

An Act relating to the power to levy property taxes in second class cities and combining a property tax and incorporation question.

### NEED FOR THE LEGISLATION

Alaska statutes 29.45.590 presents an operations and economic development problem for second class cities. That law places a 5 mill limit on the rate of real and personal property second class cities may levy. Given new and emerging fiscal policies of the state which result in less municipal assistance and revenue sharing, less state and federal grant money and heavy competition for these scarce dollars, second class cities, who have traditionally relied on the sources to make up their budgets, face revenue shortfalls which threaten their economic stability and hinder development.

The effect of state and federal fiscal problems increasingly comes to rest at the local level. It is unlikely that this trend will reverse. The bulk of Alaska's municipal governments are second class cities, 117 in all. The State of Alaska wishes to transfer more fiscal responsibility to local governments for the operation of a host of programs formerly well funded through grants. The missing link in this policy is the transfer of full taxation powers to second class cities so they can make decisions regarding the level of taxation they wish to impose upon themselves for services.

# ALASKA STATE LEGISLATURE

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State Capitol, Room 110  
Juneau, AK 99801  
907-465-4859

## Representative Harley Olberg

AS 29.45.590 was written in an era much different than we find today. We have researched the legislative history of this and can find nothing in the written record to suggest the reason second class cities were limited to 5 mills. However, anecdotal information gleaned from legal scholars who have studied Title 29 Suggest that the limitation was included as an incentive for communities to incorporate without the fear that in so doing they would be setting themselves up for high taxes,. While this may have been an incentive many years ago given the revenue 5 mills will raise in a small communities, it would most likely not be such an incentive today.

**IF THE STATE WISHES TO IMPOSE GREATER FINANCIAL RESPONSIBILITY ON SECOND CLASS CITIES IT MUST REMOVE THE LEGAL SHACKLES. CS FOR SSHB 397 IS THE MOST IMPORTANT STEP THE LEGISLATURE CAN TAKE IN THE REGARD.**

CS for SSHB 397 allows a second class city to levy a property tax of to 20 mills (2%), without a referendum. At present the maximum allowable limit is 5 mills (.5%).

At the present time, there are only two second class cities, located outside boroughs, which levy a property tax, Eagle and Whittier. C&RA states there is little activity of any other second class cities pursuing a property tax. Based upon these facts it appears that there would be little fiscal impact it any by passage of this bill.

# ALASKA STATE LEGISLATURE

*Delta Junction Office*  
P.O. Box 1189  
Delta Junction, AK 99737-1189  
907-895-4236



*While in Juneau*  
State Capitol, Room 110  
Juneau, AK 99801  
907-465-4859

## Representative Harley Olberg

In regards to the referendum question, the Alaska Municipal league supports the removal of the requirements that any property tax levy be set by referendum. In Alaska second class cities, just as in other municipalities, council members are elected by the voters to make the decisions necessary to run the city. They should be given the ability to set property tax levies by ordinance without having to refer each change to the voters. Conducting elections is both expensive and time consuming.

City councils do not act in a vacuum, particularly in small cities. If the deletion of referendum is passed, the property tax levies would be set by ordinance, just as they are in other type municipalities, and citizens would have ample opportunity to express their concerns. Council members should be given authority to do that for which they have been given responsibility. Nothing would keep them from referring the issue of a property tax levy to the public for an advisory vote, but it should not be required.

**HB**

**403**

# HOUSE LABOR AND COMMERCE COMMITTEE

ALASKA STATE LEGISLATURE

STATE CAPITOL, JUNEAU, AK 99801-1182  
(907) 465-4954



## SPONSOR STATEMENT FOR HOUSE BILL 403

The best method of assuring the Alaska consumer of competitive auto insurance premiums is to have a marketplace which encourages competition. A greater number of insurance companies doing business in Alaska will ensure a more competitive premium in all areas of insurance coverages. HB 403 was introduced to encourage this competitive marketplace by not mandating unreasonable insurance coverages.

Current law requires all insurance companies offering auto liability coverage to provide coverage up to \$1,000,000 per person for bodily injury or death of one person and \$2,000,000 per accident for bodily injury or death for more than one person (known in the industry as uninsured/underinsured motor vehicle coverage). (See AS 21.89.020)

No other state mandates a company to offer UM/UIM coverage higher than the driver selects for himself. In fact, no other state mandates even the minimum levels of coverage we have here in Alaska of 50/100/25 (see attached list).

HB 403 removes the mandatory offering of \$1 million/\$2 million by amending AS 21.89.020(c) to require coverage that includes policy limits equal to the limit voluntarily purchased to cover the insured's liability for bodily injury or death. Coverage may not, however, be less than the policy limit in AS 28.20.440.

Since records show virtually no one now opts for the high Alaska UM/UIM limits and Alaska's minimal limits are twice the amount in any other state, these changes are very reasonable.

Nothing precludes any motorist from purchasing any level desired, but this bill now removes the mandated "offer" provision.

HB 403 has the support of the Division of Insurance and the Alaska Independent Insurance Agents and Brokers, and has a zero fiscal note.

WALTER J. HICKEL, GOVERNOR

DEPARTMENT OF COMMERCE AND  
ECONOMIC DEVELOPMENT

DIVISION OF INSURANCE

P. O. BOX 110805  
JUNEAU, ALASKA 99811-0805  
PHONE (907) 465-2515

January 18, 1994

The Honorable Bill Hudson  
Alaska House of Representatives  
State Capitol, Room 108  
Juneau, Alaska 99801-1182

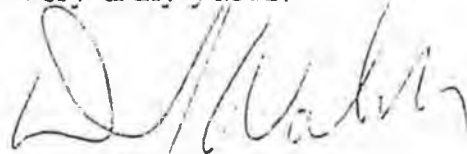
Dear Representative Hudson:

Re: Uninsured Motorist Coverage Offer

AS 21.89.020(c)(2) requires the offer of uninsured or underinsured motorists coverage in excess of coverages voluntarily purchased by an insured. This rule has been a barrier to insurers wishing to do business in the state but who are unable to provide the high limits required in the mandatory offer. Our discussions with insurers suggest that the offer of higher limits is rarely accepted.

The Division of Insurance supports a revision that would remove the mandatory offer of higher limits and returns to a mandatory offer to match the limits voluntarily purchased. We would be pleased to work with you to revise the law to reflect such a change.

Very truly yours,



David Walsh  
Director



AUTO FIRE CASUALTY LIFE

341 S. ALASKA ST

PALMER, ALASKA 99641

FAX (907) 745-7176  
TOLL FREE 1-800-478-2144  
PHONE (907) 745-2144

February 19th, 1994

Alaska House of Representatives  
State of Alaska  
Chairman Hudson, House Labor & Commerce Committee

Re: HB 403

Dear Chairman Hudson,

I am submitting this letter as rebuttal to the testimony given to the committee, by Senator Dave Donley regarding this bill.

Uninsured motorists coverage has been available to the citizens of Alaska for several decades, and originally only applied to bodily injury. Industrial Indemnity Company began voluntarily offering uninsured motorists property damage coverage in the mid 1970's, and many of the competing insurance companies followed that lead.

Underinsured motorists coverage is a relatively new coverage that was introduced to Alaska in the early 1980's, and became available to all insureds with the passage of the mandatory automobile insurance statutes.

The concern that has been expressed by the insurance industry, is not the availability or requirements to offer uninsured/underinsured motorists coverage, as all insurance companies currently offer and promote the benefits of the coverage, but rather the requirement to offer this valuable coverage at higher limits than the insurance company would voluntarily provide.

A few insurance companies that provide automobile insurance coverage in Alaska only desire to provide limits of liability up to \$200,000.00. This is usually due to the type of drivers that they market their insurance too, such as higher risk drivers. The current statutes mandate that this insurance company offer to this driver limits of uninsured/underinsured motorists coverage up to \$1,000,000.00 per person for bodily injury and \$2,000,000.00 per accident for bodily injury. Very few of these drivers actually choose this limit of coverage, but the mandated requirement is present.

The general practice by insurance professionals and promoted by the insurance companies, is to offer the same corresponding limit of insurance for uninsured/underinsured motorists coverage as is provided for the drivers liability limit to the public.

LETTERS OF SUPPORT

An example would be to provide a \$300,000.00 limit of liability for the public protection, and \$300,000.00 limit of uninsured/underinsured motorists coverage for the insured. No other state in the union mandates that the insurance company offer limits of uninsured/underinsured motorists coverage higher than those provided for protection to the public. The thinking is that if the insured is willing to purchase protection to the public at a certain limit, then that insured should be able to ensure protection for their own family equal to that same limit.

The State of Alaska has many statutes and regulations that address the insurance requirements for protection to the public, including Construction Contractors, Truckers, Air Taxi Operators, etc. In all of these instances, the statutes and regulations only address the minimum requirements that must be maintained by the regulated business, they certainly do not stipulate a maximum that must be provided.

I would like to encourage the committee to promote the minimum standards, and let the insurance market competition dictate the higher levels of insurance limits offered to the insured.

In the testimony given to the committee by Senator Donley, I need to clarify a rather glaring misunderstanding that he has regarding an 'Umbrella Policy'. I am unaware of any 'Umbrella Policy' that offers the limits to be excess over any uninsured/underinsured motorists coverage. An 'Umbrella Policy' is an insurance contracts that offer limits of liability (liability to other people and other property) that are excess over the insured's other insurance policies. These policy limits do not apply to any uninsured/underinsured motorists coverages. HB 403 would have absolutely no affect on any 'Umbrella Policy'.

Sincerely,



Michael P. Combs, CIC  
President

MFC/MC

*progressive*

December 13, 1993

11010 WHITE ROCK ROAD  
P.O. BOX 2350  
RANCHO CORDOVA, CALIFORNIA 95741-2350

Ms. Gina McBride  
Alaska Independent Insurance Agents & Brokers, Inc.  
P.O. Box 205088  
Anchorage, AK 99520-5088

RE: Letter of Support  
Changes to Alaska UM/UM Statute (AS 21.89.020 (c) )

Dear Ms. McBride:

This letter is to confirm Progressive's support for the changes to the Alaska statute concerning Uninsured/Underinsured Motorists coverage being proposed by the Alaska Independent Agents & Brokers.

Your changes would replace the requirement for companies to offer \$1,000,000/\$2,000,000 UM/UM limits with a requirement to offer UM/UM limits equal to the Bodily Injury/Property Damage limits on the policy.

We believe that these limits will provide sufficient protection for Alaskans, while eliminating a potential source of litigation and/or un-reinsured catastrophic loss for companies.

Progressive provides both preferred and non-standard automobile insurance to over 10,000 drivers in Alaska.

Sincerely,

*Mark D. Niehaus / DM*

Mark D. Niehaus  
Vice President

## UNINSURED/UNDERINSURED MOTORIST LIMITS INFORMATION

The AIIAB made contact with the National organization, the Independent Insurance Agents of America, requesting information on the limits of UM/UIM that are required in other states. The response from Matt Middaugh indicates that almost every state has UM/UIM limits that parallel those required for bodily injury and property damage. Following is the listing of various states with the requirements for bodily injury/property damage limits and the indication that these states also require these same limits be offered for uninsured/underinsured motorist coverage.

STATE	LIABILITY	STATE	LIABILITY
Alabama	20/40/10	Missouri	25/50/10
Arizona	15/30/10	Montana	25/50/10
Arkansas	25/50/15	Nebraska	25/50/25
California	15/30/5	Nevada	15/30/10
Colorado	25/15/10	New Hampshire	25/50/25
Connecticut	20/40/10	New Jersey	15/30/5
Delaware	15/30/10	New Mexico	25/50/10
Dist. Of		New York	25/50/5
Columbia	25/50/10	N. Carolina	25/50/10
Florida	10/20/10	N. Dakota	25/50/25
Georgia	15/30/10	Ohio	12.5/25/7.5
Hawaii	15/35/10	Oklahoma	10/20/10
Idaho	25/50/15	Oregon	25/50/10
Illinois	20/40/15	Pennsylvania	15/30/5
Indiana	25/50/10	Rhode Island	25/50/25
Iowa	20/40/15	S. Carolina	15/30/5
Kansas	25/50/10	S. Dakota	25/50/25
Kentucky	25/50/10	Tennessee	20/50/10
Louisiana	10/20/10	Texas	20/40/15
Maine	20/40/10	Utah	25/50/15
Maryland	20/40/10	Vermont	20/40/10
Massachusetts	10/15/30	Virginia	25/50/20
Michigan	20/40/10	Washington	25/50/10
Minnesota	30/60/10	W. Virginia	20/40/10
Mississippi	10/20/5	Wisconsin	25/50/10
		Wyoming	25/50/20

The first two figures refer to bodily injury liability limits and the third figure to property damage liability. For example, 10/20/5 means coverages up to \$20,000 for all persons injured in an accident, subject to a limit of \$10,000 for one individual, and \$5,000 for property damage coverage.

NOTE: In comparison, Alaska's liability rate is 50/100/25, the highest in the nation.

FISCAL NOTE

No. 1

Bill Version: HB 403

(H) Publish Date: 2/23/94

STATE OF ALASKA  
1994 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_  
Title: Automotive Liability Insurance Coverage

Department Affected: Commerce and Economic Development  
BRU: Insurance  
Component: Operations

Sponsor: House Labor & Commerce Committee  
Requestor: \_\_\_\_\_

COMPONENT SERIAL NO. 354

Expenditures/Revenues:

OPERATING EXPENDITURES	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL EXPENDITURES	0	0	0	0	0	0
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CHANGE IN REVENUES ( )	0	0	0	0	0	0
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FUND SOURCE

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
Other	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

Estimate of current year (FY 94) cost: \$ 0

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary.)

No fiscal impact.

Prepared by: Joan Brown, Administrative Officer  
Division: Insurance

Phone: 465-2597  
Date: 1/28/94

Approved by Commissioner: Paul Fuhs  
Agency: Commerce and Economic Development

1-54

PREPARER TO PROVIDE  
For further

FISCAL NOTE

LEGISLATIVE OFFICE  
Ira Office