

**ALASKA LEGISLATURE COMMITTEE FILES 1999-2000 8672**

**9774 HOUSE COMMUNITY & REGIONAL AFFAIRS**



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HOUSE COMMUNITY & REGIONAL AFFAIRS COMMITTEE

LIST OF FILES (PAGE 1)

MICROFICHE #

10 MILL TAX CAPS-IMPACTS

IMPLEMENTATION OF RURAL GOVERNANCE  
COMMISSION RECOMMENDATIONS, 3/28/00

LOCAL BOUNDARY COMMISSION, 2/18/99

LOCAL BOUNDARY COMMISSION, 2/24/00

OVERSIGHT HEARINGS:

DEPARTMENT OF COMMUNITY & REGIONAL AFFAIRS

SEASONAL ROAD OPENINGS

ENERGY ISSUES (INCLUDING PCE), 1/27/00

POWER COST EQUALIZATION (PCE) ROUNDTABLE  
DISCUSSION, 1/27/00

HB 1

HB 19

HB 22

HB 24

HB 25

HB 40

HB 43

HB 57

HB 63

HB 71

HB 76

1999-2000

HOUSE COMMUNITY & REGIONAL AFFAIRS COMMITTEE

LIST OF FILES (PAGE 2)

MICROFICHE #

HB 92

HB 93

HB 98

HB 103

HB 133

HB 137

HB 155

HB 178

HB 193

HB 200

HB 215

HB 233

HB 255

HB 265

HB 272

HB 304

HB 334

HB 340

HB 342

HB 387

HB 404

1999-2000

HOUSE COMMUNITY & REGIONAL AFFAIRS COMMITTEE

LIST OF FILES (PAGE 3)

MICROFICHE #

HB 425

HB 437

HCR 6

HCR 23

SB 10

SB 110

SB 156

SB 157

10 mill

Tax Caps

Impacts

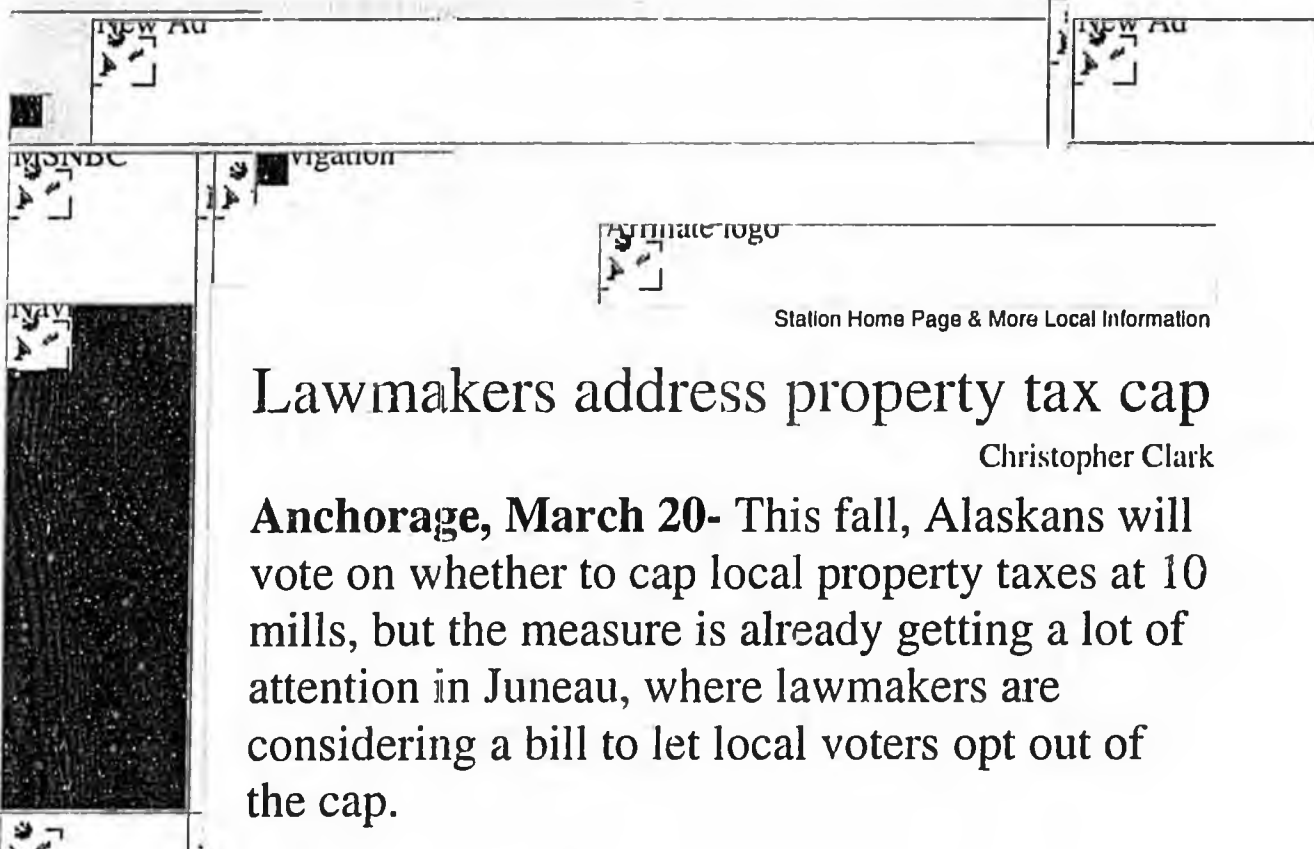
**Subject:** News articles

**Date:** Wed, 22 Mar 2000 08:33:44 -0900

**From:** Jerry Ritter <Jerry\_Ritter@legis.state.ak.us>

**Organization:** Alaska State Legislature

**To:** Contains all House Majority Staff <lhscgjr+housemajoritystaff@legis.state.ak.us>, House Majority Members <lhscgjr+housemajoritymembers@legis.state.ak.us>



Station Home Page & More Local Information

## Lawmakers address property tax cap

Christopher Clark

**Anchorage, March 20-** This fall, Alaskans will vote on whether to cap local property taxes at 10 mills, but the measure is already getting a lot of attention in Juneau, where lawmakers are considering a bill to let local voters opt out of the cap.

ALASKANS DON'T PAY A STATE property tax, but many pay local property taxes, which vary across the state. Supporters of a statewide initiative have succeeded in placing on this fall's ballot a 10-mill cap on local property taxes. Sen. Kim Elton and others predict dire consequences if it passes. They say there would be great cuts in funding for schools, police, firefighting, road maintenance and other services. The Juneau Democrat wants to amend the initiative to allow local voters to set their own property tax rate.

"It only allows a backdoor that can only be used by local voters," Elton said. "If local voters say, 'wait a minute, 10 mills doesn't work for us, we want 12 mills,' they can do that. But they have to do that at the ballot box."

Tax cap opponents say cities may lose up to \$150 million a year, if the initiative passes. Anchorage stands to lose \$73 million alone.

"If this were to pass, there would be a tremendous pressure to get rid of exemptions like the senior citizen

property tax exemption, exemptions in many communities for boats, airplanes, and personal property simply because there would be a crisis," said Kevin Ritchie, Alaska Municipal League.

"The critics are over blowing some real smoke out there, overestimating the actual net effect of the property tax initiative," said Rep. Pete Kott, R-Eagle River. "I have no reason to believe it will even come close to that."

But tax cap supporters say government has gotten too big and unresponsive to the needs of its citizens. They say frustration is so high that Alaskans will approve the initiative.


"I believe the reason why it will pass is because the residents of Anchorage, the constituents around the state, believe that government is just not listening," Kott said.

But one poll shows if the election were held today, Alaskans would oppose it.

"Our experience has been that as people find out more about the impacts, they're going to vote no," Ritchie said.

Meanwhile, the Senate finance committee is considering Elton's bill and a House committee plans to hold hearings on the impacts of the initiative later this week.

Anchorage and Fairbanks now limit property taxes to a prior year's tax revenue, plus any growth in the consumer price index, plus taxes on new construction.

 [Click here for more news in Alaska](#)

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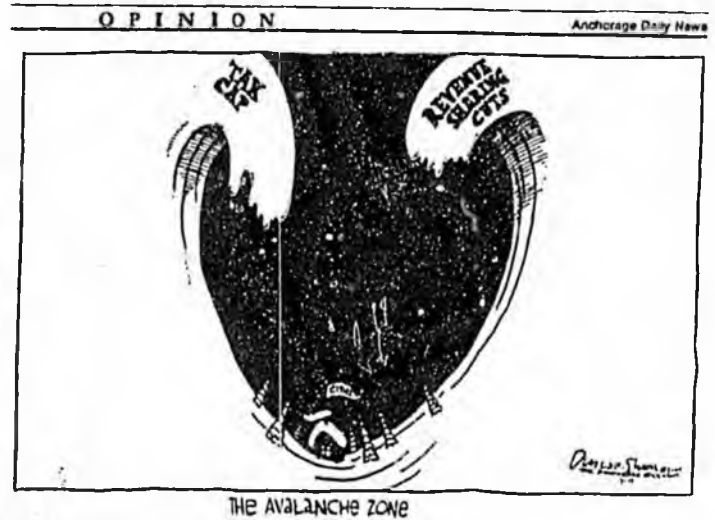
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# Tax Cap Initiative Citizen Information Packet



## Grassroots action YOU can take to save schools and other local services

- ◆ Call AML at 1-877-636-1325 to get on a mailing, e-mail, and fax list for up to date news on the initiative and teleconferences on statewide grassroots action.
- ◆ Talk to local groups and individuals who would be impacted by the initiative. Ask them to join you in opposing the initiative. **Create a local network or committee** to oppose the initiative. Major impacted groups are listed on the previous page.
- ◆ Consider **writing letters** to the editor to your local paper to give your feelings.
- ◆ Develop a **local fact sheet** highlighting local impacts.
- ◆ Consider starting a **local speakers bureau**.
- ◆ Consider passing **local resolutions** and discussing the local impacts during local council or assembly meetings.

### Contents

1. Basics of what the proposed initiative does, and impacts on Alaskans.
2. How to start a grassroots movement against passage of the initiative.
3. Text of the proposed initiative.
4. Articles, letters, and an example of a local resolution about the proposed initiative

### **Introduction**

A recent poll in Anchorage indicates that a **majority of voters who understand the consequences, do not support the tax cap initiative** because of the long-term negative impacts to the community, schools, other key public services, and jobs.

Everyone would like to avoid paying taxes, but very few Alaskans are willing to accept the consequences of inadequate key public services including schools, road maintenance, public safety, etc.

As more people know the facts about the impacts of the tax cap, grassroots opposition will continue to grow.

It is the job of every local elected official and concerned citizens in every community to make sure that everyone in their community has the basic facts about the tax cap initiative, and how it will affect your community, and the state as a whole. If the tax cap initiative passes, every community in Alaska, with or without a property tax, will feel the impact.

# **The Tax Cap Initiative Hurts Alaskans**

## **Discussion Paper**

(Alaska Municipal League 2/00)

### **The proposed initiative does two main things:**

1. Limits local mill rates to **10 mills** per municipality, including future bond debt. (20 mills for residents of cities in boroughs)
2. Eliminates fair market value as the basis for determining how much taxpayers pay. The initiative would **restrict assessed valuation** to the lower of 2% or the CPI, despite actual market value increases, except when a property is constructed or sold.

### **This initiative:**

- ◆ **Takes away your local choice and local power:** Why let people in other parts of the state set mill rates and new rules for you? Once set, your community can't change the statewide cap or the new rules. All communities already have the power to vote for local caps designed to meet the needs of their own community. Most have done so. Why give away your existing local power to choose?
- ◆ **Some people get tax breaks, some don't:** Owners with property of equal market value will pay different property tax amounts because fair market value will no longer determine your basis for taxation. The major property owners benefit the most.
- ◆ **If you live in a city in a borough, you are treated unfairly:** Each municipality gets a 10 mill tax cap. So the cap is 20 mills if you live in a city within a borough.
- ◆ **Critical local public services slashed:** The initiative would slash the major revenue by nearly half in our largest municipalities. Schools are the key municipal service funded by property taxes (Schools alone average 9.7 mills in the 3 largest municipalities). Cuts to other local services, such as libraries, parks, etc. would be devastating.
- ◆ **No new school or other public improvements:** The initiative cap also includes bond repayment for new capital construction. Not one existing local tax cap restricts bond debt approved by voters. Construction of new schools or other local improvements will be virtually impossible under the cap, even if overwhelmingly approved by local voters.
- ◆ **The initiative affects communities with no property taxes:** If the initiative is adopted, current State funds for education and other services will almost certainly be shifted to communities hardest hit by the initiative.
- ◆ **If you want stable property taxes, ask the legislature to stop cutting municipal revenue sharing programs:** According to State records, revenue sharing cuts by the legislature since 1986 are higher than the total of every property tax increase in every municipality. Even though municipal governments have worked hard to lessen the impact of State cuts, Legislative cuts are overwhelming local tax structures.

## Who really gets hurt by the Tax Cap?

**Families with students in urban schools** - Schools are by far the main service funded by property taxes (from 7 to 11 mills of property tax in boroughs fund schools). Some communities (e.g. the Mat-Su Borough) couldn't fund schools fully even if they terminated every other service the Borough provides including road maintenance. *(Impacted groups/associations: elected school boards, PTA, student organizations, Association of Alaska School Boards, Association of School Administrators, Alaska Education Association, local education associations)*

**Families with students in rural schools** - If urban schools are in crises, State school funding will almost certainly be shifted from rural schools. *(Impacted groups/associations: Rural Education Attendance Areas (REAA), rural municipal governments, tribal councils, native corporations and non-profits)*

**Young or growing families wanting to buy a home** - Under the new valuation rules imposed by the initiative, owners of newly purchased or constructed homes will pay higher taxes.

**The Economy and Jobs** - There will be virtually no locally funded construction of public facilities, and public services will decline well below what is available in other states. First, Alaska will be a less attractive place to do business. New businesses look for good and stable public services as a top consideration. Second, as government declines, the local economy loses private sector retail, construction, and service jobs. *(Impacted groups/associations: State and Local Chambers of Commerce, League of Women Voters, Alaska Fiscal Policy Council, Resource Development Council, Alaska Oil and Gas Association, corporations, businesses)*

**Private Contractors/Construction workers** - The initiative would effectively put a stop to new construction of public facilities because any new construction would have to be within the tax cap. Local voters would not be able to approve a bond issue that the cap wouldn't allow them to pay for. This is one of the biggest flaws of the tax cap initiative. No other local tax cap includes bonds approved by voters. *(Impacted groups/associations: Alaska Associated General Contractors, construction worker unions, architect and engineering firms and associations)*

**Senior Citizens and Disabled Veterans**: Seniors and veterans have nothing to gain and everything to lose if the initiative passes. They are currently exempt from property tax on the first \$150,000 of the value of their property. If property tax revenues are severely cut back, it is highly likely that it will be necessary for the State to end or severely reduce all tax exemptions. *(Impacted groups/organizations: Alaska AARP, Commission on Aging, Senior Centers)*

**Human Services, Libraries, Public Transportation, Recreation, and Arts** - Such services will be cut before schools and critical public safety services. *(“Friends of the Library” organizations, sports leagues and sports associations, arts associations, non-profit care organizations, churches, hospitals)*

**The real estate industry and mortgage lenders**: The initiative punishes homeowners with higher taxes if they sell their home, and new home buyers will pay higher taxes than those who have owned their homes longer. This creates a disincentive to build or buy a new home. *(Impacted groups/organizations: Real estate and home builders associations, banks)*

**Renters**: There is no requirement that landlords pass tax savings on to renters, but other taxes and fees will eventually be raised that renters will pay.

### **Examples of Borough Impacts:**

**Municipality of Anchorage:** The initiative would reduce Anchorage's revenue by \$73 million.

**Mat-Su Borough:** Currently, the Mat-Su Borough allocates 11.5 mills to schools, 1 mill to general government operations, and between 2 and 2.5 mills approved by fire and road service areas. If you eliminated fire protection, road maintenance, and the rest of general government in Mat-Su, schools could still not be adequately funded.

**City and Borough of Sitka:** Sitka and the rest of Southeast Alaska are struggling to overcome the impacts of downturns in the timber and fishing industries. While Sitka's charter restricts the mill rate to 6 mills, the new restrictive rules on assessing property will increasingly hurt Sitka and reduce its ability to meet the communities' needs.

**City and Borough of Juneau:** Juneau has a voter approved 12 mill tax cap, but voters may vote to approve capital construction in addition to the cap. Juneau is already struggling with a projected \$4 million per year deficit primarily caused by state cuts to municipal revenue sharing. While Juneau's current mill rate is only about 10.5 mills, the initiative's cut on top of State cuts will hurt local services. More important, Juneau will not be able to build another school with local bonds, even if voters approve them.

**Rural Alaska:** The estimated loss of revenue statewide to municipalities the first year, if the initiative passes, will be over \$100 million. This crisis will necessitate the redistribution of State revenues for schools, public safety, and other State services provided to rural areas.



**Alaska Division of Elections**

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**INITIATIVE PETITION BILL LANGUAGE  
by Petition Sponsors**

**Petition ID: 99PTAR  
An Act Providing Property Tax and Assessment Relief**

**Posted 7/28/99**

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**Proposed Bill:**

**BE IT ENACTED BY THE PEOPLE OF THE STATE OF ALASKA:**

**SECTION 1. FINDINGS AND PURPOSE.**

The people of the State of Alaska find and determine that political and taxation power is vested in the People; that each person has the right to the enjoyment of the rewards of his or her own industry as guaranteed by Article 1, Section 1 of the Alaska Constitution; that substantial pressures will be placed on local governing bodies to raise taxes; that a substantial threat of additional and unwarranted taxation of the People presently exists; that the Alaska Legislature and the local governing bodies do not appear willing to protect the People against this taxation; that property owners should not be subjected to continuing large increases in taxes or assessments; that property owners should be entitled to rely for the future on assessed values on their properties that existed at the time of purchase; that lower taxes encourage economic growth; and that it is necessary for the People to place certain controls on the manner in which the People may be taxed.

**SECTION 2. MUNICIPAL PROPERTY TAXATION AND ASSESSMENT.**

1. AS 29.45.110 is repealed and reenacted to read as follows:

- a. The assessor shall assess property at its full and true value as of January 1 of the first assessment year after this statute takes effect, except as provided in this section and any other provisions of federal, state or local laws and regulations which require or authorize the assessment to be at a lower value. The full and true value is defined as the price that the property would bring in an open market at that time in a sale between a willing seller and a willing buyer both conversant with the property.
- b. In subsequent assessment years, the assess value may not be raised more than the rate of inflation as shown by the consumer price index, or comparable data, for the area under the taxing jurisdiction, but in no event to exceed two percent in any given year.
- c. Notwithstanding the provisions of subsection (b), property shall be reassessed at its full and true value as of January 1 of the subsequent year if the property is newly

constructed, or if a sale, purchase or change of ownership has taken place during an assessment year.

- d. The Legislature may create definitions and exceptions to subsection (c) to prohibit reassessment for types of sales, purchases or changes of ownership, including, but not limited to, transfers such as those within the family, creations of trust to benefit the family members, or transfers as a result of death, divorce, or marital dissolution. The Legislature may also allow the transfer of an assessment from one piece of property to another under appropriate circumstances, such as, but not limited to, eminent domain, taking of property by governmental action, changes of residence of any persons over age 65 who are qualified for the tax exemption authorized by AS 29.45.050(i) and who move to a residence of equal or lesser value.
  - e. The subsections of AS 29.45.010 presently designated (b) and (c) are redesignated (e) and (f).
2. AS 29.45.090(a) is repealed and reenacted to read as follows:

A municipality may not, during any year, levy an ad valorem tax for any purpose in an amount in excess of one percent of the assessed value of property in the municipality, nor may it levy a tax on any particular piece of property in an amount in excess of one percent of the assessed value of that particular piece of property.
  3. AS 29.45.100 is amended to read as follows:

The limitations provided for in AS 29.45.080 - 29.45.090 do not apply to taxes levied or pledged to pay or secure the payment of the principal and interest on bonds issued prior to January 1, 2001, but do apply to taxes levied or pledged to pay or secure the payment of principal and interest on bonds issued on or after that date. Taxes to pay or secure the payment of principal and interest on bonds issued prior to January 1, 2001 may continue to be levied without limitation as to rate or amount, regardless of whether the bonds are in default or danger of default.

### **SECTION 3. SEVERABILITY.**

The provisions of this Act are independent and severable, and if any provision of this Act, or the applicability of any provision to any person or circumstance, shall be held to be invalid by a court of competent jurisdiction, the remainder of this Act shall not be affected and shall be given effect to the fullest extent practicable.

### **SECTION 4. EFFECTIVE DATE.**

This initiative shall be effective when enacted according to law.



**Initiative Petition Status Report**



**Alaska Division of Elections Home Page**

Date OCT 21 1999

CHUGIAK-EAGLE  
RIVER STAR



**Anchorage Daily News**

FOR PUBLIC SERVICE

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Founded in 1946 by Norman C. Brown

## Property taxes

### *Petition doesn't merit your support*

Nobody likes to pay property taxes.

But don't be seduced by the initiative that would cap property taxes in every Alaska community by state law.

Petition advocates say Alaskans are paying too much. They would like to cap local taxes at 10 mills. The mill rate for the Anchorage Bowl is 12 to 18 mills. An 18-mill rate means the owner of a \$100,000 house pays \$1,800 a year.

It's hard to resist a proposal that puts cash in your pocket. But ask yourself this: Are you prepared to live with the consequences?

City budget director Gene Dusek says that if the initiative passes, Anchorage would lose at least \$80 million a year. That's almost a third of next year's municipal budget.

While you are putting that cash in your pocket, the Assembly will be slashing road and school budgets, closing libraries and eliminating programs. And, oh, yes, the Assembly will begin searching for new sources of revenue — that is, new taxes.

Here's what else the statewide tax cap does:

- Creates a windfall for tax payers whose property is rapidly appreciating. These taxpayers will be spared payment on the true value of what they own.

- Destroys the ability of local people in any community to set their property tax rates. The taxing regime for Anchorage will have been mandated by people who don't live here.

- Handicaps local governments' ability to build schools and other improvements because the initiative would almost guarantee the city's inability to sell bonds. As Thomas Wilson of the Anchorage Chamber of Commerce board noted: "Capital projects approved by voters ... require a vow that residents will raise the money via any means possible to pay back the debt. With a cap of 10 mills, we cannot (say) this."

- Damages Anchorage's ability to present itself to Outside businesses and investors as a modern, progressive city. Sure, businesses appreciate lower taxes, but they also appreciate a city where the snow is quickly removed, parks are clean; and police, fire and emergency services are responsive. The tax cap will make Anchorage less attractive and less competitive.

Tax cap advocates have horror stories about Alaskans nearly ruined by oppressive property taxes. These stories are difficult to evaluate without the details. But generally it is not true that taxes are more burdensome here than elsewhere.

In fact, according to a 1997 study compiled by the District of Columbia, Anchorage's property tax burden for a family of four making \$50,000 is 24th out of the 51 cities compared (the largest city in each state plus D.C.). And the overall tax burden for this representative family is one-sixth that of one in Bridgeport, Conn.; one-fourth that of one in Portland, Maine; one-half that of one in Sioux Falls, S.D.; and something less than one-half that of one in Seattle. The Anchorage family pays about the same property tax as a similar family in Des Moines, Iowa, but only about 36 percent of the Des Moines family's total local and state taxes.

The initiative process is an important right guaranteed by the state constitution. But the initiative comes with a serious responsibility: the responsibility to become informed before signing a petition.

We believe that if you are informed, you won't sign the property tax petition, which looks so attractive at a distance yet is so unappealing up close.

If you would like more information on how Anchorage taxes compare with those elsewhere, you can reach editorial page editor Michael Carey at 257-4439 or via [mcarey@adn.com](mailto:mcarey@adn.com).

## Property tax cap decisions belong at municipal level

**V**oters love to pass property tax caps. It's an emotional thing, a knee-jerk reaction to rising property valuation and a sense among citizens that government gets too much money from us.

Voters in California capped their property taxes when they passed Proposition 13, with disastrous results. Juneau voters capped Juneau's property tax rate at 12 mills back in 1995. Juneau property owners currently pay 10.7 mills for city operations and another 1.52 mills for voter-approved debt, bringing our total mill rate to 12.22. Voter-approved debt isn't included in Juneau's property tax cap.

This fall, Alaskans will have a chance to pass a statewide property tax cap when they vote on a question being placed on the ballot through the voter initiative process. Lt. Gov. Fran Ulmer certified the ballot question, which would limit property taxes statewide to 10 mills – 1 percent of the assessed value.

That may be a good thing for some communities, but it would not be a good thing for all of them. It would also hamstring the ability of communities to set their own tax rates, and that's just not fair. Communities should have the right to cap their property taxes, but they should also have the right to set them where they wish – whether that be higher or lower than the state average – through the majority vote process.

This voter initiative implies that every city and town is identical in its resources and needs, and we know that is not the case. Towns have varying needs and varying tax bases. Some have property taxes and no sales taxes, while others use a mix of both property and sales taxes to come up with the money to keep city operations running.

Sen. Kim Elton of Juneau has proposed a measure that would amend the initiative so that cities could opt out of the tax cap if voters so choose. Senate Bill 227 would allow municipalities with residents who want to pay higher taxes to do so by overriding the state tax cap, if the initiative passes. That's the correct way to set property taxes – not at the state level, but at the municipal level.

If the initiative passes in November, Juneau's property tax rate would drop and that drop would cancel out the will of Juneau voters. Because people in Wasilla or Palmer want to have their property taxes capped, should their will be imposed on the rest of the state? We think not. Juneau would lose about \$1.5 million in revenues at a time when the city is already reeling from state municipal revenue sharing cuts.

There's yet another problem with the voter initiative that will appear on the ballot. It sets the overall mill rate at 10, and that applies not only to operations, but to voter-approved debt. This unusual and foolhardy wording would pretty much disable municipalities from being able to issue bonds for projects like schools and police stations. Voters would essentially not be able to build public projects through the issuance of municipal bonds.

An example is the bond issue voters in Juneau approved to build a new high school, if and when the state agrees to pay for half of the cost. Under the initiative, it's doubtful that bonds could be sold, because bond buyers would perceive greater risk in doing business with a community that could not meet its obligation by raising its mill rate, if necessary. In other words, the concept that a community pledges its "full faith and credit" behind bonds it issues would be seriously eroded, and bonds would likely cost a great deal more for the municipality.

Sen. Elton's bill would also address that problem – partially at least – by removing school bonds from the overall mill-rate calculation used in the proposed cap. But his bill would not address the other problems associated with the initiative.

The tax cap initiative hampers local governments and would be harmful to communities across the state. Let's keep the control with local communities, where it belongs. Senate Bill 227 allows voters to do just that.

Date JUL 25 1999  
FAIRBANKS  
DAILY NEWS-MINER

Client No. 0199

# Property tax petition has serious mistake in draft

A petition is circulating around Alaska for a ballot initiative that would put a strong statewide ceiling on property tax rates.

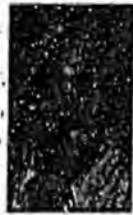
The initiative petition was certified by Lt. Gov. Fran Ulmer last month. The sponsors of the initiative must gather 22,716 signatures from qualified voters in order to get it on the 2000 election ballot.

The issue deserves some attention and debate, since it has vast potential impact on municipal government finances if it should pass. If the petition gets the required signatures this year, the Legislature might also shortstop it by passing a similar limitation next spring.

There are already limits on municipal property taxes in state statutes, but they are far higher than the political threshold of pain in most Alaska communities. Current state law limits property taxes to no more than three percent of the assessed value of property, or 30 mills.

Voters in some communities, like Fairbanks, have protected themselves with lower property

Fred Pratt



tax ceilings adopted by local ballot initiatives.

Current law also limits taxes in a municipality to no more than \$1,500 a year for each person, and there is also a limit on assessments that is related to the total statewide assessed value.

The proposed state initiative would lower that statewide property tax limit to one percent, or 10 mills. It would also freeze property tax assessments at the full and true value of property on Jan. 1, 2001, with tightened language that will weaken the effect of recent real estate sales on a home's assessment. After 2001, a property's assessment could only be increased as much as the Consumer Price Index rises for the area or no more than 2 percent a year, unless ownership changes.

Finally, taxes to repay general obligation bond debt issued after

Jan. 1, 2001, are included under the new 1 percent limit, but taxes to repay older bonds are exempt.

The initiative is sponsored by Uwe Kalenka, Scott Kohlhaas and Robert Monson. Kohlhaas is also a sponsor of the sweeping marijuana legalization initiative I wrote about earlier this month.

The initiative would inscribe in state law a sweeping policy statement with a finding that the people of Alaska must take this firm step in order to control elected officials that ignore our interests.

The statement reads, "The People of the State of Alaska find and determine that political and taxation power is vested in the People; that each person has the right to the enjoyment of the rewards of his or her own industry as guaranteed by Article I, Section 1 of the Alaska Constitution; that substantial pressures will be placed on local governing bodies to raise taxes; that a substantial threat of additional and unwarranted taxation of the People presently exists; that the Alaska Legislature and the local governing bodies do not appear willing to protect the People

against this taxation; that property owners should not be subjected to continuing large increases in taxes or assessments, that property owners should be entitled to rely for the future on assessed values on their properties that existed at the time of purchase; that lower taxes encourage economic growth; and that it is necessary for the People to place certain controls on the manner in which the People may be taxed."

The change in assessment policy is significant. Current law says property must be assessed at the "full and true value," which is defined as "... the estimated price that the property would bring in an open market and under the then prevailing market conditions in a sale between a willing seller and a willing buyer both conversant with the property and with prevailing general price levels."

The initiative would remove the words "and with prevailing general price levels." That would block an assessor from using recent sales of similar homes in your neighborhood as a justification for raising your assessment.

There is one serious drafting

glitch in the initiative that will be of interest to business owners in municipalities that tax personal property as well as real property.

The initiative repeals the contents of AS 29.45.110 and replaces it with new text. That statute defines "true and fair value" in its subsection "a," but subsections "b" and "c" of that statute specify how business inventories and are assessed.

The initiative further provides "The subsections of AS 29.45.010 presently designated 'b' and 'c' are redesignated 'e' and 'f.'" The citation of the statute has the wrong number. The effect would be to simply renumber two unrelated subsections of AS 45.29.010 instead, leaving the current business inventory law repealed.

It's puzzling how this passed through the lieutenant governor's office and a two-month-long review by the Department of Law. My eyes are no better than theirs, so (as I noted also with the marijuana initiative) they're apparently willing to let poorly drafted initiatives go on the ballot.

Fred Pratt, a free-lance journalist in Fairbanks, is a longtime reporter and observer of Alaska politics.

## Tax proposal holds danger

The proposed statewide ballot initiative to limit property taxes is a popular topic. I'm told that more than 22,000 people signed the petition that was turned into the lieutenant governor's office.

While I certainly would enjoy the prospect of lower property taxes, there is a fundamental danger in the proposal that outweighs my desire for lower taxes. I call the danger "representation without taxation." It would allow people from all over Alaska, most of whom do not have property taxes, to determine property tax limits for those of us who do pay them. I don't quite understand why people in Anchorage should give tax decision powers to people outside of Anchorage.

Conversely, I don't think it's right for me to vote on property taxes for other communities that I don't live in. As an elected representative I support policies that push power to the local level. This idea of ceding our local tax authority to statewide authority seems to go against the grain. I'd like to hear what other folks think about this.

— *Rep. John Cowdery*  
*R-Anchorage*

## Prop. 13 doesn't apply here

Will Mr. Uwe Kalenka and other proponents of the property tax cap initiative, which was modeled after California Prop. 13, explain why they neglected to bring out the fact that California had and continues to have taxes other than property taxes? Would Prop. 13 pass if California counties, cities, and/or municipalities operated on taxes collected from property taxes? I really doubt it.

Further, why would the people and locations most affected by this initiative let people in the rural areas, with no property taxes, vote on this? Would it be because this initiative would never pass without the help of the nontaxed rural residents?

With a tax cap in place, will the municipalities be able to put together the 10 percent need to match and obtain federal funding? Losing federal funding will be such a waste since the people of Alaska would watch our federal taxes be handed out to outsiders vs. part of it coming back to support our communities.

— *Douglas Panilo*  
*Anchorage*

## Tax cap will hurt deeply

There have been several letters to the editor about the lousy condition the streets are in after a big snow dump. If you look up from this paper and out your window, you'll see what I mean. Look closely, because if the mill rate cap passes, it'll be much, much worse.

Where do these people think the \$80 million Anchorage will lose is going to be made up? Think about it. As you try and drive your kids to the only library still open in town, the one that will only be open three days a week, you'll get stuck in the deep snow or slide off the road. Possibly some cheechako who has no clue about driving here will nail you. You'll use your cell phone to call the cops. Only, since there's been massive layoffs, it'll take several hours for one to come. Let's also pray that you don't need a fireman, as the city will have already closed a couple more fire stations.

When the promoters of this bone-headed idea say the city only needs to provide the basics, those, unfortunately, will be the first to go. Those of us who have lived here a number of years will remember what happened with Mr. Tight Fist himself, Tom Fink, got elected. What happened to basic services? He closed fire stations, froze police hiring and closed libraries all over town and stopped book buying at Loussac — something they still haven't recovered from. In the end we'll all pay dearly for this cap.

— *Ross G. Homer*  
*Anchorage*

## Police prove Kalenko wrong

Uwe Kalenko's vision of Anchorage is a city that only needs water, sewers and roads to thrive. One can only wonder what his civics grade was, since he thinks education is unnecessary.

It is ironic that the "unnecessary" police quickly solved the case and made arrests in the tragic shooting of the Wendy's restaurant manager. As a restaurant manager himself, did this not give him pause in pronouncing all municipal services as special interests?

— *Darrell L. Johnson*  
*Anchorage*

# TAX: Nikiski stands to lose big under proposed cap

By TONY LEWIS  
Daily News correspondent

**SOLDOTNA** — A statewide proposal to limit property taxes could cost Nikiski residents dearly in lost services while the oil industry and state of Alaska pocket the bulk of the tax savings.

Nikiski homeowners would see a small break on their tax bills if the initiative passes, but the community would lose millions in tax revenues as a result.

That's because in North Kenai — where oil platforms, a chemical fertilizer plant, an

oil refinery and a liquid natural gas plant dominate a tax base assessed at more than \$1 billion — big business pays roughly 75 percent of the area's property taxes.

Over the years, Nikiski residents have counted on that tax base to pay for fire-fighters, an indoor swimming pool, recreational programs and free meals to seniors, among other things. The initiative's 10-mill tax cap would slice \$2.5 million from Nikiski's revenue.

A 10-mill tax equals \$1,000 in taxes on property worth

\$100,000.

"It's really a few people that have initiated this, inflicting their will on the rest of us," said Jack Brown, who represents Nikiski on the Kenai Peninsula Borough Assembly. "For some idiots outside this borough to limit the fire department and put people's lives in jeopardy — those are fighting words."

The initiative, scheduled for the November ballot, is intended primarily to put money back into the wallets

See Page B-2, TAX

Continued from Page B-1

of homeowners, said Uwe Kalenka of Anchorage, one of the initiative's sponsors.

Regardless of how the tax cap plays out in individual communities, Kalenka said he believes Alaskans on the whole need property tax relief. It was easier to write a statewide initiative than fight for lower taxes in scores of communities, where property taxes are traditionally determined, he said. The Kenai Peninsula Borough alone has 19 distinct taxing districts.

"The problem is widespread," Kalenka said. "Our basic contention is housing is a basic need. We have people who have tremendous difficulty in paying (property) taxes."

Nikiski's Brown looks at the figures from his community and concludes Kalenka is misguided.

Of the \$2.5 million Nikiski would lose in taxes, roughly one-fourth, or \$600,000, would be returned to homeowners and small businesses. Oil companies would receive an estimated \$900,000 break for reduced taxes on the property not used for exploration, production and transportation.

Plus, a quirk in the way the state taxes the oil industry would divert another \$1 million from Nikiski to the state treasury.

Here's why: The state charges a 20-mill tax on property involved in the exploration, production and transportation of oil and natural gas. However, the state only keeps revenue from taxes above the rate levied by local governments.

For example, in the Nikiski area, where the local property tax is 12.43 mills, the state collects 7.57 mills of tax on oil properties.

If Nikiski's property tax is capped at 10 mills, the owners of the oil platforms and other infrastructure used for finding, pumping and moving crude would still pay 20 mills. But a bigger portion of that check would go to the state.

In Nikiski, that's about \$1 million.

"I'm really ticked at the people who have initiated this," Brown said. "This may make sense in other places of the state, but it doesn't make any sense to me."

The oil industry could realize even bigger benefits in the future under the initia-

tive. In addition to setting a tax cap, the measure limits annual increases in assessed property values at 2 percent. The initiative does not limit how much property values can decline.

Oil industry property values can fluctuate wildly depending on the price of crude and other factors. As an example, oil prices were in sharp decline until recently. As a result, oil industry property on the Peninsula declined in value by 25 percent over two years, said Jeff Sinz, the borough's finance director. Now that oil prices have rocketed, industry property values are rising.

Under the proposed initiative, however, some industry property values would be held artificially low for years. That would mean lower tax bills for the industry at the expense of the average taxpayer, Sinz said.

Looking beyond the Peninsula, the initiative would likely limit capital projects like schools, libraries, police stations and harbor improvements across the state, said Deven Mitchell, the state's debt manager.

Traditionally, local governments borrow money

through bond issues to fund those projects, Mitchell said. To pay off the debt, property taxes are temporarily raised. If a community is up against the 10-mill cap, however, a different source of revenue would have to be found.

"It's really going to string cities and boroughs across the state of Alaska," said Kalenka.

One way communities could make up the revenue loss is with a sales tax. That could contradict the initiative backer's stated purpose, to help Alaskans make ends meet.

The Peninsula's poorest people feel the sales tax hardest. The tax is levied on the first \$500 of any purchase. So while rent, food and clothing are usually taxed for the entire amount, big-ticket items like automobiles, snowmachines and vacation packages are taxed on a small portion of their total price.

"The necessities of life are all taxed," said Larry Semmens, finance director for the city of Kenai.

# Tax cap petition chills city brass

## 10-mill property levy limit may go to voters

By LIZ RUSKIN  
Daily News reporter

A statewide initiative to cap local property taxes seems headed for the ballot next year, and Anchorage political leaders say if it passes it would blow a big hole in the city budget.

"It would be semidevastating, I think," said Anchorage Assemblyman Dan Sullivan. "You'd be looking at about half the budget of the city from property taxes going away."

The proposal, sponsored by an Anchorage restaurant manager and two other Anchorage men, would cap the tax rate for all local governments at 10 mills. The mill rate for the Anchorage Bowl now ranges from 12 to 18 mills, depending on what service area the property is in. A rate of 18 mills means the owner of a \$100,000 house pays \$1,800 a year.

If the initiative passes, Anchorage would

lose at least \$80 million a year, said Gene Dusek, city budget director. In fact, most of the larger local governments in Alaska now have tax rates of more than 10 mills, according to state figures, and would therefore lose revenue under the initiative. Some property owners in Fairbanks pay nearly 23 mills to the borough and city. Those in Soldotna pay almost 13. Palmer residents pay nearly 15.

Uwe Kalenka, the primary sponsor of the initiative, said Alaskans are desperate for lower property taxes. The politicians will have to deal with whatever shortfall results, he said.

"It's their job to figure it out," he said. "It's not my problem."

The petition has more than the 22,700 sig-

Please see Back Page, PETITION

## PETITION: Cap would halve Anchorage level

Continued from Page A-1

natures needed to get on the ballot, said sponsor Robert Monson. Petition circulators are gathering more in case some are found invalid, he said.

Under the initiative, Anchorage would have to cut back drastically on the services it provides, said Assemblyman Dan Kendall.

"It would be very difficult," he said. "We'd have just a bare-bones government at 10 mills."

One option for covering the shortfall, Kendall said, would be for the city to stop paying for education and leave school funding to the state. When city officials raised the specter of a 10-mill tax cap at a meeting last week with Anchorage-area legislators, the state lawmakers didn't offer any solutions.

This spring, the Legislature cut state aid to cities by one-third, which cost Anchorage \$5.8 million. In September, after voters rejected a plan to spend Permanent Fund earnings, several key legislators said they'll have to make deeper cuts in the state budget next year.

Anchorage's options for raising money also are limited by a 1997 city ballot measure that said a sales tax may only be imposed if 60 percent of voters approve. The Anchorage city charter limits property tax increases from one year to the next under a formula that takes into account changes in population and the cost of living. Voter-approved bond issues are exempt from the city's tax cap, however.

Kendall predicted that after a few lean years under a 10-mill cap, Anchorage voters would adopt a hefty sales tax.

According to Assembly staff figures, it would take a sales tax of about 10 percent to make up the shortfall.

The petition's 10-mill cap would apply to future bond propositions, which is another reason Sullivan opposes it. Anchorage voters usually approve road and school maintenance bonds, proving they want their roads and schools in good shape and are willing to pay for them, he said.

"I have a real problem with laws that say people can't tax themselves," he said.

Kalenka said the minority of people who vote is imposing taxes on a large number of property owners.

"The population is sick and tired of being taxed," he said.

He said he began promoting the tax cap after helping an elderly friend fight increases in his assessment. Senior citizens don't have to pay property taxes on the first \$150,000 of assessed value of their homes, but this friend had to leave the state for health reasons and didn't qualify for the exemption, Kalenka said. Kalenka said the experience, which took him to the city's board of equalization, was degrading.

"The arrogance of the board is rather glaring," he said. "They made me feel — how should I say? — subhuman."

Shelter, he said, is an essential need. He believes property taxes are making it hard for people to keep their homes.

So he and like-minded people got together to see what could be done. With help from the Los Angeles-based Howard Jarvis Taxpayers Association, they wrote an initiative based on California's Proposition 13 from 1978.

"We looked at what California did 20 years ago, and we copied it," he said.

Alaskans, he said, have responded enthusiastically.

"You should hear some of the horror stories," he said.

One impoverished single mother sent him \$20 for the cause, he said, which shows him how badly Alaskans want property tax relief.

Like Proposition 13, his tax-cap initiative would also change the way the value of a property is figured for tax purposes. Instead of being based on an assessor's estimate, taxes would be based on the actual selling price. And the assessment could grow by no more than 2 percent a year.

The selling price, Kalenka said, is a more accurate measure of a property's value.

Californians disagree about the legacy of Proposition 13. Fans say it has meant lower, predictable property taxes. Others say it has hamstrung local governments and resulted in inequities: people who stay in their houses for a long time pay low taxes, while new homeowners in similar houses pay more.

"What's wrong with that?" Kalenka asked. People who stay in a house and improve it should be rewarded, he said.

□ Reporter Liz Ruskin can be reached at [lruskin@adn.com](mailto:lruskin@adn.com).

<http://www.newschoice.com/newspapers/Fairbanks/MIner/default.asp>

## Ballot petition would cap property tax rate

Thursday November 11, 1999

By ROD BOYCE  
Staff Writer

A ballot petition that seeks to limit Alaska municipalities to a 10 mill property tax rate would cut the Fairbanks North Star Borough's tax revenue nearly 30 percent and cause havoc with the borough's budget, Mayor Hank Hove said Wednesday.

"It would wipe out a good deal of services," Hove said. "We may have to close the library and bus system. We can't fine-tune anything down anymore.

"What we're looking at is to shed entire functions."

The petition's sponsors -- an Anchorage restaurateur and two other Anchorage residents -- say they have more than the required 22,700 signatures needed to put the measure on the November 2000 ballot but are collecting more in case some are ruled invalid.

The proposed tax cap would limit all local governments to a rate of 10 mills, or 1 percent, of a property's assessed value. That cap would not apply to taxes levied or pledged to pay for bonds -- such as those for school improvements -- issued prior to Jan. 1, 2001. Bonds issued on or after that date would fall under that cap.

The cap wouldn't now affect the cities of Fairbanks and North Pole, which each have property tax rates well below 10 mills -- 6 mills for Fairbanks and 2.3 mills for North Pole.

Uwe Kalenka, the primary sponsor of the initiative, said Alaskans are desperate for lower property taxes. The politicians will have to deal with whatever shortfall results, he said.

"It's their job to figure it out," he told the Anchorage Daily News. "It's not my problem."

Most of the larger local governments in Alaska have tax rates of more than 10 mills, according to state figures, and would therefore lose revenue under the initiative.

The mill rate for the Anchorage Bowl now ranges from 12 to 18 mills, depending on what service area the property is in. The city's budget director estimates the city would lose at least \$80 million a year.

The Fairbanks North Star Borough's base property tax rate is 14.48 mills, or \$1,448 in annual property taxes on a \$100,000 house. Residents in service areas pay additional taxes.

Residents in the city of Fairbanks pay more than 20 mills -- their city's rate and the borough's rate combined -- although it's not clear how the

initiative would affect property taxed by two independent governments.

"It's a little troubling to see how easy it is to pick up signatures," Hove said of the petition. "People tend to see it as putting money back in their pockets. Too many don't think government does anything.

"This would materially change the landscape in Alaska," he said. "I don't think I'd want to live here."

The borough's revenue from property taxes would tumble \$17 million, to about \$41 million, the first year after the measure takes effect.

The amount the borough would have to trim, assuming it doesn't make up the amount through users fees or a sales tax, equates to just over half the borough contribution to the school district budget. It is slightly more than the combined budgets of the public works and parks and recreation departments.

The overall borough budget, including all revenue sources, was \$89 million this year.

In North Pole, property taxes account for a small portion of the city's yearly revenues. The bulk of the city's revenue comes from its 3 percent sales tax, which is expected to raise about \$1.14 million in 2000.

Fairbanks Mayor Jim Hayes, his city not threatened by the cap, wouldn't say whether he thought the statewide cap a good idea or a bad one. "I don't know if we'd oppose it or not," he said. "Everything I've heard from other mayors is it would be bad. But some people might like it."

The Associated Press contributed to this report.

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**NORTH SLOPE BOROUGH  
RESOLUTION NO. 77-99**

**A RESOLUTION OPPOSING STATWIDE  
PROPERTY TAX CAPS BECAUSE IT REMOVES  
THE POWER OF LOCAL VOTERS**

**WHEREAS**, the proposed initiative imposing a Statewide Cap on local property taxes and assessments would:

1. Limit local mill rates everywhere in the State of Alaska to 10 mills, including taxes to pay for future bonded indebtedness.
2. Limit increases in the assessed value of individual properties to the CPI, but no more than 2 percent per year.

Would remove the power of local voters to approve local taxes at levels that meet the needs of their community including the power to impose local tax or revenue caps particularly suited to their communities; and

**WHEREAS**, statewide limitations would take away local voter control allowing people in one part of the State of Alaska to set mill rates for people in other municipalities; and

**WHEREAS**, if the proposed initiative is adopted, owners of property of equal market value may pay different property tax amounts because:

1. Property will be assessed at true market value when property is constructed or sold, which means that a newly purchased or constructed home could pay much higher taxes than another property of equal value that had not recently been sold might thereby be assessed at a lower value.
2. The market values of property in any community may grow at different speeds, meaning that capping assessed values may give a tax break to property owners who live in communities with property that is growing at a greater than 2 percent rate while requiring taxpayers in communities with less than 2 percent growth to pay at full and true value; and

**WHEREAS**, several municipalities have property tax rates substantially above 10 mills, some up to 19 mills. This initiative therefore would cut those major sources of local revenues nearly in half for those communities. Schools are the key municipal service funded by property taxes, and reduction in property taxes will threaten the quality of education in many communities; and

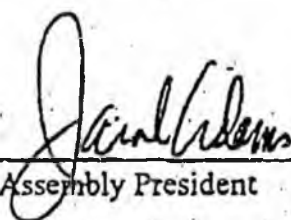
WHEREAS, the proposed initiative's 10 mills tax cap includes taxes imposed to pay bonds for new capital construction. It is unlikely that new schools or other local improvements could be built, even if desired by local voters, if a Statewide Cap makes it impossible to provide for repayment of the bonds; and

**NOW, THEREFORE BE IT RESOLVED,**

That the Alaskan voters are urged not to support the proposed Statewide Property Tax Cap Initiative because it would remove the power of local voters, and could effectively halt school and other necessary capital construction, and could create an inequitable system of taxation in which owners with equal property values could pay different amounts of property tax.

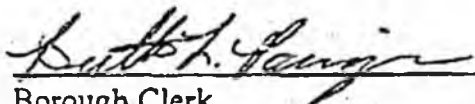
INTRODUCED: December 7, 1999

ADOPTED: December 7, 1999

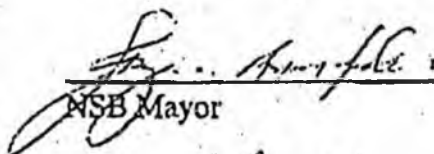
  
\_\_\_\_\_  
NSB Assembly President

Date: 12-7-99

ATTEST:

  
\_\_\_\_\_  
Borough Clerk

Date: 12-8-99

  
\_\_\_\_\_  
NSB Mayor

Date: 7 December 1999

**INITIATIVE PETITION:  
AN ACT PROVIDING PROPERTY TAX AND ASSESSMENT RELIEF.**

**BE IT ENACTED BY THE PEOPLE OF THE STATE OF ALASKA:**

**SECTION 1. FINDINGS AND PURPOSE.**

The People of the State of Alaska find and determine that political and taxation power is vested in the People; that each person has the right to the enjoyment of the rewards of his or her own industry as guaranteed by Article I, Section 1 of the Alaska Constitution; that substantial pressures will be placed on local governing bodies to raise taxes; that a substantial threat of additional and unwarranted taxation of the People presently exists; that the Alaska Legislature and the local governing bodies do not appear willing to protect the People against this taxation; that property owners should not be subjected to continuing large increases in taxes or assessments; that property owners should be entitled to rely for the future on assessed values on their properties that existed at the time of purchase; that lower taxes encourage economic growth; and that it is necessary for the People to place certain controls on the manner in which the People may be taxed.

**SECTION 2. MUNICIPAL PROPERTY TAXATION AND ASSESSMENT.**

(1) AS 29.45.110 is repealed and reenacted to read as follows:

(a) The assessor shall assess property at its full and true value as of January 1 of the first assessment year after this statute takes effect, except as provided in this section and any other provisions of federal, state or local laws and regulations which require or authorize the assessment to be at a lower value. The full and true value is defined as the price that the property would bring in an open market at that time in a sale between a willing seller and a willing buyer both conversant with the property.

(b) In subsequent assessment years, the assessed value may not be raised more than the rate of inflation as shown by the consumer price index, or comparable data, for the area under the taxing jurisdiction, but in no event to exceed two percent in any given year.

(c) Notwithstanding the provisions of subsection (b), property shall be reassessed at its full and true value as of January 1 of the subsequent assessment year if the property is newly constructed, or if a sale, purchase or change of ownership has taken place during an assessment year.

(d) The Legislature may create definitions and exceptions to subsection (c) to prohibit reassessment for types of sales, purchases or changes of ownership, including, but not limited to, transfers such as those within the family, creations of trust to benefit the family members, or transfers as a result of death, divorce or marital dissolution. The Legislature may also allow the transfer of an assessment from one piece of property to another under appropriate circumstances, such as, but not limited to, eminent domain, taking of property by governmental action, changes of residence of any persons over age 65 who are qualified for the tax exemption authorized by AS 29.45.050(i) and who move to a residence of equal or lesser value.

(e) The subsections of AS 29.45.010 presently designated (b) and (c) are redesignated (e) and (f).

(2) AS 29.45.090(a) is repealed and reenacted to read as follows:

A municipality may not, during any year, levy an ad valorem tax for any purpose in an amount in excess of one percent of the assessed value of property in the municipality, nor may it levy a tax on any particular piece of property in an amount in excess of one percent of the assessed value of that particular piece of property.

(3) AS 29.45.100 is amended to read as follows:

The limitations provided for in AS 29.45.080 - 29.45.090 do not apply to taxes levied or pledged to pay or secure the payment of the principal and interest on bonds issued prior to January 1, 2001, but do apply to taxes levied or pledged to pay or secure the payment of principal and interest on bonds issued on or after that date. Taxes to pay or secure the payment of principal and interest on bonds issued prior to January 1, 2001 may continue to be levied without limitation as to rate or amount, regardless of whether the bonds are in default or danger of default.

### **SECTION 3. SEVERABILITY.**

The provisions of this Act are independent and severable, and if any provision of this Act, or the applicability of any provision to any person or circumstance, shall be held to be invalid by a court of competent jurisdiction, the remainder of this Act shall not be affected and shall be given effect to the fullest extent practicable.

### **SECTION 4. EFFECTIVE DATE.**

This initiative shall be effective when enacted according to law.

MAY 27 1999

## MEMORANDUM

LIEUTENANT GOVERNOR  
State of Alaska

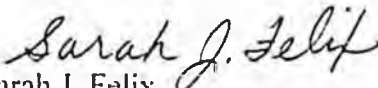
Department of Law

TO Honorable Fran Ulmer  
Lieutenant Governor

DATE May 25, 1999

FILE NO 663-99-0214

TEL NO 465-3600

SUBJECT Initiative application re: assessment  
and taxation of propertyFROM   
Sarah J. Felix  
Assistant Attorney General  
Governmental Affairs Section - Juneau

## I. INTRODUCTION AND SUMMARY

You have asked us to review an application for an initiative petition entitled "an act providing property tax and assessment relief." We have completed our review and find that the application complies with the constitutional and statutory provisions governing the use of the initiative. Under these circumstances we recommend that you certify the application.

## II. SUMMARY OF THE PROPOSED BILL

The bill proposed by this initiative application would repeal and reenact various sections concerning municipal property taxation and assessment in AS 29.45. See section 2 of the bill to be initiated. The bill also contains a "findings and purpose" section, a severability clause, and an effective date clause. See sections 1, 3, and 4 of the bill to be initiated.<sup>1</sup>

In an effort to fully understand the proposed bill, we have consulted with Steve Van Sant, the state assessor. Mr. Van Sant reviewed the initiative and concluded that it is a "Proposition 13" type initiative, modeled after California's famous tax initiative. Mr. Van Sant identified four major components of the bill. In section 2, the revision of AS 29.45.110 would mean that property assessments could not be increased more than two percent per year. The full and true value of property

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<sup>1</sup> This is the second attempt by these sponsors to propose a "Proposition 13" type property tax relief initiative. The sponsors' earlier attempt targeted only one statute, AS 29.45.110(a), making relatively minor changes in the method for assessment of property for taxation. This new initiative proposal is far more comprehensive than the earlier proposal, and seeks to make significant amendments to critical statutes on the assessment and taxation of property in Alaska. The most noteworthy provisions of the proposed initiative would reduce the upper limit on the amount of the mill rate from 30 to 10 mills, include taxes used to pay for bonded indebtedness in the 10 mill limit, (previously, bonded indebtedness was not included in the 30 mill limit), and limit increases in assessed value to no more than 2% per year.

for assessment purposes would be set on January 1 of the first assessment year after the bill takes effect. The full and true value at that time would be "the price that the property would bring in an open market at that time in a sale between a willing seller and a willing buyer both conversant with the property." However, if property were sold (or "newly constructed") following this initial assessment, it could be reassessed. Proposed AS 29.45.110(d) specifically authorizes the Legislature to enact statutes that would prohibit reassessment, and allow the transfer of an assessment from one piece of property to another.<sup>2</sup>

Also in section two of the proposed bill, AS 29.45.090(a) is repealed and reenacted to limit tax levies for any purpose to no more than one percent of the assessed value of property in the municipality, and to limit the tax levy on any particular piece of property to no more than one percent of the value of that property. AS 29.45.100 is amended to apply the previously described limitations on taxation to taxes levied to secure payments on bonds issued after the effective date of the proposed bill.

Mr. Van Sant expressed concerns regarding interpretation and implementation of various parts of the bill. For instance, the proposed amendment to AS 29.45.110(b) references "the consumer price index," however, there are two consumer price indexes that could apply. Also, proposed AS 29.45.110(b) does not consider what happens to property assessments if property values decrease dramatically. Further, the amendment proposed to AS 29.45.110(a) removes crucial "prevailing market conditions" language from the provision requiring assessment of property at its full value. As a result, sales of property that did not meet prevailing market conditions could be used to establish the value of a property, thereby opening the door to fraudulent conveyances. Also, the proposed amendment to AS 29.45.090(a) removes language requiring that all property be taxed at the same rate, thereby allowing varying tax rates on different types of property, such as residential versus commercial property. However, these matters are post-election questions that should not be addressed in our preelection review of this initiative.

### III. ANALYSIS

Under AS 15.45.070, the lieutenant governor is required to review an application for a proposed initiative and either "certify it or notify the initiative committee of the grounds for denial." The grounds for denial of an application are that (1) the proposed bill is not in the required form; (2) the application is not substantially in the required form; or (3) there is an insufficient number of qualified sponsors. AS 15.45.080.

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<sup>2</sup> This part of the proposed bill is probably unnecessary as the Legislature would generally have the power to subsequently enact statutes, subject to the limitation set out in Warren v. Thomas, 568 P.2d 400 (Alaska 1977) that amendments within two years of enactment of an initiative not amount to an effective repeal of the initiated law.

**A. The Form of the Application**

The form of an initiative application is prescribed in AS 15.45.030, which provides:

The application shall include (1) the proposed bill to be initiated, (2) a statement that the sponsors are qualified voters who signed the application with the proposed bill attached, (3) the designation of an initiative committee of three sponsors who shall represent all sponsors and subscribers in matters relating to the initiative, and (4) the signatures and addresses of not less than 100 qualified voters.

The application meets the first three requirements. With respect to the fourth requirement, your office determines whether the application contains the signatures and addresses of not less than 100 qualified voters.

**B. The Form of the Proposed Bill**

The form of a proposed initiative bill is prescribed by AS 15.45.040, which requires that (1) the bill be confined to one subject; (2) the subject be expressed in the title; (3) the enacting clause state, "Be it enacted by the People of the State of Alaska;" and (4) the bill not include prohibited subjects. The prohibited subjects -- dedication of revenue, appropriations, the creation of courts or the definition of their jurisdiction, rules of court, and local or special legislation -- are listed in AS 15.45.010 and in article XI, section 7 of the Alaska Constitution. Constitutional amendments are also a prohibited subject. Starr v. Hagglund, 374 P.2d 316, 317 n.2 (Alaska 1962). Cf. Whitson v. Anchorage, 608 P.2d 759, 762 (Alaska 1980). Although Whitson involved a municipal initiative in conflict with a state law, we have previously taken the position that its holding is equally applicable to a proposed initiative that is plainly inconsistent with a provision of the Alaska constitution. See e.g. 1991 Inf. Op. Att'y Gen. (Feb. 5, 663-90-0190). Under these standards this proposed bill is in the required form.

We have considered the following issues raised by the proposed initiative: whether the bill to be initiated proposes a constitutional amendment, whether it amounts to a surrender or delegation of the constitutional taxing power, whether the initiative proposes an appropriation or repeal of an appropriation, whether the subject of the initiative is "clearly inapplicable" to the use of the initiative process under art. III, sec. 11 of the constitution, whether the initiative is an impermissible restriction of municipal home rule powers, whether the taxation scheme to be enacted in the initiative violates the state constitutional guarantee of equal protection, and whether the initiative would cause an impairment of government bond obligations. Although we have considered these issues, and noted concerns regarding the operation of the bill to be initiated, a petition for an initiative which is otherwise in proper form cannot be rejected because it is unwise or substantively unconstitutional. The courts will not entertain a challenge to an initiative's substantive constitutionality unless or until the initiative passes. Boucher v. Engstrom, 528 P.2d 456, 460 (Alaska 1974). Nor will it do so if the law

is of doubtful wisdom or effectiveness. Yute Air Alaska v. McAlpine, 698 P.2d 1173, 1176 and 1181 (Alaska 1985).

**C. Conclusion**

For the above reasons, we recommend that you certify this initiative application.

**IV. PROPOSED PETITION SUMMARY**

To assist you in complying with AS 15.45.090(2), we have drafted the following proposed title and summary for your review:

**Bill Limiting Property Assessment and Taxation**

This bill sets the value of property at its assessment on January 1 of the first year the bill is in effect. The value of property is the price that it would bring in an open market between a willing buyer and seller familiar with the property. Increases in assessments are capped at 2 percent per year, with certain exceptions. Property taxes are capped at 1 percent of assessed value. Taxes to repay bond debt issued after January 1, 2001, are included in the 1 percent limit. Taxes to repay bond debt issued before January 1, 2001, are not included in the 1 percent limit.

Should this initiative become law?

We have drafted the petition summary to conform to the requirements of a ballot summary under AS 15.45.180. We recommend this approach to reduce the chance of collateral attack on account of a divergence between the ballot and petition summaries. This summary has a Flesch test score of 53.9, and thus meets the readability standards of AS 15.60.005.

At the request of your office we have reviewed the above language with Ken Jacobus, the designated representative of the initiative committee. Mr. Jacobus has indicated the committee's approval.

Please contact me if we can be of further assistance to you on this matter.

SJF:bw

cc: Janet Kowalski, Director  
Division of Elections  
Office of the Lieutenant Governor

Steve Van Sant, Assessor  
Department of Community and Regional Affairs  
Division of Municipal and Regional Assistance



# Alaska State Legislature

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## HOUSE COMMITTEE ON COMMUNITY AND REGIONAL AFFAIRS

---

Representative John Harris, Representative Carl Morgan, Co-Chairmen  
State Capitol, Room 110, Juneau, Alaska 99801-1182  
(907) 465-3882

March 23, 2000

The Honorable Bruce Botelho  
Attorney General  
State of Alaska  
PO Box 110300  
Juneau, Alaska 99811

Dear Attorney General Botelho:

The House Committee on Community and Regional Affairs held a series of meetings over the past two days regarding the proposed 10 mill tax cap initiative scheduled to be on the November general election ballot. During the hearings, at which dozens of local government officials and concerned citizens spoke, a clear message emerged that the impacts of the initiative, if passed, will devastate city and school district programs.

One of the overriding concerns expressed by many of those who testified was that they would like some direction from the Attorney General regarding, first, the overall constitutionality of the initiative, and second, the effective date.

We understand the reluctance of the Attorney General to weigh in on any side of a ballot question; however, in light of the impacts this particular measure would have if passed, we believe it is wholly appropriate for you to issue an opinion on it. Therefore, the members of this committee request an advisory opinion discussing the constitutionality of the initiative. Further, we request an opinion clarifying when the provisions of the initiative would take effect, assuming it passes.

In view of the fact that cities and school districts are wrestling with writing their budgets at the present time, the committee would like to receive your opinion as soon as possible. The Anchorage Municipal Assembly will consider cuts of \$16.5 million to its school district budget on April 4, so if we could receive your opinion by Monday, April 3, we would appreciate it.

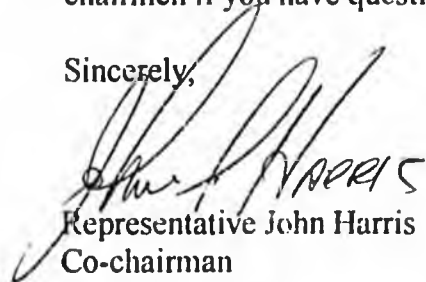
Attorney General Bruce Botelho

March 23, 2000

Page 2

Thank you for your expeditious attention to this request. Please contact either of the co-chairmen if you have questions regarding our concerns.

Sincerely,



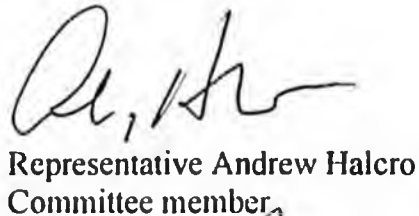
Representative John Harris  
Co-chairman



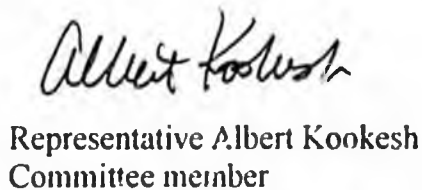
Representative Carl Morgan  
Co-chairman



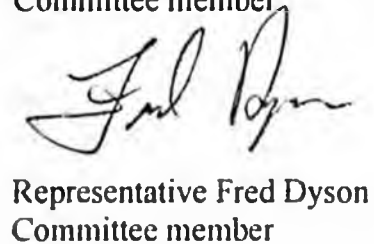
Representative Lisa Murkowski  
Committee member



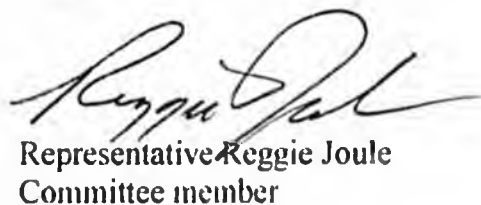
Representative Andrew Halcro  
Committee member



Representative Albert Kookesh  
Committee member



Representative Fred Dyson  
Committee member



Representative Reggie Joule  
Committee member

### **Examples of Borough Impacts:**

**Municipality of Anchorage:** The initiative would reduce Anchorage's revenue by \$73 million.

**Mat-Su Borough:** Currently, the Mat-Su Borough allocates 11.5 mills to schools, 1 mill to general government operations, and between 2 and 2.5 mills approved by fire and road service areas. If you eliminated fire protection, road maintenance, and the rest of general government in Mat-Su, schools could still not be adequately funded.

**City and Borough of Sitka:** Sitka and the rest of Southeast Alaska are struggling to overcome the impacts of downturns in the timber and fishing industries. While Sitka's charter restricts the mill rate to 6 mills, the new restrictive rules on assessing property will increasingly hurt Sitka and reduce its ability to meet the communities' needs.

**City and Borough of Juneau:** Juneau has a voter approved 12 mill tax cap, but voters may vote to approve capital construction in addition to the cap. Juneau is already struggling with a projected \$4 million per year deficit primarily caused by state cuts to municipal revenue sharing. While Juneau's current mill rate is only about 10.5 mills, the initiative's cut on top of State cuts will hurt local services. More important, Juneau will not be able to build another school with local bonds, even if voters approve them.

**Rural Alaska:** The estimated loss of revenue statewide to municipalities the first year, if the initiative passes, will be over \$100 million. This crises will necessitate the redistribution of State revenues for schools, public safety, and other State services provided to rural areas.



COVER SHEET

Anchorage Legislative Information Office  
Office - (907) 269-0111 Fax - (907) 269-0229

REP. HARRIS

To: (4) CRA

Atten: Rep Harris Fax: 465-3799 Phone:

From: Phone:

Instructions: List from Harriet Drummond  
Re: Effect of 10 mill Tax cap. Proposal

Sent: Date: 3/23 Time:

Disposal of Original: Discard: Hold for Pickup:

Number of Pages: 5 (counting cover sheet)

Transmitted by: Anch Lio / gm

Reps. Jodles &  
DCRA ctllp  
wants this list

From: Harriet Drummond 279-7722  
Anch. School Board

This list has been shared  
with the Assembly. Please  
contact me if you have  
questions.

*revised 1/11/11*

**DRAFT/UNDER REVIEW**

Anchorage School District  
 Anchorage, Alaska  
 FY 2000-2001  
 Financial Planning Considerations for Ballot Initiative - 10 Mill Property Tax Limitation

	<u>Expenditure Reductions</u>	<u>Revenue Reductions</u>	
a.) Delay School Bus Purchases	\$ (881,920)	\$ (176,384)	Under Review
b.) Contact out all of our School Buses			Under Review
c.) Increasing Class Size at Various Levels	(\$2.708M - \$5.284M)		See Attachment A
d.) Technology Implementation	(775,520) -		Under Review
e.) Turn Community Schools over to MOA	(1,131,622)	(100,000)	Under Review
f.) Turn Swimming Pools over to MOA			Under Review
g.) New Positions for FY 2000-2001	(3,047,000) -		Under Review
h.) Reinstate Supply Fees			Under Review
i.) Addendums for Activities and Sports	(2,980,000)		Under Review
j.) Non-filled Positions from Prior Years	(366,452)		Under Review
k.) Middle School Model			Under Review
l.) School Board Goals	(1,000,000)		Under Review
m.) Music (Elementary Schools)	Contractual Issues		Under Review
n.) Art (Elementary Schools)	Contractual Issues		Under Review
o.) Outreach Program	(220,133)		Under Review
p.) Reinstating High School Parking Fees			Under Review
q.) Police Coverage at Hockey Games	(10,000)		Under Review
r.) Community Schools more self supporting			Under Review
s.) Teacher Assistants			Under Review
t.) Alternative Program at the Middle School	(308,000)		Under Review
u.) Textbook Adoption	(1,548,000) -		Under Review
v.) Warehouse Lease Space	(290,000) -		Under Review
w.) Charter Schools - Charge for every service we provide			Under Review
x.) Give Old Northern Lights back to MOA			Under Review
y.) Transportation - 5 Additional Days	(339,000) -	(288,800)	Under Review
z.) Noon Duty Attendants -5 Additional Days	(27,300) -		Under Review
aa.) Full Day Kindergarten Program and Drop 1/2 Day Busses			Under Review
ab.) Non-Required Special Education Services			Under Review
ac.) Consolidate Business Functions with MOA			Under Review
ad.) Elementary Level Summer School	(349,198) -		Under Review
ae.) High School Coach Certification	(75,000) -		Under Review
af.) Increasing Enrollment-Distance Education			Under Review
ag.) Increasing Enrollment-Kindergarten (9 Additional Schools)	571,350	796,934	Under Review
ah.) Administrators at Each School Level			Under Review
ai.) Administration Building Costs - Positions that could be Consolidated			Under Review
aj.) Curriculum Building Cost - Positions that could be Consolidated			Under Review
	<u>(\$15.5M to \$18.1M)</u>	<u>\$ 231,750</u>	


Attachment A

ANCHORAGE SCHOOL DISTRICT  
ANCHORAGE, ALASKA

MEMORANDUM

March 20, 2000

TO: SCHOOL BOARD

FROM: OFFICE OF THE SUPERINTENDENT 

SUBJECT: BUDGETARY IMPACT-INCREASING CLASS SIZE

When estimating the budgetary impact of increasing class size, we used the average salary of new hires for FY 1999-2000. If we go beyond increasing each class size by two students as demonstrated on the attachment, we cannot assume the same average salary and benefit package for teachers. Additional increase in class size would necessitate further review and a more comprehensive analysis to determine the teacher salary/benefit amount to use. As more teachers are laid off, the amount of the salary/benefit package may be more.

BC/JS/MSL

Attachment

Anchorage School District  
Anchorage, Alaska  
FY 2000-2001

**Estimated Expenditure Reduction by Increasing Class Size**

	Increase by 1 Student Per Class		Increase by 2 Students Per Class	
	FTE	Expenditure Reduction	FTE	Expenditure Reduction
<b>Elementary K-6</b>				
Total by FTE Reduction	(40)	(1,776,000)	(36)	(1,598,400)
Accumulative Total by FTE Reduction			(76)	(3,374,400)
<b>Middle Schools</b>				
Total by FTE Reduction	(8)	(355,200)	(9)	(399,600)
Accumulative Total by FTE Reduction			(17)	(754,800)
<b>High Schools</b>				
Total by FTE Reduction	(13)	(577,200)	(13)	(577,200)
Accumulative Total by FTE Reduction			(26)	(1,154,400)
<b>Totals If Increasing class size the same number of FTE by level across the district</b>				
Total by FTE Reduction	(61)	(2,708,400)	(58)	(2,575,200)
Accumulative Total by FTE Reduction			(119)	(5,283,600)

**Notes:**

Considers the different PTR at each grade level

Includes proposed 13 new FDK schools

Does not include Charter Schools

Does not include Special Education or Bilingual Education

Estimated expenditure reduction using the average cost for new hires for FY 1999-2000 - \$44,400.

Further reductions beyond two students per class would required a more comprehensive analysis.

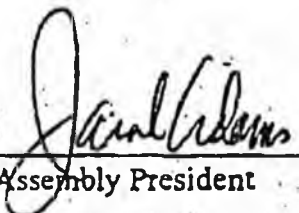
WHEREAS, the proposed initiative's 10 mills tax cap includes taxes imposed to pay bonds for new capital construction. It is unlikely that new schools or other local improvements could be built, even if desired by local voters, if a Statewide Cap makes it impossible to provide for repayment of the bonds; and

**NOW, THEREFORE BE IT RESOLVED,**

That the Alaskan voters are urged not to support the proposed Statewide Property Tax Cap Initiative because it would remove the power of local voters, and could effectively halt school and other necessary capital construction, and could create an inequitable system of taxation in which owners with equal property values could pay different amounts of property tax.

INTRODUCED: December 7, 1999

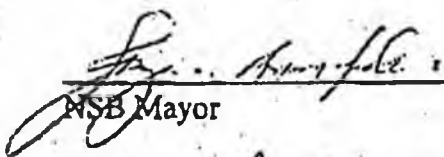
ADOPTED: December 7, 1999



NSB Assembly President

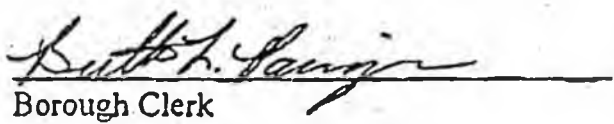
Date: 12-7-99

ATTEST:



NSB Mayor

Date: 7 December 1999



Borough Clerk

Date: 12-8-99

12/20/99 MON 13:14 FAX

**NORTH SLOPE BOROUGH  
RESOLUTION NO. 77-99**

**A RESOLUTION OPPOSING STATWIDE  
PROPERTY TAX CAPS BECAUSE IT REMOVES  
THE POWER OF LOCAL VOTERS**

**WHEREAS**, the proposed initiative imposing a Statewide Cap on local property taxes and assessments would:

1. Limit local mill rates everywhere in the State of Alaska to 10 mills, including taxes to pay for future bonded indebtedness.
2. Limit increases in the assessed value of individual properties to the CPI, but no more than 2 percent per year.

Would remove the power of local voters to approve local taxes at levels that meet the needs of their community including the power to impose local tax or revenue caps particularly suited to their communities; and

**WHEREAS**, statewide limitations would take away local voter control allowing people in one part of the State of Alaska to set mill rates for people in other municipalities; and

**WHEREAS**, if the proposed initiative is adopted, owners of property of equal market value may pay different property tax amounts because:

1. Property will be assessed at true market value when property is constructed or sold, which means that a newly purchased or constructed home could pay much higher taxes than another property of equal value that had not recently been sold might thereby be assessed at a lower value.
2. The market values of property in any community may grow at different speeds, meaning that capping assessed values may give a tax break to property owners who live in communities with property that is growing at a greater than 2 percent rate while requiring taxpayers in communities with less than 2 percent growth to pay at full and true value; and

**WHEREAS**, several municipalities have property tax rates substantially above 10 mills, some up to 19 mills. This initiative therefore would cut those major sources of local revenues nearly in half for those communities. Schools are the key municipal service funded by property taxes, and reduction in property taxes will threaten the quality of education in many communities; and

<http://www.newschoice.com/newspapers/Fairbanks/Miner/default.asp>

Ballot petition would cap property tax rate

Thursday November 11, 1999

By ROD BOYCE  
Staff Writer

A ballot petition that seeks to limit Alaska municipalities to a 10 mill property tax rate would cut the Fairbanks North Star Borough's tax revenue nearly 30 percent and cause havoc with the borough's budget, Mayor Hank Hove said Wednesday.

"It would wipe out a good deal of services," Hove said. "We may have to close the library and bus system. We can't fine-tune anything down anymore.

"What we're looking at is to shed entire functions."

The petition's sponsors -- an Anchorage restaurateur and two other Anchorage residents -- say they have more than the required 22,700 signatures needed to put the measure on the November 2000 ballot but are collecting more in case some are ruled invalid.

The proposed tax cap would limit all local governments to a rate of 10 mills, or 1 percent, of a property's assessed value. That cap would not apply to taxes levied or pledged to pay for bonds -- such as those for school improvements -- issued prior to Jan. 1, 2001. Bonds issued on or after that date would fall under that cap.

The cap wouldn't now affect the cities of Fairbanks and North Pole, which each have property tax rates well below 10 mills -- 6 mills for Fairbanks and 2.3 mills for North Pole.

Uwe Kalenka, the primary sponsor of the initiative, said Alaskans are desperate for lower property taxes. The politicians will have to deal with whatever shortfall results, he said.

"It's their job to figure it out," he told the Anchorage Daily News. "It's not my problem."

Most of the larger local governments in Alaska have tax rates of more than 10 mills, according to state figures, and would therefore lose revenue under the initiative.

The mill rate for the Anchorage Bowl now ranges from 12 to 18 mills, depending on what service area the property is in. The city's budget director estimates the city would lose at least \$80 million a year.

The Fairbanks North Star Borough's base property tax rate is 14.48 mills, or \$1,448 in annual property taxes on a \$100,000 house. Residents in service areas pay additional taxes.

Residents in the city of Fairbanks pay more than 20 mills -- their city's rate and the borough's rate combined -- although it's not clear how the

initiative would affect property taxed by two independent governments.

"It's a little troubling to see how easy it is to pick up signatures," Hove said of the petition. "People tend to see it as putting money back in their pockets. Too many don't think government does anything.

"This would materially change the landscape in Alaska," he said. "I don't think I'd want to live here."

The borough's revenue from property taxes would tumble \$17 million, to about \$41 million, the first year after the measure takes effect.

The amount the borough would have to trim, assuming it doesn't make up the amount through users fees or a sales tax, equates to just over half the borough contribution to the school district budget. It is slightly more than the combined budgets of the public works and parks and recreation departments.

The overall borough budget, including all revenue sources, was \$89 million this year.

In North Pole, property taxes account for a small portion of the city's yearly revenues. The bulk of the city's revenue comes from its 3 percent sales tax, which is expected to raise about \$1.14 million in 2000.

Fairbanks Mayor Jim Hayes, his city not threatened by the cap, wouldn't say whether he thought the statewide cap a good idea or a bad one. "I don't know if we'd oppose it or not," he said. "Everything I've heard from other mayors is it would be bad. But some people might like it."

The Associated Press contributed to this report.

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# PETITION: Cap would halve Anchorage level

Continued from Page A-1

natures needed to get on the ballot, said sponsor Robert Monson. Petition circulators are gathering more in case some are found invalid, he said.

Under the initiative, Anchorage would have to cut back drastically on the services it provides, said Assemblyman Dan Kendall.

"It would be very difficult," he said. "We'd have just a bare-bones government at 10 mills."

One option for covering the shortfall, Kendall said, would be for the city to stop paying for education and leave school funding to the state. When city officials raised the specter of a 10-mill tax cap at a meeting last week with Anchorage-area legislators, the state lawmakers didn't offer any solutions.

This spring, the Legislature cut state aid to cities by one-third, which cost Anchorage \$5.8 million. In September, after voters rejected a plan to spend Permanent Fund earnings, several key legislators said they'll have to make deeper cuts in the state budget next year.

Anchorage's options for raising money also are limited by a 1997 city ballot measure that said a sales tax may only be imposed if 60 percent of voters approve. The Anchorage city charter limits property tax increases from one year to the next under a formula that takes into account changes in population and the cost of living. Voter-approved bond issues are exempt from the city's tax cap, however.

Kendall predicted that after a few lean years under a 10-mill cap, Anchorage voters would adopt a hefty sales tax.

According to Assembly staff figures, it would take a sales tax of about 10 percent to make up the shortfall.

The petition's 10-mill cap would apply to future bond propositions, which is another reason Sullivan opposes it. Anchorage voters usually approve road and school maintenance bonds, proving they want their roads and schools in good shape and are willing to pay for them, he said.

"I have a real problem with laws that say people can't tax themselves," he said.

Kalenka said the minority of people who vote is imposing taxes on a large number of property owners.

"The population is sick and tired of being taxed," he said.

He said he began promoting the tax cap after helping an elderly friend fight increases in his assessment. Senior citizens don't have to pay property taxes on the first \$150,000 of assessed value of their homes, but this friend had to leave the state for health reasons and didn't qualify for the exemption, Kalenka said. Kalenka said the experience, which took him to the city's board of equalization, was degrading.

"The arrogance of the board is rather glaring," he said. "They made me feel -- how should I say? -- subhuman."

Shelter, he said, is an essential need. He believes property taxes are making it hard for people to keep their homes.

So he and like-minded people got together to see what could be done. With help from the Los Angeles-based Howard Jarvis Taxpayers Association, they wrote an initiative based on California's Proposition 13 from 1978.

"We looked at what California did 20 years ago, and we copied it," he said.

Alaskans, he said, have responded enthusiastically.

"You should hear some of the horror stories," he said.

One impoverished single mother sent him \$20 for the cause, he said, which shows him how badly Alaskans want property tax relief.

Like Proposition 13, his tax-cap initiative would also change the way the value of a property is figured for tax purposes. Instead of being based on an assessor's estimate, taxes would be based on the actual selling price. And the assessment could grow by no more than 2 percent a year.

The selling price, Kalenka said, is a more accurate measure of a property's value.

Californians disagree about the legacy of Proposition 13. Fans say it has meant lower, predictable property taxes. Others say it has hamstrung local governments and resulted in inequities: people who stay in their houses for a long time pay low taxes, while new homeowners in similar houses pay more.

"What's wrong with that?" Kalenka asked. People who stay in a house and improve it should be rewarded, he said.

□ Reporter Liz Ruskin can be reached at [lruskin@adn.com](mailto:lruskin@adn.com).

# Tax cap petition chills city brass

## 10-mill property levy limit may go to voters

By LIZ RUSKIN  
Daily News reporter

A statewide initiative to cap local property taxes seems headed for the ballot next year, and Anchorage political leaders say if it passes it would blow a big hole in the city budget.

"It would be semidevastating, I think," said Anchorage Assemblyman Dan Sullivan. "You'd be looking at about half the budget of the city from property taxes going away."

The proposal, sponsored by an Anchorage restaurant manager and two other Anchorage men, would cap the tax rate for all local governments at 10 mills. The mill rate for the Anchorage Bowl now ranges from 12 to 18 mills, depending on what service area the property is in. A rate of 18 mills means the owner of a \$100,000 house pays \$1,800 a year.

If the initiative passes, Anchorage would

lose at least \$80 million a year, said Gene Dusek, city budget director. In fact, most of the larger local governments in Alaska now have tax rates of more than 10 mills, according to state figures, and would therefore lose revenue under the initiative. Some property owners in Fairbanks pay nearly 23 mills to the borough and city. Those in Soldotna pay almost 13. Palmer residents pay nearly 15.

Uwe Kalenka, the primary sponsor of the initiative, said Alaskans are desperate for lower property taxes. The politicians will have to deal with whatever shortfall results, he said.

"It's their job to figure it out," he said. "It's not my problem."

The petition has more than the 22,700 sig-

Please see Back Page. PETITION

# TAX: Nikiski stands to lose big under proposed cap

By TONY LEWIS

Daily News correspondent

**SOLDOTNA** — A statewide proposal to limit property taxes could cost Nikiski residents dearly in lost services while the oil industry and state of Alaska pocket the bulk of the tax savings.

Nikiski homeowners would see a small break on their tax bills if the initiative passes, but the community would lose millions in tax revenues as a result.

That's because in North Kenai — where oil platforms, a chemical fertilizer plant, an

oil refinery and a liquid natural gas plant dominate a tax base assessed at more than \$1 billion — big business pays roughly 75 percent of the area's property taxes.

Over the years, Nikiski residents have counted on that tax base to pay for firefighters, an indoor swimming pool, recreational programs and free meals to seniors, among other things. The initiative's 10-mill tax cap would slice \$2.5 million from Nikiski's revenue.

A 10-mill tax equals \$1,000 in taxes on property worth

\$100,000.

"It's really a few people that have initiated this, inflicting their will on the rest of us," said Jack Brown, who represents Nikiski on the Kenai Peninsula Borough Assembly. "For some idiots outside this borough to limit the fire department and put people's lives in jeopardy — those are fighting words."

The initiative, scheduled for the November ballot, is intended primarily to put money back into the wallets

See Page B-2, TAX

Continued from Page B-1

of homeowners, said Uwe Kalenka of Anchorage, one of the initiative's sponsors.

Regardless of how the tax cap plays out in individual communities, Kalenka said he believes Alaskans on the whole need property tax relief. It was easier to write a statewide initiative than fight for lower taxes in cores of communities, where property taxes are traditionally determined, he said. The Kenai Peninsula Borough alone has 19 distinct taxing districts.

"The problem is widespread," Kalenka said. "Our basic contention is housing is a basic need. We have people who have tremendous difficulty in paying (property) taxes."

Nikiski's Brown looks at the figures from his community and concludes Kalenka is misguided.

Of the \$2.5 million Nikiski would lose in taxes, roughly one-fourth, or \$600,000, would be returned to homeowners and small businesses. Oil companies would receive an estimated \$900,000 break for reduced taxes on the property not used for exploration, production and transportation.

Plus, a quirk in the way the state taxes the oil industry would divert another \$1 million from Nikiski to the state treasury.

Here's why: The state charges a 20-mill tax on property involved in the exploration, production and transportation of oil and natural gas. However, the state only keeps revenue from taxes above the rate levied by local governments.

For example, in the Nikiski area, where the local property tax is 12.43 mills, the state collects 7.57 mills of tax on oil properties.

If Nikiski's property tax is capped at 10 mills, the owners of the oil platforms and other infrastructure used for finding, pumping and moving crude would still pay 20 mills. But a bigger portion of that check would go to the state.

In Nikiski, that's about \$1 million.

"I'm really ticked at the people who have initiated this," Brown said. "This may make sense in other places of the state, but it doesn't make any sense to me."

The oil industry could realize even bigger benefits in the future under the initia-

tive. In addition to setting a tax cap, the measure limits annual increases in assessed property values at 2 percent. The initiative does not limit how much property values can decline.

Oil industry property values can fluctuate wildly depending on the price of crude and other factors. As an example, oil prices were in sharp decline until recently. As a result, oil industry property on the Peninsula declined in value by 25 percent over two years, said Jeff Sinz, the borough's finance director. Now that oil prices have rocketed, industry property values are rising.

Under the proposed initiative, however, some industry property values would be held artificially low for years. That would mean lower tax bills for the industry at the expense of the average taxpayer, Sinz said.

Looking beyond the Peninsula, the initiative would likely limit capital projects like schools, libraries, police stations and harbor improvements across the state, said Deven Mitchell, the state's debt manager.

Traditionally, local governments borrow money

through bond issues to fund those projects, Mitchell said. To pay off the debt, property taxes are temporarily raised. If a community is up against the 10-mill cap, however, a different source of revenue would have to be found.

"It's really going to string cities and towns in the state of Alaska," said.

One way communities could make up the revenue loss is with a sales tax. That could contradict the initiative backer's stated purpose, to help Alaskans make ends meet.

The Peninsula's poorest people feel the sales tax hardest. The tax is levied on the first \$500 of any purchase. So while rent, food and clothing are usually taxed for the entire amount, big-ticket items like automobiles, snowmachines and vacation packages are taxed on a small portion of their total price.

"The necessities of life are all taxed," said Larry Semmens, finance director for the city of Kenai.

## Tax proposal holds danger

The proposed statewide ballot initiative to limit property taxes is a popular topic. I'm told that more than 22,000 people signed the petition that was turned into the lieutenant governor's office.

While I certainly would enjoy the prospect of lower property taxes, there is a fundamental danger in the proposal that outweighs my desire for lower taxes. I call the danger "representation without taxation." It would allow people from all over Alaska, most of whom do not have property taxes, to determine property tax limits for those of us who do pay them. I don't quite understand why people in Anchorage should give tax decision powers to people outside of Anchorage.

Conversely, I don't think it's right for me to vote on property taxes for other communities that I don't live in. As an elected representative I support policies that push power to the local level. This idea of ceding our local tax authority to statewide authority seems to go against the grain. I'd like to hear what other folks think about this.

— Rep. John Cowdery  
R-Anchorage

## Prop. 13 doesn't apply here

Will Mr. Uwe Kalenka and other proponents of the property tax cap initiative, which was modeled after California Prop. 13, explain why they neglected to bring out the fact that California had and continues to have taxes other than property taxes? Would Prop. 13 pass if California counties, cities, and/or municipalities operated on taxes collected from property taxes? I really doubt it.

Further, why would the people and locations most affected by this initiative let people in the rural areas, with no property taxes, vote on this? Would it be because this initiative would never pass without the help of the nontaxed rural residents?

With a tax cap in place, will the municipalities be able to put together the 10 percent need to match and obtain federal funding? Losing federal funding will be such a waste since the people of Alaska would watch our federal taxes be handed out to outsiders vs. part of it coming back to support our communities.

— Douglas Panilo  
Anchorage

## Tax cap will hurt deeply

There have been several letters to the editor about the lousy condition the streets are in after a big snow dump. If you look up from this paper and out your window, you'll see what I mean. Look closely, because if the mill rate cap passes, it'll be much, much worse.

Where do these people think the \$80 million Anchorage will lose is going to be made up? Think about it. As you try and drive your kids to the only library still open in town, the one that will only be open three days a week, you'll get stuck in the deep snow or slide off the road. Possibly some cheechako who has no clue about driving here will nail you. You'll use your cell phone to call the cops. Only, since there's been massive layoffs, it'll take several hours for one to come. Let's also pray that you don't need a fireman, as the city will have already closed a couple more fire stations.

When the promoters of this bone-headed idea say the city only needs to provide the basics, those, unfortunately, will be the first to go. Those of us who have lived here a number of years will remember what happened with Mr. Tight Fist himself, Tom Fink, got elected. What happened to basic services? He closed fire stations, froze police hiring and closed libraries all over town and stopped book buying at Loussac — something they still haven't recovered from. In the end we'll all pay dearly for this cap.

— Ross G. Homer  
Anchorage

## Police prove Kalenko wrong

Uwe Kalenko's vision of Anchorage is a city that only needs water, sewers and roads to thrive. One can only wonder what his civics grade was, since he thinks education is unnecessary.

It is ironic that the "unnecessary" police quickly solved the case and made arrests in the tragic shooting of the Wendy's restaurant manager. As a restaurant manager himself, did this not give him pause in pronouncing all municipal services as special interests?

— Darrell L. Johnson  
Anchorage

Date JUL 25 1999  
FAIRBANKS  
DAILY NEWS-MINER

Client No. 0199

# Property tax petition has serious mistake in draft

0199-201

A petition is circulating around Alaska for a ballot initiative that would put a strong statewide ceiling on property tax rates.

The initiative petition was certified by Lt. Gov. Fran Ulmer last month. The sponsors of the initiative must gather 22,716 signatures from qualified voters in order to get it on the 2000 election ballot.

The issue deserves some attention and debate, since it has vast potential impact on municipal government finances if it should pass. If the petition gets the required signatures this year, the Legislature might also shortstop it by passing a similar limitation next spring.

There are already limits on municipal property taxes in state statutes, but they are far higher than the political threshold of pain in most Alaska communities. Current state law limits property taxes to no more than three percent of the assessed value of property, or 30 mills.

Voters in some communities, like Fairbanks, have protected themselves with lower property

Fred Pratt



tax ceilings adopted by local ballot initiatives.

Current law also limits taxes in a municipality to no more than \$1,500 a year for each person, and there is also a limit on assessments that is related to the total statewide assessed value.

The proposed state initiative would lower that statewide property tax limit to one percent, or 10 mills. It would also freeze property tax assessments at the full and true value of property on Jan. 1, 2001, with tightened language that will weaken the effect of recent real estate sales on a home's assessment. After 2001, a property's assessment could only be increased as much as the Consumer Price Index rises for the area or no more than 2 percent a year, unless ownership changes.

Finally, taxes to repay general obligation bond debt issued after

Jan. 1, 2001, are included under the new 1 percent limit, but taxes to repay older bonds are exempt.

The initiative is sponsored by Uwe Kalenka, Scott Kohlhaas and Robert Monson. Kohlhaas is also a sponsor of the sweeping marijuana legalization initiative I wrote about earlier this month.

The initiative would inscribe in state law a sweeping policy statement with a finding that the people of Alaska must take this firm step in order to control elected officials that ignore our interests.

The statement reads, "The People of the State of Alaska find and determine that political and taxation power is vested in the People; that each person has the right to the enjoyment of the rewards of his or her own industry as guaranteed by Article I, Section 1 of the Alaska Constitution; that substantial pressures will be placed on local governing bodies to raise taxes; that a substantial threat of additional and unwarranted taxation of the People presently exists; that the Alaska Legislature and the local governing bodies do not appear willing to protect the People

against this taxation; that property owners should not be subjected to continuing large increases in taxes or assessments, that property owners should be entitled to rely for the future on assessed values on their properties that existed at the time of purchase; that lower taxes encourage economic growth; and that it is necessary for the People to place certain controls on the manner in which the People may be taxed."

The change in assessment policy is significant. Current law says property must be assessed at the "full and true value," which is defined as "... the estimated price that the property would bring in an open market and under the then prevailing market conditions in a sale between a willing seller and a willing buyer both conversant with the property and with prevailing general price levels."

The initiative would remove the words "and with prevailing general price levels." That would block an assessor from using recent sales of similar homes in your neighborhood as a justification for raising your assessment.

There is one serious drafting

glitch in the initiative that will be of interest to business owners in municipalities that tax personal property as well as real property.

The initiative repeals the contents of AS 29.45.110 and replaces it with new text. That statute defines "true and fair value" in its subsection "a," but subsections "b" and "c" of that statute specify how business inventories and are assessed.

The initiative further provides "The subsections of AS 29.45.010 presently designated 'b' and 'c' are redesignated 'e' and 'f.'" The citation of the statute has the wrong number. The effect would be to simply renumber two unrelated subsections of AS 45.29.010 instead, leaving the current business inventory law repealed.

It's puzzling how this passed through the lieutenant governor's office and a two-month-long review by the Department of Law. My eyes are no better than theirs, so (as I noted also with the marijuana initiative) they're apparently willing to let poorly drafted initiatives go on the ballot.

Fred Pratt, a free-lance journalist in Fairbanks, is a longtime reporter and observer of Alaska politics.

IMPLEMENTATION  
OF RURAL  
GOVERNANCE  
COMMSN.  
RECOMMEND.

# STATE OF ALASKA

## DEPARTMENT OF FISH AND GAME

OFFICE OF THE COMMISSIONER

TONY KNOWLES, GOVERNOR

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December 8, 1999

The Honorable Andrew Halcro  
Alaska State Legislature  
716 W. 4<sup>th</sup> Ave. Suite 620  
Anchorage, AK 99501-2133

Dear Representative Halcro:

Thank you for your letter asking how the Department of Fish and Game plans to address the recommendations of the Commission on Rural Governance and Empowerment. I believe rural outreach and coordination is critical to effective fulfillment of the department's mission, and I am pleased with the heightened attention to the state's working relationship to rural Alaska.

The department has a long-standing practice of working with local communities and industry organizations to meet its mandate to develop and sustain Alaska's fish and wildlife. I certainly welcome suggestions for improvement, such as recent recommendations to further develop local hire and internship programs.

I have enclosed a working document entitled "Cooperative Management of Fish and Wildlife Resources: A Framework for Participation by the Alaska Department of Fish and Game." I noted that the commission report addresses comanagement in several places. The department embarked on this framework document about a year ago in order to address suggestions and concerns from rural residents for a better working relationship. I believe this framework, the list of on-going cooperative projects, and other efforts like our local hire initiatives, demonstrate the department's commitment to responding to many of the needs and gaps identified by the commission report.

Again, thank you for writing and challenging the department to respond to the commission report.

Sincerely,



Frank Rue  
Commissioner

Enclosure: Cooperative Management of Fish and Wildlife Resources

# **Cooperative Management of Fish and Wildlife Resources**

## **A Framework for Participation by the Alaska Department of Fish and Game August, 1999**

### **I. Use of the Terms "Cooperative Management" and "Co-Management"**

The term "cooperative management" is used in this paper to describe a broad range of shared decision making arrangements, including "co-management" arrangements. "Co-management" as it is used here primarily refers to specific cooperative arrangements authorized in law that imply co-equal authority, such as the co-management agreements required by the Marine Mammal Protection Act and the protocol amendment to the Migratory Bird Treaty Act. In addition, however, some ongoing projects are referred to as co-management because the term is in the name of the project or its goals, even though authority is not equally shared. For example, the Western Arctic Caribou Herd Working Group has been conducting discussions, referred to as co-management discussions, for several years. While the terminology can be confusing, most participants agree the structures of the various cooperative arrangements are more important, and certainly more descriptive, than the labels given to them.

### **II. Statement of Intent to Use Cooperative Management Agreements**

Alaska has managed resources cooperatively for many years. In light of these successes, ongoing efforts by department staff to establish cooperative projects, and frequent inquiries by members of the public regarding the department policy in this area, the following statement of intent to engage in future cooperative management agreements in Alaska is appropriate:

**The Alaska Department of Fish and Game shall identify opportunities for cooperative management of fish and wildlife in the areas of research, harvest assessment, resource management planning, regulation development, education, and implementation of resource management plans, as appropriate to achieve the conservation, protection, management, use, and restoration of fish and wildlife in Alaska.**

**Cooperative management agreements between the department and other entities shall be consistent with the statutory or constitutional authorities of the State of Alaska and the department over fish and wildlife within its jurisdiction. Cooperative management agreements can include agreements between the department and other**

government and non-government entities including governments, tribal councils, organizations, and non-profit corporations.

### III. Purpose

The Alaska Department of Fish and Game (ADF&G) is frequently called upon to engage in discussions about cooperative management of hunting and fishing in Alaska. These discussions have ranged from those focused on a particular species and geographic area to the consideration of cooperative management as a general principle. The purpose of this paper is to assist these discussions by providing historical background and general policy guidance. Actual cooperative management efforts will be created based on local input and circumstances. This paper will describe examples of cooperative management in Alaska and will describe general principles that are likely to apply to future cooperative management efforts.

Alaska's fish and wildlife belong to Alaskans. This simple fact provides the framework for the mission and the work of ADF&G. We will only be successful in sustaining healthy fish and wildlife resources and their uses if we are successful in allowing Alaskans to contribute to, and take a measure of responsibility for, their management. This involves improving the existing management decision making process by allowing, encouraging, and educating for more effective public participation. Sharing management responsibility is an integral part of cooperative management, by any definition.

The department can more effectively meet the responsibilities outlined in our mission statement by working cooperatively with all segments of the public and we are committed to this stewardship model of fish and wildlife management through the use of cooperative management agreements.

Cooperative management is an evolving concept in Alaska. However, this paper describes examples and basic principles of cooperative management that are current at this point in time. Revision and amendment to this material will occur as needed.

### IV. Cooperative and Co- Management in Alaska: the Concept and the Practice

Cooperative management in Alaska has been defined as much by practice as by theory. Literature on this subject defines terms like cooperative management and co-management as a range of management structures providing for shared responsibilities by government and users of wild resources. Within this conceptual framework, cooperative management examples range from the state's Fish and Game Board-Advisory Committee System (where users have a formal representative body consulted by the Boards in developing regulations), to resource-specific co-management structures like the Round Island Walrus Cooperative Management Plan (where each signatory holds formal responsibilities over aspects of the hunt) or the Kuskokwim River Salmon Management Working Group (where decisions are made cooperatively concerning salmon fisheries on the Kuskokwim River).

ADF&G has a long history of creating cooperative management structures between state government and affected groups of people; some involve formal agreements, while others are informal. As described below, shared responsibilities in particular cases can include research, harvest assessment, resource management planning, regulation development, and implementation of resource management systems. Well-conceived cooperative management structures have advantages over other mechanisms because they can achieve certain goals not achievable otherwise. Specifically, solutions arrived at through a cooperative and participatory process can make better use of local knowledge, have the backing of the affected parties, and result in greater compliance. Part of the challenge of cooperative management is deciding on what approach to use in a given circumstance.

Cooperative management of fish and wildlife in Alaska derives from changing circumstances. For example, governments are being faced with increased pressures on fish and wildlife resources and there is inadequate funding for research and management. An increasingly informed public wishes to have a stronger voice in wildlife management. There is increasing public sensitivity to cultural differences and to the difficulties inherent in more intensive management of animal and fish populations that move across jurisdictional boundaries.

Many cooperative management models exist today. Most, including those used in Canada, provide that the ultimate decision-making responsibility rests with the government, and this is the case in Alaska as well. However, the strength of the cooperative management agreement rests on its success in consensus building. Ideally, where cooperative management agreements are in place, each party sees mutual decision making as being preferable to the unilateral action of state or federal governments.

In order to see how cooperative management can fit within the mission of ADF&G, it is useful to consider the five major elements of our fish and wildlife management program:

- a) Regulation and Allocation (Boards of Fisheries and Game)
- b) Research and monitoring
- c) In-season and pre-season management
- d) Habitat protection
- e) Enforcement

As the following examples demonstrate, cooperative management can occur to varying degrees in any or all of these areas.

## **V. Cooperative Management in Alaska: Examples**

ADF&G plays a fundamental role in many ongoing efforts involving cooperative management. The following is a listing of current department initiatives with governments, rural communities, tribes, and organizations.

### **Regulations and Allocation:**

**The Boards of Fisheries and Game, and the Fish and Game Advisory Committee System:** These regulatory bodies consist of stakeholders on both boards and advisory committees, and an open public process that is integral to the development of hunting and fishing regulations in Alaska. To supplement the advisory committee process the boards have increased the use of special committees during board meetings. Committees involve public participants, department staff, and board members working toward consensus on key issues. Some standing committees have been formed to address larger issues.

Allocation issues are some of the most contentious issues facing our use of fish and wildlife resources. Similar to the process for developing cooperative and co-agreements between governments and the public, user groups must work together to resolve allocation issues. The state's role is to facilitate such discussions.

**Yukon River and Pacific Salmon Negotiations** (explaining and defending interests of Yukon River and Southeast Alaska fishers). These negotiations include local fishermen sitting with ADF&G, the U.S. Fish and Wildlife Service (USF&WS), the National Marine Fisheries Service (NMFS), the states of Washington, Oregon, the Pacific Northwest Treaty Indian tribes, and the U. S. State Department, to determine US/Canada salmon allocation. The bilateral relationship between the United States and Canada is a co-management relationship, where neither government has the ultimate authority.

#### **Research and Monitoring:**

**Stock Assessment and Rehabilitation.** The department cooperates with several tribes, communities, local and regional organizations, and local fishers to conduct salmon, herring and groundfish monitoring projects, which are essential for ADF&G management in-season and post-season. Projects include test fisheries, sonar projects, weirs, counting towers and trawl surveys. Rehabilitation projects include streamside egg-box incubators and lake fertilization. The involvement of tribal and other groups including the Native Village of Kwinhagak (NVK), Orutsarmiut Native Council (OSC), the Bering Sea Fisherman's Association (BSFA), and the Kuskokwim Native Association (KNA) have been vital to the success of these efforts, as have AVCP and TCC. A listing of such projects may be found as Attachment A.

Beyond the specific projects listed in the attachment members of the public cooperate and assist in resource management by reporting sport fish and wildlife harvests, reporting commercial fish harvest on fish tickets and providing subsistence harvest information through return of permits and surveys. Salmon enhancement regional planning teams (RPTs), aquaculture associations, commercial fishing industry gear groups, and municipalities are also frequent cooperators in addressing the fisheries management issues that affect them. For example, the Kodiak Regional Aquaculture Association is a cooperator in projects for sockeye smolt enumeration, presmolt stocking, limnological sampling, adult sockeye and chum enumeration, catch sampling, and straying evaluation.

**Subsistence Harvest Monitoring:** Working with regional organizations and tribal councils, ADF&G manages projects in which local people conduct **marine mammal, waterfowl, and salmon subsistence harvest surveys** in many regions of the state. Cooperative agreements with Native organizations and hiring non-permanent village research assistants are the main methods used for these community-based studies. Financial support comes from ADF&G, NMFS, USF&WS, and BSFA.

In 1998, marine mammal harvest studies employing community residents were conducted in Hooper Bay, Quinhagak, Emmonak. Migratory bird harvest studies were conducted in Buckland, Kiana, Kivalina, Kobuk, and Noorvik, and are about to begin in Ambler, Deering, Kotzebue, Noatak, and Selawik.

Since 1997, surveys of large mammal harvests have been conducted in ten **Koyukuk River** villages. These projects have been conducted by local residents, with project design and oversight by department staff. Village fishwheel permits are distributed and harvests monitored by the **Copper River Native Association**. The **Bristol Bay Native Association** has recently conducted big game harvest surveys in that region, funded by ADF&G and the USFWS. The **Alaska Native Harbor Seal Commission** contracts with the department for a biosampling project.

Salmon subsistence harvest surveys have been conducted for the 43 communities along the **Yukon River** annually since 1961 and on the **Kuskokwim River** since 1960. Subsistence salmon harvest data for these rivers are a critical part of the department's assessment of total returns. Salmon harvest surveys were conducted in most all Kawerak and Maniilaq region communities in 1998 and 1997. In 1997, community-based marine mammal harvest surveys were conducted in **Brevig Mission, Gambell, Golovin, Savoonga, Shaktoclik, and Stebbins**; and migratory bird harvest studies were conducted in **Gambell and Savoonga**. Subsistence salmon harvest surveys occur annually in the **AVCP, Kawerak, and Maniilaq** regions.

A cooperative pike research project is underway on the **Dall River**, in which the department and the Stevens Village Tribal Council are gathering information needed for managing a growing sport fishery for pike. Trophy moose hunting is also an issue in these areas, as well as on the **Koyukuk River**, where a cooperative moose management planning effort has recently begun.

#### **In Season and Pre-Season Management:**

The **Kuskokwim River Salmon Management Working Group** consists of representatives of Kuskokwim R. stakeholder groups who meet with ADF&G staff to provide recommendations for salmon management including in-season recommendations about opening and closing fisheries. Working Group decisions are very seldom overruled by ADF&G. Similar working groups implement the **Western Alaska Brown Bear Management Plan (BBWG)**, and the **Unit 4 Brown Bear Committee**. Other examples are the **Hooper Bay Waterfowl Conservation Agreement (WCC)**, the **Lower Yukon**

**Moose Management Working Group**, and the **Kilbuck Caribou Working Group** (this is described in greater detail below). The **Fortymile Caribou Management Plan** is a cooperative and co-project involving Alaska Native organizations with other user groups. The **Yukon Fall Chum Salmon Management Plan** was developed with the Yukon River Drainage Fisheries Association (YRDFA) which continues to be instrumental in its implementation. YRDFA brings more than 40 communities together to work with the department on both pre- and in-season salmon management issues along over 1000 miles of river. Proposals from YRDFA to the Board of Fisheries carry considerable weight.

Other high priority issues in western Alaska with potential for cooperative management agreements are the **Aniak** and **Kanektok River** fisheries. Discussions exploring possibilities for cooperative management of these fisheries will continue during 1999. Similar issues and cooperative management opportunities exist in the TCC region, specifically on the **Dall River** near Stevens Village.

Inseason meetings with processors and fishermen across the state are used to allow managers to maximize roe percentage in sac roe herring fisheries. In the Togiak herring fishery, and other similar herring sac roe fisheries across the state, the quality of the harvest is almost exclusively dependent on commercial fishermen volunteering, at no cost to the state, to collect samples, and the industry volunteering to analyze them.

ADF&G managers often consult with fishing industry associations and task forces, in an effort to understand the needs of the fishing industry and incorporate those needs to the extent possible into fishery management plans. Examples of industry groups who work with the department in a consultation and advisory role include the **Prince William Sound Seine Task Force**, the **Southeast Alaska Seine Task Force**, and the **Southeast Alaska Gillnet Task Force**, and the **Northern Panel of the Pacific Salmon Commission**. Legislation creating the Southeast Alaska regional Dive Fishery Association mandates consultation between industry representatives and ADF&G in developing cooperative and co- management plans.

ADF&G is in its fourth year of cooperative management of the **Round Island walrus** hunt. Because of the fact that the state's authority in this area is limited, and participants share decision making responsibilities, the hunting plan is often called a co-management agreement. Signatories to the agreement include the state, the USF&WS, the Qayassiq Walrus Commission, and the Eskimo Walrus Commission. This agreement establishes the timing and other conditions for a walrus hunt at Round Island, and assigns responsibility for activities including overall coordination, harvest reporting and population monitoring.

Productive management discussions have been underway since 1995 with communities in the range of the **Western Arctic Caribou Herd (WACH)**. From its start, this project has been described as a co-management effort, even though it is clear that ultimate caribou management authority must lie with the state. A WACH Working Group, composed of WACH users, and a technical committee, composed of government and regional non-

profit Native organization representatives, has been in place since 1997 to address management, assessment, and harvest monitoring.

#### **Habitat Protection and Restoration:**

**The Kenai River** is one of the most productive and economically important rivers in Alaska. Sport and commercial fishery harvests targeting Kenai River fish populations contribute as much as \$78 million annually to the state's economy. Human use and development along the river and throughout the watershed threaten key habitats for fish and wildlife. To address habitat issues on the Kenai, a coalition of government agencies, local communities, private landowners, and affected user groups is attempting to reverse this trend. The following agencies are among those that cooperate in many ways on **Kenai River habitat protection and restoration**: ADF&G, Alaska Department of Natural Resources, USF&WS, Kenai Peninsula Borough, U.S. Forest Service, City of Soldotna, City of Kenai, Kenai Sportfishing, Inc., The Nature Conservancy, U.S. Geological Survey, Alaska Flyfisher's Association, and Katchemak Heritage Land Trust.

#### **Enforcement:**

Cooperation in fish and wildlife enforcement is increasing through the use of state and federal efforts to provide funding and support, including training and equipment, for local law enforcement programs, including Tribal programs.

#### **Federal Co-Management Initiatives in Which the State is a Participant:**

Under terms of the Migratory Bird Treaty Act the focal point for formal cooperative management discussions in the AVCP region is the spring waterfowl harvest. Discussions have been held in the past six months on how to implement treaty language on co-management. The operative treaty language refers to the creation of "relevant management bodies" as follows:

"Indigenous inhabitants of the State of Alaska shall be afforded an effective and meaningful role in the conservation of migratory birds including the development and implementation of regulations affecting the non-wasteful; taking of migratory birds and the collection of their eggs, by participating in relevant management bodies."

The President's Letter of Submittal for the treaty amendment further describes a cooperative and co-management structure for spring waterfowl harvest:

"...management bodies will be created to ensure an effective and meaningful role for indigenous inhabitants in the conservation of migratory birds. These management bodies will include Native, Federal and State of Alaska representatives as equals, and will develop recommendations for, among other things: seasons and bag limits; law enforcement policies; population and harvest monitoring; education programs; research and use of traditional knowledge; and habitat protection. Village Councils shall be involved to the maximum extent

possible in all aspects of management. Relevant recommendations will be sent to the U. S. Fish and Wildlife Service of the Department of the Interior (DOI/FWS), and to the Flyway Councils. Regulations established should be enforced to prevent conservation problems.

Creation of these management bodies is intended to provide more effective conservation of migratory birds in designated subsistence harvest areas without diminishing the ultimate authority and responsibility of the DOI/FWS..."

**International cooperative management of Polar Bear** now takes place under the terms of the "Protocol of Intentions Between the Indigenous People of Chukotka and Alaska on the Conservation, Protection, Management, and Study of the Bering and Chukchi Seas Shared Polar Bear Populations," signed in 1994.

The **Eskimo Walrus Commission (EWC)** was created in 1978; in 1980 it established an informal walrus management agreement with the USF&WS. In 1987 the EWC, USF&WS, and ADF&G signed a mutual cooperation agreement for walrus management and research.

The **Alaska Eskimo Whaling Commission** operates under terms of a 1989 cooperative agreement with the National Oceanic and Atmospheric Administration, which manages whales in U. S. waters. The agreement includes a process for identifying harvest quotas and for monitoring harvests.

The **Alaska Native Harbor Seal Commission** and NMFS recently signed a co-management agreement.

The **Alaska Sea Otter Commission** signed a Memorandum of Agreement with the USF&WS and the state in 1993.

#### **Other Cooperative Management Efforts in Alaska:**

ANILCA grants substantial deference to the **Federal Subsistence Regional Council System** and this body, now part of the federal subsistence management program, is often described as an example of shared responsibility for making resource allocation decisions.

**Education** is an aspect of cooperative management that is often overlooked. The department is in its fourth year of an internship program in Bristol Bay. The Bristol Bay Economic Development Corporation funds two positions during the Bristol Bay season. These positions are then exposed to all facets of the department's role in managing the fisheries. Persons applying for the positions must be Bristol Bay area residents.

Other cooperative educational programs that include ADF&G involvement and rural outreach are: Alaska Water Watch; Adopt-a-Stream; STREAM, Classroom Salmon Egg Incubation Program; Fly Fishing Mentorship Program; Ice Fishing School program; Federal Aid Outreach. Activities that use community volunteers include youth fishing clinics, teacher training workshops; school classroom and field activities; stream rehabilitation projects; and outdoor skills and safety training.

**The Qavilnguut (Kilbuck) Caribou Agreement** began to evolve in 1989 with discussion among government agencies and Native villages. This resulted in production of the Qavilnguut Caribou Herd (QCH) management Plan, which establishes a basis for mutual cooperation in herd management, and establishment of a limited subsistence harvest. One important feature of this plan is the creation of a community-based permitting process. Principles are the eighteen villages in the vicinity of Kwethluk, the USF&WS, and ADF&G.

## ATTACHMENT A:

### ADF&G Cooperative Projects List (June 1999)

Yukon River	Mainstem at Mountain Village	Test Fishery	Asa'carsarmiut Traditional Council with ADF&G and Bering Sea Fishermen's Assoc. (BSFA).
Yukon River	Mainstem River Delta	Test Fishery	With Emmonak Tribal Council and BSFA
Yukon River	Mainstem at Pilot Station	Sonar	Support from Assoc. of Village Council Presidents (AVCP) and BSFA
Yukon River	Mainstem at Tanana Vill.	Test Fishery	Support from BSFA
Yukon River	Nulato River	Counting Tower	Joint project with Nulato Traditional Council and BSFA
Yukon River	Tanana River	Mark-Recapture	BSFA support
Norton Sound	Eldorado River	Counting Tower	Kawerak with ADF&G and BSFA
Norton Sound	Kwinluk River	Counting Tower	Norton Sound Economic Development Corp. (NSEDC) support
Norton Sound	Niukluk River	Counting Tower	NSEDC support
Norton Sound	Nome River	Weir	NSEDC support
Norton Sound	North River	Counting Tower	Kawerak with ADF&G and BSFA
Norton Sound	Pilgrim River	Counting Tower	Kawerak with ADF&G and BSFA
Norton Sound	Snake River	Counting Tower	Kawerak with ADF&G and BSFA
Norton Sound	Salmon. Glacial Lake	Lake Fertilization	With NSEDC and Bureau of Land Management
Norton Sound	Hobson Cr.	Streamside Incubation	With Norton Sound Bering Strait Regional Aquaculture Assn. and NSEDC
Norton Sound	Unlakleet	Herring Test Fishery	Support from NSEDC
Norton Sound	Regionwide	Subsistence Salmon Harvests	Support from BSFA
Kotzebue Sound	Kotzebue Sound	Trawl Survey	BSFA project, support from ADF&G
Kotzebue Sound	Regionwide	Subsistence Salmon Harvests	Support from BSFA
Kuskokwim	Aniak River	Sonar	Support from AVCP and BSFA
Kuskokwim	George River	Weir	Kuskokwim Native Assoc. (KNA) project, support from ADF&G and BSFA
Kuskokwim	Kanektok River	Counting Tower	Native Village of Kwinhagak project, support from ADF&G USF&WS and BSFA
Kuskokwim	Kwethluk River	Counting Tower	AVCP project, support from ADF&G and BSFA
Kuskokwim	Takotna River	Counting Tower	Takotna Charter School project, support from ADF&G and BSFA
Kuskokwim	Tatlawiksuk River	Weir	KNA project, support from ADF&G and BSFA
Kuskokwim	Kuskokwim Mainstem	Bethel Test Fishery	Orutsaramuit (ONC) support
Kuskokwim	Kuskokwim Mainstem	Kuskokwim Sonar	ONC support
Kodiak	Frazer Lake	Sockeye smolt enumeration, adult fish ladder operation, weir operation, escapement sampling, spawning ground surveys	With support from Kodiak Regional Aquaculture Association (KRAA)
Kodiak	Spiridon Lake, Spiridon terminal harvest area	Smolt enumeration and bypass, adult enumeration, escapement and catch sampling	With support from KRAA
Kodiak	Big Kitol Lake, Little Kitol Lake, Jennifer Lake, Ruth Lake	Sockeye smolt enumeration, presmolt stocking, limnological sampling, adult sockeye and chum enumeration, catch sampling, straying evaluation	With support from KRAA
Kodiak	Waterfall terminal harvest area, Little Waterfall	Smolt sampling, weir operations, fish bypass	With support from KRAA

Kodiak	Lake, Portage Lake, Pauls/Laura/Gretchen lakes Mallna Lakes	operations, escapement sampling, catch sampling  Sockeye smolt enumeration, adult escapement enumeration, spawning surveys	With support from KRAA
Kodiak	Laura, L. Waterfall, Afognak, Lower and Upper Mallna, Spiridon, Hidden, Upper Jennifer, Ruth, Little Kitoi, Crescent, Saltery, Portage, Frazer and Upper Station lakes	Limnological and zooplankton sampling	With support from KRAA
Kodiak	Hidden Lake, Thorsheim Creek	Sockeye smolt sampling, adult return sampling and enumeration, weir operation, straying investigations	With support from KRAA
Kodiak	Ugak Bay, Saltery Lake, Lake Rosa Tead	Weir operation, brood stock investigations, spawning habitat evaluation, genetic sampling	With support from KRAA
Kodiak	Spiridon, Hidden, Little Waterfall, Saltery, Afognak	Hydroacoustic survey, fry and smolt sampling	With support from KRAA
Chignik	Chignik River	Sockeye smolt enumeration and sampling	With support from Chignik Regional Aquaculture Association (CRAA)
Chignik	Black and Chignik lakes	Limnological sampling, overwinter fry investigations	Natural Resources Consultants, with support from CRAA
Chignik	Black and Chignik lakes	Sockeye GSI investigations	With support from CRAA
Chignik	Chignik Lagoon	Weir	Joint project with Chignik Lagoon Village Council
Perryville	Kametolook River	Egg box incubators	Joint project for coho restoration
Alaska Peninsula	Bear Lake	Sockeye stock identification, limnology	Fisheries Research Institute, with support from Aleutians East Borough (AEB) and Concerned Area M Fishermen (CAMF)
Alaska Peninsula	Ilnik River	Sockeye stock investigations	With support from University of Washington, AEB, and CAMF
Alaska Peninsula	King Cove	Catch sampling	With support from AEB, CAMF, and the Pacific Seafood Processors Association
Alaska Peninsula	Red Cove and John Nelson lakes	Channel maintenance	AEB
Cook Inlet	Nanwalek Area	Subsistence salmon harvests	Nanwalek Village Council with support from ADF&G

John Manly, Committee Aide  
Community and Regional Affairs Committee  
Rural Governance Commission Overview

*HOUSE COMMUNITY & REGIONAL AFFAIRS  
COMMITTEE*

MARCH 28,  
~~MARCH 16~~, 2000

*GOVERNOR'S COMMISSION  
ON  
RURAL GOVERNANCE*



# Alaska State Legislature

## HOUSE COMMITTEE ON COMMUNITY AND REGIONAL AFFAIRS

Representative John Harris, Representative Carl Morgan, Co-Chairmen  
State Capitol, Room 110, Juneau, Alaska 99801-1182  
(907) 465-3882

March 7, 2000

The Honorable Tony Knowles, Governor  
State of Alaska  
P.O. Box 110001  
Juneau, AK 99801

Dear Governor Knowles:

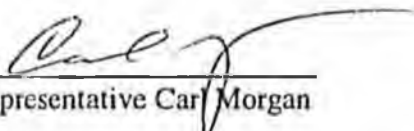
The House Community and Regional Affairs Committee is planning an oversight hearing on the Governor's Commission on Rural Governance and Empowerment on March 16, 2000, in Capitol Room 124.

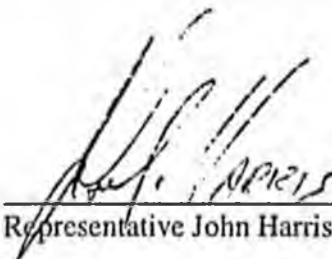
We are interested in the Administration's progress in looking at the problems and solutions identified in the Commission's report. We would like to hear comments on what your Administration has done to act on the Commission's recommendations.

We are enclosing a July 23, 1999, letter from Representative Andrew Halcro, who is on our committee, and the response from Pat Pourchot of your staff. It is in this light of this response that we would like to hear from your Administration on the Commission's recommendations.

We look forward to hearing from the Administration and beginning this dialogue. If you have any questions, please contact either of us. Our staffs (465-4527, Representative Morgan or 465-4859, Representative Harris) are also available to work with your Administration in coordinating this hearing.

Sincerely,

  
Representative Carl Morgan

  
Representative John Harris

cc: House Community and Regional Affairs Committee

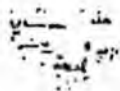
Enclosures

ALASKA STATE LEGISLATURE

CO-CHAIR  
COMMUNITY AND REGIONAL AFFAIRS

CHIEF CLERK  
LABOR AND COMMERCE  
TRANSPORTATION

SPECIAL COMMITTEE  
ECONOMIC DEVELOPMENT AND TOURISM



REPRESENTATIVE ANDREW HALCRO

District 12

STATE CAPITOL, SUITE 418  
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PHONE 465-4939  
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INTERIM  
716 WEST 4TH, SUITE 820  
ANCHORAGE, AK 99501  
PHONE 269-0244  
FAX 269-0244

July 23, 1999

The Honorable Tony Knowles  
Governor  
State Capitol Building  
Juneau, Alaska 99801

Dear Governor Knowles:

The Commission on Rural Governance and Empowerment recently presented its recommendations. As the Co-Chair of the House Community and Regional Affairs Committee, I am very interested in the issues raised in the report.

Additionally, I would like to seriously look at the problems and solutions identified in the report to see what can be done to implement many of the Commission's recommendations. Some of these recommendations may require action by the legislature and I am committed to working with Commission members, your office, and the legislature to implement the recommendations of the Commission.

I would appreciate knowing your thoughts on the report and what your office may be doing to act on the Commission's recommendations. One of the general recommendations of the Commission was to have a rural outreach coordinator to specialize in providing services in rural communities. Another suggestion was to increase collaboration with local governments - both traditional governments and tribal entities, and with the regional Native corporations and non-profits.

The Report represents a starting point for finding creative solutions to many of the difficult issues facing rural Alaska. Please let me know what I can do to assist in implementing these recommendations.

Sincerely yours,

Andrew Halcro

CC: Byron Mallot  
Robert Kelth

TONY KNOWLES  
GOVERNOR  
governor@gov.state.ak.us

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

P.O. Box 110001  
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August 16, 1999

The Honorable Andrew Halcro  
Alaska State Legislature  
716 West Fourth Avenue, Suite 620  
Anchorage, AK 99501-2133

*Andrew*  
Dear Representative Halcro:

Thank you for your interest in the recommendations of the Commission on Rural Governance and Empowerment. I understand you have written letters to many state commissioners seeking their views on the commission's report.

Governor Knowles asked that I communicate with you on behalf of the Administration. We are currently reviewing the commission report and its recommendations. As you know, the commission provided important groundwork in examining the needs of rural communities in Alaska's changing economic and social climate. Even though modern technology connects us in ways we may have never imagined, the vast geographic span of our state still isolates many Alaskans. Together, we need to address how to best provide services to all people while protecting and respecting the traditions and cultures which long predate the State of Alaska.

The Knowles-Ulmer Administration looks forward to working with you and other legislators on the commission's important work. We will be communicating with you, other legislators, and Alaskans on specific responses to the report in the near future.

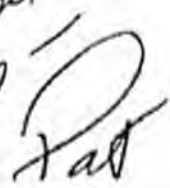
Thanks again for your interest.

Sincerely,



Pat Pourchot  
Legislative Director

*It was good  
feeling to you  
the other day  
I think for your  
interest or involvement in  
this & subsistence  
& values*



# Commission on Rural Governance and Empowerment

*Rural Governance Commission*



## COMMISSION REPORTS ON IMPROVING STATE-TRIBAL TIES

*The Commission on Rural Governance and Empowerment submitted a report to the Governor with many findings and recommendations that point to acknowledgement of tribes and tribal governments as key to improving local self-governance.*

The findings and recommendations focus on ways to improve local service delivery while encouraging greater local control and responsibility.

The top five recommendations for the State of Alaska are to:

1. Formally acknowledge tribes and tribal governments.
2. Clarify state policy regarding tribes and direct to state agencies to work with tribes
3. Improve communication between all local governments and state agencies.
4. Encourage flexible and decentralized government.
5. Provide leadership in overcoming divisiveness between urban and rural Alaska, and between Natives and non-Natives.

## PRINCIPAL FINDINGS

*The Commission findings are the result of formal testimony and informal meetings with rural Alaskans and draw on the collective experience of the 17 Native and 5 non-Native members of the Rural Governance Commission. Additional Commission findings related to specific issues such as government policy and structure, economic development, health, education, public safety and justice are located in Part Four of the final report.*

Alaskans have developed a large variety of local and regional institutions to govern themselves and to provide community services. Under Alaska's constitution, municipal institutions for local governance – cities and boroughs – have been effectively utilized in some rural areas.

Tribes exist and govern in Alaska. The existence of tribes in Alaska pre-dates both the federal and state constitutions. While the United States Supreme Court established in *Verette* that Alaska Native Claims Settlement Act (ANCSA) lands are not Indian Country, its decision did not affect the federally recognized status of Alaska tribes. In many rural Alaska communities, tribal governments are the only forms of government. Alaska Native tribes have a government-to-government relationship with the federal government. The United States confirmed this relationship by recognizing Alaska's tribes. A tribe's status as a sovereign depends exclusively on the actions of the federal government.

## MEMBERS AND STAFF

BYRON MALLOTT, co-chair,  
Permanent Fund Executive Director,  
former president of the Alaska  
Federation of Natives, Juneau

ROBERT KEITH, co-chair, Kawerak  
Board Chair, Elm

BRAD ANGASAN, VPSO  
Coordinator, Dillingham

NANCY BARNES, Eyak  
Corporation President, Juneau

JOHNE BINKLEY, former state  
Senator, Fairbanks

ARNOLD BROWER, JR., Barrow  
Native Village President

CHRIS COOKE, former Bethel  
Judge, Bethel

ROY EWAN, former AHTNA  
Regional Corporation President,  
Anchorage

VIC FISCHER, former state senator  
and constitutional convention  
member, Anchorage

STEVE GINNIS, Tanana Chiefs  
Conference President, from Fort  
Yukon

CHUCK GREENE, Northwest Arctic  
Borough Mayor, Kotzebue

WEAVER IVANOFF, Bering Strait  
School District Board member,  
Unalakleet

MARLENE JOHNSON, Limited  
Entry Commission members and  
former Sealaska board chairman,  
Juneau

WILLIE KASAYULIE, long-time  
tribal rights advocate, Aleiachak

ROSEMARIE MAHER, Doyon, Ltd.  
Chairman, Northway

WILL MAYO, former Tanana Chiefs  
Conference President, Fairbanks

GENE PELTOLA, Yukon-  
Kuskokwim Health Corp. CEO,  
Bethel

MARGARET ROBERTS, Alaska  
Inter-tribal Council and Kodiak  
Tribal Council, Kodiak

GILDA SHELLIKOFF, Alaska Inter-  
tribal Council and False Pass Council,  
False Pass

LEE STEPHAN, CEO for the  
Eklutna Native Village, Eklutna

ARLISS STURGOLEWSKI, Former  
state Senator, Anchorage

ESTHER WUNNICKE, Former State  
Natural Resources Commissioner,  
Anchorage

NILES CESAR, BIA Area Director,  
ex-officio Commission member

MIKE IRWIN, Department of  
Community and Regional Affairs,  
Commissioner

VERONICA SLAJER, Staff Director

**Tribes respect the rights of non-members.** The Commission began its work concerned that non-members are not treated fairly by tribal governments. This original concern was not substantiated by any testimony or evidence gathered during the Commission's fact finding.

**The lack of recognized geographic delineation of tribal government jurisdiction complicates tribes' ability to fulfill needed governmental functions in rural Alaska.** Alcohol control, economic development, land use, environmental regulation, and other services are impacted as a consequence of the U.S. Supreme Court's decision in *Venette* that Alaska tribes do not have jurisdiction over ANCSA lands.

**Recent state budgetary actions are perceived by rural residents as unfairly impacting rural Alaska.** The decline in state spending and cutbacks in specific services and programs clearly decrease the state government presence in rural areas, to the point where some question whether the State of Alaska is meeting its constitutional responsibilities.

**The role and impact of state government in rural Alaska appears to recede as federal presence builds.** State funds are limited and diminishing, and services and programs are centralized in urban commercial centers. Meanwhile, the presence of the federal government, particularly, is growing.

**There is great fear and concern about the future.** Rural Alaskans are worried about the effects of welfare reform, lack of economic opportunities, growing pressure on shared natural resources, and the erosion of their powers of local self-governance.

**Alcoholism continues as an endemic condition that ravages individuals, families and communities in rural, particularly Native, Alaska.** Despite all of the attention and treatment accorded to alcohol abuse over the years by government and local people, alcoholism and its attendant pathologies are a major health crisis and seriously affect people's feelings of self-worth.

**Protecting subsistence is the top priority of rural Alaskans.** Harvesting and consuming fish, game and other natural foods and resources for subsistence is the cornerstone of life in rural Alaska. These resources have great nutritional, economic, cultural and spiritual importance to rural Alaskans. Rural Alaskans see political opposition to a rural subsistence preference as an attack on their traditions and culture. Unless the issue is promptly resolved by the state, a complete federal fish and game management takeover will widen the gulf between rural and urban Alaska, even though it may be welcomed by rural Alaskans as necessary to preserve their subsistence rights.

**Urban and rural communities in Alaska are fundamentally different from one another.** Values and perceptions of life can vary widely, especially between traditional Native cultures and non-Natives living in commercial centers. The great challenge is not to make everyone the same, but to celebrate differences by building tolerance, flexibility and imagination into the public life of our state.

**There is a division in the political atmosphere of Alaska along the lines of rural versus urban.** This is a serious issue that pervaded practically all of the testimony received by the Commission. While differences in values and perceptions should continue on a healthy basis, the massive political rift that exists within Alaska needs to be reconciled if efforts to plan for the future of Alaska can succeed.

**Rural Alaskans can and want to play a positive, vigorous role in Alaska's future.** Rural people believe that, with a sense of commitment and cooperation from the rest of the state, they will be able to fulfill this role.

**Empowering local people and delivering services locally is a challenge for all Alaskans, not just governmental entities.** Rural Alaskans want to have the ability and the authority to deal with their problems and needs at the local level.

## MAJOR RECOMMENDATIONS

*With its mandate from Governor Knowles, the Commission's recommendations speak principally to the executive branch, although they may also address public policy actions for the legislature and the judiciary. While most recommendations are necessarily broad, the Commission has found that there is a willing and capable citizenry ready to assist state government in their implementation. The Commission consulted with many communities and state and federal agencies to provide background information and specificity to the recommendations and to the more specific discussions and recommendations in Part Four of the report.*

**The state of Alaska should acknowledge and accept the fact that tribes exist, and that tribal governments are legitimate and valued governmental entities that facilitate self-governance and deliver services. (Specific steps on how to formally acknowledge tribes are in the *draft* administrative order, located in Part Four of the final RGC report.)**

**The Governor should set forth a clear policy to provide a top-down directive for state agencies to design and implement methods for strengthening relationships with tribes, including government-to-government relationships as appropriate. (Specific steps on how to clarify state policy regarding tribes are in the *draft* administrative order, located in Part Four of the final report.)**

**The State of Alaska should be flexible and assist local governments to solve local problems regardless of the form of government. The State of Alaska should encourage diversity and adopt a self-governance philosophy, without losing accountability. All Alaskans, urban and rural, Native and non-Native, deserve the maximum opportunity to control their own community life through institutions and processes that are appropriate to them. This is true even if people living elsewhere might choose different government structures or disagree with the decisions of local residents.**

**The Governor and Legislature should undertake a formal review of Alaska's system of local government in order to strengthen local self-governance and home rule under the Alaska State Constitution. To that end, the administration and legislative committees should hold hearings in rural Alaska.**

**State government should strengthen communication among the state, local governments, tribes, regional organizations, and the federal government as well as within its own agencies. It must also promote cooperation between departments, tribal governments and regional organizations by participating in and facilitating the development of local agreements and other means for enhancing local decision making.**

**The State of Alaska should invest in people and projects in rural Alaska. The State of Alaska should provide rural communities with the information and resources they need to improve and develop local economies using local human resources. Further, the Legislature should support, not reject, federal programs designed for rural Alaska.**

**The Governor and the Legislature should provide leadership in overcoming the increasing divisiveness between rural and urban areas and between Natives and non-Natives. At the same time, rural and Native residents, including municipalities and tribal governments, should more**

clearly articulate their visions and aspirations to the urban, non-Native population.

**The State of Alaska should recognize the potential benefits to the state to further enhance local control and economic opportunities, and not foreclose the option of allowing tribes to transfer their land into federal trust status. Further, the State of Alaska should maintain an objective view of Indian country issues and not continue its historical view that Indian country in Alaska is inherently threatening to state sovereignty. The state government should also continue to acknowledge that Alaska Natives hold land that is subject to federal restrictions and oversight. These lands include Native townsite lots, Native allotments, a few parcels of trust land and the Annette Island Reserve.**

**The Governor, in concert with Alaska tribes, should work with the congressional delegation to craft federal legislation authorizing tribal governments to handle alcohol-related offenses in culturally appropriate and effective ways. Offenses arising under tribal ordinances prohibiting and otherwise regulating the importation and use of alcohol within, and surrounding, Native villages should be managed locally. Federal legislation should also provide a framework for concurrent state-tribal jurisdiction over alcohol violations in Native villages pursuant to state-tribe agreements.**

**The state should resolve the subsistence crisis by adopting a constitutional amendment recognizing a rural subsistence priority that meets the requirements of the Alaska National Interest Lands Conservation Act (ANILCA).**

## **RURAL GOVERNANCE COMMISSION BACKGROUND**

The Commission on Rural Governance and Empowerment — informally referred to as the Rural Governance Commission (RGC) — began its work in February 1998. The 22 Alaskans (17 Natives and 5 non-Natives) were appointed by Governor Tony Knowles to investigate state-tribal relations. Given the *Venetie* case and other issues affecting state-tribal relations, the Governor asked the RGC to examine the responsibilities and relationships in the delivery of government services in rural Alaska, and recommend ideas to further self-governance with an emphasis on greater control over rural Alaskans' destinies and cultural traditions.

The Commission met often to gather testimony from individuals and from various government and tribal institutions. The RGC also traveled and held "fact finding work sessions," a statewide effort to meet with tribal and other government officials. The work sessions gave the Commission members an opportunity to understand how government services are being delivered in rural Alaska, learn about self-governance models, and gather rural Alaskans' perspectives of how the State of Alaska works.

The information from their travels to most every region of the state and fact-finding sessions provided the background needed to develop the final report. Originally due to the Governor by September 1999, the Commission submitted the report three months early (June 1999) to encourage immediate action.

The complete report is available at: [www.comregaf.state.ak.us/rgc](http://www.comregaf.state.ak.us/rgc). You may also contact any Commission member or co-chair Byron Mallott at 907-465-2047.

FINAL REPORT

TO THE GOVERNOR



ALASKA COMMISSION ON NATIVE GOVERNANCE AND EMPOWERMENT

COMMISSION ON RURAL GOVERNANCE  
AND EMPOWERMENT

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**Final Report**  
**to the Governor**

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JUNE 1999

## Foreword

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### *A Note of Caution*

In keeping with Governor Tony Knowles' mandate to recommend ways the State government should respond to the reality of tribal governance, the Commission on Rural Governance and Empowerment traveled throughout rural and urban Alaska to listen and learn. The recommendations and findings herein are the result. They are neither exhaustive nor profound.

The Commission's findings and recommendations should be viewed as simply one step to be taken by the State of Alaska on a journey initiated by rural peoples; a journey, it seems, that in many ways most Alaskans have been unaware of even as it takes place within their state's boundaries. It is a journey marked ahead with directional signs reading: *Self Determination, Local Decision Making, Accepting Responsibility and Taking Initiative*. It is a journey with fallen signs of detours and dead ends left behind reading: *Living with Racism, Patronizing Attitudes, Ignorance and Conscious Rejection* of rural participation in shaping rural places and destiny. Certainly it is also a journey with tilted signs showing the curves and hazards of *Good Intentions and Bad Results, Failed Efforts and Promising Beginnings*. Most important, it is a journey that inexorably moves forward one step at a time. It is fueled by hope and faith in good and responsive government, by an understanding and respect of Alaska society, and by the innate aspirations and vision of rural peoples themselves.

The journey depicted, while referring to rural peoples, is fundamentally a journey underway by Alaska Natives. The "rural" reference is used because the Commission has found that Natives are inclusive in their aspirations, not exclusive; their vision embraces all who live in their midst. The movement toward tribal governance is not necessarily a rejection of state municipal forms of government; rather, it is a rejection of governance that does not work. The Commission found that where municipal government can be responsive to local needs it is utilized. There are many examples of municipal government being used in innovative combinations with tribal government. In all instances of such initiative, there is a conscious effort to include all community members. Villages are too small, daily needs too great, and civility and sense of real community too urgent to introduce notions of exclusion and rejection.

In keeping with the metaphor "a rural journey along a path already visualized and being trod," *Caution* is included in the heading of this Foreword. Every Commission member who traveled to rural Alaska came away moved and changed by the experience. Moved by the determination of the people. Moved by the sustaining energy of successes and the enervating carcasses of failures. Moved by the goodwill and optimism of the people. Changed by the pang of insight that comes with the knowledge that goodwill and optimism persist in spite of misguided and often harmful public policy of the past. Changed by coming to realize that the aspirations of Native peoples for the future of their rural homes is intertwined with the aspirations of other Alaskans for their own futures. Changed by knowing that the task is not just about the right kind of public policy, but rather, of the right kind of Alaska. Changed by knowing that it is very possible that should the vision, aspirations and needs of rural, especially Native Alaska, not be appropriately met, the journey to Alaska's future may take place on separate paths. Changed by realizing that rural and Alaska Natives also have an obligation; they must clearly express the power of their vision and the direction of their path so that public policy and Alaska's society may allow a journey together.

Finally, the *Caution* is this: There is nothing in this document that has not already been said and recommended in some form or context. In fact, much of what is included has been stated more powerfully and eloquently in reports and publications dating as far back as decades ago and as recently as yesterday. Commission members profoundly feel that if Alaskans in general — not just public policy makers — ignore these findings and recommendations, Alaska's future as a place of inclusion, civility, tolerance and compassion will be threatened.

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## Table of Contents

Foreword	1
Table of Contents	3
<b>PART ONE: PRINCIPAL FINDINGS AND RECOMMENDATIONS</b>	<b>7</b>
Introduction	8
Principal Findings	10
Governance in rural Alaska	10
Tribes in Alaska	11
Rural views of the State	12
Critical rural issues	12
Goals and values for the future	13
Major Commission Recommendations	15
Formally acknowledge and accept tribes	15
Clarify State policy regarding tribes	15
Encourage flexible and decentralized government	15
Strengthen local self-governance	16
Improve communication and cooperation at all levels of government	16
Enhance community economies	16
Work together to close the divide	16
Cooperate with tribal efforts to transfer land into trust status	17
Strengthen alcohol enforcement	17
Protect and resolve subsistence	17
<b>PART TWO: ALASKA NATIVES, LOCAL GOVERNANCE &amp; GOVERNMENT RELATIONS</b>	<b>19</b>
Understanding Native Alaska	20
Local Governance in Rural Alaska	25

Tribal Government Structures, Activities and Functions	29
Tribal Government Structures	29
Tribal Government Activities and Functions	30
Federal Relationship with Alaska Tribes	32
State Relationship with Tribes	35
<b>PART THREE: SUCCESS STORIES</b>	<b>37</b>
<b>Governance and Communication</b>	<b>38</b>
Sitka: We sat down and had a cup of coffee	38
Quinhagak: United to serve their village	39
Saxman and Ketchikan: Paving the way toward better communication	40
Northwest Arctic Borough: Home-rule responsibility and pride	42
<b>Delivering Services: Toward a Healthy Rural Alaska</b>	<b>44</b>
Tanana Chiefs Conference: Welfare to work, ASAP	44
Suicide prevention: Saving lives while building self esteem	45
Eklutna and Sitka: Champions of ICWA keeping families together	46
Culturally based healing: Healthy providers build healthy communities	48
Dillingham: Managing risk and promoting community safety at home	49
<b>Jobs and Development: Building the Rural Economy</b>	<b>51</b>
Unalakleet: Give a man a fish and you feed him for a day	51
Galena: Green up clean up	52
Sitka: Climbing the fish ladder from slime line to supervisor	54
<b>Co-Management of Alaska's Resources</b>	<b>56</b>
Eskimo Whaling Commission: International treaty on whales, walrus and polar bears	56
Alaska Native Harbor Seal Commission: Agreeing in stewardship	57
Migratory Bird Treaty: Hunter and guardian	58

<b>PART FOUR: SPECIFIC ISSUE AND AGENCY RECOMMENDATIONS</b>	<b>61</b>
<b>Government Policy and Structure</b>	<b>62</b>
Acknowledge tribes and clarify state policy	62
Support local involvement in state policy and program development	64
Extend state services to rural Alaska through collaboration	65
Cooperate with tribal efforts to transfer land into trust	67
Establish an accord with Metlakatla	67
Bring Alaskans together	68
<b>Jobs, and Economic and Community Development</b>	<b>70</b>
Subsistence	71
State investment in rural Alaska	73
State employment	75
Jobs through economic development partnerships	78
Training and hiring in rural areas	79
Flexible and responsive contracting	80
Energy in rural Alaska	82
Coordinated regional development	84
Natural resource and environmental management	85
<b>Health, Social Services and Education</b>	<b>87</b>
Native-run family assistance —“TANF”	87
Protection of Native children — “ICWA”	89
Fetal alcohol syndrome — “FAS”	90
Public health responsibilities	92
Access to primary care	93
Rural acute care capacity and sustainability	94
Village-based services	95
Rural health care improvement	96
Promote community-based services	98
Education	100
<b>Public Safety and Justice</b>	<b>103</b>
Public safety in rural Alaska	103

Local effective alcohol enforcement	106
Local dispute resolution	108
Coordination of resources	110
Juvenile justice	111
Locally based and culturally appropriate incarceration, supervision and treatment programs	113
Protection of local property rights	114
<b>PART FIVE: COMMISSION INFORMATION AND SOURCE MATERIAL</b>	<b>117</b>
<b>Commission members and staff</b>	<b>118</b>
Co-chairs	118
Members	119
Commission Staff	127
<b>Contributors</b>	<b>128</b>
Agency staff and volunteer assistance	128
Other key individuals and organizations consulted	130
Judicial round table representatives	131
Communities and areas visited	131
<b>Source Materials and References</b>	<b>132</b>



**PART ONE: PRINCIPAL  
FINDINGS AND  
RECOMMENDATIONS**

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**Vision Statement:** *The Alaska Commission on Rural Governance and Empowerment affirms the right of all rural Alaskans to maximum local autonomy and the delivery of essential services and affirms the vitality of their diverse cultures, ways of life and communities.*

Adopted April 1998

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## Introduction

Alaskans want to manage their own affairs and control their resources and economic development. Local self-governance is ingrained in Alaska's constitution and serves as the foundation of the State of Alaska. Rural Alaskans aspire to exercise a full measure of self-determination, utilizing their institutions and achieving their potentials. While they are and want to be part of the State of Alaska, State policies and actions toward rural Alaska and existing institutions, such as tribes and tribal-based organizations, are ill defined and inconsistent.

In order to review the State's relationship with and responsibility to rural Alaska, Governor Tony Knowles created the 22-member Commission on Rural Governance and Empowerment in February of 1998.

The Governor outlined the following objectives for the Commission:

First, examine the responsibilities and the relationships in the delivery of services in rural Alaska by all governance institutions, including municipalities, federally recognized tribes, state, federal and local institutions.

Second, prepare recommendations to further or enhance governance in rural Alaska, with an emphasis on local autonomy and control and accountability of public resources.

Third, develop recommendations on ways to fulfill the aspirations of rural Alaskans for self-reliance, responsibility, greater control over their destinies and preservation of their cultures.

Fourth, recommend ways to improve the delivery of government services, including public safety, justice, natural resource management, education and public health and economic development initiatives.

The Commission approached this four-part charge by developing a collective vision statement and implementing a work plan titled the *Commission on Rural Governance*



*"I want to beg you to tell your stories, because the report itself will not be enough. Tribal governance makes many people feel uncomfortable because they don't know what it is. Unless you help them understand, fear will get in the way of ongoing productive relationships."*

I.t. Governor Fran Ulmer, April 1999, Commission meeting

ENCLOSURE

*and Empowerment Interim Report to the Governor, May 1998.*

The Commission established four principles to guide its deliberations and process:

First, tribes exist in Alaska with authority to govern. Recognition and support of tribes by the State of Alaska is essential to the success of Alaska's system of governance.

Second, the Commission recognizes that Alaska Natives maintain a special relationship with the United States whereby the federal government enters into government-to-government discussions with tribally authorized representatives in matters affecting tribes. The Commission's process and recommendations shall respect this relationship.

Third, all rural Alaskans must have governmental tools and resources that enable empowerment and maximize self-determination. Empowerment means taking responsibility and exercising accountability.

Fourth, governments at all levels must be efficient and productive with fiscal resources. Governments must develop and utilize local human resources and be responsive to local needs.

The Commission's journey brought it to every region of the state. Through extensive consultation with rural Alaskans and policy makers, the Commission found that despite challenges, locally chosen forms of self government in rural communities are creating structures and processes that are meeting community needs in locally appropriate and effective ways.



*"Once the report is finalized, we should be involved in outreach by sharing the stories and helping to continue the process to bring the people of Alaska together. The Commission has gained this valuable experience."*

Byron I. Mott, Executive Director, Alaska Permanent Fund, and RGC Co-Chair

## Principal Findings

*The Commission findings are the result of formal testimony and informal meetings with rural Alaskans over the last year and draw on the collective experience of the 17 Native and 5 non-Native members of the Rural Governance Commission.*

*Additional Commission findings related to specific issues such as government policy and structure, economic development, health, education, public safety and justice are located in Part Four.*

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### GOVERNANCE IN RURAL ALASKA

**Alaskans have developed a large variety of local and regional institutions to govern themselves and to provide community services. While many severe problems remain, there are many successes. The inherent vitality of self-governance holds promise for the future.**

**Under Alaska's constitution, municipal institutions for local governance – cities and boroughs – have been effectively utilized in some rural areas. Home rule boroughs, in particular, work in areas that have the economic base to support area-wide services.**

**Many Native communities believe that local municipal government does not work for them. Instead, many villages rely on tribal governments and ancient cultural traditions to meet community needs.**

**Cooperation is an increasingly important element for providing services and managing resources. Collaborative arrangements among municipal, tribal, regional, State and federal governments, institutions and agencies provide the means for strengthened local self-governance. Increased participation in decision-making, more efficient service provision, and more effective management of environmental, land, and fish and game resources are results of cooperative efforts.**



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*"Rural Alaskans want to be State of Alaska citizens first and foremost. They do not want to go to Washington D.C. to have to be heard, get assistance or be recognized."*

Marlene Johnson,  
Commissioner, Commercial  
Fisheries Entry Commission

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## TRIBES IN ALASKA

**Tribes exist in Alaska.** The existence of tribes in Alaska pre-dates both the federal and state constitutions. While the United States Supreme Court established in *Venetie* that Alaska Native Claims Settlement Act (ANCSA) lands are not Indian Country, its decision did not affect the federally recognized status of Alaska tribes.

**Tribes have the authority to govern, and they do.** Tribal governments, as with municipalities, provide needed services for their people. In many rural Alaska communities, tribes are the only forms of government. Alaska Native tribes have a government-to-government relationship with the federal government. The United States confirmed this relationship by recognizing Alaska's tribes. A tribe's status as a sovereign depends exclusively on the actions of the federal government, independent of any State action.

**The lack of recognized geographic delineation of tribal government jurisdiction complicates tribes' ability to fulfill needed governmental functions in rural Alaska.** Alcohol control, economic development, land use, environmental regulation, and other services are impacted as a consequence of the U.S. Supreme Court's decision in *Venetie* that Alaska tribes do not have jurisdiction over ANCSA lands. However, *Venetie* did not foreclose the possibility that other categories of Native-owned land may still qualify as Indian Country.

**Tribes respect the rights of non-members.** The Commission began its work concerned that non-members are not treated fairly by tribal governments. This original concern was not substantiated by any testimony or evidence gathered during the Commission's fact finding.



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*"Some people have questioned whether the civil rights of non-Natives and non-members are protected under tribal governments where these entities are governing the communities. Most tribes adopt a constitution with established ground rules protecting the rights of all citizens and guests."*

Lec Stephan, Native Village of Eklutna

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