

ALASKA LEGISLATURE COMMITTEE FILES 1999-2000 8672

10039 SENATE COMMUNITY & REGIONAL AFFAIRS



***State of the
Municipalities
2000***

**Finding Solutions for
Communities
in Crisis**

Property Tax Cap Will Hurt Alaskans

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. Limits increases in assessed value of individual properties to no more than the Consumer Price Index, but no more than 2% per year.

Local Rights Issues:

- **Takes away local voters' rights:** People in other parts of the state have no right to set mill rates for your municipality. Once set, your community can't change the cap, even if all of the residents want to do so. Communities already have the power to adopt local caps designed to meet their own needs and many have done so.
- **Some people get tax breaks, some don't:** Owners with property of equal market value may pay different property tax amounts for two reasons:
 1. Since property will only be assessed at true market value when it is sold or constructed, new homeowners will pay higher taxes than others.
 2. The 2% cap in assessed value increases will give a tax break to property owners with property that is more quickly growing in value.
- **If you live in a city in a borough, you are treated unfairly:** Each municipal government gets a separate 10 mill tax cap. 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 half in our largest municipalities. Schools are the key municipal service funded by property taxes. Schools average 9.7 mills in the three largest municipalities.
- **No new school construction:** The initiative cap freezes bond repayment for new capital construction. Construction of new schools or other local improvements will be virtually impossible under the cap, even if approved by local voters.
- **The initiative means new taxes, not a tax cut:** How do petition advocates think schools, roads, and other services will be provided? The petition organizer states, "It's not my problem." He is right, it is YOUR problem. Alaskans won't allow inadequate education, public safety, and road maintenance.

"People in other parts of the state have no right to set mill rates for your municipality."

Special Rural Community, Schools & Municipal Supplement

Focus: Rural, municipal, and school legislative issues.

A special service of
Alaska
Legislative Digest

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Local Supplement
1/15/00 with Dig #2/00

The 10 mill initiative is filed on time; Now it's time to plan for possible "self imposed crisis"

The 10 mill municipal property tax initiative petition has been received by the Lt. Governor's office along with 24,183 signatures. The required number of signatures is 22,716, representing 10 percent of the voters that cast ballots in the last general election. The 10 mill initiative was the first to reach the Lt. Governor's Office and therefore will be the first processed by the Division of Elections, charged with validating signatures. Indications are that the 1,467 signature surplus should be sufficient to compensate for duplicate and invalidated signatures.

Anchorage beginning to take serious note

Immediately after the Legislature's opening session the Anchorage Senate caucus held a brief noon meeting with Anchorage Mayor Rick Mystrom and City Attorney Mary Hughes. The subject was intended to be broader, but ended up almost exclusively focusing on general discussion of the 10 mill initiative. In many respects the discussion gave focus to the need to pin down detail on the mechanics of the proposed law, as well as its impact, both in terms of municipalities and also state interests.

The first municipality in front of the 10 mill firing squad is the state's largest, Anchorage, which operates on a calendar year budget. Most other municipalities operate on a fiscal year, and for them there will be roughly six months to make adjustments. But Anchorage will face a new budget year beginning January 1, 2001, just days after the effective date of the 10 mill law, if adopted.

Continued next page

Calendar year budgets face immediate impact

(Continued) The 10 mill initiative would be approved at the November general election, and probably certified in early December. This leaves Anchorage virtually no time to revise its budget, although the domino impact on Anchorage schools would occur a little later, affecting the Sept-2001-June/2002 school year.

At this point there is a minimum of answers and lots of questions about the 10 mill municipal property tax. If there are any conclusions to be drawn from the discussion in the Anchorage caucus it's that there are more questions than answers at this point. The Alaska Municipal League will be one of the main conduits for presenting the issue before lawmakers.

Anchorage municipal snap shot

Anchorage in 1999 had a general mill levy of 17.82 mills. Past debt service, grandfathered in at roughly 3.19 mills in 1999, would be allowed outside the 10 mill cap. Nevertheless, this would still leave Anchorage at 14.63 mills, or 4.63 mills above the cap.

The 4.63 mill reduction would represent a 31.6 percent decrease in property tax revenue to the municipality of Anchorage, representing \$82 million. Assuming a shared decrease for general government and schools, municipal services funded by property taxes would decrease from \$145 million to roughly \$100 million, and property tax funding to the school district, would drop from \$114 million to about \$78 million.

Compounding Anchorage's problem is: (1) the immediate timeframe and (2) a charter provision, adopted by initiative in 1998, requiring a 60 percent margin to adopt a municipal sales tax. In the recent Anchorage caucus discussion, which was pretty brief and certainly very informal, one brief suggestion was to amend Title 29 to prohibit supermajorities for revenue enactments, the logic being that a supermajority empowers a minority, allowing Anchorage a reasonable shot at adopting a sales tax. The 10 mill cap also has engendered some discussion about excluding school districts from local tax caps, since schools are a constitutionally prescribed state function delegated by statute to local governments.

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Legislative treatment of the 10 mill cap

Removal from ballot: The Legislature has a constitutional opportunity to meet the general tenants of an initiative, meaning clean it up a bit, and thus remove it from the ballot. In the case of property cap it is pretty obvious this does not include sufficient latitude to alter the 10 mill provision, the effective date, or the 2 percent assessment value provision, and these are the three features that do the damage. **Conclusion:** The Legislature has no real opportunity to remove the initiative from the ballot.

Subsequent amendment: The Legislature is restricted from amending law adopted by initiative for a two year period. However, even after two years the Legislature would have to exercise great political care in amending a 10 mill cap. **Conclusion:** The Legislature probably could not amend the actual 10 mill feature immediately after the expiration of the two-year period, and if so, by very much. However, lawmakers might be able to move debt outside the 10 mill cap after two years. This could allow municipalities to again have bond capacity, and provide potential bond buyers sufficient guarantee of promise to pay. However, bond buyers also have to be able to see sufficient possible tax capacity to maintain capital facilities over the life of the debt. An extremely low tax cap, and restricting debt millage, could and probably will cause Alaska municipal bonds to be downgraded, including even revenue based municipal debt.

Collateral impacts on Alaska debt capacity

A fundamental and critical question: Would a 10 mill cap, one that includes debt, impact the state's own bond ratings, including possibly having a domino impact on agencies like the Alaska Housing Finance Corporation (AHFC) and the Alaska Industrial Development and Export Corporation (AIDEA). If so including debt under the cap would have extensive impact. *This will be a subject of discussion in our future reports.*

Lawmakers, after some years, possibly in concert with other revenue actions, might be able to increase the 10 mill limit, and also possibly amend the law relating to the increase in assessments.

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A gradual distortion in school funding?

(Continued) There is also the question of the distortion that freezing assessments to 2 percent will cause to community full and true property valuations. Over time there will be an increasing distorting between communities where properties frequently turn over, and those where property is rarely sold. This is likely to have an impact on school foundation funding, which rests on a basis of full and true value across the state.

Governor's speech - some good news for schools

In his budget speech Gov. Knowles proposed a \$550 million bond issue for schools, with additional funding for urban communities to be funded under debt support. What this means is the governor has said: "Bond for schools," the House legislative majority has said: "Bond for schools," the Senate legislative majority has said nothing, yet. This means that the governor and House lawmakers are at least working off the same page, the details of what's on the page has a long time to evolve. Two out of three of the players agreeing to bond, and agreeing to roughly the same ballpark figure, is not bad as a start for the school construction issue.

University of Alaska - new funding support!

The Governor made clear he will support a \$16.9 million increase in budget requested by the University Board of Regents. Knowles said state support for universities has increased 42 percent nationally over the last decade, but only 2 percent in Alaska.

Non-quality schools - maintaining low performance!

Here we must pick on the governor a bit. He said that in 20 of Alaska's 53 school districts "at least half of the 11th graders scored at the bottom quartile in reading, language, or math." However, proposed is only \$7.6 million for "prep kinds" of initiatives, obviously needed do something for students at risk by the state's new high school "execution exam." Good intentions and symbolism aside, \$7.6 million is like giving 2,000 students in the middle of the Sahara desert, dying of thirst, a cup with 7.6 drops of water. By the way, schools outside those 20 districts have plenty of problems, too, but their students at risk, lots of them, are masked by being averaged in with high end kids. *-More on this later, lots more!*

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Local Supplement
2/5/00 with Dig #5/00

Alaska mayors warn that the 10 mill initiative is a bad deal for everyone!

Alaska mayors say that the initiative proposing a 10 mill property tax cap is a bad deal for everyone, including property owners. Ignoring the issue will have domino impacts, they say, complicating prospective state fiscal policy.

What can lawmakers do to help?

One thing the mayors say is that lawmakers should leave alone further state/municipal revenue sharing budgets, at least for now. They would like to have no further cuts, but urgently stress no cuts this year! What Anchorage Mayor Rick Mystrom hopes to do is put together an Anchorage property tax reduction for the current year, but he says a further cut in state revenue sharing will force a tax increase (even with the local reduction). This would put a tax increase right into sync with the 10 mill issue going to the ballot in November. Mystrom wants to avoid this collision of two diverse policy initiatives that might encourage voters to opt for the tax cap.

Municipal officials say the best scenario is for the 10 mill cap proposal to fail. Hopefully, then the debate over the 10 mill initiative would lay the foundation for key municipalities such as Anchorage, Fairbanks and Mat-Su, to seriously consider broadening their tax revenue base by adopting sales taxes.

Ongoing debate of our responsibilities to pay for what?

What the 10 mill controversy will do is continue the debate over taxes and responsibilities. Who should pay for what and how? Obviously this is a public debate that needs more discussion and continuity,

Continued next page

Some broadbrush snap shots

What we have now: We now have a 30 mill cap. Debt obligations can be above 30 mills, which is important. This gives our bond buyers a clear and unfettered promise to pay, helping with bond ratings and to secure lower interest rates.

Current state average: The current state average mill rate is roughly 15 mills. Despite the average, in most medium size cities the rate is 8 to 12 mills.

First 10/12 mills - municipal core operations/school: For most communities municipal operations, plus areawide school contributions, consume the first 10-12 mills of a levy. Within this core levy is a mandatory 4 mill state requirement for schools, but many municipalities pay more. For example: Ketchikan 6.43 mills; Kodiak 9.25 mills; Fairbanks 8.3 mills; Anchorage 7.79 mills; Bristol Bay 5 mills.

After 10-12 mills - taxing jurisdictions/service areas: The mill outlay beyond 10-12 mills is largely consumed by special jurisdictions within municipalities, ones created or joined voluntarily by citizens to provide their own service needs.

In general mill rates above 12 mills tend to finance elective services by citizens. It is important to consider that the people in these areas have usually: (1) specifically agreed to the range of services, (2) agreed that they will have to pay the cost of such services, and (3) generally understand they cannot expect other taxpayers to pay for their specific package of services. *Note: Fairbanks has 131 service areas, Mat-Su 27, with most being road or fire service areas.*

Why service area millage is important: The mill costs above 12 mills are important to focus on because the 10 mill cap simply unilaterally disallows anything above 10 mills. This creates a structural limbo for such service areas, and policy mysteries in terms of fashioning anything to replace them. There is no functional way to provide for the service area needs without asking core taxpayers to pay, increasing the core levy, which then also creates demand from other areas for similar treatment.

Squeezing below 10 mills leaves no capacity elective service area millage, regardless of the taxpayers desire to pay it. Next, even municipalities below 10 mills need to maintain capacity for future debt. If they don't, then they can't borrow, and this has ramifications for things like new subdivisions, road replacement and upgrade, and maintenance, let alone borrowing under the state school debt support program.

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Wrangell, Petersburg, Craig, Nome, Dillingham

These are cities with city school districts, which vary from a high of 14 mills to 6 mills, but the mill rate doesn't tell the whole story. Unlike Fairbanks, Anchorage, and Mat-Su, which have zero sales taxes, these communities levy sales taxes ranging from 4 percent to 7 percent. Wrangell levies a 7 percent sales tax, Petersburg a 6 percent tax, Cordova has 6 percent, and Craig and Dillingham 5 percent. The point is that these cities are already using a broad base of their tax options, and for the most part they always have. Few of them received the tax holiday the railbelt boroughs have experienced, in part because they are sophisticated and well-integrated small cities operating a full agenda of municipal services. These are also old cities, used to running their own affairs, and with constituencies used to paying their way.

The problem for these cities, which also operate city school districts, is they might have wiggle room right now, but they also have little alternate tax base left to tap. Most also apply their property tax fairly broadly.

Sitka, Ketchikan, Yakutat, others

Sitka: Sitka is a unified municipality under a single 10 mill cap, and at 6 mills seems comfortably under the 10 mill cap. However, Sitka already has a 5 percent sales tax, and exercises its property tax fairly broadly, taxing business equipment, inventory, boats and aircraft. Sitka is in the range of boroughs that participates in the state debt reimbursement program, and presently carries \$1,506 per capita debt.

Ketchikan: Ketchikan is a second class borough with the home rule City of Ketchikan in its center. The mill rate within the city is 13.9 mills, and the borough has 8.3 mills, but Ketchikan has a borough sales tax of 2 percent and a city sales tax of 3.5 percent, for a combined sales tax rate of 5.5 percent, the rate most people will pay. There is not a lot of slack here,

Yakutat: Yakutat is one of our newest boroughs, making the transformation from a first class city operating its own school city district to a borough in the 1990s. Presently Yakutat has a 9 mill real property tax rate, but also a 4 percent sales tax, plus a bed tax, car rental tax, and a 1 percent raw fish tax. The community is 1 mill from the proposed tax cap and pretty well using all other revenue options available. The Yakutat Borough also has a per capita debt of \$1,136.

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Smaller boroughs and cities: A problem they grow into!

(Continued) The broad picture we have is that our smaller boroughs and many medium size cities are not in an immediate crisis situation under a 10 mill cap. Over the longer term they have problems because: (1) most already use alternative tax bases, and (2) this class of city will be the most burdened by continued erosion of all kinds of state services.

Railbelt: Mostly immediate crisis - sales taxes or cuts!

The railbelt faces the immediate crisis, with the exception of the Kenai Peninsula Borough, which already has a diversified tax base splitting burdens between property taxes and sales taxes. However, like the smaller boroughs and cities discussed above, the Kenai Borough and its cities are already tapping their sales tax base at roughly 5 percent. The borough sales tax is only 2 percent, but within cities, where most purchases are made, it is a combined 5 to 5.5 percent. Cities within second class boroughs get some relief by getting their own 10 mills, without burden of schools.

Anchorage and Fairbanks face difficult situations, but both are large commercial centers and have considerable alternate capacity in the form of sales taxes. However, Anchorage adopted a charter amendment (by initiative) several elections ago requiring a supermajority to adopt a sales tax. As we've said before, achieving a 60 percent margin on a controversial fiscal issue is a tough political challenge.

The irony of the Anchorage situation is they could go to a special election for a sales tax, get a majority but fail supermajority. The subsequent drastic cuts for municipal services and schools would then invite interesting citizen reactions, since citizens would be confronted with cuts despite their majority willingness to tax.

Service districts - solution a mystery.

As a tax cap squeeze takes place, the mystery remains as to how service districts can survive. Certainly, service district residents cannot expect a gift of services, plus the services are extremely varied. We also need to remember that service areas represent a huge gift of flexibility, allowing a response to varying needs, varying ability to pay, and allowing choice to the users.

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Local Supplement
2/12/00 with Dig #6/00

A 10 mill poll - a ray of hope! Maybe we can avoid local chaos?

An Anchorage based poll by Ivan Moore Research has surprised political observers, showing that 50 percent of Anchorage area voters, at this time, were willing to say they opposed a 10 mill cap on property taxes. Of those sampled in the municipality-wide poll 42 percent said they supported a 10 mill cap, while 8.1 percent said they "didn't know." The question asked was straight forward and did not include suggestions of side issues, such as issues surrounding service areas, ability to bond, or impact on bond ratings.

(Note: See question asked page 2)

Some demographic highlights:

- * Those of less education tended to support the 10 mill cap; those of the highest education were most opposed to the cap (60 percent).
- * Younger respondents also tended to support the cap, while older respondents opposed the cap.
- * Those of less income and tended to support the cap; those with the higher income tended to oppose the cap.
- * Married respondents were more opposed to the cap than single people.
- * Non politically affiliated tended to oppose the cap, as did union members and Democrats, while Republicans and conservatives favored the cap.
- * Men tended to oppose the cap more than women.

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The question asked!

There is a statewide initiative that will appear on the November ballot that proposes capping property taxes at a maximum of 10 mills statewide. In Anchorage property taxes current range between 13 and 18 mills. Proponents of the initiative say property taxes are too high and should be reduced. Opponents say that this proposal will cause significant reductions in basic municipal services, or will necessitate other types of taxes to replace lost revenues. **Do you support or oppose the statewide initiative proposal to cap property taxes at 10 mills?**

Support and opposition by area

The strongest opposition (57 percent) came from West Anchorage, a more affluent area of Anchorage. The lowest opposition was downtown, at 46% favoring the cap and 45% opposing the cap, which may reflect a higher percentage of "renter" respondents less directly familiar with property taxes. Affluent South Anchorage tended to split on the issue. East Anchorage opposed the cap at 52.5 percent, Eagle River at 50 percent, while midtown opposed the cap at 56.6 percent.

Issues to yet to surface

Many issues are yet to surface that will influence voters on the 10 mill initiative. One issue will be school cuts. In the three largest railbelt boroughs, Fairbanks, Anchorage, and Mat-Su, there will be serious issues of school budget cuts if the initiative is approved. The only alternative is a hefty and broadly applied sales tax, a general tax paid areawide and then used to make up lost local revenues for an areawide service - schools.

Another issue is debt, and the ability of local governments to bond for improvements. This is serious for Anchorage in terms of maintaining municipal structure, and for all major municipalities in terms of schools. There is also the issue of bond ratings, and collateral impacts that might reach the bond ratings of the state, and its subsidiaries. This costs a lot of money for a lot of people, in a lot of different ways.

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Issues to yet to surface (Cont'd)

The complex issues that revolve around service areas represent an interesting wrinkle as the 10 mill debate progresses. This is especially true in places like Mat-Su and Fairbanks where significant services are delivered and supervised generally by local boards through scores of service areas. Fairbanks has 131 road and fire service areas, and it is important to remember that two-thirds of the Fairbanks population lives outside the city and is served by these service area units. In Mat-Su there are roughly 60 such service areas, again mostly road and fire service areas. We were also reminded by a Mat-Su official that service areas in that borough are totally privatized, with services delivered by bid and contract.

PCE - Universal services fund

Rep. Bill Hudson has succeeded in turning his Utility Restructuring Committee to the always difficult task of rural power cost equalization. In many respects the universal services concept is a feature of every utility within its own operating zone, with more efficient areas helping offset costs of less efficient service zones. It's a short step conceptually to applying this concept to the statewide stage, with larger and efficient bodies of rate-payers, some lucky enough to sit on top of natural gas, helping offset high rural energy costs, i.e. helping support PCE. However, this is a long political step.

However, it is interesting to see Joe Griffith, Chugach's chief financial officer, consistently willing to bring up, and talk supportively, of the universal services concept. Griffith's position is interesting because he represents a bunch of urban rate payers and because he is also the money guy for Chugach - chief financial officer. As the CFO, he's an unlikely type to speak up for anything that might cost his people money and add to his local rates.

Why is this significant? Well, probably because Griffith has a whole lot of experience and therefore likely knows where PCE ends up anyway. The problem is that the rest of us will likely have to take a longer and bumpy political trail to get to this logical end point. After all, universal rate-payers probably represent a fairer base to spread utility inequities than state taxpayers, which Alaskans one day may be.

School funding - \$10.5 million

As indicated in our *Digest* lead story, the good news is that someone has been willing to say new money without tying it to a political side-spin, like quality schools. However, the reality, given inflation, and the fact that schools cannot readily trim back because of a slip in enrollment, is that \$10.5 million probably still leaves schools a net loser over the current year.

Nevertheless, we might consider that this is the last year of the Republican back-of-the-napkin 5 year fiscal plan. They originally promised a multi-faceted billion package of cuts matched by new revenue. But having lacked phonics training, and hampered by speech impediments making it difficult to say words with "t," they soon abandoned money raising and turned solely to cuts. So be it. However, after their year restless majority members with a modicum of free thought, will be out from under this policy precondition of cuts only. While it might have been nice if Sen. Wilken had said to roll the whole \$19 million school lapse this year into next year, he provides a welcome hint that there may be those who will shake the shackles and be willing to pursue funding initiatives, albeit cautious ones.

Elton's SB-227 - amending the 10 mill law

SB-277 explores possible solutions should the 10 mill tax cap initiative become law. Elton's bill would bar municipalities from selective taxation, requiring all property be taxed at the same rate. In other words, we couldn't have a residential class taxed at one rate, and commercial property at another. However, the bill effectively seeks to amend a 10 mill enactment, both in terms of debt features and also providing that any limitation on levy be approved by local voters in municipalities.

The bill relies on language in the constitution that on one hand bars an initiative law from being repealed for two years, but provides: "*It may be amended at any time.*" It is the meaning of this later statement that is subject to debate. Does this mean "amend" far outside the concept of an initiative, virtually repealing it (but not technically), or is it constrained by the same constitutional parameters that confine lawmakers in removing an initiative from the ballot by passing a similar law, cleaning it up and make it workable, but prohibited from violating the basic tenants of the proposal.

RESOLUTION OF THE ALASKA MUNICIPAL LEAGUE

RESOLUTION NO. 2000-04

A RESOLUTION OPPOSING A STATEWIDE PROPERTY TAX CAP BECAUSE IT REMOVES THE POWER OF LOCAL VOTERS

WHEREAS, the proposed Statewide Property Tax Cap Initiative would remove the power of local voters to determine the appropriate sources of local revenues. In fact, the voters in many municipalities have approved spending or revenue caps that meet the needs of their community.

WHEREAS, the proposed initiative would do two things:

1. Limits local mill rates everywhere in the state to 10 mills, including future bond debt.
2. Limits increases in assessed value of individual properties to the CPI, but no more than 2 percent per year.

WHEREAS, the initiative takes away local voter control. This is a key local taxpayer control issue because people in one part of the state should not be allowed to set mill rates for people in other municipalities.

WHEREAS, if the initiative is adopted, owners with property of equal market value may pay different property tax amounts for two reasons:

1. Property will be assessed at true market value when it is constructed or sold. A newly purchased or constructed home could pay much higher taxes than one of equal value that had not recently been sold.
2. The market values of property in any community may grow at different speeds. The capping of assessed values may give a tax break to property owners with property that is more quickly growing in value.

WHEREAS, several municipalities have property tax rates of approximately 19 mills. This initiative would cut the major local revenue nearly in half. Schools are the key municipal service funded by property taxes.

WHEREAS, the initiative's 10 mill tax cap includes bond repayment for new capital construction. It may be unlikely that new schools or other local improvements could be built, even if desired by local voters.

NOW, THEREFORE, BE IT RESOLVED that voters are urged to reject a statewide property tax cap because it removes the power of local voters, could effectively halt school and other bond construction, and could create an inequitable system of taxation in which owners with equal property values could pay different amounts of property tax.



CITY OF PETERSBURG

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February 10, 2000

Senator Kim Elton
State Capitol, Room 504
Juneau, Alaska 99801-1182

Dear Senator Elton:

Please accept this letter of support for Senate Bill 277. We believe municipalities must have local control to determine the level of taxation necessary for local services. Although we hope the Property Tax Initiative fails, if it does not, it is imperative that SB 277 protect the rights of the local citizens to choose their level of taxation and service.

The Petersburg City Council, recognizing the potential detrimental impact the Property Tax Initiative could have on municipalities, voiced their opposition by the approval of Resolution No. 1600-R, a copy of which is attached.

Sincerely,

Theodore M. Smith, Mayor
City of Petersburg

RESOLUTION NO. 1600-R

A RESOLUTION OPPOSING THE PROPERTY TAX INITIATIVE

Whereas, an initiative petition application was filed with the Lieutenant Governor's office on March 12, 1999, and certified on June 8, 1999, said petition being titled 99PTAR; and

Whereas, the proposed bill sets the value of property at its assessment on January 1 of the first year it is in effect, and assessment increases are generally capped at two percent per year; and

Whereas, the proposed bill caps property taxes at one percent (10 mills) of assessed value; and

Whereas, the potential ill effects of this initiative are greatly exacerbated by the reduction of revenues from the Safe Communities/State Revenue Sharing and fluctuating revenues generated from natural resource harvesting; and

Whereas, a 10 mill cap on property tax assessments would make it difficult to sell bonds to finance future capital projects approved by voters; and

Whereas, determining the tax levy for a municipality should remain the right of the voters living within the municipality and should not be determined statewide.

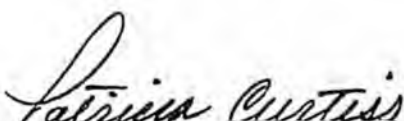
Now Therefore Be It Resolved by the City of Petersburg to urge the State of Alaska to assess the potential impact if this initiative is approved; and

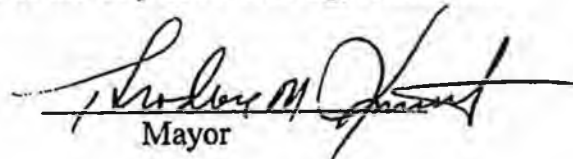
Be It Further Resolved to urge the Governor to use all available legal means to educate citizens on the negative effects passage of this bill would have; and

Be It Further Resolved to urge the administration to pursue a concerted effort to generate alternative sources of revenue which will afford a measure of tax relief to property owners; and

Be It Further Resolved to urge the members of the Alaska Municipal League and communities throughout the state to undertake a serious examination of the potential impact this initiative could have on the rights and local control citizens have in their communities to determine the level of taxation necessary for local services.

Passed and Approved by the City Council of the City of Petersburg, Alaska this
6th day of December, 1999.


Patricia Curtis
City Clerk


Mayor

JUNEAU EMPIRE[☆]

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Property tax cap decisions belong at municipal level

Voters 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

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.

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JUNEAU EMPIRE[☆]

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Property tax cap decisions belong at municipal level

Voters 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

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by Petition Sponsors**

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

Posted 7/28/99

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 raised 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 that 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:

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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 or 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.

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SECTION 4. EFFECTIVE DATE.

This initiative shall be effective when enacted according to law.



Initiative Petition Status Report

Property Tax Cap Initiative Citizen Information Packet



Action YOU can take to save schools and other local services

- ◆ Develop a **fact sheet** highlighting local impacts.
- ◆ Talk to local groups and individuals who would be impacted by the initiative (see suggestions inside). Ask them to join you in opposing the initiative. **Create a local network or committee** to oppose the initiative.
- ◆ **Write letters** to the editor to your local paper to express your feelings.
- ◆ Start a **speakers bureau** to make presentations at local meetings.
- ◆ Pass **resolutions** and discuss the local impacts during local council or assembly meetings.
- ◆ 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.

Contents

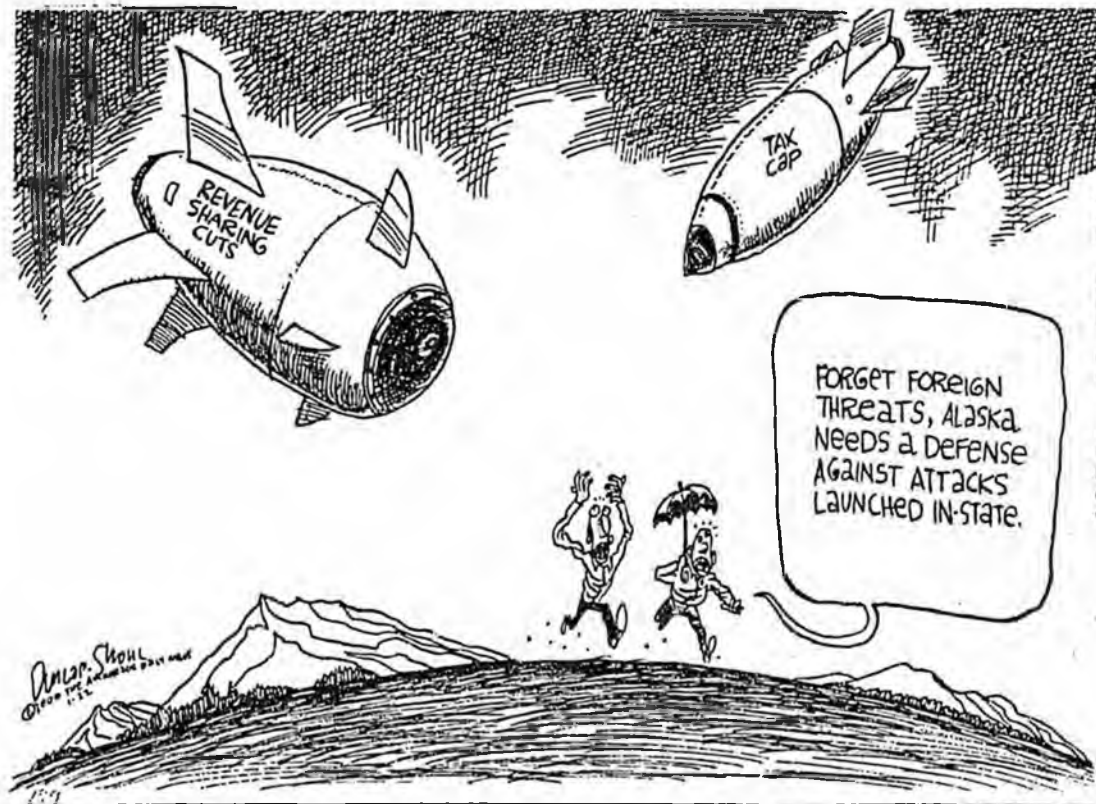
1. What the proposed initiative does and impacts on all Alaskans.
2. Statewide Impacts - who gets hurt by the tax cap?
3. Text of the initiative.
4. News articles, letters, and an example of a local resolution

Introduction

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, police, fire, and EMS services.

We believe as more people know the facts about the impacts of the tax cap, grassroots opposition will continue to grow. A recent poll taken 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.

It is the job of local elected officials and concerned citizens in every community to inform everyone in their community about the basic facts about the tax cap initiative, and how it effects your community. If the tax cap initiative passes, every community in Alaska, with or without a property tax, will feel the impact.



Tax Cap Initiative Hurts Alaskans

Discussion Paper by the Alaska Municipal League

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 reduce the major revenue by nearly half in Alaska's largest municipalities. **Schools** are the key municipal service funded by property taxes (they 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 includes bond repayment for new capital construction. No existing local tax caps restrict 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 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. Rural residents who currently shop in Anchorage may have to start paying a sales tax if Anchorage chooses to replace lost property tax money that way.
- ◆ **State reductions in municipal revenue sharing have forced higher property taxes:** 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 those reductions, legislative cuts are overwhelming local tax structures.

Statewide Impacts

Who gets hurt?

Families with students in urban schools: Schools are the main service funded by property taxes (from 7-11 mills of property tax in boroughs). Some communities (i.e. the Mat-Su Borough) couldn't fully fund schools even if they terminated every other service the Borough provides.

Families with students in rural schools: If urban schools are in crises, State school funding will almost certainly be shifted from rural schools.

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. Alaska will be a less attractive place to do business because new businesses look for good and stable public services. Second, as government declines, the local economy loses private sector retail, construction, and service jobs.

Private Contractors/Construction workers: The initiative would halt new construction of public facilities because any new construction has to be within the tax cap. No other local tax cap includes bonds approved by voters.

Senior Citizens and Disabled Veterans: Seniors 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 the State will end or severely reduce all tax exemptions.

Human Services, Nonprofits, Libraries, Public Transportation, Parks & Recreation, and Arts: Such services will be cut before schools and critical public safety services.

The real estate industry and mortgage lenders: The initiative punishes homeowners if they sell their homes, and new home buyers will pay higher taxes than those who have owned their homes longer. A disincentive to build or buy a new home.

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.

Impacted groups/associations

Elected school boards, PTA, student organizations, Association of Alaska School Boards, Association of School Administrators, Alaska Education Association, local education associations.

Rural Education Attendance Areas (REAA), rural municipal governments, tribal councils, native corporations and non-profits.

Real estate and home builders' associations, banks.

State and Local Chambers of Commerce, League of Women Voters, Alaska Fiscal Policy Council, Resource Development Council, Alaska Oil and Gas Association, corporations, businesses

Alaska Associated General Contractors, construction worker unions, architect and engineering firms and associations.

Alaska AARP, Commission on Aging, Senior Centers

"Friends of the Library" organizations, sports leagues and sports associations, arts associations, non-profit care organizations, churches, hospital

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Examples of Borough Impacts

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

Matanuska-Susitna 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 in place, 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. In addition, if Anchorage chooses to create a sales tax to replace lost property tax, rural residents will pay even more for supplies ordered from this hub city.





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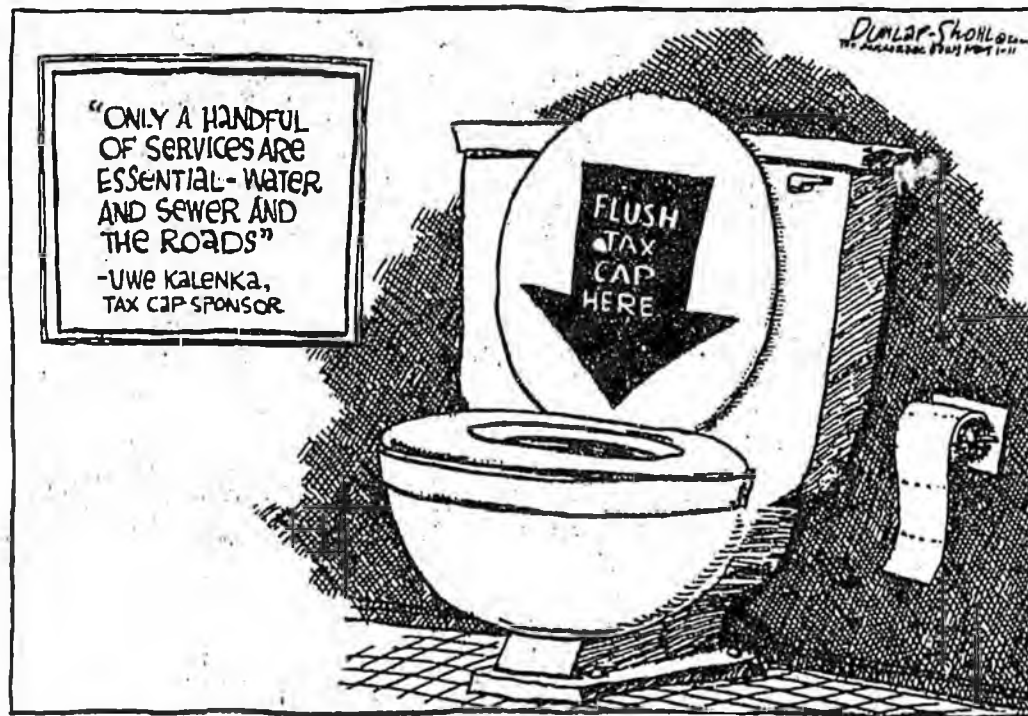
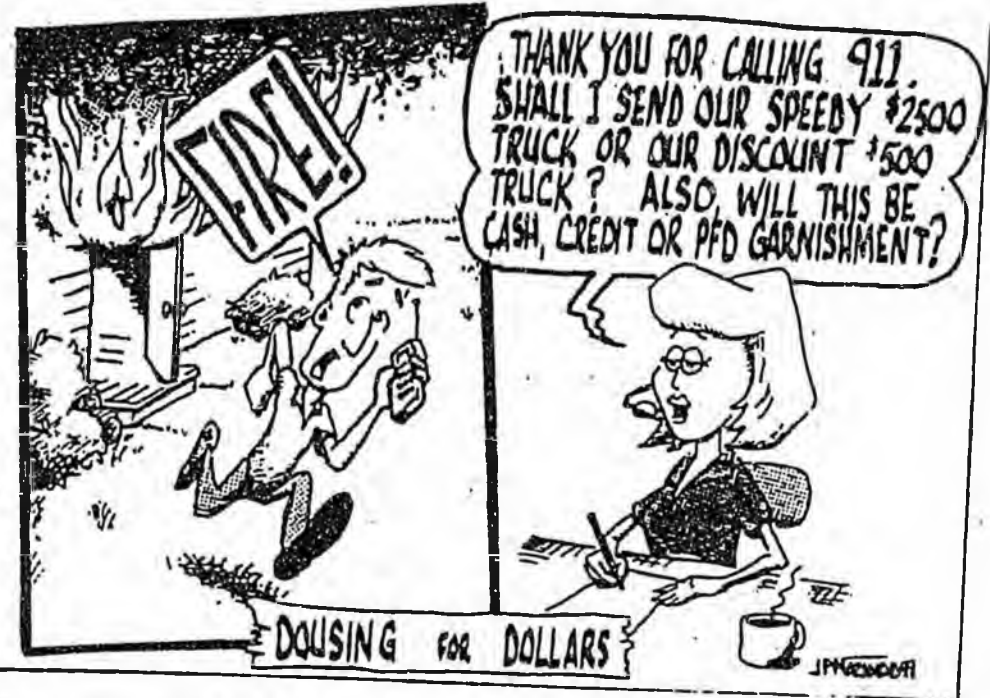
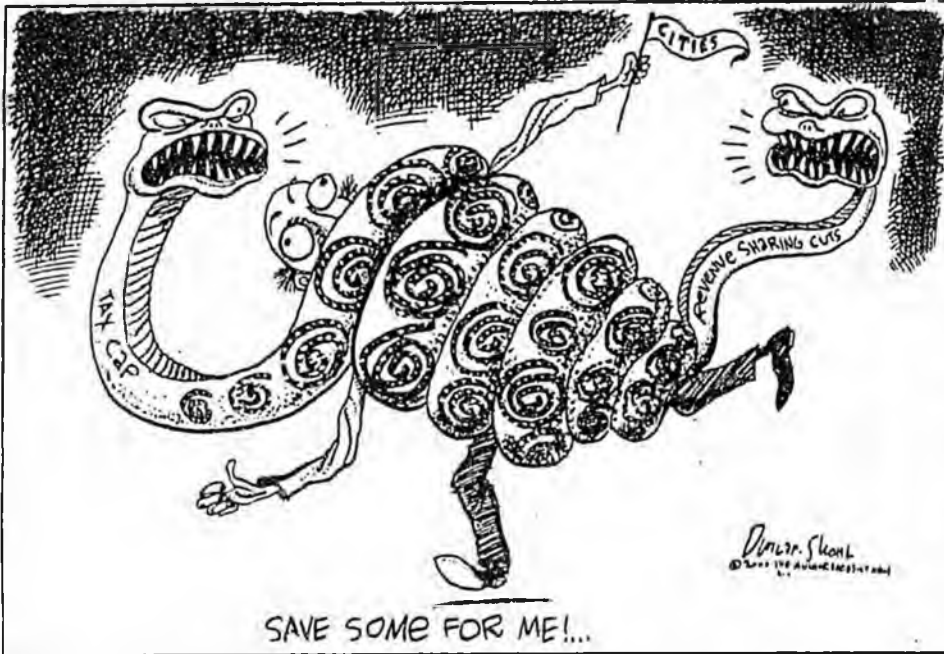
Initiative Petition Status Report



Alaska Division of Elections Home Page

Date OCT 21 1999

CHUGIAK-EAGLE
RIVER STAR



Anchorage Daily News

FOR PUBLIC SERVICE

Michael Carey
Editorial Page Editor

Patrick Dougherty
Editor

Fuller A. Cowell, Publisher, 1993-1999
Gerald E. Grilly, Publisher, 1984-1993
Katherine Fanning, Editor and Publisher, 1971-1983
Lawrence Fanning, Editor and Publisher, 1957-1971
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 houses 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.

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Property taxes

Initiative a giant step backward

The initiative process puts government in the hands of the people. That's a good idea. But some initiatives, while momentarily popular, are so damaging to the welfare of the state that the people should reject them.

Such is the initiative to freeze local property taxes at 10 mills, a measure that would cost Anchorage about \$80 million a year, a third of the current budget.

This proposal is unnecessary, unfair and irresponsible.

It is unnecessary because property tax rates are a local matter. If people have complaints about their taxes, they should take them up with their local government. That's how we have done business in Alaska since statehood, and it's worked.



It is unfair because some taxpayers will enjoy a windfall, while others will pocket a few bucks. Big business in particular will see its tax burden diminished and enjoy major savings. Moreover, because the initiative limits the growth of a property's assessed value, in a few years the tax burden would fall heaviest on those who own newly purchased property.

For example, there are places in California, the model for this initiative, where identical properties next door to each other have wildly different values for tax purposes. One property may be worth \$500,000 and the other \$200,000 simply because they were purchased at different times.

It is irresponsible because cities that rely on oil and gas property taxes would have their finances ruined. Valdez, for example, would have its revenue cut in half. Furthermore, as the Anchorage Chamber of Commerce has noted, the initiative would handicap Anchorage's ability to build schools and other capital projects because of the impact it would have on bonding. With a 10 mill property tax limit, Anchorage would no longer be able to promise lenders that it has the resources to pay back loans.

The prime sponsor of the initiative, Ewe Kalenka, says he doesn't care about the consequences. That's somebody else's problem. He also says, "Only a handful of services are totally essential — water and sewer and the roads. All the rest, if you look at it, are special interest groups."

This is the voice of the Dark Ages. The police as a special interest organization? The fire department? Snow removal? Schools?

If voters are going to accept Mr. Kalenka's logic, why bother with paved roads, water and sewer? Alaskans didn't have them in territorial days. They drove dirt streets, drank from their own wells, and dug their own cesspools.

Nobody likes to pay property taxes. But it's one thing to signal your displeasure about taxes, as the 44,000 people who signed Mr. Kalenka's petition did, and another thing to vote for such a destructive proposition. Whatever short-term benefit the tax cap will have for individuals, it will have nasty effects on communities.

This will become clear to voters who look at the facts in the months before Election Day.

Property tax cap decisions belong at municipal level

Voters 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.

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 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 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 hurt string cities and boroughs 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 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 hamstringed 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.

<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

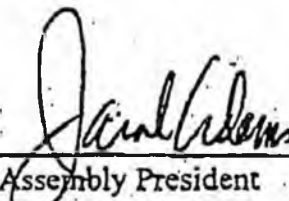
WHEREAS, the proposed initiative's 10 mills tax cap includes taxes imposed to pay bonds for new capital construction. It is unlikely that new schools or other local improvements could be built, even if desired by local voters, if a Statewide Cap makes it impossible to provide for repayment of the bonds;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

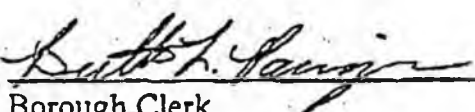
INTRODUCED: December 7, 1999

ADOPTED: December 7, 1999

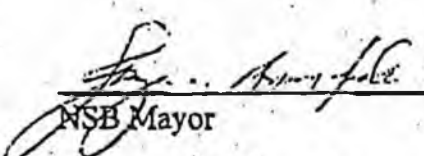


NSB Assembly President
Date: 12-7-99

ATTEST:



Borough Clerk
Date: 12-8-99



NSB Mayor
Date: 7 December 1999

SB

240

AMENDMENT

OFFERED IN THE SENATE

TO: SB 240

BY: Sen. Hoffman

Page 3, line 5, insert new subsection (f) as follows:

“(f) The department shall not assess nor collect administrative charges under this section from CDQ groups, representing communities not eligible for the CDQ program as of the effective date established in section 6 of this Act, for a period of two years from the actual award of fishery quota to that newly formed CDQ group.”

Re-letter subsequent subsections accordingly.

- CSSB 240 CRA Out of Comm.

CENTRAL BERING SEA FISHERMEN'S ASSOCIATION



P.O. Box 288
St. Paul Island, Alaska 99660
(907) 546-2597 • Fax (907) 546-2450

March 1, 2000

Bryce Edgmon, CDQ Manager
Department of Community and Economic Development
P.O. Box 110800
Juneau, Alaska 99811-0800

Dear Mr. Edgmon:

Legislation concerning Community Development Quota (CDQ) Program fees, H.B. 334, is making its way through the committee process. This letter is to inform you that, the Central Bering Sea Fishermen's Association (CBSFA) **supports** the passage of this bill and grants you the authority to lobby for our support. This bill allows for administrative costs of the CDQ Program to be charged to the six CDQ groups, which includes CBSFA.

This is a justifiable case of "user pay" fees. I believe that with such "user pay" fee systems goes a commitment on the part of government to make the administrative system responsive to the users' needs and to allow the user greater say in how administrative oversight is conducted.

CBSFA supports H.B. 334 with the belief that the user pays system will enhance the CDQ Groups relationship with the State of Alaska CDQ Program oversight administration.

Sincerely,



Phillip Lestenkof
President

TONY KNOWLES
GOVERNOR
governor@alaska.gov

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

P.O. Box 11000
Juneau, Alaska 99801-1000
(907) 465-4500
Fax (907) 465-4542
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February 1, 2000

W-240

The Honorable Drue Pearce
President of the Senate
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear President Pearce:

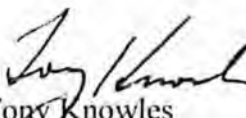
The community development quota (CDQ) program has created jobs and expanded economic opportunity in western Alaska. It is essential to this region of the state that we ensure the continuance of this federal fisheries resource program. This bill I transmit today meets that challenge by partnering with the CDQ participants to cover the state's administrative cost of the program.

Under this bill, community development groups that participate in the CDQ program will pay assessment fees to the state. The proposed fee structure has two components. First, each group will pay a standard, flat amount that will total half the state's administrative costs. Second, each group will pay a variable share of the remaining administrative costs based upon the value of that group's fisheries quota allocation.

The Department of Community and Economic Development would administer the cost charge, which is added to the statutory list of program receipts subject to separate accounting procedures.

Participants of the CDQ program recognize their future success hinges on the ability of the state to continue to administer the program. To that end, the groups proposed the funding plan forwarded in this bill and are ready to give it their full support. To protect this vital program and improve the efficiency and operation of the state's role in it, I urge your prompt and favorable action on this measure.

Sincerely,


Tony Knowles
Governor

Tony Knowles, Governor

Alaska

**Department of Community
and Economic Development**

Office of the Commissioner

P.O. Box 110800, Juneau, AK 99811-0800

Telephone: (907) 465-2500 • Fax: (907) 465-5442 • TDD: (907) 465-5437

Email: questions@dced.state.ak.us • Website: www.dced.state.ak.us/

MEMORANDUM

February 16, 2000

TO: Senator Tim Kelly, Chair
Community & Regional Affairs Committee

FROM: *JR* Jeffrey Bush, Deputy Commissioner
JE Department of Community & Economic Development

RE: Scheduling request for House Bill 334

“An act relating to the establishment of and accounting for an administrative cost charge for the state's role in the Community Development Quota program and to the appropriation of receipts from the charge; and providing for an effective date.”

This letter is to request a bill hearing for House Bill 334, by the Rules Committee by request of the Governor, and relating to administrative charges associated with the funding of the Community Development Quota Program (CDQ).

Under House Bill 334 Community Development Quota groups that participate in the CDQ program will pay assessment fees to the state. The proposed fee structure has two components. First, each group will pay a standard, flat amount that will total half the state's administrative costs. Second, each group will pay a variable share of the remaining administrative costs based upon the value of that group's fisheries quota allocation.

The Department of Community and Economic Development would administer the cost charge, which is added to the statutory list of program receipts subject to separate accounting procedures.

Participants of the CDQ program recognize their future success hinges on the ability of the state to continue to administer the program. To that end, the groups proposed the funding plan forwarded in this bill and are in agreement with the contents of House Bill 334.

For further information please contact Jeffrey Bush at 465-2500 or Bryce Edgmon, CDQ Manager, at 465-5536. Thank for you considering this request.

Cc: Pat Pourchot, Legislative Liaison

“Promoting a healthy economy and strong communities”



Tony Knowles, Governor

**Department of Community
and Economic Development**

Municipal & Regional Assistance Division

P.O. Box 110800, Juneau, AK 99811-0800

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MEMORANDUM

February 16, 2000

TO: Senator Tim Kelly, Chair
Community & Regional Affairs Committee

FROM: Bryce Edgmon, CDQ Manager
Department of Community & Economic Development

RE: Sectional analysis of Senate Bill 240

“ An Act relating to the establishment of an accounting for an administrative cost charge for the state’s role in the community development quota program and to the appropriation of receipts from the charge; and providing for an effective date.”

Section One:

Creates a new subparagraph (X) to 37.05.146 adding the “CDQ administrative cost charge” to the list of program receipts that exist in statute. Other examples of program receipts include International Airport Fund, Fish and Game fund, Alaska Children’s Trust, Highway Working Capital Fund, etc.

Section Two:

AS 44.33 is amended to give the Department of Community and Economic Development the authority to determine and assess the annual administrative cost fee to the CDQ groups. It provides the department the authority to provide regulations in accordance with this section.

(b) The department must determine the administrative costs no later than June 30 before the start of the applicable fiscal year. Upon being notified, a CDQ group has 45 days to pay the department their share of the administrative cost charge.

(c) The total cost of the administrative cost charge cannot exceed \$400,000. This “ceiling” is higher than the cost of currently managing the program, which is approximately \$250,000.

The rationale is that future legislation will not be needed if a higher amount of program receipt authority is deemed necessary. The CDQ groups agreed to this provision with the understanding that any upward adjustment in the administrative cost charge would involve a mutual decision-making process with the state.

Page two
Sectional analysis – SB 240
February 16, 2000

This section also addresses any adjustments to the administrative cost charge from “carryover funds” and reappropriations.

(d) The administrative cost charge is broken down into two categories; a pro rata share, which is by definition the standard portion, and represents 50% of the total administrative cost charge.

The second category is the variable portion, which is assessed through a formula to the CDQ groups. The formula comes from royalties derived by multiplying the remaining 50% administrative cost charge by the ratio of the value of quota allocated to each group to the total value of the CDQ quota for the applicable year.

Variable portion = One half of administrative cost charge * the ratio of value of CDQ group's quota relative to the value of all CDQ quota (for the applicable year).

(e) The department may adjust the fee for a fiscal year for the CDQ groups if an inequitable result occurs. This will be the department and the groups to use different specie's in relation to fluctuating harvest returns and prices. The aggregate amount assessed to the CDQ groups must be enough to compensate the state for the management costs in (c).

(f) The department will collect and enforce the fee, which will be deposited in the Community Development Quota Program Account in the state treasury.

(g) The Department of Administration shall identify the amount of the appropriation that lapses into the general fund each year. The legislature may appropriate an amount equal to operating costs of the CDQ program for the next fiscal year.

(h) Technical section.

Section Three:

Applicability section, which authorizes the administrative cost charge to begin on or after July 1, 2000.

Section Four:

Authorizes the Department of Community and Economic Development to adopt necessary regulations.

Section Five:

Grants the department the authority to adopt regulations.

Section Six:

Effective date -- This act takes effect June 30, 2000.



Tony Knowles, Governor

**Department of Community
and Economic Development**

Municipal & Regional Assistance Division

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Sponsor Statement

SB 240

“An act relating to the establishment of and accounting for an administrative cost charge for the state's role in the Community Development Quota program and to the appropriation of receipts from the charge; and providing for an effective date.”

In 1996 the Magnuson/Stevens Fisheries Conservation and Management Act authorized the Secretary of Commerce (Secretary) to collect and recover the costs associated with the management and enforcement of the CDQ program. The National Marine Fisheries Service, under the Secretary, has not taken any action yet on initiating a Community Development Quota (CDQ) fee program.

In view of an eventual CDQ fee program and in recognition of state budget reductions, the CDQ groups and the Department of Community & Economic Development (department) have decided to pursue a statutory fee program in advance of the implementation of a federal fee program.

HB 334 will switch the funding source for the CDQ program from the General Fund to Statutory Designated Program Receipts authority. The CDQ groups and the department support the fee as a method of making the CDQ program self-supporting. The total cost of state management is approximately \$250,000.

The proposed fee structure has two components. First, each group will pay a standard, flat amount that will total half the state's administrative costs. Second, each group will pay a variable share of the remaining administrative costs based upon the value of that group's fisheries quota allocation. The department would administer the cost charge.

The fee would be effective at the beginning of the new fiscal year, July 1, 2000.

Cc: Pat Pourchot, Governor's office

SENATE BILL NO. 240

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - SECOND SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 2/2/00

Referred: CRA, Labor and Commerce, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the establishment of and accounting for an administrative cost
2 charge for the state's role in the community development quota program and to
3 the appropriation of receipts from the charge; and providing for an effective
4 date."

5 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

6 * Section 1. AS 37.05.146(b)(4) is amended by adding a new subparagraph to read:

7 (X) the administrative cost charge under AS 44.33.113 for the
8 state's role in the federal community development quota program;

9 * Sec. 2. AS 44.33 is amended by adding a new section to read:

10 **Sec. 44.33.113. Charges for community development quota program.** (a)
11 If the governor delegates duties as described in AS 44.33.020(11) to the department,
12 the department shall determine and assess an annual administrative cost charge for the
13 administration of the state's role in the federal community development quota program.
14 The department shall by regulation establish the method for implementing the charge

1 in accordance with the provisions of this section. The department shall assess the
2 charges on community development groups with approved community development
3 plans for the fiscal year for which the charge is applicable. The community
4 development quota group shall pay the charge.

5 (b) The administrative cost charge under this section for a CDQ group shall
6 be determined by the department no later than the June 30 immediately preceding the
7 start of the applicable fiscal year. The department shall promptly notify the CDQ
8 group of the amount of the charge. The CDQ group shall pay the charge no later than
9 45 days after the department provides notice to the CDQ group of the amount of the
10 charge.

11 (c) The aggregate total of administrative cost charges to all CDQ groups for
12 a fiscal year

13 (1) shall approximately equal, but may not exceed, the appropriations
14 authorized for that fiscal year for the state's role under AS 44.33.020(11), less

15 (A) appropriations from sources of program receipts under
16 AS 37.05.146(b) not collected under this section; and

17 (B) any reappropriations of charges collected under this section;

18 and

19 (2) may not exceed \$400,000.

20 (d) Fifty percent of the aggregate total of administrative cost charges assessed
21 on all CDQ groups for a fiscal year shall be recovered through the standard portion of
22 the charges and 50 percent of the aggregate total shall be recovered through the
23 variable portion of the charges. The administrative cost charge assessed on a CDQ
24 group for a fiscal year shall consist of a standard portion and a variable portion. The
25 CDQ group's standard portion is calculated by dividing the aggregate total amount to
26 be recovered through this portion by the number of CDQ groups to be assessed a
27 charge. The CDQ group's variable portion is calculated by multiplying the aggregate
28 total amount to be recovered through this portion by a percentage that represents the
29 ratio of the value of the CDQ group's fisheries resource quota allocation to the total
30 value of fisheries resources allocated under the CDQ program for the applicable year.

31 (e) Notwithstanding any contrary provision of this section, the department may

1 adjust the administrative cost charge for a fiscal year to one or more CDQ groups if
2 the department finds that an inequitable result will occur absent the adjustment, but the
3 aggregate total of the charges to be paid by all CDQ groups after the adjustment must
4 equal the amount originally calculated for that fiscal year under (c) of this section.

5 (f) The department shall collect and enforce the administrative cost charge
6 assessed under this section. The receipts from the charge assessed under this section
7 shall be deposited in the community development quota program account in the state
8 treasury. Under AS 37.05.146(b), receipts from charges collected under this section
9 shall be accounted for separately and appropriations from the account are not made
10 from the unrestricted general fund. The legislature may appropriate money from the
11 community development quota program account for expenditures by the department
12 for necessary costs incurred by the department in implementing any assigned role
13 under AS 44.33.020(11) or for any other public purpose.

14 (g) The Department of Administration shall identify the amount of the
15 appropriations for the state's role under AS 44.33.020(11) that lapses into the general
16 fund each year. The legislature may appropriate an amount equal to the lapsed amount
17 to the community development quota program for its operating costs for the next fiscal
18 year.

19 (h) The department may adopt regulations under AS 44.62 (Administrative
20 Procedure Act) to interpret or implement its duties under this section.

21 (i) In this section,

22 (1) "CDQ group" or "community development quota group" means an
23 applicant under 16 U.S.C. 1855(i), or a successor program, with an approved
24 community development plan;

25 (2) "CDQ program" or "community development quota program" means
26 the federal community development quota program established under 16 U.S.C.
27 1855(i), or a successor federal program approved by the United States Secretary of
28 Commerce;

29 (3) "fiscal year" has the meaning given in AS 37.05.920;

30 (4) "value" has the meaning given in AS 43.75.290.

31 * Sec. 3. The uncodified law of the State of Alaska is amended by adding a new section

1 to read:

2 **APPLICABILITY.** This Act applies to administrative cost charges under
3 AS 44.33.113, enacted by sec. 2 of this Act, applicable for state fiscal years beginning on or
4 after July 1, 2000.

5 * **Sec. 4.** The uncodified law of the State of Alaska is amended by adding a new section
6 to read:

7 **TRANSITION: REGULATIONS.** The Department of Community and Economic
8 Development may proceed to adopt regulations necessary to interpret or implement this Act.
9 Regulations to interpret or implement a provision of this Act take effect under AS 44.62
10 (Administrative Procedure Act), but not before the effective date of sec. 2 of this Act.

11 * **Sec. 5.** Section 4 of this Act takes effect immediately under AS 01.10.070(c).

12 * **Sec. 6.** Except as provided in sec. 5 of this Act, this Act takes effect June 30, 2000.

FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. _____

Revision Date/Time (Note if correction) _____ Dept. Affected Community and Economic
 Title Administrative charge for the state's role in the CDQ BRU Community and Economic Development
 Component Community and Economic Development
 Sponsor Rules
 Requester Governor Component No. _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	250.0	250.0	250.0	250.0	250.0	250.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	(250.0)	(250.0)	(250.0)	(250.0)	(250.0)	(250.0)
1005 GF/Program Receipts						
1037 GF/Mental Health						
Statutory Designated P/R	250.0	250.0	250.0	250.0	250.0	250.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2000) cost: 250.0

POSITIONS

Full-time	0	0	0	0	0	0
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill will switch the funding source for the Community Development Quota (CDQ) program from the general fund to statutory designated program receipts, through the implementation of a fee structure on the groups benefiting under the program. This fee structure is supported by the CDQ groups and the department as a method of making this successful and lucrative program self-supporting.

Prepared by: Jeffrey W. Bush
 Division Commissioner's Office
 Approved by Commissioner [Signature]
 Agency _____

Phone _____
 Date/Time 2/1/00 2:56 PM
 Date 2/1/00

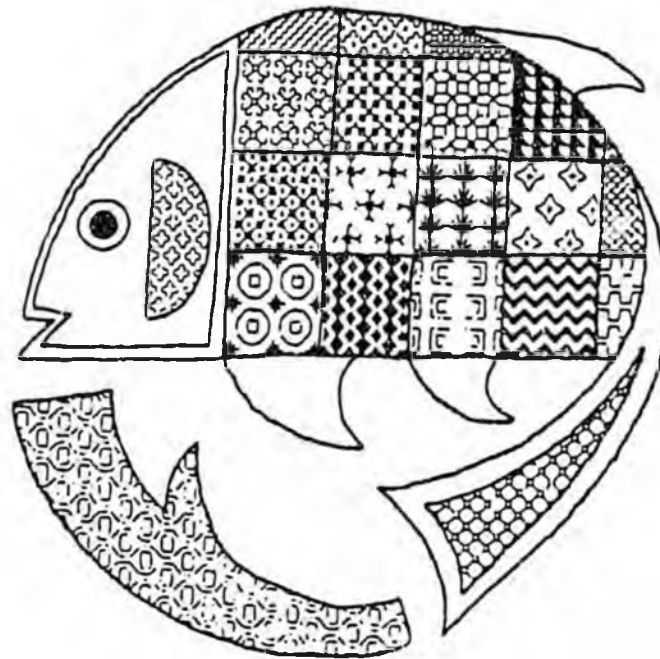
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Magnuson-Stevens Fishery Conservation and Management Act

As Amended Through October 11, 1996



U.S. Department Of Commerce
Michael Kantor, Secretary

National Oceanic and Atmospheric Administration
D. James Baker, Under Secretary for Oceans and Atmosphere

National Marine Fisheries Service
Rolland A. Schmitt, Assistant Administrator for Fisheries

NOAA Technical Memorandum NMFS-F/SPO-23

December 1996

(2) (A) The Western Pacific Council and the Secretary may establish a western Pacific community development program for any fishery under the authority of such Council in order to provide access to such fishery for western Pacific communities that participate in the program.

(B) To be eligible to participate in the western Pacific community development program, a community shall--

- (i) be located within the Western Pacific Regional Fishery Management Area;
- (ii) meet criteria developed by the Western Pacific Council, approved by the Secretary and published in the Federal Register;
- (iii) consist of community residents who are descended from the aboriginal people indigenous to the area who conducted commercial or subsistence fishing using traditional fishing practices in the waters of the Western Pacific region;
- (iv) not have previously developed harvesting or processing capability sufficient to support substantial participation in fisheries in the Western Pacific Regional Fishery Management Area; and
- (v) develop and submit a Community Development Plan to the Western Pacific Council and the Secretary.

(C) In developing the criteria for eligible communities under subparagraph (B)(ii), the Western Pacific Council shall base such criteria on traditional fishing practices in or dependence on the fishery, the cultural and social framework relevant to the fishery, and economic barriers to access to the fishery.

(D) For the purposes of this subsection "Western Pacific Regional Fishery Management Area" means the area under the jurisdiction of the Western Pacific Council, or an island within such area.

(E) Notwithstanding any other provision of this Act, the Western Pacific Council shall take into account traditional indigenous fishing practices in preparing any fishery management plan.

(3) The Secretary shall deduct from any fees collected from a community development quota program under section 304(d)(2) the costs incurred by participants in the program for observer and reporting requirements which are in addition to observer and reporting requirements of other participants in the fishery in which the allocation to such program has been made.

(4) After the date of enactment of the Sustainable Fisheries Act, the North Pacific Council and Western Pacific Council may not submit to the Secretary a community development quota program that is not in compliance with this subsection.

SB

242



SENATOR DAVE DONLEY
ALASKA STATE LEGISLATURE

MEMORANDUM

To: Senator Tim Kelly
Chairs, Senate C&RA Committee

From: Senator Dave Donley *DB*

Re: Hearing Request for SB 242 - "Relating to Funding for
Municipal Aid Programs"

Date: February 3, 2000

I request that you schedule SB 242, which would use existing state oil and gas property tax revenue to fund the state's Revenue Sharing and Municipal Assistance programs, for a hearing in your committee.

Under present law, the state levies a 20-mill property tax on oil and gas property. Municipalities may also tax the same oil and gas property. Subsequently taxpayers are allowed a credit against their state tax liability for taxes paid to a municipality. For example, if a piece of oil and gas property is assessed at \$10,000 and a municipality levies a tax of \$9,000, the state would only receive \$1,000, the difference in the two.

Currently, the state receives nearly \$22.5 million of all the oil and gas property tax revenue while municipalities with oil and gas property collect \$223 million in revenue.

This upcoming November, Alaskan voters will consider 99PTAR, a statewide initiative that would place a 10-mill cap on local property taxes. The proposed initiative would, if passed, cap all municipal property taxes at ten mills. The proposed tax cap is inclusive of any existing bond debt, **however, under the initiative, a municipality may not go forward with bonds if the proposal increases the rate to over 10-mills.**

For example, in 1999 one local borough collected over \$196 million in oil and gas property tax revenue based on a mill rate of 18.53 of which 13.51 mills is levied to satisfy debt service and 5.02 is levied for its operating budget. Should the tax cap initiative pass, the **borough would no longer be able to issue bonds until it reduces its mill rate below the 10-mill limit.** Since the borough could no longer levy a mill rate of 18.53, the state would collect the balance of the state's 20-mill oil and gas property tax. If the initiative passes then in FY'01 it is estimated that the state would receive an additional

Vice-Chair, Senate Finance Committee • Chair, Capital Budget Subcommittee • Co-Chair, Anchorage Caucus
Member: Senate Judiciary Committee • Senate Labor & Commerce Committee • Legislative Council

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Senate Bill 242
Hearing Request
Page 2

\$8 million in AS 43.56 revenues. Eventually, the revenue would rise to nearly \$135 million annually, an increase of over \$100 million more than the state is currently collecting now.

I appreciate your consideration of this request. If you have any questions, please contact James Armstrong of my staff at 3887.

DD/jja



SENATOR DAVE DONLEY

ALASKA STATE LEGISLATURE

Sponsor Statement for Senate Bill 242

SB 242 would mitigate the effects of the pending 10-mill municipal tax cap initiative by proposing to use the increased state revenues of the existing state oil and gas property tax that will be created by passage of the initiative to fund the state's Revenue Sharing and Municipal Assistance programs.

SB 242 would only take effect if voters in the upcoming November general election adopt the 10-mill initiative.

Under present law, the state levies a 20-mill tax on oil and gas property. Municipalities may also tax the same oil and gas property. Taxpayers are allowed a credit against their state oil and gas tax liability for taxes paid to a municipality. For example, if a piece of oil and gas property is assessed at \$10,000 and a municipality levies a tax of \$9,000, the state would only receive \$1,000, the difference in the two.

Currently, the state receives only about \$22.5 million (less than 10%) of all the oil and gas property tax revenue collected statewide while municipalities with oil and gas property collect \$223 million in revenue.

This upcoming November, Alaskan voters will consider 99PTAR, a statewide initiative that would place a 10-mill cap on local property taxes. The proposed initiative would, if passed, cap all municipal property taxes at 10-mills. The proposed tax cap is inclusive of any existing bond debt, **however, under the initiative, a municipality may not go forward with bonds if the proposal increases the rate to over 10-mills.**

For example, in 1999 one local borough collected over \$196 million in oil and gas property tax revenue based on a **mill rate of 18.53** of which 13.51 mills is levied to satisfy debt service and 5.02 is levied for its operating budget. Should the tax cap initiative pass, the **borough would no longer be able to issue bonds until it reduces its mill rate below the 10-mill limit.** Since the borough could no longer levy a mill rate of 18.53, the state would collect the balance of the state's 20-mill oil and gas property tax.

If the initiative passes then in FY'01 it is estimated that the state would receive an additional \$8

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Senate Bill 242
Sponsor Statement
Page 2

million in oil and gas property tax revenues. Eventually the revenue the state will collect will rise to nearly \$135 million annually, an increase of over \$100 million more than what is currently collected now.

SB 242 is the answer communities all over Alaska have been looking for. It is a long-term solution to the problems the tax cap initiative would create if passed. It will provide a stable and predictable new funding source from new revenue the state would not otherwise receive for municipal aid programs thereby holding local taxes down.

DD/jja

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MEMORANDUM

January 27, 2000

SUBJECT: Questions regarding the relationship between the current property tax cap initiative, 99PTAR, and state and municipal levies of property taxes (Work Order No. 21-LS1368 A)

TO: Senator Dave Donley

FROM: Jack Chenoweth
Assistant Revisor of Statutes

I am responding to two questions:

1. What is the relationship between the current property tax cap initiative, identified by the lieutenant governor as 99PTAR, and the state's levy and collection of the 20 mill ad valorem tax on oil and gas exploration, production, and pipeline transportation property (pipeline property tax) set out in AS 43.56?

There is no direct relationship between the initiative and the tax levy. As the initiative does not directly amend AS 43.56, it does not directly change the state levy. The state levy of the 20 mill rate, the amount of the levy set under AS 43.56.010(a), is not altered.

The pipeline property tax levy is indirectly affected. The initiative, if passed, would reduce municipal ad valorem levies to a maximum of 10 mills. Under AS 43.56.010(b), not amended by the initiative.

(b) A municipality may levy and collect a tax under AS 29.45.080 at the rate of taxation that applies to other property taxed by the municipality. The tax shall be levied at a rate no higher than the rate applicable to other property taxable by the municipality. A municipality may not exempt from taxation property authorized to be taxed under this chapter. Exemptions shall be limited to those in AS 29.45.030, 29.45.050, and AS 43.56.020.

(Emphasis added.) The language of this "uniform rate" provision, set out in the first two sentences of the subsection, survives the passage and taking effect of the initiative. So, as to "taxable property," as that term is defined for purposes of AS 43.56, generally, as the municipality's millage rates are reduced in response to the language of the initiative, the millage rate applied to the property taxable *by the municipality* under the pipeline property tax should also be reduced.

Out of the interplay of Initiative 99PTAR, the "uniform rate" provision, and the credit allowed against the state levy for pipeline property tax levies that are paid to a municipality under the pipeline property tax levy, the state may see marginally larger amounts added to the state treasury by the operation of the limits of the initiative.

2. Does the initiative allow municipalities to adjust tax rates by class of property so that municipalities may reduce or eliminate a tax burden on some groups or classes of taxpayers at the expense of others?

Under *current* law, AS 29.45.090(a) provides

(a) A municipality may not, during a year, levy an ad valorem tax for any purpose in excess of three percent of the assessed value of property in the municipality. *All property on which an ad valorem tax is levied shall be taxed at the same rate during the year.*

(Emphasis added.) Section 2 of the initiative repeals and reenacts AS 29.45.090(a) so that, if the initiative is approved by voters, the subsection would read:

(a) 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.

As you can readily see, in the repeal and reenactment, the last sentence of current subsection (a)--another "uniform rate" provision--is deleted and replaced with language that leaves the door open to an interpretation that could result in the imposition of differential rates of levy among groups or classes of property--residences to be taxed at, for example, 8 mills, and commercial properties at, say, 9.5 mills--so long as the rate of levy on all property within the municipality and on each parcel does not exceed 10 mills. Frankly, I haven't a clue as to the sponsor's thinking as to this change in the statute's language. Whether intended or not, under the revision it may be possible to handle various property classes by differential levies: at least I cannot now assure you that differential levies based on property group or class would not occur.

In some limited situations, the language of AS 29.45.090(a), as repealed and reenacted by the initiative, could have the effect of shifting the incidence of ad valorem taxation from non-pipeline property tax parcels (residences and commercial stores, for example) to "taxable property" as defined for the levy and collection of the pipeline property tax. Let's say that, hypothetically, a municipality having property taxable under the pipeline property tax within it now levies a uniform rate on all property--residences, commercial establishments, undeveloped parcels, and pipeline property "taxable property"--at 4 mills. The "uniform rate" language of *current* AS 29.45.090(a) now requires it. Recall that, under AS 29.45.090(a) as revised by the initiative, a municipality may not

. . . 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 or any particular piece of property in an amount in excess of one percent of the assessed value of that particular piece of property.

So long as those parameters are met, the municipality may determine to reshape its levy so that, again hypothetically, its levy on residential property is reduced from 4 to 2 mills, its levy on commercial property is increased from 4 to 5 mills, and its levy on "taxable property" as defined for the levy and collection of the pipeline property tax is increased to the maximum allowable 10 mills. If the total revenue from these different levies does not exceed "one percent of the assessed value of the property in the municipality," the municipality is in compliance with revised AS 29.45.090(a).

However, the differential levy, to the extent that it includes any "taxable property" as defined for the levy and collection of the pipeline property tax that is taxed at a different rate, prompts a challenge under the "uniform rate" provision of AS 43.56.010(b), set out above. If, administratively or judicially, someone makes the determination that the "uniform rate" provision of AS 43.56, operating independently of the initiative, provides a measure of protection to the "taxable property" as defined for the levy and collection of the pipeline property tax, then a differential levy affecting just that class or group composed of pipeline property tax "taxable property" may fail. Since the proceeds received by the state and by the interested municipalities under the pipeline property tax are inversely related--the higher the take by municipalities, the lower the recovery by the state--the state surely has a real interest in seeing to it that the "uniform rate" language of AS 43.56.010(b) operates to defeat any effort by municipalities to shift the incidence of taxation away from other property to the "taxable property" under the pipeline property tax up to the maximum of 10 mills.

Assuming, however, that a municipality does not have real property subject to the AS 43.56 pipeline property tax, then it may very well be that the language of revised AS 29.45.090(a) allows for a shift of the incidence, within the 10 mill property tax cap, of ad valorem taxes away from one or more groups or classes of taxpayers and toward another group or class. That possibility arises out of the deletion from current AS 29.45.090(a) of the subsection's last sentence, its "uniform rate" provision.

I cannot now provide you anything more definitive than this. I do not know what the initiative sponsors may have intended and, without a legislative history to refer to, I am just not going to speculate.

JBC:jdr
00-037.jdr

FY 99 State Revenue Sharing Program (AS 29.60.010 - .310)

The State Revenue Sharing Program consists of two accounts - *Municipal Tax Resource Equalization* and *Municipal Services*.

MUNICIPAL TAX RESOURCE EQUALIZATION

This account rewards municipalities for local fiscal effort by allocating money on the basis of a formula incorporating locally generated revenues, property values and population. The formula recognizes that a municipality with a relatively large property tax base can and should raise a higher level of revenue than a municipality with the same population but a smaller property tax base although it uses the same mill rate.

When the formula is applied, a municipality's tax equalization entitlement increases as the amount of local fiscal effort increases, or, all other factors remaining the same, its population increases. Conversely, if a municipality's property values increase but its local fiscal effort does not correspondingly increase, the entitlement decreases.

The account also provides for a minimum entitlement for municipalities of \$25,000 with a geographic location adjustment.

MUNICIPAL SERVICES

This account provides money to municipalities for public and ice road maintenance, hospitals, and health facilities. It also provides funding to unincorporated communities and volunteer fire departments in the unorganized borough. These categorical payments are made on the following basis:

Public Roads	\$2,500 per mile
Ice Roads	\$1,500 per mile
Health Facilities	\$8,000 per facility or \$2,000 per bed
Hospitals	\$250,000 per hospital with 10 or more beds, or \$50,000 per hospital with less than 10 beds, or \$1,000 per bed
Unincorporated Communities	\$25,000 per community
Volunteer Fire Departments	\$10 per capita

Except for aid to unincorporated communities, these amounts are subject to a geographic location adjustment.

FY 99 Safe Communities Program (AS 29.60.350 - .375)

The Safe Communities Program (Chapter 75 SLA 97) replaced the Municipal Assistance Program which replaced the Gross Business Receipts Tax Program 1979. The Safe Communities Program uses the FY 78 Gross Business Receipts Tax Program allocations by municipality as base amounts. The base amounts total approximately \$9.5 million. Money appropriated to the program above the level necessary to fund the base amounts is distributed on a per capita basis.

Money received by a municipality under the Safe Communities Program must be used for the following services in the following ranking of priority:

- 1) police protection and related public safety services;
- 2) fire protection and emergency medical services;
- 3) water and sewer services not offset by user fees;
- 4) solid waste management;
- 5) other services determined by the governing body to have the highest priority.

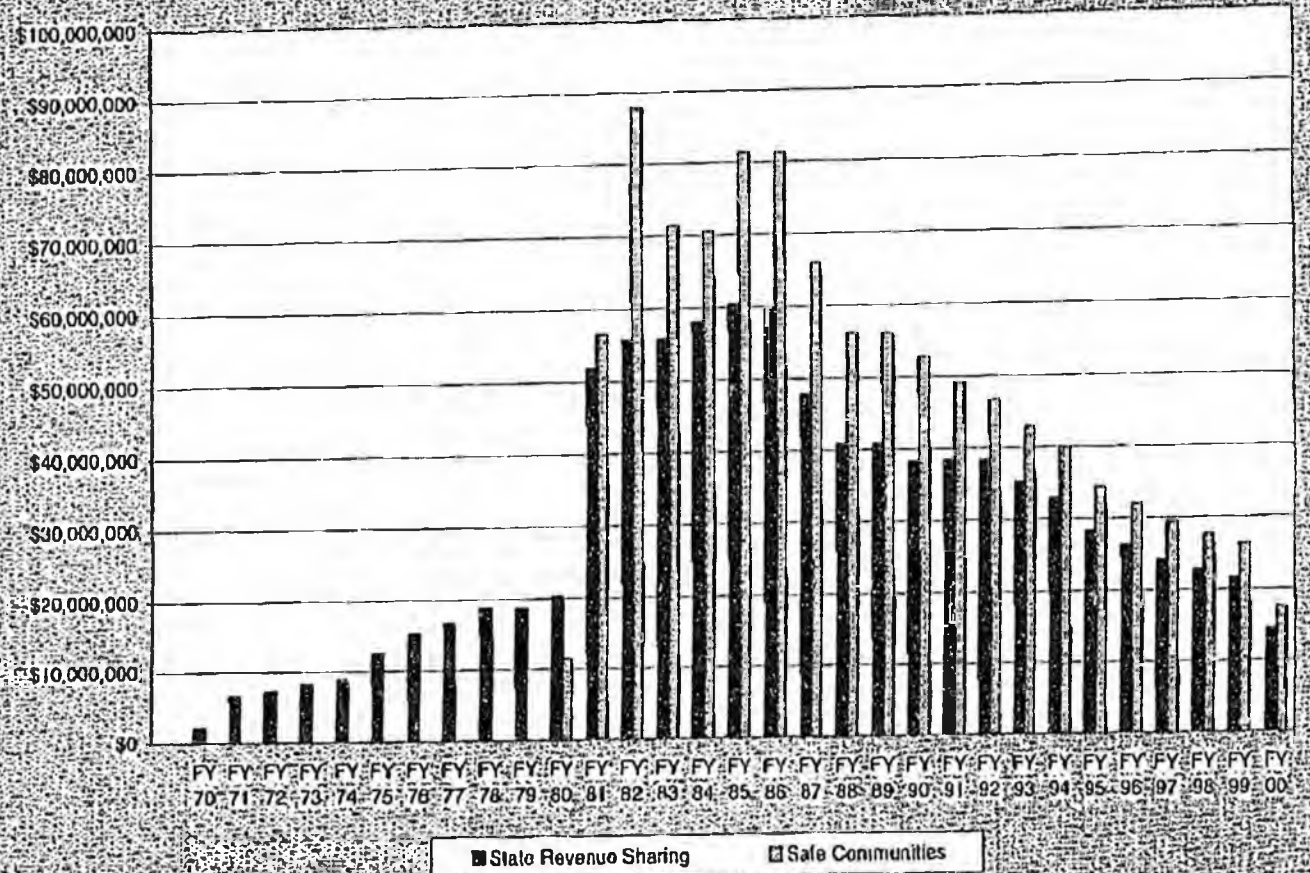
Additionally, the Safe Communities Program provides for a combined State Revenue Sharing Program and Safe Communities Program "minimum entitlement" of \$40,000. If, however, the total appropriation to the Safe Communities Program is less than \$29,402,300 (the FY 97 funding level), the program statutes require that the \$40,000 minimum entitlement be reduced equal to the percent of reduction to the overall program funding level. Consequently, because the FY 99 funding level was 8.9% less than the FY 97 level, the combined minimum entitlement was \$35,720 for FY 99.

The following two spreadsheets show the calculations used to determine payments under the FY 99 Safe Communities Program. The first spreadsheet, Pre Minimum Entitlement Prorating, is used to determine the preliminary payments under the program. The second spreadsheet, Final Payment Calculations, incorporates the FY 99 State Revenue Sharing payments and preliminary Safe Communities payments in order to implement the overall \$40,000 (\$35,720 for FY 99) minimum entitlement provision. The second to last column, FY 99 Final SAFE Payment, shows the actual final payment made to each municipality under the Safe Communities Program. The last column, FY 99 Total SRS/SAFE Payments, shows the combined payment made to each municipality under the FY 99 State Revenue Sharing and Safe Communities Programs.

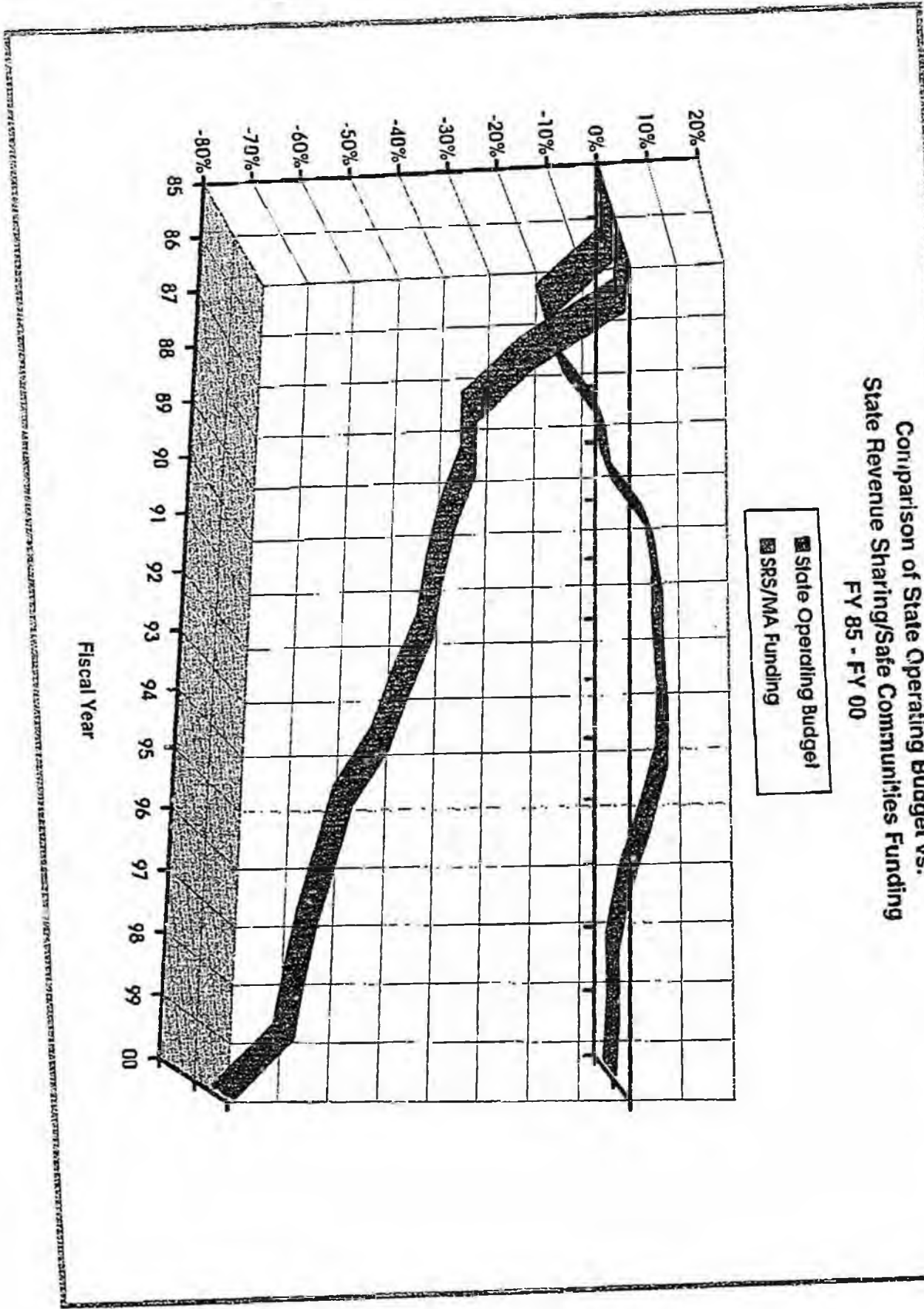
Safe Communities payments are issued July 31 of each fiscal year.

	State Revenue Sharing	Safe Communities
FY 70	\$2,020,000	Formerly
FY 71	\$6,500,000	Gross
FY 72	\$7,085,000	Business
FY 73	\$8,215,000	Receipts Tax
FY 74	\$8,777,000	Program
FY 75	\$12,458,626	0
FY 76	\$15,130,100	0
FY 77	\$16,596,657	0
FY 78	\$18,656,800	0
FY 79	\$18,688,000	0
FY 80	\$20,236,000	\$11,399,999
FY 81	\$51,900,000	\$56,496,000
FY 82	\$55,707,600	\$87,929,546
FY 83	\$55,721,000	\$71,300,000
FY 84	\$57,950,000	\$70,500,000
FY 85	\$60,350,000	\$81,306,800
FY 86	\$59,632,200	\$81,306,800
FY 87	\$47,879,100	\$65,858,500
FY 88	\$40,773,400	\$56,084,400
FY 89	\$40,773,400	\$56,084,400
FY 90	\$38,347,000	\$52,747,000
FY 91	\$38,347,000	\$49,103,200
FY 92	\$38,347,000	\$46,648,000
FY 93	\$35,279,200	\$42,916,200
FY 94	\$32,809,700	\$39,912,100
FY 95	\$28,249,133	\$34,364,367
FY 96	\$26,271,700	\$31,959,000
FY 97	\$24,170,000	\$29,402,300
FY 98	\$22,719,800	\$27,638,200
FY 99	\$21,583,800	\$26,256,300
FY 00	\$14,389,200	\$17,504,200

Funding History of State Revenue Sharing & Safe Communities Programs



Formerly the Gross Business Receipts Program until FY 80 and via Municipal Assistance Program until FY 98



FY 00 State Revenue Sharing Warrant Request

Municipality	FY 00 SRS Payment	
City of Akhiok	\$21,119	
City of Akiak	\$26,943	
City of Akutan	\$25,969	
City of Alakanuk	\$29,006	
City of Aleknagik	\$25,605	
Aleutians East Borough	\$26,773	
City of Allakaket	\$29,351	
City of Ambler	\$31,175	
City of Anaktuvuk Pass	\$27,562	
Municipality of Anchorage	\$3,746,210	
City of Anderson	\$29,543	
City of Angoon	\$20,967	
City of Aniak	\$32,550	
City of Anvik	\$28,901	
City of Atka	\$27,706	
City of Atkasuk	\$27,562	
City of Barrow	\$28,215	
City of Bethel	\$178,955	
City of Bettles	\$30,136	
City of Brevig Mission	\$28,197	
Bristol Bay Borough	\$28,923	
City of Buckland	\$31,523	
City of Cheforak	\$26,566	
City of Chevak	\$27,615	
City of Chignik	\$26,242	
City of Chuathbaluk	\$28,442	
City of Clark's Point	\$25,605	
City of Coffman Cove	\$31,000	
City of Cold Bay	\$29,467	
City of Cordova	\$129,078	
City of Craig	\$35,774	
City of Deering	\$28,038	
City of Delta Junction	\$25,921	
Denali Borough	\$27,562	
City of Dillingham	\$54,468	
City of Diomedes	\$27,562	
City of Eagle	\$23,448	
City of Eek	\$27,159	
City of Egegik	\$29,433	
City of Ekwok	\$25,605	
City of Elim	\$29,396	
City of Emmonak	\$67,195	

FY 00 State Revenue Sharing Warrant Request

Municipality	FY 00 SRS Payment
City of Fairbanks	\$300,533
Fairbanks North Star Borough	\$841,474
City of False Pass	\$25,946
City of Fort Yukon	\$29,641
City of Galena	\$29,996
City of Gambell	\$28,992
City of Golovin	\$28,687
City of Goodnews Bay	\$26,943
City of Grayling	\$28,810
City of Haines	\$26,332
Haines Borough	\$22,840
City of Holy Cross	\$29,823
City of Homer	\$62,447
City of Hoonah	\$55,134
City of Hooper Bay	\$26,772
City of Houston	\$24,295
City of Hughes	\$28,656
City of Huslia	\$30,176
City of Hydaburg	\$19,704
City & Borough of Juneau	\$813,755
City of Kachemak	\$21,301
City of Kake	\$5,781
City of Kakrovik	\$27,562
City of Kaltag	\$29,343
City of Kasaan	\$20,812
City of Kenai	\$111,142
Kenai Peninsula Borough	\$945,230
City of Ketchikan	\$197,113
Ketchikan Gateway Borough	\$103,250
City of Kiana	\$30,841
City of King Cove	\$26,857
City of Kivalina	\$31,938
City of Klawock	\$22,357
City of Kobuk	\$29,634
City of Kodiak	\$82,265
Kodiak Island Borough	\$187,800
City of Kotlik	\$26,943
City of Kotzebue	\$128,628
City of Koyuk	\$28,473
City of Koyukuk	\$28,465
City of Kupreanof	\$20,531
City of Kwethluk	\$27,172

FY 00 State Revenue Sharing Warrant Request

Municipality	FY 00 SRS Payment		
Lake and Peninsula Borough	\$90,932		
City of Larsen Bay	\$21,301		
City of Lower Kalskag	\$31,336		
City of Manokotak	\$26,505		
City of Marshall	\$26,943		
Mat-Su Borough	\$876,800		
City of McGrath	\$31,016		
City of Mekoryuk	\$27,332		
City of Mountain Village	\$27,827		
City of Napakiak	\$27,513		
City of Napaskiak	\$26,943		
City of Nenana	\$30,430		
City of New Stuyahok	\$25,889		
City of Newhalen	\$27,332		
City of Nightmute	\$26,566		
City of Nikolai	\$28,174		
City of Nome	\$160,489		
City of Nondalton	\$28,910		
City of Noorvik	\$56,136		
City of North Pole	\$24,478		
North Slope Borough	\$177,365		
Northwest Arctic Borough	\$142,054		
City of Nuiqsut	\$27,562		
City of Nulato	\$29,446		
City of Nunapitchuk	\$31,735		
City of Old Harbor	\$21,775		
City of Ouzinkie	\$21,640		
City of Palmer	\$134,124		
City of Pelican	\$21,688		
City of Petersburg	\$126,414		
City of Pilot Point	\$25,803		
City of Pilot Station	\$26,943		
City of Platinum	\$27,627		
City of Point Hope	\$27,562		
City of Port Alexander	\$20,531		
City of Port Heiden	\$29,081		
City of Port Lions	\$21,706		
City of Quinhagak	\$27,430		
City of Ruby	\$28,760		
City of Russian Mission	\$27,176		
City of Sand Point	\$27,275		
City of Savoonga	\$28,427		

FY 00 State Revenue Sharing Warrant Request

Municipality	FY 00 SRS Payment		
City of Saxman	\$20,164		
City of Scammon Bay	\$27,196		
City of Selawik	\$32,199		
City of Seldovia	\$22,803		
City of Seward	\$102,439		
City of Shageluk	\$27,562		
City of Shaktoolik	\$28,381		
City of Sheldon Point	\$26,566		
City of Shishmaref	\$28,163		
City of Shungnak	\$30,765		
City and Borough of Sitka	\$206,992		
City of Skagway	\$22,741		
City of Soldotna	\$73,473		
City of St. George	\$27,818		
City of St. Mary's	\$33,809		
City of St. Michael	\$27,197		
City of St. Paul	\$42,789		
City of Stebbins	\$28,951		
City of Tanana	\$31,560		
City of Teller	\$27,891		
City of Tenakee Springs	\$20,531		
City of Thorne Bay	\$23,006		
City of Togiak	\$27,128		
City of Toksook Bay	\$26,943		
City of Unalakleet	\$29,130		
City of Unalaska	\$129,402		
City of Upper Kalskag	\$27,953		
City of Valdez	\$114,675		
City of Wainwright	\$27,562		
City of Wales	\$27,953		
City of Wasilla	\$74,738		
City of White Mountain	\$27,745		
City of Whittier	\$24,129		
City of Wrangell	\$117,236		
City and Borough of Yakutat	\$23,166		
Total Municipal Payments	\$14,088,593		

FY 00 State Revenue Sharing Warrant Request

Unincorporated Community	FY 00 SRS Payment		
Akiachak IRA Council	\$4,170		
Arctic Village Traditional Council	\$4,170		
Aurautluak Traditional Council	\$4,170		
Beaver Tribal Village Council	\$4,170		
Chalkyitsik Village Council	\$4,170		
Chenega Bay IRA Village	\$4,170		
Chilkat Indian Village Council	\$4,170		
Chistochina Village Council	\$4,170		
Chitina Traditional Village Council	\$4,170		
Circle Civic Community Association, Inc.	\$4,170		
Community of Elfin Cove	\$4,170		
Copper Valley Community Library Association	\$4,170		
Crooked Creek Corporation	\$4,170		
Deltana Community Corporation	\$4,170		
Denduu Gwich'in Tribal Council	\$4,170		
Dot Lake Village Council	\$4,170		
Dry Creek Community, Inc.	\$4,170		
Edna Bay Community Association	\$4,170		
Evansville Tribal Council	\$4,170		
Four Mile Road Community Council	\$4,170		
Gulkana Village Council	\$4,170		
Gustavus Community Association	\$4,170		
Healy Lake Traditional Council	\$4,170		
Hollis Community Council	\$4,170		
Hyder Community Association, Inc.	\$4,170		
Kasigluk Traditional Council	\$4,170		
Kenny Lake Community League	\$4,170		
Kipnuk Village Council	\$4,170		
Koliganek Village Council	\$4,170		
Kongiganak Traditional Council	\$4,170		
Kwigillingok IRA Council	\$4,170		
Lime Village Traditional Council	\$4,170		
Manley Hot Springs Community Association	\$4,170		
McCarthy Area Council	\$4,170		
Mentasta Lake Village Council	\$4,170		
Merlakarla Indian Village	\$4,170		
Minto IRA Council	\$4,170		
Native Village of Kluti-Kaah	\$4,170		
Naukati West Inc.	\$4,170		
Nelchina/Mendeltna Corporation	\$4,170		
Newtok Traditional Council	\$4,170		
Northway Village Council	\$4,170		
Paxson Community Affairs	\$4,170		

FY 00 State Revenue Sharing Warrant Request

Pitka's Point Village Council	\$4,170		
Point Baker Community	\$4,170		
Port Protection Community Association	\$4,170		
Rampart Village Council	\$4,170		
Red Devil People and Community, Inc	\$4,170		
Silver Springs Residents Association	\$4,170		
Slana Community Corporation	\$4,170		
Slana League	\$4,170		
Sleetmute Village Council	\$4,170		
Stevens Village IRA Council	\$4,170		
Stony River Traditional Village Council	\$4,170		
Takorna Community Association, Inc.	\$4,170		
Tanacross Village Council	\$4,170		
Tatitlek Village IRA Council	\$4,170		
Tetlin Village Council	\$4,170		
The Association of Tazlina Residents	\$4,170		
Tok Community Umbrella Corporation	\$4,170		
Tolsona Community Corporation	\$4,170		
Tuluksak Native Community	\$4,170		
Tuntutuliak Village Council	\$4,170		
Twin Hills Village Council	\$4,170		
Venetic Village Council	\$4,170		
Whale Pass Homeowner's Association	\$4,170		
Wiseman Community Association	\$4,170		
Total Unincorporated Community Payments	\$279,390		

FY 00 State Revenue Sharing Warrant Request

Volunteer Fire Department	FY 00 SRS Payment		
Chalkyitsik Volunteer Fire Department	\$233		
Chistochina Volunteer Fire Department	\$201		
Chitina Volunteer Fire Department	\$175		
Circle Volunteer Fire Department	\$166		
Copper Center Volunteer Fire Department	\$912		
Craig Volunteer Fire Department	\$430		
Crooked Creek Volunteer Fire Department	\$260		
Eagle Volunteer Fire Department	\$181		
Edna Bay Volunteer Fire Department	\$93		
Gakona Volunteer Fire Department	\$518		
Glennallen Volunteer Fire Department	\$1,842		
Gustavus Emergency Response	\$661		
Kenny Lake Volunteer Fire Department	\$1,127		
Klawock Volunteer Fire Department	\$219		
Kongiganak Volunteer Fire Department	\$779		
Kwigillingok Volunteer Fire Department	\$828		
Mentasta Volunteer Fire Department	\$256		
Metlakatla Volunteer Fire Department	\$2,615		
Naukatli Volunteer Fire Department	\$280		
Nenana Volunteer Fire Department	\$541		
Northway Volunteer Fire Department	\$815		
Point Baker Volunteer Fire Dept.	\$88		
Port Protection Volunteer Fire Dept.	\$131		
Rural Deltana Fire Protection District	\$4,302		
Tetlin Volunteer Fire Department	\$286		
Tok Volunteer Fire Department	\$2,940		
Twin Hills Volunteer Fire Department	\$174		
Whale Pass Volunteer Fire Department	\$158		
Total Volunteer Fire Dept. Payments	\$21,211		

FY 00 Safe Communities Program Warrant Request

Municipality	FY 00 SAFE Payments	
City of Akhiok	\$2,266	
City of Akiak	\$5,897	
City of Akutan	\$7,650	
City of Alakanuk	\$15,489	
City of Aleknagik	\$5,040	
Aleutians East Borough	\$5,999	
City of Allakaket	\$3,615	
City of Ambler	\$6,174	
City of Anaktuvuk Pass	\$5,731	
Municipality of Anchorage	\$7,689,181	
City of Anderson	\$10,449	
City of Angoon	\$12,563	
City of Aniak	\$12,532	
City of Anvik	\$1,902	
City of Atka	\$2,178	
City of Atkasuk	\$15,061	
City of Barrow	\$95,217	
City of Bethel	\$139,811	
City of Bettles	\$767	
City of Brevig Mission	\$5,146	
Bristol Bay Borough	\$32,190	
City of Buckland	\$7,749	
City of Chefornak	\$8,116	
City of Chevak	\$13,779	
City of Chignik	\$2,423	
City of Chuathbaluk	\$2,257	
City of Clark's Point	\$1,178	
City of Coffman Cove	\$4,756	
City of Cold Bay	\$4,339	
City of Cordova	\$74,241	
City of Craig	\$42,450	
City of Deering	\$3,149	
City of Delta Junction	\$33,696	
Denali Borough	\$32,980	
City of Dillingham	\$59,088	
City of Diomedes	\$3,293	
City of Eagle	\$3,589	
City of Eek	\$5,855	
City of Egegik	\$2,963	
City of Ekwok	\$2,254	
City of Elim	\$5,846	
City of Emmonak	\$17,261	

FY 00 Safe Communities Program Warrant Request

Municipality	FY 00 SAFE Payments
City of Fairbanks	\$1,205,037
Fairbanks North Star Borough	\$1,270,360
City of False Pass	\$1,184
City of Fort Yukon	\$14,171
City of Galena	\$14,144
City of Gambell	\$13,182
City of Golovin	\$2,996
City of Goodnews Bay	\$4,750
City of Grayling	\$3,829
City of Haines	\$38,862
Haines Borough	\$22,970
City of Holy Cross	\$5,623
City of Homer	\$113,381
City of Hoonah	\$20,657
City of Hooper Bay	\$20,584
City of Houston	\$18,262
City of Hughes	\$1,372
City of Huslia	\$4,951
City of Hydaburg	\$8,586
City & Borough of Juneau	\$777,976
City of Kachemak	\$8,002
City of Kake	\$15,870
City of Kaktovik	\$5,338
City of Kaltag	\$4,600
City of Kasaan	\$3,000
City of Kenai	\$216,741
Kenai Peninsula Borough	\$753,664
City of Ketchikan	\$280,002
Ketchikan Gateway Borough	\$118,628
City of Kiana	\$8,205
City of King Cove	\$14,034
City of Kivalina	\$6,517
City of Klawock	\$13,044
City of Kobuk	\$1,898
City of Kodiak	\$222,926
Kodiak Island Borough	\$122,097
City of Kotlik	\$10,810
City of Kotzebue	\$74,743
City of Koyuk	\$5,599
City of Koyukuk	\$2,657
City of Kupreanof	\$3,281
City of Kwethluk	\$13,117