

ALASKA LEGISLATURE COMMITTEE FILES 2001-2002 8672

10507 SENATE COMMUNITY & REGIONAL AFFAIRS 352

SB

4

Sectional Analysis
Senate Bill 4

Title 29. Municipal Government
Chapter 45. Municipal Taxation
Article 1. Municipal Property Tax

Section 1 AS 29.45.030(e)

030. Required exemptions. The provision amends section (e) by adding a mechanism for municipalities to prorate taxes part way through the year when a home owner who is eligible for an exemption sells his or her home to someone who is not eligible for an exemption.

Section 2 AS 29.45.050(a)

050. Optional exemptions and exclusions. The provision increases the amount a municipality may exempt residential property taxes from \$10,000 to \$50,000.

Alaska State Legislature

SENATOR
GENE THERRIAULT

Mailing Address:
119 N. Cushman, Suite 101
Fairbanks, Alaska 99701
(907) 488-0857
Fax: (907) 488-1271



Senate

While in session
State Capitol
Juneau, Alaska
99801-1182
(907) 465-4797
Fax: (907) 465-3884

Senate District Q

Senate Bill 4 **"An Act relating to a mandatory exemption from municipal property taxes for certain residences and to an optional exemption from municipal taxes for residential property; and providing for an effective date."**

Sponsor: Senator Gene Therriault

Sponsor Statement

Senate Bill 4 stems from discussions last year over the ballot measure proposing a 10 mill cap on property taxes. During debate leading up to the election, many residents expressed their belief that property owners bear an unfair portion of government expenses. Senate Bill 4 raises the ceiling, from \$10,000 to \$50,000, on the amount a municipality may offer in residential property tax exemptions. As is currently the case, the exemption is optional and up to the discretion of local taxing authorities. Considering that the current \$10,000 cap has been on the books since 1974, I believe it is time to look at adjusting the property exemption allowance to give local governments more flexibility in their taxing decisions.

In addition, it was brought to my attention that the mandatory exemption for senior citizens provides no mechanism for local governments to assess property taxes part way through a tax year when someone who qualifies for a tax exemption sells property to someone who does not qualify. SB 4 gives municipalities authority to prorate and collect those additional taxes. The current wording of SB 4 does not allow the provision to be exercised in the other direction—to grant an exemption mid-year when someone who is eligible for the exemption buys a house from someone who is not eligible. Although exercising the provision in reverse would result in a loss of borough revenues, I believe it is worthy of discussion and would welcome debate on that issue during the committee process. Regardless of the outcome on that aspect, I believe that the issue of prorating taxes is legitimate for consideration by the legislature.

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22-LS0190\L
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2/9/01

CS FOR SENATE BILL NO. 4()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SECOND LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): SENATOR THERBIAULT

A BILL
FOR AN ACT ENTITLED

1 **"An Act relating to a mandatory exemption from municipal property taxes for certain**
2 **residences and to an optional exemption from municipal taxes for residential property;**
3 **and providing for an effective date."**

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

5 *** Section 1. AS 29.45.030(e) is amended to read:**

6 **(e) The real property owned and occupied as the primary residence and**
7 **permanent place of abode by a (1) resident 65 years of age or older; (2) disabled**
8 **veteran; or (3) resident at least 60 years old who is the widow or widower of a person**
9 **who qualified for an exemption under (1) or (2) of this subsection [,] is exempt from**
10 **taxation on the first \$150,000 of the assessed value of the real property. A**
11 **municipality may, in case of hardship, provide for exemption beyond the first**
12 **\$150,000 of assessed value in accordance with regulations of the department. Only**
13 **one exemption may be granted for the same property and, if two or more persons are**
14 **eligible for an exemption for the same property, the parties shall decide between or**

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22-LS0190L

1 among themselves who is to receive the benefit of the exemption. Real property may
2 not be exempted under this subsection if the assessor determines, after notice and
3 hearing to the parties, that the property was conveyed to the applicant primarily for the
4 purpose of obtaining the exemption. The determination of the assessor may be
5 appealed under AS 44.62.560 - 44.62.570. If property is transferred during the
6 year for which an exemption has been granted under this subsection to a person
7 who does not qualify for the exemption, the exemption ceases on the date of the
8 transfer. The municipality shall calculate a pro rata share of the amount of taxes
9 that would have been levied for the year on the property had it not been granted
10 an exemption under this subsection and shall notify the new owner of the
11 additional amount of taxes. Payment of the additional amount of taxes is due 60
12 days after the notice is provided to the new owner.

13 * Sec. 2. AS 29.45.050(a) is amended to read:

14 (a) A municipality may exclude or exempt or partially exempt residential
15 property from taxation by ordinance ratified by the voters at an election. An exclusion
16 or exemption authorized by this subsection [SECTION] may not

17 (1) exceed the assessed value of \$50,000 [\$10,000] for any one
18 residence; or

19 (2) be applied with respect to taxes levied in a service area to fund
20 the special services.

21 * Sec. 3. This Act takes effect January 1, 2002.



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

Rec'd 11:40 AM
- MJ

February 7, 2001

Senator Gene Terriault
Alaska State Senate
State Capitol
Juneau, AK 99811

Dear Senator Terriault

We are writing in support of SB 4, relating to Municipal Property Tax Exemption. The 2001 *AML Policy Statement* adopted by the entire membership of the League, states:

Part I. Revenue & Finance

C. Local Taxes

3. **Residential Tax Relief Local Option.** The League supports an amendment of A.S. 29.45.050(a), the optional local homeowner property tax exemption, to change "may not exceed the assessed value of \$10,000" to "may not exceed the assessed value of \$50,000" to allow municipalities an option to grant meaningful property tax relief to residential homeowners.

In light of last year's statewide property tax initiative, we recognize that some citizens believe there should be some changes in the way they pay for local government services. Senate Bill 4 offers Alaska's municipalities the option to increase the existing property tax exemption in order to provide for that change.

Thank you for sponsoring this legislation and if we can assist you in any way, please call me.

Sincerely,

Kevin Ritchie
Executive Director

cc: Senate Community & Regional Affairs Committee
AML Revenue & Finance Subcommittee

Rec'd. 2/6
4 PM
-MF

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SB 4
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title: Municipal Property Tax Exemption BRU: Revenue Operations
Component: Tax Division

Sponsor: Senator Therriault
Requester: Senate Community and Regional Affairs Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
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 ()	(1,600.0)	(1,600.0)	(1,600.0)	(1,600.0)	(1,600.0)	(1,600.0)
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2001) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
 This legislation would allow municipalities to increase -- by a vote of the public -- the residential property tax exemption from the current \$10,000 to \$50,000 in assessed value per residence. This could have an indirect effect on state revenues if municipalities increase their residential property assessment exemption and then increase their overall mill rate to make up for the lost revenue. Under AS 43.56, the state imposes a 20-mill tax on oil and gas property in the state. If the municipality in which the oil and gas property is located also has a property tax, the taxpayer is allowed a credit for any local taxes before paying the state tax. For example, assume a \$1 million item located in a borough with a 15-mill tax rate. The taxpayer pays \$15,000 to the locality. When it files its state taxes it has an obligation of \$20,000, offset by a tax credit of \$15,000, so it only sends a check for \$5,000 to the state. Therefore, if the mill rates increase in localities that have extensive oil and gas production property, oil and gas taxpayers will pay more to the localities and less to the state.

 The projected \$1.6 million annual cost to the state of this legislation assumes that all of the localities that already grant the \$10,000 residential exemption will increase it to \$50,000, and will want to replace all of the revenues they would lose from the increased exemption and will use an increased mill rate to accomplish that -- thereby reducing state oil and gas property tax collections.

Prepared by: Dan Dickinson, Director Phone 269-1033
 Division: Tax Division Date/Time 11a.m., Feb. 6, 2001
 Approved by: Larry Persily, Deputy Commissioner Date Feb. 6, 2001
 Agency: Department of Revenue

For distribution information, call the Governor's Legislative Office

SB

8



Alaska State Legislature

Please enter into the record my testimony to the SCPA /
 committee name
 Committee on Alcohol Excise Tax, dated 3-23-07
 bill # / subject

The folks in Alaska support an alcohol tax at an amount that is sufficient to produce a prevention effect in price sensitive groups (youth and elderly) as well as at a maximum produce enough revenues to alleviate some of the programs by providing funds to eliminate wait lists for both adult and youth treatment (about \$5 million).
 Patrick Gray

Signed: _____
 Testifier

 Representing (optional) Concern citizen/voter

 Address Kenai AK

 Phone number _____

ve-1
2/22/01
1/14

SENATOR KIM ELTON

MEMORANDUM

2/22/2001

To: Senator John Torgerson, Chair
Senate Community and Regional Affairs Committee

From: Senator Kim Elton

Re: Hearing Request for SB 8

I request a hearing for SB 8, raising Alaska's excise tax on alcohol and directing 40 percent of the state's alcohol tax revenues into revenue sharing. I also ask that you provide teleconference opportunities to as much of the state as you think reasonable, at the very least to include Anchorage.

This bill allows Alaska to recoup some of the costs associated with alcohol abuse. The combined state and local public sector costs associated with alcohol in Alaska are seventy-seven cents per drink—about \$280 million per year. The costs to the private sector are even greater in terms of lost productivity, health care expenses, domestic abuse, and broken homes.

The Anchorage Assembly recently voted to put an advisory question on the Anchorage ballot regarding a revenue sharing mechanism if the excise tax on alcohol is raised. This pending question makes a hearing on this bill extremely timely. Please schedule a hearing at your earliest convenience.

Attachments:
Sponsor Statement
Fact Sheet
Position Statements and Resolutions
Editorial

SENATOR KIM ELTON

Senate Bill 8
Increasing alcoholic beverage taxes

Sponsor Statement

This legislation increases the tax on alcoholic beverages by approximately \$.25 per drink. Specifically:

- The tax on malt beverages is increased from \$.35 to \$3.02 per gallon or fraction of a gallon.
- The tax on wine or other beverages of up to 21 percent alcohol by volume is increased from \$.85 to \$7.25 per gallon or fraction of a gallon.
- The tax on beverages having a content of more than 21 percent alcohol by volume is increased from \$5.60 per gallon to \$37.60 per gallon.

These increases are the same as those proposed in the ballot initiative 99ATAX that circulated in 1999.

Alaska has lost significant tax revenue over the years from the failure to increase taxes on alcohol. While the costs associated with alcohol and substance abuse have grown to more than \$475 million per year, inflation has eroded the value of alcohol tax revenue by almost seventy five percent since 1961. Alcohol taxes were last increased 18 years ago.

This proposal is estimated to yield between \$65 and \$85 million annually in new revenue for a total of between \$77 and \$97 million in alcohol taxes. The wide range is because the tax revenue will vary depending on the effect increased prices have on consumption. Under this proposal, forty percent of that revenue is returned to local governments eligible for municipal assistance.

Currently, local governments bear approximately forty percent of public safety costs, or \$190.3 million per year, for fire, police, emergency medical and other services related to alcohol consumption. The state spends \$284.4 million, or 60 percent of total public safety expenditures, for police, prosecution, courts, corrections and other public safety services. Alcohol has proven to be a significant factor leading to these expenditures. Increased alcohol taxes will assist state and local government in meeting those expenses though government costs associated with alcohol will still far exceed government revenues from alcoholic beverages.

STATEWIDE ALCOHOL TAX COALITION
Position Statement on Alcohol Tax Increase
January 9, 2001

Purpose

This position statement establishes a common framework to discuss and review the need for an increase in the excise tax on alcohol. Specifically, the statement outlines the current tax structure, the alcohol-related costs to all Alaskans, and the discrepancy between taxes collected and costs to the state and its residents.

Existing Tax Structure

The State of Alaska collects approximately \$12 million annually in revenues from an excise tax on beer, wine and spirits. This excise tax rate has not changed since 1983. It has not kept pace with inflation or the costs of negative consequences to Alaskans. An inflation adjustment alone would increase revenues by nearly \$6 million.

Taxable Alcohol	Beer	Wine	Spirits	Total Revenue Collected - 1998
Gallons sold in 1998	13,770,475	1,321,855	1,036,869	
Tax per gallon	\$.35	\$.85	\$5.60	
Drinks per gallon	10.667	25.6	128	
1998 revenue/category	\$4,819,666	\$1,123,577	\$5,806,466	\$11,749,709
Source: Alaska Department of Revenue				

Real Cost of Alcohol Misuse and Abuse

Although putting a price tag on the negative consequences of alcohol is difficult, by extrapolating from national figures, a conservative estimate puts the **cost to government alone at \$250 million a year in Alaska**. The gap between \$12 million in revenue at the current excise tax rate and the \$250 million cost to the state and communities is way too wide. The bottom line is bright red.

What are the Contributory Factors in This Dilemma?

- Nearly 14 percent of adult Alaskans are alcohol dependent or alcohol abusers, compared with a national rate of about 7 percent.
- Alaska has the 5th highest rate of alcohol-related problems, but ranks 32nd for treatment services provided per capita

We know that in Alaska, alcohol is implicated in:

- 50 percent of hospital emergency room visits
- 65 percent of suicide attempts
- 83 percent of child abuse investigations
- 60 percent of domestic violence reports
- 63 percent of sexual assaults
- 42 percent of fatal automobile crashes
- 45 percent of fatal fires

ALASKA CLOSE UP

2001

State Capitol
Juneau, AK 99801

Dear Senator Kim Elton,
Thank you for meeting with us, the Alaska Close-up students. We greatly appreciate your support. Also we would like you to know that we passed the alcohol tax bill in our mock legislature, it passed twenty-seven to twelve! Thank you again for all of your hard work we appreciate it.

Sincerely yours,

Samantha Barnhill

Samantha Barnhill

CORRECTION

THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION



Central Microfilm Services
Department of Education & Early Development
State of Alaska

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- 65 percent of suicide attempts
- 83 percent of child abuse investigations
- 60 percent of domestic violence reports
- 63 percent of sexual assaults
- 42 percent of fatal automobile crashes
- 45 percent of fatal fires

- 26 percent of murders
- 100 percent of Fetal Alcohol Syndrome (FAS) birth defects. Alaska has one of the highest documented rates of FAS in the nation. Recent federal funding to battle FAS/Alcohol Related Birth Defects in Alaska will support trained diagnostic teams to travel statewide to train health care professionals in the diagnosis of FAS/ARBD. It is expected that statistics will be available within 5 years to document more accurately the actual incidence of these disorders in our state. The cost of lifetime care for one FAS child is approximately 1.2 million dollars.

What Can Alaskans Do About It?

Join our effort to close the great gap between revenue generated by alcohol sales and the cost to all Alaskans. The table below gives you an idea of the amount of revenue generated by a variety of changes. Increasing the tax by two cents a drink would merely course correct for inflation. Increasing the tax five cents a drink would double existing revenue. Even higher rates would not meet all of the services needs.

This table is based on current purchasing patterns. It is likely that those would change, especially in the areas of most substantial increase.

Increase in the Excise Tax Rate	Beer	Wine	Spirits	Revenue Generated by Increase
Increase 2 cents/drink	\$7,755,774	\$1,800,261	\$8,460,851	\$18,016,886
Increase 5 cents/drink	\$11,751,173	\$2,707,159	\$11,944,731	\$26,403,062
Increase 10 cents/drink	\$19,506,946	\$4,507,420	\$19,078,390	\$43,092,756
Increase 25 cents/drink	\$41,540,395	\$9,583,343	\$38,992,910	\$90,116,648

Note: These are mathematical calculations that do not reflect the price sensitive decreases in consumption that could occur in various consumer categories.

Who is involved in the Statewide Alcohol Coalition?

The Statewide Alcohol Coalition is comprised of advocates, health professionals, social service providers, criminal justice professionals, child protection workers, and citizens concerned with the discrepancy between the cost of alcohol-related problems to the state, and revenues realized from the current alcohol tax structure. Our goal is to enlist as many statewide and community organizations as possible in our effort to raise the excise tax on alcohol for the first time since 1983. Everybody pays for the negative consequences of alcohol misuse and abuse. Together, we can make a substantial difference for Alaskan families and communities.

Questions?

Please contact Pam Watts, Co-Chair Statewide Alcohol Tax Coalition. Pam may be reached at Pam_Watts@health.state.ak.us, or by phone at (907) 465-8920. The fax number is (907) 465-4410.

ALASKA CLOSE UP

2001

State Capitol
Juneau, AK 99801

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Sincerely yours,

Samantha Bernhill

Samantha Bernhill

POSTAGE PAID

ALASKA SYNOD ASSEMBLY RESOLUTION

TITLE: ALCOHOL USER ("EXCISE") TAX

Whereas, alcohol abuse is rampant in the State of Alaska, and

Whereas, the social and economic costs of alcohol abuse exact a heavy price on the social fabric and in the economic wellbeing of Alaskan families and institutions, and

Whereas, the state excise tax on alcohol remains low and has not been raised since 1983, thereby making alcohol more readily available, particularly to young people, and

Whereas, there is a direct correlation between consumption rates and the price of alcohol, and

Whereas a small proportion of alcohol users in Alaska consume the major proportion of alcohol in Alaska and are therefore responsible for the majority of problems associated with alcohol abuse, and

Whereas, the State of Alaska finds itself increasingly in a situation where more revenue is needed to pay for economic and social costs of alcohol abuse,

Be it therefore resolved that the Alaska Synod of the Evangelical Lutheran Church in America, meeting in statewide assembly on June 10, 2000, urge members of the 2001 Alaska Legislature to give strong consideration to legislation which would substantially increase the user fees (excise tax) on alcohol.

Submitted by Pastor Obed Nelson

Passed unanimously by the Alaska Synod—Evangelical Lutheran Church in America in Petersburg, Alaska, June 10, 2000.



Alaska Restaurant & Beverage Association
330 E. 4th Avenue, Suite 201 • Anchorage, Alaska 99501 • Phone (907) 929-4242 • Fax (907) 222-2995

ARBA Legislative Issues Position Paper 2001

Oppose \$.25 Per Drink Liquor Excise Tax Increases

The Alaska Restaurant & Beverage Association opposes liquor excise tax increase which, at \$.25 per drink, would effectively mean an *increase to consumers* of over \$6 per bottle of spirits or case of beer and over \$15 per case of wine, a 600% tax increase! Comparatively, if passed, Alaska's alcohol tax would be over 400% greater than *any other state*. Alaska's beverage industry already contributes over \$350 million to Alaska's overall economy each year. This will serve only to negatively impact sales to responsible Alaskan consumers, resulting in a loss of 1,100 jobs, increased prices and an annual reduction in wages for Alaskan workers of \$25 million.

Oppose Minimum Wage Increase and Support Tip Credit Legislation

ARBA supports tip credit legislation which would allow employers the option to forgo minimum wage increases, for tipped employees, where the amount of tips received far exceeds minimum wage requirements.

Support legislation related to DUI issues reform including a graduated penalty for .08 offenders, tougher restrictions on vehicle registration, introducing a DUI court option to promote reform and other issues.

Support an Opportunity Work Credit

Given that we are the number-one employer of entry level workers in the state, the cost of assimilating new workers into the workplace coupled with costs related to turnover represent a significant portion of our payroll. We support a state funded payroll credit for new-hire employee training.

Other Issues of Interest To Our Industry

- ✓ ***Support the efforts of the Alaska Department of Environmental Conservation (DEC) to promote food safety and provide high quality service to the industry.***



POINTCOUNTERPOINT *Should the state raise the alcohol tax?*

Evidence shows action is reasonable, overdue

JIM CRARY, Anchorage attorney

Nationally, Alaska ranks near the top in alcohol consumption, underage drinking and alcohol abuse. Alcohol abuse costs Alaska about \$250 million, yet alcohol contributes only a little more than \$12 million to help defray these costs. By not making alcohol users pay for more of the costs that alcohol abuse causes, the state is subsidizing the cost of alcohol and thereby encouraging its consumption. That is wrong.

The Alaska Criminal Justice Assessment Commission's Alcohol Policy Committee's No. 1 recommendation was to increase the state's alcohol excise tax by 25 cents a drink. The reason is that, overwhelmingly, the evidence shows the most effective method to reduce crime and child abuse, increase public safety and reduce the costs of the criminal justice system agencies is to increase the alcohol excise tax.

A majority of the recent DWI Task Force in Anchorage also voted in favor of increasing the excise tax on alcohol. So did Gov. Wally Hickel's 1994 Criminal Justice Working Group, which said:

"The liquor industry has stated in legislative hearings that an increase in tax will de-

crease use of alcohol. Studies elsewhere have shown this to be true, and that use will decline most in younger people who find it harder to afford. This, the work group believes, is the best argument that can be made for raising alcohol taxes."

Alaska's excise tax on alcohol is only 3.3 cents on a bottle of beer, 3.5 cents on 5 ounces of wine, and 4.4 cents on an ounce of hard liquor. Twenty cents, by itself, will not buy much, but because of the tremendous volume of alcohol consumed in Alaska, 20 cents per drink will bring in \$66 million of additional revenue.

This increase will have no impact on non-drinkers and negligible impact on light or moderate drinkers. However, the people who cause most of the problems, the 15 percent to 20 percent of drinkers who consume 75 percent to 80 percent of the alcohol, will be heavily affected. That is eminently reasonable and fair.

A 20 cent-a-drink increase is not only justified, it's long overdue. Though polls consistently show voters overwhelmingly approve of user taxes on alcohol, the alcohol excise tax has not been increased since 1983. That fact is a testimonial to the power of the liquor industry.



An increase would be fundamentally unfair

KAREN ROGINA, Alaska Hospitality Alliance

The latest alcohol tax increase proposed by Sen. Kim Elton is misleading and unfair, and no matter what Jim Crary says, it cannot be dedicated to a specific purpose.

Alcohol is already the most heavily taxed consumer product in the United States. Alaskans pay some of the highest alcohol taxes in the nation. Despite that, the size of the tax increase of this proposal is enormous. It would increase the tax on beer by more than \$6 a case, \$1.37 on a bottle of wine and \$6.35 on a bottle of spirits. This proposal would make Alaskans pay 10 times the national average tax on wine and 12 times the national average tax on beer.

There is also something fundamentally unfair about taxing one segment of the public so heavily. The vast majority of individuals who drink are healthy, responsible social drinkers. They have a glass of wine with dinner or a beer or two watching a game. They don't cause societal ills and are among our best citizens. Why target them?

It's not just social drinkers who will pay. Hundreds of employees of hotels, taverns, restaurants, brew pubs and retail outlets will end up paying for this excessive increase,

mainly with their jobs, because, as proponents and I agree, this tax will mean that people will drink less. But the people who are likely to drink less are the responsible drinkers. Problem drinkers will buy alcohol no matter how much it is taxed.

Our state constitution dictates that these additional revenues cannot be dedicated for a specific purpose. That means higher alcohol taxes will go into the general fund, where they can be and will likely be spent on something completely different.

No doubt the proponents will argue this tax will cure social problems and cut down on alcohol-related auto accidents. In fact, both national and local studies already show that the industry's efforts to reduce community-related alcohol problems are working. It is small-business owners, the people I represent, who are working hardest to combat abuse. They are training waiters not to serve intoxicated people, promoting industry and enforcement partnerships and sponsoring anti-drunken driving messages aimed at the public. We must continue to tackle the problem with real-life solutions, not by trying to tax alcohol out of existence.

Passed Tuesday night 2/13

Submitted by: Assemblymember TESCHE
Prepared by: Assembly Office
For reading: JANUARY 30, 2001

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ANCHORAGE, ALASKA
AO NO. 2001-37

AN ORDINANCE PLACING A BALLOT PROPOSITION BEFORE THE VOTERS AT THE REGULAR MUNICIPAL ELECTION ON APRIL 3, 2001 AND PROVIDING FOR AN ADVISORY VOTE ON THE QUESTION OF WHETHER THE PROCEEDS OF ANY ADDITIONAL TAX ON ALCOHOL THAT THE ALASKA LEGISLATURE MAY ENACT SHOULD BE DISTRIBUTED TO MUNICIPALITIES WHICH PROVIDE LAW ENFORCEMENT AND HEALTH AND ALCOHOL REHABILITATION SERVICES FOR THEIR RESIDENTS.

WHEREAS, the Alaska State Legislature is considering measures to increase State taxes on alcohol; and

WHEREAS, in recent years, State financial assistance to municipalities through State programs such as Municipal Revenue Sharing and Safe Cities has declined despite increasing local needs; and

WHEREAS, municipalities continue to pay a significant portion of the costs of law enforcement, health, and alcohol rehabilitation services necessitated by the use and abuse of alcohol.

NOW, THEREFORE, THE ANCHORAGE ASSEMBLY ORDAINS:

Section 1: A ballot proposition setting forth an advisory proposition shall be placed before the voters at the regular municipal election on April 3, 2001 to read as follows:

PROPOSITION _____

ADVISORY VOTE ON THE DISTRIBUTION OF PROCEEDS OF ADDITIONAL STATE TAXES ON ALCOHOL

If the Alaska State Legislature enacts additional State taxes on alcohol, should the proceeds from those taxes be distributed to municipalities which provide law enforcement, health, and alcohol rehabilitation services to their residents?

Yes [] No []

Section 2: That this ordinance shall become effective immediately upon passage and approval by the Assembly.

Post-it® Fax Note	7671	Date	2/22	# of pages	1
To	Maru	From	Jesse		
Co./Dept.	1	Co.			
Phone #	rc: 588	Phone #			
Fax #	4279	Fax #			

SB

42

GARY WILKEN

SENATOR
Districts 29 & 30
West Fairbanks

Senate Standing Committees

Member: Finance
Member: Health, Education, &
Social Services (HESS)
Member: Legislative Budget & Audit
Member: State Affairs



Senate

During Session:
State Capitol Building
Juneau, Alaska 99801-1182
Tel: (907) 451-5501 (in Fbks area)
Tel: (907) 465-3709 (outside Fbks)
Fax: (907) 465-4714
Website: www.garywilken.com
E-Mail: Senator_Gary_Wilken@legis.state.ak.us

Interim:
1851 Fox Ave.
Fairbanks, Alaska 99701
Tel: (907) 451-5501
Fax: (907) 451-0438

SPONSOR STATEMENT

Senate Bill 1 Foundation Formula Increase

The State of Alaska's Public Education Funding Formula is based on a specific dollar amount per student. The base student allocation was established in 1998 (FY99) as \$3,940 per student and has not been increased since that time. Senate Bill 1 increases this allocation by \$145.00, increasing the per student dollar to \$4,085.

During the past 14 years, inflation has had an impact on public school funding and the purchasing power of the General Fund (GF) education dollars has slowly eroded over time. Although the State's contribution to the 53 school districts has increased 54% since FY88, the effect of annual inflation, as well as an increase in student enrollment has negated this growth, and indeed the purchasing power of the student dollar has been diminished.

The public school foundation program has lost 13.9% on a student dollar basis since FY88 due to the cumulative effect of annual inflation. Senate Bill 1 proposes to recoup this loss over a five-year time span. A 3.68% increase in the student dollar is recognized and the base student allocation in the public school funding formula is raised by \$144.99 or \$145.00. This amount was calculated as follows:

13.9%	Total loss of the per Student Dollar due to inflation since FY88

2.78%	This total loss divided by 5 for the suggestion of a 5-Year plan to restore the loss
+ .9%	Plus the inflation rate for FY01 in Anchorage, Alaska
3.68%	Total increase of the Student Dollar as proposed in SB 1

Supporters of a world class educational system for Alaska must agree that, while at the same time inflation is eroding the purchasing power of the student dollar,

**Sponsor Statement for Senate Bill 1
Foundation Formula Increase**

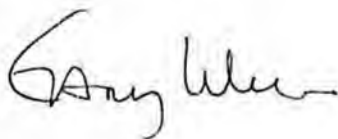
we Alaskans are asking our public schools to take on more and more responsibility in three general areas. First, many parents today regularly drop off their children at school early in the morning and pick them up after work. School personnel today provide not only classroom instruction for these students but also offer the emotional, social, and moral support needed before and after regular school hours at a level unheard of a generation or two ago. The increased time that a child spends at school naturally increases the responsibility of the local teachers and administrators.

Secondly, as performance standards and the corresponding assessments become a reality and are accepted as common place, each neighborhood school and classroom will be held more accountable for student learning. Children who need extra innovative instruction to master these standards will be identified and teachers will offer appropriate remedial learning opportunities. The added tutoring sessions necessary for some students may be offered within the regular school day or during a Saturday or summer school program. This added accountability is a step in the right direction, but it does have substantial impact on the financial resources of our local school districts.

Lastly, classroom teachers are on the frontline with our children and must be held accountable for their learning and performance. Alaska's young people deserve to be taught by the very best teachers possible. Alaska's school districts are faced with the responsibility of recruiting and retaining a highly qualified work force at a time when teachers are in short supply. This is not an easy task and, in some cases, the remoteness and isolation of an individual school make a difficult task even more difficult. The State has an obligation to provide adequate funding to all public school districts so that all school districts can hire and retain quality teachers.

Public education is faced with the unenviable position – greater responsibility with a reduction in the purchasing power of the student dollar. Alaska cannot continue to ask its 53 school districts to meet all these additional responsibilities with a dwindling budget, therefore additional funding is a necessity. The increase of \$145.00 per student as provided in Senate Bill 1 will assist our local school districts to meet, and hopefully exceed, the public's expectations and demands.

Please join me in endorsing Senate Bill 1.



Growth in the School Funding Formula

Comparison of Enrollment, Inflation, and Dollars

Fiscal Year	ADM ¹	ADM Inc.	Foundation Program ²	Foundation Increase	Per Student	Student Increase	Inflation Change ³	Per Student Inflation Adj.
FY88	101,142		\$437,438,400		\$4,325		0.4%	
FY89	101,442	0.3%	\$456,496,100	4.4%	\$4,500	4.0%	1.5%	\$4,342
FY90	104,035	2.6%	\$490,393,600	7.4%	\$4,714	4.7%	4.4%	\$4,533
FY91	108,168	4.0%	\$526,382,600	7.3%	\$4,866	3.2%	6.2%	\$4,814
FY92	113,348	4.8%	\$560,353,400	6.5%	\$4,944	1.6%	3.4%	\$4,978
FY93	116,652	2.9%	\$612,698,600	9.3%	\$5,252	6.2%	3.4%	\$5,147
FY94	119,673	2.6%	\$610,598,400	-0.3%	\$5,102	-2.9%	2.5%	\$5,276
FY95	120,752	0.9%	\$627,449,500	2.8%	\$5,196	1.8%	2.6%	\$5,413
FY96	122,897	1.8%	\$639,723,100	2.0%	\$5,205	0.2%	2.7%	\$5,559
FY97	124,545	1.3%	\$643,785,700	0.6%	\$5,169	-0.7%	2.3%	\$5,687
FY98	127,677	2.5%	\$652,353,800	1.3%	\$5,109	-1.2%	1.5%	\$5,773
FY99	129,968	1.8%	\$672,916,800	3.2%	\$5,178	1.3%	1.2%	\$5,842
FY00	129,948	0.0%	\$672,308,712	-0.1%	\$5,174	-0.1%	0.9%	\$5,894

Percent of Change FY88 to FY00:

ADM	28.5%
Foundation Program	53.7%
Dollar Per Student	19.6%

Summary of the Impact of Inflation:

Total Inflation FY88-FY00	33.0%
Loss of Per Student Dollar Due to Inflation	13.9%

1 ADM Totals do not include the Average Daily Membership for State ACS or Mt. Edgecumbe.

2 Foundation Program is the Actual Total Expenditures for the Foundation Program. It does not include State ACS or Mt. Edgecumbe. FY00 Foundation Program is the Authorized Amount.

3 Information as presented by the Department of Labor and Workforce Development (Mr. John Boucher.)

By: Karen Parr
 Eileen Cummings
 Bonnie Williams
 Torle Foote
 Nancy Webb
 Rick Solle
 Dave Veazey
 Jim Holm
 Guy Sattley
 Tim Beck
 Garry Hutchison

Introduced: 03/08/01
 Adopted: 03/08/01

RESOLUTION NO. 2001 -13

A RESOLUTION SUPPORTING SENATE BILL 1, AN ACT RELATING TO THE BASE STUDENT ALLOCATION USED IN THE FORMULA FOR STATE FUNDING OF PUBLIC EDUCATION.

WHEREAS, the State of Alaska's Public Education Funding Formula is based on a specific dollar amount per student; and

WHEREAS, the public school foundation program has lost 13.9% on a student dollar basis since FY88 due to the cumulative effect of annual inflation; and

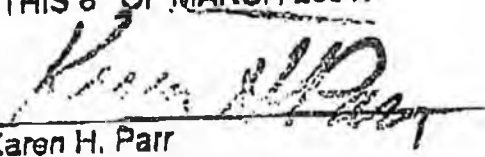
WHEREAS, Senate Bill 1 proposes to recoup this loss over a five year time span increasing the per student allocation by \$145 and adding over \$30 million to help fund Alaska schools; and

WHEREAS, proposals to give schools a one-shot supplement for this year instead, do not solve the problem of stable, equitable funding for school districts.

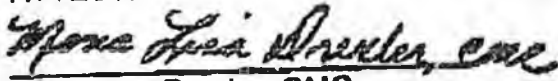
NOW, THEREFORE, BE IT RESOLVED that the Assembly of the Fairbanks North Star Borough fully supports Senate Bill 1 and recognizes that increased funding will assist school districts in meeting, and hopefully exceeding, the publics' expectations and demands for solid public education.

BE IT FURTHER RESOLVED that copies of this resolution be sent to the Alaska State Legislature and the Honorable Tony Knowles, Governor, State of Alaska.

PASSED AND APPROVED THIS 8th OF MARCH 2001.


Karen H. Parr
Presiding Officer

ATTEST:


Mona Lisa Drexler, CMC
Municipal Borough Clerk

Ayes: Williams, Webb, Foote, Sattley, Beck, Cummings, Hutchison, Holm, Solle, Veazey, Parr
Noes: None

Introduced by: Manager Jensen
Requested by: Assembly
Drafted by: Manager Jensen
Introduced: 02/01/2001
Adopted: 02/01/2001

KODIAK ISLAND BOROUGH
RESOLUTION NO. 2001-03

**A RESOLUTION OF THE ASSEMBLY OF THE KODIAK ISLAND BOROUGH
URGING THE TWENTY-SECOND ALASKA STATE LEGISLATURE TO INCREASE THE
EDUCATIONAL FORMULA FUNDING**

WHEREAS, Article VII Section 1 of the Constitution of the State of Alaska states that the legislature shall establish and maintain a system of public schools; and

WHEREAS, provisions of Alaska Statutes Title 14 address financing of public schools through distribution of funds to school districts in the state foundation formula which has not been adjusted to adequately keep pace with annual cost of living and inflation adjustments; and

WHEREAS, the Twenty-Second Alaska State legislature has two bills filed, Senate Bill 1 relating to an increase in the base student allocation and Senate Bill 42 requiring annual inflation adjustments to the State foundation formula. Both Bills properly address school funding and future financing of public schools;

NOW, THEREFORE, BE IT RESOLVED THAT THE KODIAK ISLAND BOROUGH ASSEMBLY unanimously urges the Twenty-Second legislature to adopt Senate Bill 1 and Senate Bill 42.

**ADOPTED BY THE ASSEMBLY OF THE KODIAK ISLAND BOROUGH
THIS FIRST DAY OF FEBRUARY, 2001**



ATTEST:

Judith A. Nielsen
Judith A. Nielsen, CMC, Borough Clerk

KODIAK ISLAND BOROUGH

Robin Heinrichs
Robin Heinrichs, Borough Deputy Mayor

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SB 42
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Education & Early Development
Title: "An Act requiring an annual inflation adjustment BRU: K-12 Support
of the base student allocation used in the formula for state ..." Component: Foundation Program
Sponsor: Senator Bettye Davis
Requester: Senate HESS Committee Component Number: 141

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	0.0	13,402.9	*	*	*	*
Miscellaneous						
TOTAL OPERATING	0.0	13,402.9	*	*	*	*

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0	13,402.9	*	*	*	*
1005 GF/Program Receipts						
1007 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	13,402.9	*	*	*	*

Estimate of any current year (FY2001) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

POSITIONS

Full-time	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Attached is an analysis that demonstrates the increase to the base student allocation utilizing the Consumer Price Index for all Urban Consumers for the Anchorage Metropolitan Area (CPI).

The Department of Education & Early Development would change the base student allocation from \$3,940 to the extent of the change in the CPI for the Anchorage Metropolitan Area for the second preceding fiscal year. The index for January 2000 is the base reference.

For the purposes of this fiscal note, the FY 2002 would remain at the base student allocation of \$3,940. Then beginning in FY 2003 the base allocation would increase to \$4,007 based on the 1.7% increase in the CPI for the 2000 year.

Prepared by: Eddy Jeans, School Finance Manager
Division: Education Support Services
Approved by: Bruce Johnson, Deputy Commissioner of Education
Agency: Education and Early Development

Phone 465-8679
Date/Time 04/20/01
Date 04/20/01

For distribution information, call the Governor's Legislative Office

School District	District Adjusted ADM	FY 02 Projected Entitlement	FY03 1.7% CPI Entitlement \$4,047	Difference
Alaska Gateway	1172.57	4,720,721	4,792,858	72,137
Alcutian Region	310.25	1,170,144	1,182,616	12,472
Alcutians East	946.76	2,822,075	2,885,508	63,433
Anchorage	67080.62	193,595,132	198,089,533	4,494,401
Annette Island	616.62	867,075	908,388	41,313
Bering Strait	5374.67	15,583,586	15,943,689	360,103
Bristol Bay	597.46	1,340,580	1,380,610	40,030
Chatham	617.88	2,148,172	2,189,570	41,398
Chugach	314.78	1,698,865	1,711,519	12,654
Copper River	1379.03	5,324,548	5,400,959	76,411
Cordova	832.94	2,638,380	2,671,865	33,485
Craig	905.8	3,013,383	3,074,072	60,689
Delta/Greely	1032.16	4,246,748	4,315,903	69,155
Denali	736.62	2,422,605	2,471,958	49,353
Dillingham	1153.2	3,870,502	3,916,861	46,359
Fairbanks	22082.69	63,086,196	64,565,736	1,479,540
Galena	3213.05	14,450,362	14,579,526	129,164
Haines	693.76	1,931,709	1,978,251	46,482
Hoonah	481.46	1,737,765	1,757,120	19,355
Hydaburg	224.02	909,539	924,548	15,009
Iditarod Area	1397.03	5,765,716	5,821,877	56,161
Juneau	7825.09	20,427,809	20,952,090	524,281
Kake	326.91	1,140,552	1,160,286	19,734
Kashunamiut	781.14	2,037,788	2,090,124	52,336
Kenai Peninsula	14826.33	41,665,482	42,658,846	993,364
Ketchikan Gateway	3543.7	9,550,271	9,787,699	237,428
Klawock	431.54	1,636,402	1,653,750	17,348
Kodiak Island	4639.24	13,523,703	13,834,532	310,829
Kuspuk	1495.95	4,679,476	4,739,614	60,138
Lake & Peninsula	1633.22	5,959,944	6,025,600	65,656
Lower Kuskokwim	9891.38	35,139,517	35,537,151	397,634
Lower Yukon	5233.56	14,605,616	14,956,265	350,649
Mat-Su	18876.41	61,647,537	62,912,257	1,264,720
Nenana	1550.06	6,063,818	6,167,672	103,854
Nome	1444.62	4,929,994	4,995,821	65,827
North Slope	5207.59	9,885,875	10,234,783	348,908
Northwest Arctic	5984.4	20,358,082	20,759,039	400,957
Pelican	68.82	420,585	423,352	2,767
Petersburg	1022.16	3,025,635	3,094,120	68,485
Pribilof	424.44	1,064,937	1,092,292	27,355
Sitka	2285.3	6,400,649	6,553,764	153,115
Skagway	309.09	886,624	899,049	12,425
Southeast Island	691.71	2,941,152	2,968,959	27,807
Southwest Region	2211.33	5,979,493	6,127,652	148,159
St. Mary's	419.25	1,747,266	1,764,120	16,854
Tanana	331.94	1,280,078	1,302,318	22,240
Unalaska	734.65	2,023,121	2,052,670	29,549
Valdez	1439.12	3,672,455	3,757,352	84,897
Wrangell	749.87	2,364,305	2,414,546	50,241
Yakutat	369.84	1,448,203	1,467,546	19,343
Yukon Flats	1145.11	4,087,475	4,133,509	46,034
Yukon/Kovukuk	1577.72	5,492,033	5,597,740	105,707
Yup'it	1223.78	3,831,544	3,880,740	49,196
ACS	1096.8	4,338,941	4,412,427	73,486
Mt. Edgecumbe	484.44	1,321,400	1,353,857	32,457
Other		26,096,100	26,096,100	-
TOTALS:	211,440	665,017,725	678,420,609	13,402,884

*CPI-U can be found at

<http://www.labor.state.ak.us/research/col/cpiuanch.htm>



Anchorage Municipality Consumer Price Index 1984-present for All Urban Consumers (CPI-U)

Source: U.S. Dept. of Labor, Bureau of Labor Statistics (BLS).

기간
연월
지역

Link to (BLS) [Inflation Calculator](#) - Calculation of National Inflation Rate Only

Best results if printed in landscape mode.

Year	1st Half (Jan-Jun)	Percent Change	2nd Half (Jul-Dec)	Percent Change	Annual Average
2000	150.0	0.9%	151.9	2.4%	150.9
1999	148.6	1.3%	148.3	0.9%	148.4
1998	146.7	1.8%	147.0	1.1%	146.9
1997	144.1	1.6%	145.4	1.2%	144.8
1996	141.8	2.6%	143.7	3.0%	142.7
1995	138.2	2.9%	139.5	2.7%	138.9
1994	134.3	2.1%	135.8	2.3%	135.0
1993	131.5	3.3%	132.8	2.9%	132.2
1992	127.3	3.2%	129.1	3.5%	128.2
1991	123.3	5.5%	124.7	3.6%	124.0
1990	116.9	5.4%	120.4	7.0%	118.6
1989	110.9	2.3%	112.5	3.3%	111.7
1988	108.4	0.1%	108.9	0.7%	108.6
1987	108.3	0.0%	108.1	0.7%	108.2
1986	108.3	3.4%	107.4	0.5%	107.8
1985	104.7	1.9%	106.9	2.9%	105.8
1984	102.7		103.9		103.3

Base: 1982-84=100
Last Update: 2/26/01

The [Cost of Living in Alaska](#) is the complete article published in the June, 2000, issue of *Alaska Economic Trends*. The publication can be viewed and printed using Adobe® Acrobat® Reader. [Download FREE](#) Adobe® Acrobat® Reader software.

Email: Rachel_Baker@labor.state.ak.us

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Table I-4

Average Teacher Salaries for 1988-89 and 1998-99

State	Average Salary		Rank		Percentage of U.S. Average		Change 1988-89	Rank
	1988-89	1998-99	1988-89	1998-99	1988-89	1998-99	1998-99	
New Jersey	\$32,862	\$51,692	9	1	111%	127%	57.3%	1
West Virginia	21,904	34,248	49	38	74%	84%	56.4%	2
Pennsylvania	31,248	48,457	14	5	105%	119%	55.1%	3
Arkansas	21,736	32,761	50	44	73%	81%	50.7%	4
Idaho	22,732	34,062	45	39	77%	84%	49.8%	5
Oregon	29,385	43,789	18	12	99%	108%	49.0%	6
Utah	23,023	34,007	44	40	78%	84%	47.7%	7
Nevada	28,836	42,528	23	15	97%	105%	47.5%	8
Illinois	31,195	45,286	15	10	105%	112%	45.2%	9
Georgia	26,920	38,993	27	21	91%	96%	44.8%	10
North Carolina	25,650	36,883	34	26	87%	91%	43.8%	11
Louisiana	22,469	32,000	47	46	76%	79%	42.4%	12
Alabama	25,190	35,820	36	29	85%	88%	42.2%	13
Kentucky	24,920	35,383	39	31	84%	87%	42.0%	14
Indiana	29,169	41,159	19	16	98%	101%	41.1%	15
New Hampshire	26,703	37,405	29	25	90%	92%	40.1%	16
Maine	24,938	34,906	38	33	84%	86%	40.0%	17
Ohio	29,166	40,734	20	17	98%	100%	39.7%	18
Tennessee	25,619	35,490	35	30	86%	87%	38.5%	19
South Dakota	20,525	28,386	51	51	69%	70%	38.3%	20
Nebraska	23,845	32,880	42	43	80%	81%	37.9%	21
South Carolina	25,060	34,506	37	36	85%	85%	37.7%	22
Michigan	35,530	48,711	5	4	120%	120%	37.1%	23
Delaware	31,585	43,223	11	13	107%	107%	36.8%	24
Vermont	26,819	36,697	28	27	91%	90%	36.8%	25
Massachusetts	32,200	44,051	10	11	109%	109%	36.8%	26
New York	36,654	49,686	4	3	124%	122%	35.6%	27
Iowa	25,884	35,007	33	32	87%	86%	35.2%	28
Rhode Island	34,234	46,286	7	9	116%	114%	35.2%	29
Connecticut	37,659	50,277	2	2	127%	124%	33.5%	30
Kansas	25,992	34,634	31	34	88%	85%	33.2%	31
Florida	26,971	35,916	26	28	91%	89%	33.2%	32
Oklahoma	23,400	31,107	43	48	79%	77%	32.9%	33
Washington	29,146	38,530	21	22	98%	95%	32.2%	34

California	35,172	46,326	6	8	119%	114%	31.7%	35
District of Columbia	36,787	48,275	3	7	124%	119%	31.2%	36
New Mexico	24,554	32,161	40	45	83%	79%	31.0%	37
Mississippi	22,579	29,550	46	49	76%	73%	30.9%	38
North Dakota	22,249	29,002	48	50	75%	71%	30.4%	39
Texas	26,513	34,448	30	37	89%	85%	29.9%	40
Virginia	29,056	37,709	22	24	98%	93%	29.8%	41
Montana	24,421	31,536	41	47	82%	78%	29.1%	42
Colorado	29,557	38,157	17	23	100%	94%	29.1%	43
Hawaii	31,307	40,416	13	18	106%	100%	29.1%	44
Missouri	25,981	33,463	32	42	88%	82%	28.8%	45
Wisconsin	31,046	39,374	16	20	105%	97%	26.8%	46
Minnesota	31,395	39,809	12	19	106%	98%	26.8%	47
Maryland	33,900	42,545	8	14	114%	105%	25.5%	48
Arizona	28,499	34,582	24	35	96%	85%	21.3%	49
Wyoming	27,689	33,480	25	41	93%	83%	20.9%	50
Alaska	41,832	48,275	1	6	141%	119%	15.4%	51
U.S. Average	\$29,629	\$40,574			100%	100%	36.9%	
Guam	\$25,842	\$34,435			87%	85%	33.3%	
Puerto Rico	\$12,285	\$24,000			41%	59%	95.4%	
Virgin Islands	\$26,572	\$34,784			90%	86%	30.9%	

Source: American Federation of Teachers, annual survey of state departments of education

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American Federation of Teachers, AFL-CIO, 100 New Jersey Avenue, N.E., Washington, DC 20002

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Table I-8

Teacher Salaries as a Percentage of Total Education Spending
1967-68 and 1998-99

		Average Teacher Salary		Total Teacher Salaries (Millions)		Total Education Spending (Millions)		Percentage of Education Expenditures Devoted to Teachers		
		1967-68	1998-99	1967-68	1998-99	1967-68	1998-99	1967-68	1998-99	Change
1	D.C.	\$8,531	\$43,223	\$50	\$290	\$134	\$602	37.2%	48.1%	10.9%
2	Alabama	5,900	35,820	173	1,655	319	3,631	54.1%	45.6%	-8.5%
3	Georgia	6,775	38,993	258	3,414	508	7,839	50.8%	43.6%	-7.2%
4	Tennessee	6,170	35,490	182	1,885	383	4,337	47.5%	43.5%	-4.0%
5	Nevada	8,200	42,528	36	716	66	1,670	54.1%	42.9%	-11.3%
6	Virginia	6,900	37,709	268	2,896	525	6,789	51.0%	42.7%	-8.3%
7	Idaho	6,200	34,062	43	480	86	1,135	50.4%	42.3%	-8.1%
8	Arkansas	5,723	32,761	100	884	182	2,094	54.8%	42.2%	-12.6%
9	Vermont	6,450	36,697	27	296	54	704	49.1%	42.1%	-7.1%
10	North Carolina	6,443	36,883	283	2,858	513	6,862	55.1%	41.6%	-13.4%
11	Texas	6,675	34,448	653	8,778	1,133	21,407	57.6%	41.0%	-16.6%
12	Hawaii	8,100	40,416	49	426	105	1,043	47.0%	40.9%	-6.2%
13	Missouri	6,807	33,463	250	2,068	488	5,094	51.3%	40.6%	-10.7%
14	South Carolina	5,750	34,506	133	1,453	256	3,589	52.0%	40.5%	-11.5%
15	Maine	6,300	34,906	63	589	105	1,461	59.7%	40.3%	-19.3%
16	Utah	7,050	34,007	71	714	143	1,780	49.6%	40.1%	-9.5%
17	Kansas	6,723	34,634	152	1,091	275	2,724	55.3%	40.0%	-15.2%
18	Connecticut	8,400	50,277	222	2,049	400	5,135	55.6%	39.9%	-15.7%
19	Ohio	7,600	40,734	640	4,533	1,300	11,440	49.3%	39.6%	-9.6%
20	Oklahoma	6,203	31,107	146	1,274	303	3,237	48.3%	39.3%	-8.9%
21	Illinois	8,000	45,286	724	5,560	1,226	14,310	59.0%	38.9%	-20.2%
22	Mississippi	4,735	29,550	91	882	187	2,274	48.7%	38.8%	-9.9%
23	Massachusetts	8,383	44,051	364	3,017	676	7,794	53.8%	38.7%	-15.1%
24	Arizona	7,500	34,582	111	1,454	228	3,813	48.7%	38.1%	-10.5%
25	New York	8,600	49,686	1,273	9,987	2,974	26,215	42.8%	38.1%	-4.7%
26	South Dakota	5,425	28,386	46	263	90	698	51.6%	37.7%	-13.9%
27	Kentucky	6,500	35,383	167	1,429	302	3,790	55.4%	37.7%	-17.7%
28	Iowa	7,382	35,007	210	1,179	350	3,142	60.0%	37.5%	-22.5%
29	Pennsylvania	7,450	48,457	664	5,250	1,384	14,000	48.0%	37.5%	-10.5%
30	Colorado	7,175	38,157	153	1,487	296	4,031	51.7%	36.9%	-14.8%
31	California	9,450	46,326	1,487	12,538	2,865	34,132	51.9%	36.7%	-15.2%
32	New Jersey	8,167	51,692	467	4,813	1,020	13,136	45.8%	36.6%	-9.1%
33	Indiana	8,200	41,159	363	2,384	665	6,517	54.5%	36.6%	-17.9%

34	Louisiana	7,448	32,000	235	1,566	482	4,294	48.7%	36.5%	-12.3%
35	Michigan	8,000	48,711	601	4,394	1,181	12,084	50.9%	36.4%	-14.6%
36	North Dakota	5,750	29,002	39	227	77	627	51.1%	36.3%	-14.9%
37	Nebraska	6,250	32,880	92	665	151	1,842	60.8%	36.1%	-24.6%
38	Maryland	8,316	42,545	274	2,106	534	5,837	51.4%	36.1%	-15.3%
39	Florida	7,500	35,916	363	4,626	680	13,042	53.4%	35.5%	-17.9%
40	Minnesota	7,859	39,809	275	2,098	582	5,948	47.2%	35.3%	-11.9%
41	Oregon	7,738	43,789	159	1,195	293	3,453	56.0%	34.6%	-21.4%
42	West Virginia	6,300	34,248	90	714	188	2,067	47.7%	34.6%	-13.2%
43	New Hampshire	6,450	37,405	38	466	73	1,370	51.6%	34.0%	-17.6%
44	Montana	6,650	31,536	50	322	107	945	46.3%	34.0%	-12.2%
45	New Mexico	7,299	32,161	76	636	165	1,871	45.9%	34.0%	-11.8%
46	Wyoming	7,277	33,480	29	222	56	670	52.0%	33.1%	-18.9%
47	Alaska	9,658	48,275	27	379	60	1,156	45.2%	32.8%	-12.4%
48	Rhode Island	7,650	46,286	51	495	106	1,536	48.1%	32.3%	-15.8%
49	Washington	8,100	38,530	230	1,900	453	6,349	50.8%	29.9%	-20.8%
50	Wisconsin	7,537	39,374	297	1,999	574	6,896	51.8%	29.0%	-22.8%
51	Delaware	7,900	48,275	37	199	73	841	51.2%	23.6%	-27.6%
U.S. Average		\$7,630	\$40,574	\$12,881	\$112,799	\$25,366	\$296,975	50.8%	38.0%	-12.8%
Guam		n.a.	\$27,827	n.a.	\$27	n.a.	\$146	n.a.	18.8%	n.a.
Puerto Rico		n.a.	\$24,000	n.a.	\$665	n.a.	\$1,751	n.a.	38.0%	n.a.
Virgin Islands		n.a.	\$33,311	n.a.	\$30	n.a.	\$128	n.a.	23.1%	n.a.

Sources: U.S. Department of Education, National Center for Education Statistics, "Public Elementary and Secondary Education Statistics: School Year 1997-98." Early Estimates Feb. 1998. U.S. Department of Health, Education and Welfare, Office of Education, *Digest of Educational Statistics 1986*. American Federation of Teachers, annual survey of state departments of education.

◀ List of Tables

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1999 Salary Survey of Teachers (Table I-8) (Low Salary) (Table I-9) (High Salary) (Table I-10)

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22-LS0319J
Ford
4/24/01

CS FOR SENATE BILL NO. 42(CRA)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SECOND LEGISLATURE - FIRST SESSION

BY THE SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS DAVIS, Ellis, Elton

A BILL
FOR AN ACT ENTITLED

1 "An Act requiring an annual inflation adjustment of the base student allocation used in
2 the formula for state funding of public education; and providing for an effective date."

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

4 * Section 1. AS 14.17.470 is amended to read:

5 Sec. 14.17.470. Base student allocation. The base student allocation is
6 \$3,940. However, the department shall annually increase the base student
7 allocation to the extent of increases during the second preceding calendar year in
8 the consumer price index for all urban consumers for the Anchorage
9 Metropolitan Area compiled by the Bureau of Labor Statistics, United States
10 Department of Labor. The index for January 2000 is the reference base index.

11 * Sec. 2. This Act takes effect July 1, 2002.

Introduced by: Manager Jensen
Requested by: Assembly
Drafted by: Manager Jensen
Introduced: 02/01/2001
Adopted: 02/01/2001

KODIAK ISLAND BOROUGH
RESOLUTION NO. 2001-03

A RESOLUTION OF THE ASSEMBLY OF THE KODIAK ISLAND BOROUGH
URGING THE TWENTY-SECOND ALASKA STATE LEGISLATURE TO INCREASE THE
EDUCATIONAL FORMULA FUNDING

WHEREAS, Article VII Section 1 of the Constitution of the State of Alaska states that the legislature shall establish and maintain a system of public schools; and

WHEREAS, provisions of Alaska Statutes Title 14 address financing of public schools through distribution of funds to school districts in the state foundation formula which has not been adjusted to adequately keep pace with annual cost of living, and inflation adjustments; and

WHEREAS, the Twenty-Second Alaska State legislature has two bills filed, Senate Bill 1 relating to an increase in the base student allocation and Senate Bill 42 requiring annual inflation adjustments to the State foundation formula. Both Bills properly address school funding and future financing of public schools;

NOW, THEREFORE, BE IT RESOLVED THAT THE KODIAK ISLAND BOROUGH ASSEMBLY unanimously urges the Twenty-Second legislature to adopt Senate Bill 1 and Senate Bill 42.

ADOPTED BY THE ASSEMBLY OF THE KODIAK ISLAND BOROUGH
THIS FIRST DAY OF FEBRUARY, 2001



ATTEST

Judith A. Nielsen
Judith A. Nielsen, CMC, Borough Clerk

KODIAK ISLAND BOROUGH

Robin Heinrichs
Robin Heinrichs, Borough Deputy Mayor

Subject: ASD Legislative Priorities Plus

Date: Mon, 26 Feb 2001 18:01:39 EST

From: Steelept@aol.com

**To: Senator_Johnny_Ellis@legis.state.ak.us, Senator_Loren_Leman@legis.state.ak.us,
Senator_Rick_Halford@legis.state.ak.us, Senator_Bettye_Davis@legis.state.ak.us**

I am sending a note asking you to support the Anchorage School District
Legislative agenda, and:

1. In addition I would like you to consider making up the lost purchasing
power of the State Foundation Formula. For the last ten years the Base
Funding has been essentially flat and inflation has eaten away almost 1,500
in purchasing power. If you could make a commitment to a 3 - 5 year "Quality
Education" Initiative (\$300 to \$500 / year formula increase) we could make
significant progress toward the best educational system in the country.

Make a serious commitment toward quality education! Why shouldn't we, within
10 years, have the best educational system in the country? If we build it
our state's economic growth will be hard to stop.

2. Inflation proof the funding formula! Lets solve the problem and not get
into the position we're in today with budget cuts and declining purchasing
power each year. Where would the Permeant Fund be if it weren't inflation
proofed?

Tim Steele, Candidate
ASD School Board

ECS Selected State Policies

Finance--Foundations

Education Commission of the States • 707 17th Street, Suite 2700 • Denver, CO 80202-3427 • 303-299-3600 • fax 303-296-8332 • www.ecs.org

The following summary includes policies enacted since 1998. Summaries are collected from *StateNet*, *Lexis-Nexis*, state Web sites and state newsletters. *StateNet* and *Lexis-Nexis* descriptions reflect the content of bills as introduced and may not reflect changes made during the legislative process. To assure that this information reaches you in a timely manner, minimal attention has been paid to style (capitalization, punctuation) or format.

State	Status/Date	Level	Summary
-------	-------------	-------	---------

CO	Unofficially approved by Voters 11/2000	pre-K-12	AMENDMENT 23 Amends the State Constitution; concerns increased funding for preschool through 12th-grade public education; requires the statewide base per-pupil funding for public education and funding for specifically defined categorical programs to grow annually by at least the rate of inflation plus one percentage point for fiscal years 2001-02 through 2010-11, and annually by at least the rate of inflation for fiscal years thereafter.
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Title: V. 10

Source: Lexis-Nexis/StateNet

UT	Signed by governor 03/2000	pre-K-12	Provides for state and local funding of the Minimum School Program Act; provides a ceiling for the state contribution of the maintenance and operations portion of the act; provides appropriations for school building aid; provides additional funding for pupil transportation, text books, educational supplies, and teacher training as well as other programs.
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Title: S.B. 3

Source: Lexis-Nexis/StateNet

IA	Signed by governor 02/2000	pre-K-12	Relates to the establishment of the state percent of growth for purposes of the state school foundation program; provides an applicability date.
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Title: S.B. 2082

Source: Lexis-Nexis/StateNet

UT	Signed by governor 03/99	pre-K-12	Relates to education foundations; expanding the powers of public education foundations; allows public education foundations to participate in risk management fund upon approval by the state risk manager and the respective board of education.
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Title: H.B. 232

Source: Lexis-Nexis/StateNet

VA	Signed by governor 03/99	pre-K-12	Expands current authority of local school boards to establish, by themselves or with other parties or as regional efforts with other school boards, educational technology foundations to include public school foundations, nonstock, nonprofit corporations created to implement public school improvement projects, defined to include any project designed achieve an educational purpose that may be identified in Title 22.1.
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Title: H.B. 2176

Source: Lexis-Nexis/StateNet

IA	Signed by governor 02/99	pre-K-12	Establishes a state percent of growth of 4 percent for purposes of the state school foundation program for the school budget year beginning July 1, 2000; makes the bill applicable for state aid computation under the school foundation program for the school budget year beginning July 1, 2000.
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Previous Statute: 0-4-173Next Statute: 0-4-175

*Colorado
inflation*

0-4-174 - ARTICLE IX - Education Art. IX - Education

Section 17. Education - Funding. (1) **Purpose.** In state fiscal year 2001-2002 through state fiscal year 2010- 2011, the statewide base per pupil funding, as defined by the Public School Finance Act of 1994, article 54 of title 22, Colorado Revised Statutes on the effective date of this section, for public education from preschool through the twelfth grade and total state funding for all categorical programs shall grow annually at least by the rate of inflation plus an additional one percentage point. In state fiscal year 2011-2012, and each fiscal year thereafter, the statewide base per pupil funding for public education from preschool through the twelfth grade and total state funding for all categorical programs shall grow annually at a rate set by the general assembly that is at least equal to the rate of inflation.

(2) **Definitions.** For purposes of this section: (a) "Categorical programs" include transportation programs, English language proficiency programs, expelled and at-risk student programs, special education programs (including gifted and talented programs), suspended student programs, vocational education programs, small attendance centers, comprehensive health education programs, and other current and future accountable programs specifically identified in statute as a categorical program.

(b) "Inflation" has the same meaning as defined in article X, section 20, subsection (2), paragraph (f) of the Colorado constitution.

(3) **Implementation.** In state fiscal year 2001-2002 and each fiscal year thereafter, the general assembly may annually appropriate, and school districts may annually expend, monies from the state education fund created in subsection (4) of this section. Such appropriations and expenditures shall not be subject to the statutory limitation on general fund appropriations growth, the limitation on fiscal year spending set forth in article X, section 20 of the Colorado constitution, or any other spending limitation existing in law.

(4) **State Education Fund Created.** (a) There is hereby created in the department of the treasury the state education fund. Beginning on the effective date of this measure, all state revenues collected from a tax of one third of one percent on federal taxable income, as modified by law, of every individual, estate, trust and corporation, as defined in law, shall be deposited in the state education fund. Revenues generated from a tax of one third of one percent on federal taxable income, as modified by law, of every individual, estate, trust and corporation, as defined in law, shall not be subject to the limitation on fiscal year spending set forth in article X, section 20 of the Colorado constitution. All interest earned on monies in the state education fund shall be deposited in the state education fund and shall be used before any principal is depleted. Monies remaining in the state education fund at the end of any fiscal year shall remain in the fund and not revert to the general fund.

(b) In state fiscal year 2001-2002, and each fiscal year thereafter, the general assembly may annually appropriate monies from the state education fund. Monies in the state education fund may only be used to comply with subsection (1) of this section and for accountable education reform, for accountable programs to meet state academic standards, for class size reduction, for expanding technology education, for improving student safety, for expanding the availability of preschool and kindergarten programs, for performance incentives for teachers, for accountability reporting, or for

public school building capital construction.

(5) **Maintenance of Effort.** Monies appropriated from the state education fund shall not be used to supplant the level of general fund appropriations existing on the effective date of this section for total program education funding under the Public School Finance Act of 1994, article 54 of title 22, Colorado Revised Statutes, and for categorical programs as defined in subsection (2) of this section. In state fiscal year 2001- 2002 through state fiscal year 2010-2011, the general assembly shall, at a minimum, annually increase the general fund appropriation for total program under the "Public School Finance Act of 1994," or any successor act, by an amount not below five percent of the prior year general fund appropriation for total program under the "Public School Finance Act of 1994," or any successor act. This general fund growth requirement shall not apply in any fiscal year in which Colorado personal income grows less than four and one half percent between the two previous calendar years.

Enacted by the People November 7, 2000 -- Effective upon proclamation of the Governor.

Editor's note: An amendment to add a new section 3.5 to this article to allow a homestead exemption for persons sixty-five years of age or older will be submitted to the registered electors of this state, for their approval or rejection, at the general election in November of 2000. For the text of the amendment, see House Concurrent Resolution 00-1002, as printed in L. 2000, p. 2783.

Previous Statute: [0-4-173](#)

Next Statute: [0-4-175](#)

Ballot Amendment State of Colorado November 2000 General Election

AMENDMENT 23

Shall there be an amendment to the Colorado constitution concerning increased funding for preschool through twelfth grade public education, and, in connection therewith, requiring the statewide base per pupil funding for public education and funding for specifically defined categorical programs to grow annually by at least the rate of inflation plus one percentage point for fiscal years 2001-02 through 2010-11 and annually by at least the rate of inflation for fiscal years thereafter; creating a state education fund and exempting appropriations from the fund and expenditures of said appropriations from constitutional and statutory limitations; requiring the state to deposit in the state education fund all revenues collected by the state from a tax of one third of one percent on federal taxable income of every individual, estate, trust, and corporation and exempting those revenues from the constitutional limitation on fiscal year spending; limiting the use of moneys in the state education fund to increasing the statewide base per pupil funding for public education and funding for categorical programs and to funding specified education programs, including public school building capital construction; specifying that moneys appropriated from the state education fund shall not be used to supplant the level of general fund appropriations existing on the effective date of the measure for total program education and categorical program funding; and, for fiscal years 2001-02 through 2010-11, requiring the general assembly to increase annually the general fund appropriation for total program funding under the "Public School Finance Act of 1994", or any successor act, by at least five percent of the prior year's general fund appropriation for total program, except in fiscal years in which personal income grows less than four and one-half percent between the two previous calendar years?

AMENDMENT 23

YES 6,739

NO 3,852

IOWA
Inflation

SF 2082

PAG LIN

SENATE FILE 2082

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AN ACT

RELATING TO THE ESTABLISHMENT OF THE STATE PERCENT OF GROWTH FOR PURPOSES OF THE STATE SCHOOL FOUNDATION PROGRAM AND PROVIDING AN APPLICABILITY DATE.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 257.8, subsection 1, Code Supplement 1999, is amended to read as follows:

1. STATE PERCENT OF GROWTH. ~~The state percent of growth for the budget year beginning July 1, 1999, is three percent.~~ The state percent of growth for the budget year beginning July 1, 2000, is four percent. The state percent of growth for the budget year beginning July 1, 2001, is four percent. The state percent of growth for each subsequent budget year shall be established by statute which shall be enacted within thirty days of the submission in the year preceding the base year of the governor's budget under section 8.21. The establishment of the state percent of growth for a budget year shall be the only subject matter of the bill which enacts the state percent of growth for a budget year.

Sec. 2. APPLICABILITY. This Act is applicable for computing state aid under the state school foundation program for the school budget year beginning July 1, 2001.

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MARY E. KRAMER
President of the Senate

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BRENT SIEGRIST
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 2082, Seventy-eighth General Assembly.

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MICHAEL E. MARSHALL
Secretary of the Senate

Approved _____, 2000

2 11
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2 13

THOMAS J. VILSACK
Governor

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

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

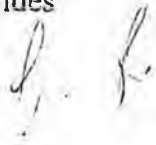
State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

February 2, 2001

SUBJECT: Sectional Summary of SB 42 - increasing education funding.

TO: Senator Bettye Davis
Attn: Richard Benavides

FROM: Michael F. Ford 
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1. Provides for an annual increase in state funding for public education by creating a C.P.I. adjustment for the base student allocation in the formula for funding education.

Section 1. Effective date.

MFF:glc
01-091.glc

ALASKA STATE LEGISLATURE

Senate
Health, Education &
Social Services
Committee

Senate
Labor & Commerce
Committee

Senate
State Affairs
Committee



SENATOR BETTYE DAVIS

While in Session
State Capitol
Juneau, Alaska 99801
(907) 465-3822
Fax: (907) 465-3756

While in Anchorage
716 West 4th Ave.
Anchorage, Alaska 99501
(907) 269-0144
fax: (907) 269-0148

Senate Bill 42

"An Act requiring an annual inflation adjustment of the base student allocation used in the formula for state funding of public education; and providing for an effective date."

Sponsor Statement

Inflation has eroded school district's purchasing power for supplies, operational costs and their ability to recruit and retain qualified teachers.

The burden of financing Schools in Alaska has been shifting from the state to local government over the past ten years. School Districts are mandated by the state to have 70% of their budgets allocated and spent on instructional areas of the budget. The foundation formula statute does not have an inflationary adjustment for the base student allocation of \$3940.

The Consumer Price Index for Anchorage has risen approximately 30% from 1990 to 1999. Between 1990 and 1999 the legislature has increased the base foundation funding formula¹ approximately 5% or \$33 million. During that same ten year period the required local contribution² has risen approximately 37% or \$39 million. Actual local contributions to schools have increased by 55% or \$98 million. Many cannot afford to go higher or are at the limit.

This bill would place an inflationary adjustment in Alaska Statute 14.17.470 based on the CPI for the Anchorage Area compiled by the Bureau of Labor Statistics, U. S. Department of Labor. This action would not bind future legislatures. The legislature would continue to have the power to determine the appropriate level of funding each fiscal year. The inflationary adjustment would amend the base student allocation that is used to calculate school district entitlements under foundation formulas.

¹ Alaska Statute 14.17.470 Base Student Allocation of \$3940.

² Alaska Statute 14.17.410(b)(2) The equivalent of a four mill tax levy on the full and true value of the taxable real and personal property in the district not to exceed 45% of the district's basic need for the preceding fiscal year.

Anchorage Daily News

Letters from The People

(Published April 23, 2001)

School spending must outpace inflation in order to be effective

Wrangell Public Schools is a small Southeastern district where there has not been an increase in state education funding in more than a decade. With 30 percent inflation over the same period, many courses, programs and services have been dismantled.

Adequate funding is necessary to provide an adequate education. What is adequate? Inflation in Anchorage from January 2000 to January 2001 was 2.4 percent. Since education funding from the state has been flat for so long, a 5 percent increase would be a good start. All of you know fuel costs jumped last year. Insurance costs always outpace inflation. Five percent, \$200 per student, is a modest increase after adjustment for inflation, fuel and insurance.

Legislators need to hear the importance of education to your children and grandchildren. Let them know you are tired of flat funding for education. Let them know you are tired of cuts in your schools. Let them know you want legislators to put kids first.

Please write your legislators and let them know you want more for kids and you want a 5 percent increase in state funding. It could be one of the most important letters you write. Alaska kids deserve better.

-- Woody Wilson

Superintendent of Wrangell Public Schools

School funding

Subject: School funding

Date: Mon, 23 Apr 2001 17:17:32 -0800

From: "Frankie Perry" <flap@hsmail.hbsd.k12.ak.us>

To: <Senator_Bettye_Davis@legis.state.ak.us>

Dear Senator Davis:

Please do all you can to see that funding for schools does not decrease. This includes taking steps to inflation-proof the foundation formula.

Schools such as Haines get caught in the middle, as they are large for a small school, but too small to be considered a large school. The way the budget looks now, our district will be losing staff next year. Our funding is such that our teacher pay is down near the bottom of state districts and our facilities are not being maintained because there is not enough money. We need help from the legislature!

If you have any questions you would like to ask, I would be happy to talk with you. I am a secondary classroom teacher with over 18 years experience in the district and in the state.

Sincerely,
Frankie Perry

School funding

Subject: School funding

Date: Mon, 23 Apr 2001 15:55:40 -0800

From: "Mrs. Menaker" <jmenaker@hsmail.hbsd.k12.ak.us>

To: "Bettye Davis" <Senator_Bettye_Davis@legis.state.ak.us>

Dear Senator,

As a high school social studies teacher for the last five years in Alaska, I have watched my classroom budget decrease by over 70%. I do not have funds for new texts or other materials that would bring my students up to a competitive position with students in most of the rest of the lower 48.

Aligning the curriculum with Education 2000 goals is much harder without the proper materials.

My budget has decreased in direct proportion to the increased costs of buying fuel oil and repairing damaged or worn out parts of our building. Inflation raises costs but it certainly doesn't raise my budget. Even my salary doesn't go as far and the several hundred dollars a year that I routinely spend on classroom materials like new reference books and up to date videos, isn't enough.

Teachers are continually told to do more with less. Teachers have valiantly tried to do just that, but there comes a time when the educational professional must say enough is enough. Provide us with the funds to do the job and we will give our best efforts to educate Alaskan youth.

If you continue to under-fund then you condemn Alaskan youth to a second-class education. Please remember that we owe an education that provides real world work skills to those who do not go to college. Alaska was not built by the professional in an office but by the heavy equipment

operator, the carpenter and the office worker. Vocational education is an important part of the education picture.

Pass legislation that will inflation proof the funding formula. If we continue the way we are currently going, my budget will be so low I'll have to have a bake sale to buy textbooks. I am already expected to raise the money to take my Academic Decathlon team to Anchorage to compete. Do we mean we want quality schools and academic excellence or not? If we do, let's put our money where our mouth is.

Sincerely yours

Jeanette C. Menaker

Haines High School

School funding formulas pit rich against poor

Southwest Island
School District

'Right now, 30 of the 50 states are in court for their failure to equalize funding between rich and poorer districts—not simply for years but for decades.'

—Social activist Donald Anderson

Wednesday, April 11, 2001
KETCHIKAN DAILY NEWS

	<u>FY01</u>	<u>FY92</u>	Percent of increase in Costs
Fuel Costs: per gallon			
Diesel #1	2.33	1.11	210%
Diesel #2	2.2	1.45	152%
Gasoline	2.15	1.48	145%
Textbook			
Intergarated Math Teacher Resource Kit	603.45	207.74	290%
Student course book	38.49	29.4	131%
Spelling work book	11.43	7.17	159%
Handwriting work book	9.45	4.9	193%
Basketball Official Size	89.95	11.95	753%
Paper:			
White Copier Case 8X11	35.57	22	162%
Construction Paper 8X11	20.99	8.5	247%
Teacher Grade Books	6.95	5.49	127%
Student Planning Book	4.95	1.03	481%
Stamps	0.34	0.29	117%

S B

48

ALASKA STATE LEGISLATURE



Senator John Torgerson, Chair
Senator Gary Wilken, Vice Chair
Senator Alan Austerman
Senator Randy Phillips
Senator Georgianna Lincoln

STATE CAPITOL, Room 427
JUNEAU, AK 99801-1182
Phone: (907) 465-4989
FAX: (907) 465-4779

35477 Kenai Spur Hwy.
Suite 101BB
Soldotna, Ak. 99669
Phone: (907) 260-3041
Fax: (907) 260-3044

SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

DATE: February 6, 2001
TO: C&RA Committee File
FROM: Mary Jackson, C&RA Committee Staff
RE: SB 48 – February 7, 2001 Meeting Materials

Materials for the February 7, 2001 meeting, distributed 2/6/01, are:

1. Revised Sponsor Statement
2. Revised Fiscal Note

Informational material requested at the last meeting has not yet been received and will be distributed when received.

We have had written testimony submitted on this bill. Those materials are available for your review at any time and will also be on my desk at the meetings during which the bill is heard.

GARY WILKEN

SENATOR
Districts 29 & 30
West Fairbanks

Senate Standing Committees

Member: Finance
Member: Health, Education, &
Social Services (HESS)
Member: Legislative Budget & Audit
Member: State Affairs



During Session:
State Capitol Building
Juneau, Alaska 99801-1182
Tel: (907) 451-5501 (in Fbks area)
Tel: (907) 465-3709 (outside Fbks)
Fax: (907) 465-4714
Website: www.garywilken.com
E-Mail: Senator_Gary_Wilken@legis.state.ak.us

Interim:
1851 Fox Ave.
Fairbanks, Alaska 99701
Tel: (907) 451-5501
Fax: (907) 451-0438

SPONSOR STATEMENT

Senate Bill 48 Equity in Education Funding Act

Last year the Department of Education and Early Development distributed over \$121 million in General Fund money to fund K-12 educational programs in 19 Regional Educational Attendance Area (REAA) school districts from which no local match dollars were required from its local residents to help support their children's educational needs. Meanwhile, citizens residing in Alaska's organized municipal school districts were required by state law to contribute \$144 million local dollars to support their local education.

The reason for this apparent unfair disparity in state law is simple: residents of an REAA school district live within a community or area of our state that does not have the authority to levy or collect taxes and, therefore, cannot be mandated by the State to contribute any local dollars towards education. Senate Bill 48 recognizes this unequal level of personal responsibility and establishes a procedure to analyze the readiness of the people in unorganized Alaska to establish a system of local government with the powers of taxation and thereby the capability of assisting in funding the K-12 education of their children.

This legislation acknowledges that, while all communities of Alaska are perhaps not financially able to sustain a borough government, some areas of the state may very well have developed the capacity to operate boroughs or may meet applicable standards for annexation to current boroughs. Senate Bill 48 directs the Department of Community and Economic Development to annually present to the Local Boundary Commission a list of areas in the unorganized borough that reasonably appear to satisfy existing standards for borough incorporation or annexation.

The Local Boundary Commission will consider and then select from this list areas that may warrant incorporation or annexation. The Department of Community and Economic Development will then draft an incorporation or annexation petition for the selected area,

Rec'd 3:15 PM
2/06/01 - WJ
(SenCKA)

**Potential Revenue Related Impacts of
SB 48 Municipalities: Incorporation/Property Valuation
Department of Community & Economic Development**

- **National Forest Receipts:** This program distributes federal funds to organized boroughs, REAAs, and cities within national forests. Funds may be used only for education and roads. If both national forests in Alaska were wholly included in organized boroughs, four REAAs and sixteen cities located within the unorganized portion of the Tongass and Chugach National Forests would become ineligible for funding.

Potential Impact: The \$5,567,748 currently received each year by those four REAAs and sixteen cities would be shifted to organized boroughs. The organized boroughs would assume responsibility for education in the areas previously served by the four REAAs and in nine cities (of the sixteen) that currently provide education services.

- **Payment in Lieu of Taxes (PILT):** The federal Payment in Lieu of Taxes Program (PILT) provides payments to local governments, typically counties or boroughs, that contain federal lands (national forest, national parks, etc.). A special provision for Alaska provides for distribution of PILT funds to ninety-six cities located in the unorganized borough. Current annual PILT funding for these cities is \$5.1 million.

Potential Impact: If the unorganized borough became incorporated as boroughs, the cities located within those boroughs would become ineligible for PILT funds, which would subsequently be distributed directly to the new boroughs.

- **State Revenue Sharing:** Unincorporated communities and volunteer fire departments (VFDs) located within the unorganized borough qualify for funding under the state revenue sharing program. Currently, sixty-five unincorporated communities receive a total of \$241,000 annually and twenty-one VFDs received a total of \$12,000 annually.

Potential Impact: Upon incorporation of a borough, these entities would no longer be eligible for funding. Their allocations would be redistributed to all municipalities under the existing revenue sharing formulas.

- **Unincorporated Capital Match Grant:** There are currently two state capital matching grant programs. One program provides funding for municipalities that share available funding through a formula-based allocation. A second program provides fixed \$25,000 capital matching grants for unincorporated communities located within the unorganized borough. Currently, seventy-four unincorporated communities participate and receive a total of \$1,850,000 annually.

FISCAL NOTE

revised mg

**STATE OF ALASKA
2001 LEGISLATIVE SESSION**

Fiscal Note Number: _____
 Bill Version: SB 48
 () Publish Date: _____
 Dept. Affected: DCED
 BRU: Comm Asst&Econ Dev
 Component: Community & Business Development
 Component Number: 2486

Revision Date/Time (Note if correction): 1/31/2001 (1:10p.m.)
 Title: Municipalities: Incorporation/Property Valuation
 Sponsor: WILKEN, Donley, Cowdery, Green, Phillips
 Requester: Senate CRA

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services						
Travel						
Contractual	100.0	100.0	100.0	100.0	100.0	100.0
Supplies						
Equipment						
Land & Structures						
Grants & Claims	0.0	300.0	500.0	600.0	600.0	600.0
Miscellaneous						
TOTAL OPERATING	100.0	400.0	600.0	700.0	700.0	700.0

CAPITAL EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
1002 Federal Receipts						
1003 GF Match						
1004 GF	100.0	400.0	600.0	700.0	700.0	700.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
1156 RSS						
TOTAL	100.0	400.0	600.0	700.0	700.0	700.0

Estimate of any current year (FY2001) cost: 0.0

POSITIONS

POSITIONS	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Full-time						
Part-time						
Tempo.ury						

ANALYSIS: (Attach a separate page if necessary)

Assumptions.

- SB 48 will be enacted in 2001.
- Beginning in FY 2002, one petition for borough incorporation or annexation will initiated annually under the provisions of SB 48. Each petition initiated under SB 48 would not have otherwise been initiated under current law. (Of course, if no petition is initiated, there will be no expense).
- Each borough incorporation or annexation petition that is initiated under SB 48 will be approved by the Local Boundary Commission and the Legislature. The first such incorporation or annexation will occur in FY 2003. (Of course, if the Local Boundary Commission or Legislature disapprove the petition, there will be no cost for an organizational grant.)
- For each petition, a financial consultant with expertise in local government finance and property values will be utilized to prepare an independent analysis of the financial feasibility of the proposed borough.

(continued on separate page)

Prepared by: Pat Poland
 Division: Community and Business Development
 Approved by: Commissioner Deborah B. Sedwick
 Agency: Department of Community & Economic Development

Phone (907) 269-4580
 Date/Time 01/29/01
 Date 1/31/2001 1:10p.m.

For distribution information, call the Governor's Legislative Office

CORRECTION

THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION



Central Microfilm Services
Department of Education & Early Development
State of Alaska

Rec'd 3:15 PM
2/06/01 - HJ
(SenCKA)

**Potential Revenue Related Impacts of
SB 48 Municipalities: Incorporation/Property Valuation
Department of Community & Economic Development**

- **National Forest Receipts:** This program distributes federal funds to organized boroughs, REAAs, and cities within national forests. Funds may be used only for education and roads. If both national forests in Alaska were wholly included in organized boroughs, four REAAs and sixteen cities located within the unorganized portion of the Tongass and Chugach National Forests would become ineligible for funding.

Potential Impact: The \$5,567,748 currently received each year by those four REAAs and sixteen cities would be shifted to organized boroughs. The organized boroughs would assume responsibility for education in the areas previously served by the four REAAs and in nine cities (of the sixteen) that currently provide education services.

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Potential Impact: If the unorganized borough became incorporated as boroughs, the cities located within those boroughs would become ineligible for PILT funds, which would subsequently be distributed directly to the new boroughs.

- **State Revenue Sharing:** Unincorporated communities and volunteer fire departments (VFDs) located within the unorganized borough qualify for funding under the state revenue sharing program. Currently, sixty-five unincorporated communities receive a total of \$241,000 annually and twenty-one VFDs received a total of \$12,000 annually.

Potential Impact: Upon incorporation of a borough, these entities would no longer be eligible for funding. Their allocations would be redistributed to all municipalities under the existing revenue sharing formulas.

- **Unincorporated Capital Match Grant:** There are currently two state capital matching grant programs. One program provides funding for municipalities that share available funding through a formula-based allocation. A second program provides fixed \$25,000 capital matching grants for unincorporated communities located within the unorganized borough. Currently, seventy-four unincorporated communities participate and receive a total of \$1,850,000 annually.

Potential Impact: Were the unorganized borough to be completely incorporated as boroughs, the unincorporated communities would no longer be eligible for direct participation in the program. Funding for the unincorporated community program would be rolled into the municipal capital match program in which the newly incorporated boroughs would participate.

- **Fisheries Business Tax:** Under the Shared Fisheries Business Tax Program, cities located within the unorganized borough retain one-half of the state fish tax collected based on fish processing which occurred within their respective city boundaries. Last year, thirty-one cities located in the unorganized borough received a combined total of about \$4.6 million annually.

Potential Impact: Under this program, cities that are located within a borough are required to split the local share with the borough. Consequently, after incorporation of a new borough, half of this locally shared amount would be distributed to the new borough in which the city is located. This change in distributing fish tax funds would occur over a five year period.

FISCAL NOTE

Revised/mj

**STATE OF ALASKA
2001 LEGISLATIVE SESSION**

Fiscal Note Number: _____
 Bill Version: SB 48
 () Publish Date: _____
 Dept. Affected: DCED
 BRU: Comm Asst&Econ Dev
 Component: Community & Business Development
 Component Number: 2486

Revision Date/Time (Note if correction): 1/31/2001 (1:10p.m.)
 Title: Municipalities: Incorporation/Property Valuation
 Sponsor: WILKEN, Donley, Cowdery, Green, Phillips
 Requester: Senate CRA

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services						
Travel						
Contractual	100.0	100.0	100.0	100.0	100.0	100.0
Supplies						
Equipment						
Land & Structures						
Grants & Claims	0.0	300.0	500.0	600.0	600.0	600.0
Miscellaneous						
TOTAL OPERATING	100.0	400.0	600.0	700.0	700.0	700.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
1002 Federal Receipts						
1003 GF Match						
1004 GF	100.0	400.0	600.0	700.0	700.0	700.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
1156 RSS						
TOTAL	100.0	400.0	600.0	700.0	700.0	700.0

Estimate of any current year (FY2001) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Assumptions.

- SB 48 will be enacted in 2001.
 - Beginning in FY 2002, one petition for borough incorporation or annexation will initiated annually under the provisions of SB 48. Each petition initiated under SB 48 would not have otherwise been initiated under current law. (Of course, if no petition is initiated, there will be no expense).
 - Each borough incorporation or annexation petition that is initiated under SB 48 will be approved by the Local Boundary Commission and the Legislature. The first such incorporation or annexation will occur in FY 2003. (Of course, if the Local Boundary Commission or Legislature disapprove the petition, there will be no cost for an organizational grant.)
 - For each petition, a financial consultant with expertise in local government finance and property values will be utilized to prepare an independent analysis of the financial feasibility of the proposed borough.
- (continued on separate page)

Prepared by: Pat Poland
 Division: Community and Business Development
 Approved by: Commissioner Deborah B. Sedwick
 Agency: Department of Community & Economic Development

Phone (907) 269-4580
 Date/Time 01/29/01
 Date 1/31/2001 1:10p.m.

For distribution information, call the Governor's Legislative Office

Estimated costs.

Contractual Services. \$100.0 will be needed annually beginning in FY 2002. These funds are necessary to prepare and process a petition for incorporation or annexation. The funds will be used primarily to develop credible and thorough expenditure and revenue projections relating to each proposed borough incorporation or annexation. Detailed information will be needed regarding local revenue alternatives (e.g., property taxes, general sales taxes, bed taxes, alcohol taxes, tobacco taxes, fish taxes, and severance taxes) as well as State and Federal revenue sources. Additionally, it is important to the long-term interests of the State to obtain a thorough and credible estimate of the full and true value of each area proposed for incorporation or annexation.

Organization grants. Each borough incorporation and annexation will result in an entitlement to an organization grant under AS 29.05.190. Each grant entitlement is paid over three years (\$300.0 the first year, \$200.0 the second year, and \$100.0 the third year).

Year	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07
Contractual Services	\$100.0	\$100.0	\$100.0	\$100.0	\$100.0	\$100.0
Grants	0.0	300.0	500.0	600.0	600.0	600.0
Total	\$100.0	\$400.0	\$600.0	\$700.0	\$700.0	\$700.0



ALASKA STATE LEGISLATURE

SENATOR JOHN TORGERSON


- ◆ CHAIR, SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE
- ◆ CHAIR, SENATE RESOURCES COMMITTEE

Session:

State Capitol, Room 427, Juneau, AK 99801
Telephone 907/465-2828 Fax 907/465-4779

District:

45457 Kenai Spur Hwy.; Suite 101B, Soldotna, AK 99669
Telephone 907/260-3042 Fax 907/260-3044

DATE: February 20, 2001
TO: Tam Cook, Legal
FROM: Mary Jackson 
RE: SB 48 – Committee Substitute: CRA

Please prepare a CS for SB 48 which will accomplish the following.

1. Include a section that authorizes the previous 3rd class borough incorporation.
2. Include a section that requests the LBC to formalize the unorganized borough areas by naming them separate unorganized boroughs (i.e., in lieu of one, large unorganized area, providing names for the several proposed boroughs, still keeping them "unorganized").

The request would include the suggestion that the newly named unorganized boroughs look to the boundaries of the existing REAAs and Model Borough Boundary Plan as a basis for drawing up boundaries for the new unorganized boroughs.

Thank you for your time and consideration.

REPRESENTING THE KENAI PENINSULA

*Anchor Point Bear Creek Clam Gulch Cooper Landing Crown Point Fritz Creek Happy Valley Halibut Cove Homer Hope Kachemak City Kachemak Selo
Kaslaf Lowell Point Moose Pass Nanwalek Nikolaevsk Ninilchik Port Graham Razdolna Seward Seldovia Soldotna Stariski Sterling Voznesenka*

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

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

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

February 6, 2001

SUBJECT: Annexation by local action, authority of the Local Boundary Commission (SB 48)

TO: Senator John Torgerson, Chair
Senate Community and Regional Affairs Committee
Attn: Mary Jackson

FROM: Tamara Brandt Cook
Director *TBC*

You note that current statutes dealing with borough formation require a vote of the people. (AS 29.05.110) You ask whether it is possible to have an annexation process that requires a vote of the people. It is and such a process exists now. AS 29.06.040(c) provides:

(c) In addition to the regulations governing annexation by local action adopted under AS 44.33.812, the Local Boundary Commission shall establish procedures for annexation and detachment of territory by municipalities by local action. The procedures established under this subsection must include a provision that

(1) a proposed annexation and detachment must be approved by a majority of votes on the question cast by voters residing in the area proposed to be annexed or detached;

(2) municipally owned property adjoining the municipality may be annexed by ordinance without voter approval; and

(3) an area adjoining the municipality may be annexed by ordinance without an election if all property owners and voters in the area petition the governing body.

For regulations implementing the process see in particular 3 AAC 110.590 and 110.600(b). It is worth noting that the state constitution permits boundary changes by local action under the last sentence of Art. X, Sec. 12: "The commission or board [Local Boundary Commission], subject to law, may establish procedures whereby boundaries may be adjusted by local action."

You also ask about the relationship between the authority of the legislature and the authority of the Local Boundary Commission with respect to establishing and changing municipal boundaries. Both bodies share authority. The legislature is charged with coming up with standards for borough incorporation and with establishing methods for

Senator John Torgerson
February 6, 2001
Page 2

incorporating, changing, and dissolving cities and boroughs. (Art. X, secs. 3 and 7) However, the legislature is precluded from making a specific boundary change because such an effort, unless it can be demonstrated to be a matter of statewide rather than local concern, amounts to local and special legislation prohibited under Art. II, sec. 19. (Abrams v. State, 534 P.2d 91 (Alaska 1975))

The Local Boundary Commission, on the other hand, is charged under the state constitution with making specific boundary change proposals which automatically become effective unless disapproved by the legislature. (Art. X, sec. 12) Furthermore, the Local Boundary Commission may present any proposed boundary change. As to these proposals, voter approval is not required. The framers of the Alaska Constitution determined that local political decisions do not usually create proper boundaries and that boundaries should be established at the state level. (Fairview Pub. Util. Dist. No. 1 v. City of Anchorage, 368 P.2d 540 (Alaska 1962); City of Douglas v. City of Juneau, 484 P.2d 1040 (Alaska 1971)) For this reason, even in instances that involve local action and a vote of the people, the boundary change is also subject to approval by the Local Boundary Commission. (See AS 29.05.100 as to approval of incorporation petitions)

TBC:glc
01-101.glc

FISCAL NOTE

**STATE OF ALASKA
2001 LEGISLATIVE SESSION**

Fiscal Note Number: _____
 Bill Version: CSSB 48 (CR¹)
 () Publish Date: _____

Revision Date/Time (Note if correction): 03/07/2001 11:36a.m. Dept. Affected: DCED
 Title: Municipalities: Incorporation/Property Valuation BRU: Comm. Asst & Econ. Dev
 Component: Community and Business Development
 Sponsor: Senator Wilken
 Requester: Senate CRA Component Number: 2486

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services						
Travel	16.0					
Contractual	114.0	100.0	100.0	100.0	100.0	100.0
Supplies						
Equipment						
Land & Structures						
Grants & Claims	0.0	300.0	500.0	600.0	600.0	600.0
Miscellaneous						
TOTAL OPERATING	130.0	400.0	600.0	700.0	700.0	700.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	130.0	400.0	600.0	700.0	700.0	700.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	130.0	400.0	600.0	700.0	700.0	700.0

Estimate of any current year (FY2001) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

- Assumptions.
- SB 48 will be enacted in 2001.
 - Beginning in FY 2002, one petition for borough incorporation or annexation will initiated annually under the provisions of SB 48. Each petition initiated under SB 48 would not have otherwise been initiated under current law. (Of course, if no petition is initiated, there will be no expense).
 - Each borough incorporation or annexation petition that is initiated under SB 48 will be approved by the Local Boundary Commission and the Legislature. The first such incorporation or annexation will occur in FY 2003. (Of course, if the Local Boundary Commission or Legislature disapprove the petition, there will be no cost for an organizational grant.)
 - For each petition, a financial consultant with expertise in local government finance and property values will be utilized to prepare an independent analysis of the financial feasibility of the proposed borough.
- (continued on separate page)

Prepared by: Pat Poland, Director Phone 907-269-4580
 Division: Community and Business Development Date/Time 03/07/2001 11:36a.m.
 Approved by: Commissioner Deborah B. Sedwick Date 3/7/2001
 Agency: Department of Community & Economic Development

For distribution information, call the Governor's Legislative Office

Fiscal Note: SB 48 -- Additional Notes

Estimated costs.

Contractual Services. \$100.0 will be needed annually beginning in FY 2002. These funds are necessary to prepare and process a petition for incorporation or annexation. The funds will be used primarily to develop credible and thorough expenditure and revenue projections relating to each proposed borough incorporation or annexation. Detailed information will be needed regarding local revenue alternatives (e.g., property taxes, general sales taxes, bed taxes, alcohol taxes, tobacco taxes, fish taxes, and severance taxes) as well as State and Federal revenue sources. Additionally, it is important to the long-term interests of the State to obtain a thorough and credible estimate of the full and true value of each area proposed for incorporation or annexation.

Organization grants. Each borough incorporation and annexation will result in an entitlement to an organization grant under AS 29.05.190. Each grant entitlement is paid over three years (\$300.0 the first year, \$200.0 the second year, and \$100.0 the third year).

Year	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07
Contractual Services	\$100.0	\$100.0	\$100.0	\$100.0	\$100.0	\$100.0
Grants	\$0.0	\$300.0	\$500.0	\$600.0	\$600.0	\$600.0
Total	\$100.0	\$400.0	\$600.0	\$700.0	\$700.0	\$700.0

Additional Fiscal Impacts as per CSSB 48 (CRA)

DCED estimates its fiscal impact of dividing the single unorganized borough into multiple unorganized boroughs in accordance with Section 6 of CSSB 48 (CRA) to be \$30.0. In particular, DCED estimates the following fiscal impacts for Fiscal Year 2002.

Action	Cost
Printing, publication, and mailing of initial informational materials to principal local service providers throughout the unorganized borough (114 cities, 19 REAAs, 4 CRSAs, 11 Native regional non-profit associations, approximately 65 unincorporated recipients of state revenue sharing, and approximately 150 federally recognized tribal entities)	\$8.0
Travel by DCED staff to ten regional centers to conduct public informational meetings	\$8.0
Publication and mailing of public notice of ten DCED informational meetings	\$1.0
Publication and distribution of report to the LBC	\$1.0
Publication and mailing of public notice of ten LBC hearings	\$1.0
Travel by LBC to ten regional centers to conduct public hearings (assumes that LBC will split into two groups to conduct hearings, with 2 or 3 commission members and 1 staff attending each hearing).	\$8.0
Long distance telephone charges for teleconference connections	\$2.0
Publication and distribution of LBC decisions.	\$1.0

Assumptions for Additional CSSB 48 (CRA) Fiscal Impacts

The foundation for the division of the single unorganized borough into multiple unorganized boroughs already exists in the form of the model borough boundaries established by the LBC between 1989 – 1992. The model borough boundaries project involved LBC hearings in 88 communities (in person or by teleconference). Thus, public informational meetings and hearings to divide the unorganized borough into unorganized boroughs as required by CSSB 48 would be limited to those relatively few unorganized areas where circumstances warrant further consideration of the suitability of model boundaries as boundaries of unorganized boroughs. DCED estimates that ten such areas exist. (continued on following page)

Fiscal Note: SB 48 -- Additional Notes (continued)

The fiscal impacts identified above do not include staff time since DCED's duties under existing law include serving as staff to the LBC. Moreover, DCED's duties include assisting local governments. DCED assumes that many communities will seek assistance from DCED on topics relating to CSSB 48. DCED is likely to include travel expenses and other expenses in that regard beyond the levels stated in the fiscal note. However, here again, such activities are consistent with the current duties and functions of DCED. Expenses incurred in such activities will be funded through DCED's normal operating funding.

A M E N D M E N T

#1

OFFERED IN THE SENATE

BY SENATOR TORGERSON

TO: CSSB 48(CRA), Draft Version "S"

1 Page 1, line 6, following "boroughs":

2 Insert "; and providing for an effective date"

3

4 Page 6, following line 6:

5 Insert a new bill section to read:

6 "* Sec. 8. This Act takes effect immediately under AS 01.10.070(c)."

Vc v d 2/28/01
12:45 PM

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CS SB 4 (CRA)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title: Municipal Property Tax Exemption BRU: Revenue Operations
Component: 2476
Sponsor: Senator Therriault
Requester: Senate Community and Regional Affairs Component Number: _____

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
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						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollar.)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2001) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation, as amended by the committee substitute offered by Senate Community and Regional Affairs, would not have an effect on state revenues.

Prepared by: Dan Dickinson, Director Phone 269-1033
Division: Tax Division Date/Time Feb. 28, 2001, noon
Approved by: Larry Persily, Deputy Commissioner Date Feb. 28, 2001
Agency: Department of Revenue

For distribution information, call the Governor's Legislative Office

22-LS0025\S
Cook
2/27/01

CS FOR SENATE BILL NO. 48(CRA)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SECOND LEGISLATURE - FIRST SESSION

BY THE SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS WILKEN, Donley, Cowdery, Green, Phillips

A BILL
FOR AN ACT ENTITLED

1 "An Act relating to the determination of full and true value of taxable municipal
2 property for purposes of calculating funding for education and certain other programs,
3 to incorporation of third class boroughs, to incorporation of certain boroughs in the
4 unorganized borough and annexation of portions of the unorganized borough to
5 boroughs and unified municipalities, and to the formation of separate unorganized
6 boroughs."

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

8 * Section 1. The uncodified law of the State of Alaska is amended by adding a new section
9 to read:

10 **LEGISLATIVE PURPOSE.** (a) It is the purpose of the legislature to carry out the
11 directive contained in art. X, sec. 3, Constitution of the State of Alaska, which provides, in
12 part, "The entire State shall be divided into boroughs, organized or unorganized."

13 (b) The unorganized borough is divided into several unorganized boroughs to enable

1 the state to provide critical services on a more carefully controlled regional basis, to facilitate
2 the gathering of information that reflects regional differences, and to separately track state
3 expenditures and revenues in each of the unorganized boroughs.

4 (c) Permitting the incorporation of third class boroughs serves the purpose of
5 encouraging formation of organized boroughs by increasing options for the types of borough
6 government available to address unique local needs.

7 * Sec. 2. AS 14.17.510(a) is amended to read:

8 (a) To determine the amount of required local contribution under
9 AS 14.17.410(b)(2) and to aid the department and the legislature in planning, the
10 Department of Community and Economic Development, in consultation with the
11 assessor for each district in a city or borough, shall determine the full and true value of
12 the taxable real and personal property in each district in a city or borough. If there is
13 no local assessor or current local assessment for a city or borough school district, then
14 the Department of Community and Economic Development shall make the
15 determination of full and true value from information available. In making the
16 determination, the Department of Community and Economic Development shall be
17 guided by AS 29.45.110. However, the full and true value of taxable real and
18 personal property in any area detached shall be excluded from the determination
19 of the full and true value of the municipality from which the property was
20 detached for the two years immediately preceding the effective date of the
21 detachment. Also, in making the determination for a municipality that is a
22 school district or for a city that is within a borough school district, the assessed
23 value of property taxable under AS 43.56 shall be excluded if a municipal tax is
24 not levied under AS 29.45.080 in that school district. The determination of full and
25 true value shall be made by October 1 and sent by certified mail, return receipt
26 requested, on or before that date to the president of the school board in each city or
27 borough school district. Duplicate copies shall be sent to the commissioner. The
28 governing body of a city or borough that is a school district may obtain judicial review
29 of the determination. The superior court may modify the determination of the
30 Department of Community and Economic Development only upon a finding of abuse
31 of discretion or upon a finding that there is no substantial evidence to support the

1 determination.

2 * Sec. 3. AS 29.05.031(a) is amended to read:

3 (a) An area that meets the following standards may incorporate as a home rule,
4 first class, [OR] second class, or third class borough, or as a unified municipality:

5 (1) the population of the area is interrelated and integrated as to its
6 social, cultural, and economic activities, and is large and stable enough to support
7 borough government;

8 (2) the boundaries of the proposed borough or unified municipality
9 conform generally to natural geography and include all areas necessary for full
10 development of municipal services;

11 (3) the economy of the area includes the human and financial resources
12 capable of providing municipal services; evaluation of an area's economy includes
13 land use, property values, total economic base, total personal income, resource and
14 commercial development, anticipated functions, expenses, and income of the proposed
15 borough or unified municipality;

16 (4) land, water, and air transportation facilities allow the
17 communication and exchange necessary for the development of integrated borough
18 government.

19 * Sec. 4. AS 44.33 is amended by adding a new section to article 11 to read:

20 **Sec. 44.33.830. Incorporation or annexation of unorganized areas.** (a) In
21 addition to other methods for incorporation and annexation provided by law, an area
22 of the unorganized borough may be incorporated as a first class, second class, or third
23 class borough or annexed to an existing borough or unified municipality under (b) - (f)
24 of this section. AS 44.33.814 - 44.33.828 apply to actions taken by the commission
25 under this section.

26 (b) The Department of Community and Economic Development shall
27 determine which areas of the unorganized borough reasonably appear to satisfy
28 standards for borough incorporation or for annexation to an existing borough or
29 unified municipality. By September 30 of each year, the department shall present to
30 the Local Boundary Commission a list of those areas that reasonably appear to satisfy
31 standards for borough incorporation or for annexation to an existing borough or

1 unified municipality, together with the department's analysis supporting its
2 conclusions regarding the incorporation or annexation standards for each of the areas.
3 By November 30 of each year, the commission shall select areas from the list provided
4 by the department that the commission determines may warrant incorporation or
5 annexation. By March 31 of the following year, the department shall prepare a
6 petition for borough incorporation or for annexation of each of the areas selected by
7 the commission. The department shall conduct at least one public meeting in each
8 area for the purpose of gathering information needed to prepare the petition. The
9 department shall provide public notice when the petition has been prepared, make
10 copies of the petition available, and provide any interested person with the opportunity
11 to submit written comments on the petition. After considering the comments, the
12 department may amend the petition. The department shall file the original petition or,
13 if amended, the amended petition with the commission.

14 (c) Upon receipt of a petition filed under (b) of this section, the Local
15 Boundary Commission shall hold at least one public hearing in or near the area
16 proposed for incorporation or annexation. Following the hearing, the commission may
17 amend the petition and may impose conditions on the incorporation or annexation. If
18 the commission determines that the incorporation or annexation meets applicable
19 standards under the state constitution as well as those established by law and
20 commission regulation and is in the best interests of the state, it may accept the
21 petition. Otherwise, it shall reject the petition. Each incorporation or annexation
22 approved by the commission shall be submitted to the legislature under AS 44.33.828
23 and takes effect as provided in that section.

24 (d) Regulations of the Local Boundary Commission filed under authority of
25 other provisions of law that apply to incorporation and annexation petitions and that
26 deal with the form and content of petitions, public notice of the filing of petitions,
27 service of petitions, opportunity to file responsive briefs, amendment of petitions,
28 notice and conduct of hearings, conduct of decisional sessions, and reconsideration
29 apply to the preparation and consideration of petitions under this section to the extent
30 they may be applied without conflicting with this section. The Local Boundary
31 Commission may adopt regulations providing additional standards and procedures for

1 incorporations or boundary changes under this section and to carry out the purposes of
2 this section.

3 (e) When a proposal for incorporation of an area under this section becomes
4 effective, the Local Boundary Commission shall immediately notify the director of
5 elections. Within 30 days after notification, the director of elections shall order an
6 election in the area for initial borough officials. The election shall be held under
7 AS 29.05.120 not less than 30 nor more than 90 days after the date of the election
8 order. The election order must specify the dates during which nomination petitions for
9 election of initial officials may be filed. AS 29.05.130 - 29.05.150, 29.05.190 -
10 29.05.210, and AS 29.65.030 apply to boroughs incorporated under this section.

11 (f) When a proposal under this section for annexation of an area in the
12 unorganized borough becomes effective, the borough or unified municipality to which
13 the area is annexed shall receive an additional general grant land entitlement equal to
14 10 percent of the maximum total acreage of vacant, unappropriated, unreserved land
15 within the boundaries of the area annexed. Additional general grant land entitlements
16 under this subsection are subject to AS 29.65.030 - 29.65.140 to the extent that those
17 provisions can be made applicable. The borough or unified municipality to which the
18 area is annexed is also entitled to an organization grant under AS 29.05.190, and, for
19 purposes of applying that section, the effective date of the annexation shall be treated
20 as though it were the date of incorporation.

21 * Sec. 5. AS 29.05.031(b) is repealed.

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

24 **FORMATION OF UNORGANIZED BOROUGHES.** The Department of Community
25 and Economic Development shall, by September 30, 2001, submit a proposal to the Local
26 Boundary Commission to divide the entire area of the unorganized borough into separate
27 unorganized boroughs, taking into account population, geography, economy, and
28 transportation in each of the proposed unorganized boroughs. The Local Boundary
29 Commission shall submit each proposed unorganized borough it approves to the legislature
30 during the first 10 days of the Second Session of the Twenty-Second Alaska Legislature for
31 consideration under art. X, sec. 12, Constitution of the State of Alaska.

1 * Sec. 7. The uncodified law of the State of Alaska is amended by adding a new section to
2 read:

3 CONFORMING STATUTORY CHANGES. If separate unorganized boroughs are
4 formed under sec. 6 of this Act, after formation of the unorganized boroughs, the revisor of
5 statutes shall correct the statutes that refer to the single unorganized borough so that they refer
6 to the unorganized boroughs.

AMENDMENT #2

OFFERED IN THE SENATE

BY SENATOR LINCOLN

TO: CSSB 48(CRA), Draft Version "S"

1 Page 4, line 21:

2 Delete "incorporation or"

3

4 Page 5, lines 3 - 10:

5 Delete all material and insert:

6 "(e) When a petition for incorporation of an area is approved by the Local
7 Boundary Commission under (c) of this section, the commission shall immediately
8 notify the director of elections. Within 30 days after notification, the director of
9 elections shall order an election in the area to determine whether voters desire
10 incorporation and, if so, to elect the initial borough officials. The election shall be
11 held under AS 29.05.120 not less than 30 nor more than 90 days after the date of the
12 election order. The election order must specify the dates during which nomination
13 petitions for election of initial officials may be filed. If a majority of the voters voting
14 on the question approve incorporation, the area is incorporated on the first Monday
15 following certification of the election. AS 29.05.130 - 29.05.150, 29.05.190 -
16 29.05.210, and AS 29.65.030 apply to a borough incorporated under this section."

Senate Bill 48

Equity in Funding Education Act



Senate Community and Regional Affairs Committee
January 31, 2001

GARY WILKEN

SENATOR
Districts 29 & 30
West Fairbanks

Senate Standing Committees

Member: Finance
Member: Health, Education, &
Social Services (HESS)
Member: Legislative Budget & Audit
Member: State Affairs



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SPONSOR STATEMENT

Senate Bill 48 Equity in Education Funding Act

Last year the Department of Education and Early Development distributed over \$121 million in General Fund money to fund K-12 educational programs in 19 Regional Educational Attendance Area (REAA) school districts from which no local match dollars were required from its local residents to help support their children's educational needs. Meanwhile, citizens residing in Alaska's organized municipal school districts were required by state law to contribute \$144 million local dollars to support their local education.

The reason for this apparent unfair disparity in state law is simple: residents of an REAA school district live within a community or area of our state that does not have the authority to levy or collect taxes and, therefore, cannot be mandated by the State to contribute any local dollars towards education. Senate Bill 48 recognizes this unequal level of personal responsibility and establishes a procedure to analyze the readiness of the people in unorganized Alaska to establish a system of local government with the powers of taxation and thereby the capability of assisting in funding the K-12 education of their children.

This legislation acknowledges that, while all communities of Alaska are perhaps not financially able to sustain a borough government, some areas of the state may very well have developed the capacity to operate boroughs or may meet applicable standards for annexation to current boroughs. Senate Bill 48 directs the Department of Community and Economic Development to annually present to the Local Boundary Commission a list of areas in the unorganized borough that reasonably appear to satisfy existing standards for borough incorporation or annexation.

The Local Boundary Commission will consider and then select from this list areas that may warrant incorporation or annexation. The Department of Community and Economic Development will then draft an incorporation or annexation petition for the selected area,

**Sponsor Statement for SB 48
Equity in Education Funding Act**

hold local public meetings, and finalize and file the petition. Upon receipt of the final petition, the Local Boundary Commission will hold additional local public meetings and either accept or reject the petition as conforming or not conforming to existing applicable incorporation standards.

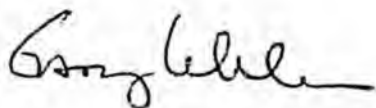
If, after a thorough review, the Local Boundary Commission accepts the incorporation or annexation petition, the decision will be submitted to the Legislature for an additional legislative review. If the Legislature does not reject the recommendation within a prescribed period of time, the new borough or annexation is approved.

It is important to note that SB 48 merely creates a new option in which a petition for borough incorporation or annexation is originated. After the petition is filed, the Local Boundary Commission will follow a process for legislative review that has been in place since statehood. That is, the current standards for incorporation will be followed as well as the current procedural requirements currently in state law. The selected area population must be suitably large, homogenous, and demonstrate the stability to support borough government before it is considered for incorporation or annexation.

Delegates to the Alaska State Constitutional Convention clearly envisioned in Article X that organized boroughs would be established wherever citizens were ready for and capable of assuming the responsibilities of local government. Senate Bill 48 assists in the formation of these boroughs. With the creation of an organized borough, its citizens will be empowered to contribute local dollars to supplement State funding for the operation of their schools, assist in the financing of new schools, and through cost efficiencies, be able to direct more local funds toward student instruction. In other words, the new borough residents will have an opportunity to improve their local educational system with their own local dollars.

Senate Bill 48 continues a process that began some 40 years ago with the passage of the Borough Act of 1961. A stronger, financially sound educational system throughout all areas of the State will be one of the major benefactors of this legislation.

I respectfully request your consideration and support of SB 48.



LEGAL SERVICES

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MEMORANDUM

January 29, 2001

SUBJECT: Sectional Summary (SB 48)

TO: Senator Gary Wilken
Attn: Sheila Peterson

FROM: Tamara Brandt Cook *TBC*
Director

Sec. 1. In determinations of full and true value of taxable property used for purposes of local contributions for education, among others, requires the value of property in any area detached to be excluded from the determination for the municipality from which the property was detached for the two years immediately preceding the date of the detachment. Also excludes the value of certain oil and gas property if a municipal tax is not levied on it.

Sec. 2. Establishes an additional method for incorporation or annexation of an area of the unorganized borough. The Department of Community and Economic Development is directed to determine which areas of the unorganized borough satisfy standards for borough incorporation or for annexation to a borough and to present the Local Boundary Commission a list of those areas by September 30 each year. The LBC selects areas from the list that warrant incorporation or annexation and the department prepares an incorporation or annexation petition for them. After hearings, the LBC may accept or reject the petition. Each incorporation or annexation approved by the LBC is submitted to the legislature for possible disapproval. When an incorporation proposal becomes effective, an election for initial borough officials is held. When an annexation proposal becomes effective the borough or unified municipality to which the area is annexed qualifies for an additional general grant land entitlement and to an organization grant.

TBC:glc
01-065.glc