

1405 HOUSE COMMUNITY & REGIONAL AFFAIRS

- o. To do all things necessary, convenient or desirable to carry out the purposes and to exercise the powers granted to the authority.
  - p. To sue and be sued, and name and plead and be impleaded.
  - q. To receive, administer, and comply with the conditions and requirements respecting any gift grant or donation of any property or money.
  - r. To acquire by purchase, lease, gift or otherwise, or to obtain options for the acquisition of any property, real or personal, improved or unimproved, including an interest in land less than the fee thereof.
  - s. To sell, lease, exchange, transfer, or otherwise dispose of, or grant options for any such purposes with respect to any real or personal property or interest therein.
  - t. To pledge, assign, mortgage, or otherwise grant a security interest in any real or personal property or interest therein, including the right and power to pledge, assign, or otherwise grant security interest in any money, rents, charges, or other revenues and any proceeds derived by an authority from any and all sources.
  - u. To issue revenue bonds of the authority and enter into other financial arrangements to finance solid waste management activities, including but not limited to systems and facilities for waste reduction, materials recovery, recycling, resources recovery, landfill, ash management, and disposal and for support facilities, to refund any revenue bonds or notes issued by the authority, whether or not in advance of maturity or realistic redemption date, or to provide funds for other corporate purposes of the authority.
  - v. With the approval of any unit of local government, to use officers, employees, agents, and facilities of the unit of local government for such purposes and upon such terms as may be mutually agreeable.
  - w. To develop and make data, plans, information, surveys, and studies of solid waste management facilities within the territorial jurisdiction of the members of the authority, to prepare and make recommendations in regard thereto.
  - x. Subject to the specific provisions of this Agreement, this Agreement shall be binding upon and inure to the benefit of and be enforceable by the Parties and their respective successors and assigns.
- 13. LONG TERM CONTRACT PERMITTED BY AND WITH THE AUTHORITY**
- a. To the extent authorized in its by laws, the Authority may enter into long-term and continuing contracts, not to exceed a term of 60 years, with member or other units of local government for the acquisition, construction, improvement, enlargement, operation, or maintenance of any solid waste management facility or for solid waste management or transportation services.
  - b. Contracts entered into by an authority may include, but are not limited to, provisions for:
    - i. Payment by the members of the Authority and other units of local government of a fee or other charge by the Authority to accept, dispose of or transport solid waste.

- ii. Periodic adjustments to the fee or other charges to be paid by each member of the authority and such other units of local government.
- iii. Warranties from the members of the Authority and such other units of local government with the respect to the quantity of solid waste to be transported or delivered to the authority and warranties relating to the content or quality of solid waste.

**14. APPLICABLE REGULATIONS**

- a. An authority created by this agreement shall comply with all applicable federal and state laws, regulations, rules, including specifically those enacted or adopted for the management of solid waste or for the protection of the environment or public health.
- b. *Identify any local government ordinances that maybe applicable.*

**15. APPROVAL AND PERMIT REQUIREMENTS**

- a. *List all approvals and permit requirements being required.*
- b. *This is only applicable if constructing or operating a landfill.*

**16. DEDICATIONS AND RESERVATIONS**

- a. Provide a statement of all reservations or dedications of lands, if applicable.
- b. List any other reservations the parties have agreed to.

**17. DURATION OF THE AGREEMENT –TERM AND WITHDRAWAL**

- a. This agreement shall be effective when signed by each Party and shall continue for so long as may be necessary to carry out the purpose of this Agreement or until terminated by mutual consent of the governing bodies of all Parties, whichever is earlier; provided, however that:
  - i. A Party to this Agreement may not withdraw from the Authority for a period of 15 years after execution of this Agreement. After the 15-year period, a Party may withdraw from this Agreement by majority vote of the governing body, giving to the other Parties one year's written notice of such intention to withdraw, so long as all revenue bonds or other forms of indebtedness shall have been paid or adequate provisions of such payment shall have been made. The Party withdrawing from the Agreement will retain its fair share of financial liability for closure and post closure and site remediation costs based on the tons of material it has contributed to the Authorities solid waste system and as determined by the Authority in its sole discretion and such determination of the Authority shall be binding on the Parties. The Party withdrawing shall be afforded the same rights and ability to use Authority facilities and services as any other governmental jurisdiction, which is not a member of the Authority.
  - ii. Upon receipt of a Party's one-year notice of intention to withdraw, the members who will be remaining in the Authority shall meet and prepare appropriate amendments to this Agreement to reflect the changed membership status. Such amendments shall become effective upon the effective date of the Party's withdrawal.

- iii. This Agreement cannot be amended in any way to the detriment of the holders of any revenue bonds or other forms of indebtedness, which are outstanding in accordance with any resolution adopted by the Authority.
- b. This Agreement shall remain in effect until terminated by mutual consent of all the governing bodies of all Parties to this Agreement. The resolution to terminate must be passed by a majority vote of each governing board of each of the Parties to this Agreement.

**18. DISPOSITION OF AUTHORITY ASSETS AND LIABILITIES UPON TERMINATION:**

- i. In the event of termination of the Authority where there is a successor public entity which will carry on the activities of the Authority and assume its assets, liabilities, obligations, and funds, including any interest earned on deposits, remaining upon termination of the Authority and after payment of all obligations, the assets and liabilities of the Authority shall be transferred to the successor public entity.
- ii. If there is no successor public entity which could carry on any of the activities of the Authority or assume any of its assets, liabilities, obligations, and funds, including any interest earned on deposits, remaining upon termination of the Authority and after payment of all obligations, the assets and liabilities shall be returned in proportion to the contribution of each Party during the term of the agreement. If bonds are issued or large capital projects, such as closure construction are initiated during the term of this agreement, then in no event shall the exercise of the powers granted be terminated until all bonds issued and the associated interest have been paid or provision for such payments have been made.
- iii. If there is a successor public entity which would undertake some of the functions of the Authority and assume some of its assets, liabilities, obligation, and funds including any interest earned on deposits, remaining upon termination of the Authority and after payment of all obligations, the assets and liabilities shall be allocated by the governing board between the successor public entity and the Parties.

**19. AMMENDMENTS.**

- a. This Agreement may be amended by affirmative vote of the governing bodies of each Party.

**20. ENFORCMENT**

- a. This agreement shall be enforceable, unless lawfully terminated or cancelled by any Party to the Agreement or any Party's successor notwithstanding any subsequent changes in applicable law adopted by the Parties that alters or amends the laws, ordinances, resolutions rules or policies frozen by the Agreement.

**21. LIMINATION OF LIABILITY**

- a. The debts, liabilities or obligations of the Authority do not constitute debts, liabilities or obligation of the Parties and the Authority shall hold the Parties harmless and shall indemnify the Parties from any claim or loss that may arise as a result of the Authority's ownership and

maintenance of the landfill assets or the Authority's performance of any of its duties or powers described in this agreement.

- b. No officer, agent or employee of any Party shall be subject to any personal liability or accountability by reason of the execution of this Agreement or any other documents related to the transactions contemplated. Such officers, agents, or employees shall be deemed to execute such documents in their official capacities only, and not in their individual capacities. This section shall not relieve any such officer, agent or employee from the performance of any official duty provided by law.

**22. HOLD HARMLESS CLAUSE**

- a. If the parties agree, the agreement should contain a clause holding each other harmless from liability from damages, injury or death that may arise from the direct or indirect operations of the parties carrying out the terms of the agreement.

**23. SEVERABILITY CLAUSE**

- a. If any provision of this Agreement shall be determined to be unenforceable, that shall not affect any other provision of this agreement.

**24. MERGER CLAUSE**

- a. This agreement constitutes the entire contract between the Parties, and this Agreement shall not be changed except in writing signed by all the parties.

**25. PUBLIC NOTICE**

- a. *If public notice is required by local ordinance of any of the participating local governments add that language.*

**26. STATEMENT OF INCORPORATION BY REFERENCE**

- a. *Identify any documents related to the Agreement and being incorporated by reference into this agreement*
- b. *Include lists of conditions, schedules of completion, imposition of dedications, impact fees and development plans and specifications.*

**27. SUBSIDIARY OF COLLATERAL AGREEMENTS**

- a. *Identify additional agreements relating to the project from any nonparty agencies or persons.*

## OUTLINE FOR A JOINT GOVERNMENT AGREEMENT

Joint Government Agreements permit local governments to join in providing constituent services. In the Joint Government Agreement, the roles and responsibilities of the participating local governments are established. The agreement details the "who," "what," "when," and "where" of the activity to be undertaken together. The following outlines the general elements to be incorporated into a Joint Government Agreement.

1. DEFINITIONS
  - a. List all technical terms used in the agreement.
  - b. Define technical and scientific terms used in the agreement.
2. PARTIES/AUTHORITIES
  - a. Provide an explanation of the need for the agreement and what it is going to provide, be broad to allow for flexibility as the project evolves.
    - i. Solid waste transportation, pickup, landfill construction and operation, recycling as appropriate.
  - b. List the parties who are participating in the agreement.
  - c. List the parties' authorities to enter into the agreement.
  - d. Cite legal authorities used to enter into the agreement, such as state authorizations. AS 29.35.010 and Article X, Section 13 Alaska Constitution.
3. PROPERTY
  - a. Identify any property to be purchased.
  - b. Identify any property to be shared.
4. INTENT OF THE PARTIES
  - a. Clearly state that the parties are bound by the agreement.
5. RECITATION OF CONTRACTURAL TERMS
  - a. Clearly recite the terms of the duties and obligations each party receives from the other.
  - b. Clearly recite the terms of the duties and obligations that each party is providing to each other.
6. PUBLIC NOTICE
  - a. Identify if a public hearing is required.
  - b. State the date of the hearing <sup>1</sup>.
7. APPLICABLE REGULATIONS
  - a. Identify any state regulations that the project will be subject to <sup>2</sup>.
  - b. Identify any local government ordinances.
8. APPROVAL AND PERMIT REQUIREMENTS
  - a. List all approvals being required.
  - b. List permit requirements.
9. DEDICATIONS AND RESERVATIONS
  - a. Provide a statement of all reservations or dedications of lands, if applicable.
  - b. List any other reservations the parties have agreed to.

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<sup>1</sup> This would be a requirement under the ordinances of one of the participating local governments as there is no requirement in the state statute.

<sup>2</sup> For this project this is the pertinent sections of 18 AAC 60

10. DURATION OF THE AGREEMENT
  - a. Identify a termination date for the project as a whole.
  - b. Identify commencement and completion dates for various phases as applicable.
  - c. Include a statement that the termination date can be extended by mutual agreement and that commencement and completion dates can be extended at the discretion of the parties.
11. AMMENDMENTS, CANCELLATIONS OR TERMINATION
  - a. Identify the conditions by which the agreement can be amended, canceled or otherwise terminated.
  - b. Note that parties can only terminate the agreement under the circumstances spelled out in the agreement
12. PERIODIC REVIEW
  - a. Provide for periodic reviews in order to determine compliance with the agreement.
  - b. Specify who is responsible for reviews.
  - c. Identify procedures for dealing with situations in which minor and major noncompliance issues are discovered.
13. REMEDIES
  - a. Identify remedies for breach on the part of any party to the agreement.
14. ENFORCMENT
  - a. Specify that the agreement shall be enforceable, unless lawfully terminated or cancelled by any party to the agreement or any party's successor notwithstanding any subsequent changes in applicable law adopted by the parties that alters or amends the laws, ordinances, resolutions rules or policies frozen by the agreement.
15. HOLD HARMLESS CLAUSE
  - a. If the parties agree, the agreement should contain a clause holding each other harmless from liability from damages, injury or death that may arise from the direct or indirect operations of the parties carrying out the terms of the agreement.
16. INSURANCE BONDS
  - a. Identify any insurance coverage required and/or secured by any party of the agreement affecting any aspect of the project.
  - b. Identify existing bonds in detail, as well as bonds required by the agreement.
  - c. Cite applicable ordinances related to bond requirements.
17. SEVERABILITY CLAUSE
  - a. Identify the provisions of the agreement that are severable, if there are any.
  - b. Identify any severability limitations.
18. MERGER CLAUSE
  - a. Specify that the terms of the agreement as stated in the written document are a final and complete expression of the parties' intentions.
19. STATEMENT OF INCORPORATION BY REFERENCE
  - a. Identify all documents related to the agreement and incorporated into the agreement by reference.
  - b. Include lists of conditions, schedules of completion, imposition of dedications, impact fees and development plans and specifications.
20. COOPERATION
  - a. Identify the extent to which the parties will cooperate in their efforts to carry out the terms of the agreement.

21. SUBSIDIARY OF COLLATERAL AGREEMENTS

- a. Identify additional agreements relating to the project from any nonparty agencies or persons.

## OUTLINE FOR AN AUTHORITY CREATED UNDER A JOINT GOVERNMENT AGREEMENT

The following outline's the elements to be incorporated in an agreement establishing a new authority, if needed, to oversee the tasks and responsibilities established in the Joint Government Agreement.

1. **PURPOSE** - describe what the authority is to do i.e. provide regional solid waste transportation, solid waste pickup, landfill construction and operation and or recycling as appropriate. Be flexible in description to allow for some evolution of the project.
2. **ESTABLISHMENT OF THE AUTHORITY** - clearly state that the authority is being established - AS 29.35.010 and Article X, Section 13 Alaska Constitution.
3. **MEMBERSHIP** - describe the membership of the governing body and how members join.
  - a. Decide if there is to be a critical mass clause that states that no parties are bound unless and until at least "X" other potential parties also join in.
  - b. Are there to be alternate roles such as non voting member, customers
  - c. Describe who can't participate.
4. **VOTES** - determine how many votes each member/community will have. Determine if each community will have one vote or if communities with larger populations and thus a greater contribution of solid waste will have more than one vote. Determine if the community hosting the landfill, if there is one, will have more than one vote.
5. **QUORUM** - determine what constitutes a quorum for conducting business.
6. **TERMS OF OFFICE** - determine the length of each member's term in office.
7. **ALTERNATES** - describe how many and how they are to be empowered.
8. **OFFICERS OF THE AUTHORITY BOARD** - describe who the officers are, how they are elected and what their responsibilities are.
9. **MEETINGS** - determine how often and where meetings of the authority are to occur.
10. **POWERS AND FUNCTIONS**- describe the powers given to the authority such as:
  - a. Acquisition, assumption and management of facilities, such as a landfill and solid waste transportation system.
  - b. Planning, construction of facilities such as a landfill
  - c. Preparation of plans,
  - d. Establishment of rates, fees, charges and surcharges,
  - e. Granting of franchises, concession, licenses and other rights and entitlements,
  - f. Exercise of power of eminent domain to acquire and dispose of property if applicable,
  - g. Ability to apply for and receive grants,
  - h. Ability to issue revenue bonds or other obligations,
  - i. Ability to adopt by-laws,
  - j. Ability to obtain permits.
  - k. Describe what the entity cannot do.
11. **ASSUMPTION OF PROGRAM RESPONSIBILITIES** - explain if the authority is taking responsibility for management of any assets.
12. **BUDGETS** - describe the budgetary process for the authority.
13. **RATES** - describe the process of rate setting if applicable. Determine if the landfill host community receives any benefits when rates are set.
14. **LIMITATION OF LIABILITY** - state that the debts, liabilities or obligations of the authority do not constitute the debts, liabilities or obligations of the communities participating. Discuss the liability of waste transporters, if transporters, are not the authority.

15. **LAND USE RESTRICTIONS** - describe any land use issues associated with actions of the authority, if applicable.
16. **TERMS AND WITHDRAWAL** – describe the terms of the authority and how a party can withdraw if possible.
17. **TERMINATION OF THE AUTHORITY** - describe how and when the authority can be terminated.
18. **DISPOSITION OF AUTHORITY ASSESSTS AND LIABILITIES UPON TERMINATION** – describe what happens to holdings and obligations when the authority is terminated.
19. **AMENDMENTS** - describe how the agreement can be amended.
20. **RESTRICTIONS OF AUTHORITY** – describe if this agreement restricts or alters any of the parties' authorities.
21. **DEFINTIONS** – define all the terms used in the agreement.
22. **EFFECTIVE DATE**- establish the date the agreement becomes effective.

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MEMORANDUM

TO: Rollo Pool, Executive Director, Southeast Conference  
FROM: David A. Lawrence  
SUBJECT: Legal Review – Solid Waste Regional Entity Project  
DATE: July 20, 2005

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Southeast Conference ("SEC") retained this law firm to provide legal review and analysis of several issues related to the formation of a new entity to plan and provide solid waste transportation, processing, recycling, and disposal services in Southeast Alaska, which also could be a model for similar organizations elsewhere in the State. This Memorandum constitutes our report to SEC.

First, it discusses the choice of form for the entity, building upon the work already performed by Ecology & Environment, Inc. ("E&E"). Second, it discusses two outlines related to a joint government agreement. Third, it discusses the possible need for statutory or regulatory changes to accommodate the recommended form(s) for the new organization. Finally, it renders an opinion on the potential legal liability of members of the new solid waste entity.

We appreciate the opportunity to work with SEC in this important project, and would be pleased to provide additional assistance in any way we can in future phases of this and other regional development initiatives.

Scope and Assumptions

We have reviewed the documents provided by SEC on this topic, including the June 2, 2005, memorandum from Stephanie Pingree of E&E and the attached Entity Matrix

("E&E Memo"), and the outlines for an agency created under a joint government agreement and for a joint government agreement. In addition, we have reviewed Alaska statutes and case law related to key issues, including: liability of participants, owners, or members of various types of entities; the ability of unorganized or unincorporated government entities to participate in joint government agreements; and existing statutes for entities such as port authorities. We have not attempted to replicate the work already done by E&E, such as a survey of approaches taken in other parts of the country to coordinate solid waste programs on a regional basis.

We have assumed for purposes of our analysis that the primary participants in a new solid waste entity will be local units of government, and not private businesses or other non-government entities. A parallel assumption is that new entity needs to be qualified to receive a variety of state and federal grants to fund the planning and implementation of new solid waste transportation, treatment, and disposal projects. We also have assumed that the potential range of activities for a regional solid waste entity are very broad, and that one of its purposes will be to explore the feasibility of a wide range of coordinated services that could be provided both to its members and to non-members. Finally, we have assumed that services related to solid waste could be provided by the new entity to members and non-members under separate service contracts.

### Choice of Entity

The choice of form for a new organization is highly dependant on the nature of the participants, their reasons for associating, and the activities they plan to pursue. The E&E matrix sets out some of the many considerations that underlie the choice. We believe that the overall recommendations of E&E as discussed in the E&E Memo are correct, though we have additional thoughts and concerns on the topic.

**Business Corporation.** This is not the recommended form for several reasons, including taxability of income, disqualification for grants, and the general requirement that returns must be proportional to dollar investment. If the participants were primarily private parties involved in the solid waste industry for profit, this would a possible form to use, though even then an LLC would be the better choice.

**Nonprofit Corporation.** Nonprofits are often used for charitable, educational and community purposes, but typically not for carrying out proprietary government functions such as solid waste collection and disposal. It may not qualify for tax exempt status (which is a very separate issue from non-profit status under state law), and if such an entity did not qualify, it would have the same tax drawback as a business corporation without the advantage of being well-designed to raise capital through issuing equity and

debt instruments. Since the new entity may be supported partly with debt financing, this is not an attractive choice.

**Limited Liability Company.** If the participants in the enterprise were going to be primarily private parties and not government entities, we would recommend this form. The reason is that it provides the liability shield of a corporation with the pass through taxation feature of a partnership (avoiding company-level taxes and allowing tax exempt members to avoid all income taxes). It also provides the maximum freedom to those forming the company to specify who invests, controls, and shares in any distributions. For example, there an LLC provides the flexibility to have different percentages of initial funding, voting control, and entitlement to distributions, in whatever way works best for the members. The members can manage the company themselves or through one or more managers who may or may not be members. However, if the solid waste entity is not in business for profit and wants to qualify for government grants to the maximum extent possible, this would not be the best choice.

**Cooperative Corporation.** The cooperative form has most of the good and bad points of the LLC. One advantage may be that if a cooperative is formed, it may be possible to get at least limited funding from the federal government for forming and operating the cooperative. This appeared to be a strong consideration of SEC in using this form for the new intertie entity. Two disadvantages are a requirement that every member be allowed an equal vote, even if their sizes, investments, and purchases of services are very different, and the requirement that to be a member one must contract for services from the cooperative. While it may be that eventually all of the communities in Southeast will purchase services from a solid waste entity, at first there will be few, if any, services, so many communities would be barred from membership, which could detract from their interest in participating at all.

**General Partnership.** This option was not discussed in the E&E Memo. From a legal standpoint, it would be very similar to an agency created by contract, which was discussed by E&E. The advantage is great flexibility regarding ownership and sharing of benefits. There are, however, two significant drawbacks. The first is that typically all of the members are also co-equal managers of the daily operations, so there is a potential lack of focused management. The second is that it provides no liability protection to the members for claims and liabilities of the partnership – there is joint and several liability. In a worst case this means that if there are ten partners and nine are insolvent, the tenth is liable for 100% of the partnership obligations. This concern is discussed further below under the Joint Government Agreement section.

**Limited Partnership.** The benefits and detriments for this form of organization are similar to the LLC. It has the additional drawback, however, of the unlimited liability

of the one or more general partners. That is why the general partner of an LP is typically a corporation formed to serve as the general partner, so its corporate status protects its ultimate owners from liability for the organizations debts. The E&E Memo observes that most participants will not be satisfied with the necessarily passive management role of the limited partners, though that may not turn out to be true if their main concern is having an entity to provide them services. If the job is being done well, they may not feel a strong need to have a major management role. On the other hand, it is not likely that they will want to take on the significant liability of a general partner in order to play the managing role of a general partner. That is why an LLC would be the better choice between the two. As discussed above, however, unless the solid waste entity will have significant non-government members, the LLC form is not the best choice either.

**Federation and Commission.** As described in the E&E Memo, a federation is essentially like a port authority, with specific enabling legislation and purposes. We do not view it as a materially different option. From the brief discussions, it appears that E&E viewed a commission to be something like the Federal Communications Commission. SEC is undoubtedly familiar with a variety of governmental agencies with regulatory and rulemaking powers. There already is an Alaska agency which oversees solid waste, DEC, yet it is not constituted to undertake the kinds of initiatives and projects envisioned by the SEC for solid waste in the region. Therefore, we do not believe a commission as described in the E&E Memo is advisable for the solid waste entity.

**Joint Government Agreement.** While we agree for the most part with the E&E discussion of the joint government agreement option, we do not believe it is as good a form as the use of an authority created under specific enabling legislation. We note E&E's concern about the potential difficulty of having an unincorporated municipality involved in ownership and control. However, this may not be the problem it first appears because an unorganized or unincorporated government entity, while not specifically mentioned in AS 29.35.010, may be considered "local government" under Art. X, Sec. 13 of the Alaska Constitution. There are, though, two other serious concerns we have about using a joint government agreement. First, a non-government entity could not be a party to the agreement because, under both the statute and Constitution, this kind of agreement may only be made among government units (while the enabling legislation for an authority could allow for participation of at least a minority number of non-government units). The second reason is that a joint government agreement, absent some special legislation, will not provide limitations on liability of the parties for the liabilities and debts of the entity. The legal status of a joint agreement is akin to a general partnership. The parties by agreeing among themselves that they will limit their liability cannot bind or curtail the right of third parties, be they creditors, persons injured at a solid waste disposal site, or landowners whose groundwater is claimed to be contaminated by

operation of a solid waste facility. While there are some statutory limitations on liability exposure of government subdivisions, such as those found in AS 9.65.070, the activities of a solid waste entity would for the most part not come under the scope of that protection. As a consequence, other than operating to minimize risk and maintaining generous insurance coverage, the municipal parties could all be jointly and severally liable for the entity's debts and obligations. Since there are many potential large liabilities in operating solid waste facilities, including pollution fines, personal injuries, property damage, service contract violations, and employment-related claims, we believe participating units of government will be better served, and will be more eager to participate, if they did not take on unlimited liability. This seems to be more important than the advantage of not requiring new legislation, though it is a judgment call to be made by the potential participants.

**Authority.** The E&E Memo did not find any drawbacks for the use of a statutorily constituted authority serving as the solid waste entity, other than the obvious point that it would require new legislation. The existing legislation for other kinds of authorities is far too limiting to be used for a solid waste entity. Since there are good statutory models to follow, unless there is some particular political opposition to enabling legislation that would all

## Anticipated Participants via Teleconference

Wrangell LIO  
Petersburg LIO  
Anchorage LIO  
Sitka LIO

Various participants via the bridge.

**HB**

**398**

# FISCAL NOTE

**STATE OF ALASKA**  
**2006 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HB398  
 () Publish Date: 2/13/2006

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
 Title An Act relating to State Mineral Resource Rev./ RDU Taxation and Treasury  
 Municipal Aid \_\_\_\_\_ Component Treasury Division  
 Sponsor Representative Moses  
 Requester \_\_\_\_\_ Component No. \_\_\_\_\_

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2006) cost: 0.0  
 Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

HB398 creates a new account in the Department of Revenue, Treasury Division, called the state mineral lease assistance special revenue fund. The legislature may appropriate money from the fund to pay state aid to a municipality. There will not be any incremental management fees to manage these funds; hence, the zero fiscal note.

Prepared by: Susan M. Taylor, Comptroller Phone 907-465-2352  
 Division Treasury Date/Time 2/13/2006; 11:55 am  
 Approved by: Tom Boutin, Deputy Commissioner Date 2/13/2006; 1:05 pm  
 Agency Department of Revenue

**Representative Carl E. Moses, House District 37**  
**(907) 465-4451**

**SPONSOR STATEMENT / SECTIONAL ANALYSIS**

**HB398 – State Mineral Lease Assistance Special Revenue Fund**

The establishment of a State mineral lease assistance special revenue fund would aid municipalities that are incurring start-up expenses associated with natural resource development. The intent of the bill is to provide relief to municipalities for effects incurred in areas that have had little or no resource extraction activities within or close to their boundaries.

Any grants rewarded from the new fund would be used to counter effects within the municipality that are directly related to the new exploration or development activities.

**BILL SECTION 1:** Establishes the State mineral lease assistance special revenue fund as a separate fund in the general fund. Sets the rules for when the legislature could appropriate money from the fund to municipalities as well as the criteria for which municipalities would qualify. Grants are to be used to offset effects from exploration or development activities and proceeds may only be used for specific purposes. Limits grants to a municipality to five consecutive state fiscal years.

**BILL SECTION 2:** Establishes separate accounting for land application filing fees, licenses and license fees, lease fees, and other money received, except royalties, and deposits that money into the State mineral lease assistance special revenue fund.

**BILL SECTION 3:** Establishes the mineral receipts account in the general fund. Deposits to the account consist of ten percent of the revenue derived from Bill Section 2. Clarifies that the legislature may appropriate money deposited into the account for any other public purpose.

**BILL SECTION 4:** Sets the effective date at July 1, 2006.

# FISCAL NOTE

**STATE OF ALASKA**  
**2006 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HB 398  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Commerce  
 Title State Mineral Resource Rev/Municipal Aid RDU Comm Assist & Ec Dev (405)  
 Component Community Advocacy  
 Sponsor Moses  
 Requester Community & Regional Affairs Component No. 2703

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services	32.0	32.0	32.0	32.0	32.0	32.0
Travel	5.0	5.0	5.0	5.0	5.0	5.0
Contractual						
Supplies						
Equipment	2.0					
Land & Structures						
Grants & Claims	280.0	280.0	280.0	280.0	280.0	280.0
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>319.0</b>	<b>317.0</b>	<b>317.0</b>	<b>317.0</b>	<b>317.0</b>	<b>317.0</b>

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

1002 Federal Receipts						
1003 GF Match						
1004 GF	39.0	37.0	37.0	37.0	37.0	37.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Special Rev. Fund to be set up)	280.0	280.0	280.0	280.0	280.0	280.0
<b>TOTAL</b>	<b>319.0</b>	<b>317.0</b>	<b>317.0</b>	<b>317.0</b>	<b>317.0</b>	<b>317.0</b>

Estimate of any current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

Full-time	0.5	0.5	0.5	0.5	0.5	0.5
Part-time						
Temporary						

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

This legislation establishes a state mineral lease assistance special revenue fund and provides for the department to use these funds, and appropriations from other sources, to pay state aid to municipalities located in certain areas that are reasonably likely to be affected by exploration or development activities in the area.

The Division of Natural Resources anticipates about \$2.8 million to be generated by leases of which 10%, \$280.0 would be available for grants. No other appropriations are estimated. The division would need a .5 FTE Grants Administrator II to administer this program.

Prepared by: Mike Black, Director  
 Division: Community Advocacy  
 Approved by: William C. Noll, Commissioner  
 Agency: Commerce, Community and Economic Development

Phone 907.269.4535  
 Date/Time 2/13/06 4:44 PM  
 Date 2/13/2006

# FISCAL NOTE

**STATE OF ALASKA**  
**2006 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HB 398  
 (j) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): 2/14/2006 at 7:45 am Dept. Affected: Commerce  
 Title State Mineral Resource Rev/Municipal Aid RDU Comm Assist & Ec Dev (405)  
 Component Community Advocacy  
 Sponsor Moses  
 Requester Community & Regional Affairs Component No. 2703

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services	32.0	32.0	32.0	32.0	32.0	32.0
Travel	5.0	5.0	5.0	5.0	5.0	5.0
Contractual						
Supplies						
Equipment	2.0					
Land & Structures						
Grants & Claims	1,994.3	1,994.3	1,994.3	1,994.3	1,994.3	1,994.3
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>2,033.3</b>	<b>2,031.3</b>	<b>2,031.3</b>	<b>2,031.3</b>	<b>2,031.3</b>	<b>2,031.3</b>

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

1002 Federal Receipts						
1003 GF Match						
1004 GF	39.0	37.0	37.0	37.0	37.0	37.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Special Rev. Fund to be set up)	1,994.3	1,994.3	1,994.3	1,994.3	1,994.3	1,994.3
<b>TOTAL</b>	<b>2,033.3</b>	<b>2,031.3</b>	<b>2,031.3</b>	<b>2,031.3</b>	<b>2,031.3</b>	<b>2,031.3</b>

Estimate of any current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

Full-time	0.5	0.5	0.5	0.5	0.5	0.5
Part-time						
Temporary						

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

This legislation establishes a state mineral lease assistance special revenue fund and provides for the department to use these funds, and appropriations from other sources, to pay state aid to municipalities located in certain areas that are reasonably likely to be affected by exploration or development activities in the area.

The Department of Natural Resources anticipates about \$1,994.3 would be available for grants. The division would need a .5 FTE Grants Administrator II to administer this program.

Prepared by: Mike Black, Director  
 Division: Community Advocacy  
 Approved by: William C. Noll, Commissioner  
 Agency: Commerce, Community and Economic Development

Phone 907.269.4535  
 Date/Time 2/14/06 7:44 AM  
 Date 2/14/2006

AMENDMENT #1

OFFERED IN THE HOUSE

BY REPRESENTATIVE

TO: HB 398

1 Page 3, line 23, following "activities":

2           Insert "and activities involving discovery and the right to prospect for and develop  
3 minerals".

4

5 Page 3, line 24:

6           Delete "that are described in AS 38.05.035(a)(10)"

7           Insert "under this chapter that are identified in AS 37.05.535(b)"

# FISCAL NOTE

**STATE OF ALASKA**  
**2006 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
Bill Version: HB398-DNR-CP&L-02-14  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Natural Resources  
Title STATE MINERAL RESOURCE REV./ RDU Resource Development  
MUNICIPAL AID Component Claims, Permits and Leases  
Sponsor Rep. Moses  
Requester (H) CRA Component No. 2460

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

This legislation adds revenues from licenses, license fees, lease fees, and other money received, except royalties, to the revenues for which must DNR account under AS 38.05.035(a)(10). The legislation also requires DNR to deposit ten percent (10%) of the revenue derived as fees, charges and miscellaneous receipts from the location, license, or lease activities on state land into a newly created Mineral Receipts Account.

For the purposes of this fiscal note it is assumed that the sources for the identified revenues are coal leases under AS 38.05.150, mineral leases under AS 38.05.145 and rights to deposits of minerals under AS 38.05.185 - 38.05.275, and do not include revenues from other types of surface estate leases under Title 38.

Prepared by: Dick Mylius, Acting Director Phone 269-8625  
Division: Mining, Land & Water Date/Time 2/13/2006  
Approved by: Michael Menge, Commissioner Date 2/14/2006  
Agency: Natural Resources

**FISCAL NOTE**

**STATE OF ALASKA  
2006 LEGISLATIVE SESSION**

**BILL NO. Natural Resources**

**ANALYSIS CONTINUATION**

In FY05 the Division of Mining, Land & Water (ML&W) took in approximately \$2.8 million in fees, charges and miscellaneous receipts from the mineral location, license and lease activities on state land. Under this legislation 10% of that amount, or \$280,000, would have been deposited into mineral receipts account. This revenue stream is greatly dependent on metal prices which have fluctuated greatly in recent years. As ML&W cannot forecast future metals price and thus income from mining activities, for purposes of this fiscal note receipts are assumed to be level through FY12.

**HB**

**429**



## Representative Eric Croft

### Memorandum

TO: Representative Kurt Olson  
Representative Bill Thomas, Co-Chairs  
House Community & Regional Affairs Committee

FROM: Representative Eric Croft *ECF for ECC*

DATE: February 8, 2006

RE: Hearing Request, HB 429

---

Please schedule HB 429 for a hearing in the House Community and Regional Affairs Committee at your earliest convenience. I have attached a sponsor statement, sectional analysis, and a copy of the bill.

Thank you.



## Representative Eric Croft

### Sponsor Statement

*HB 429 – An Act reestablishing the Department of Community and Regional Affairs; relating to the Department of Commerce, Community, and Economic Development and to the membership of various boards and commissions; and providing for an effective date.*

HB 429 splits the department of Commerce, Community, and Economic Development into separate departments of Commerce & Economic Development and Community & Regional Affairs.

The bill would reverse the 1999 merger authorized by HB 40. Proponents at the time believed the merger would save administrative costs and a handful of commissioner's office staff, without eliminating programs or services. Opponents believed it would eliminate a commissioner that largely served rural Alaskan needs, and would marginalize rural programs.

The sponsor believes the original purpose of DCRA has been undermined. The mission of protecting and advancing rural Alaska is lost in the combined department. Article 10, Section 14 of Alaska's constitution calls for "an agency...to advise and assist local governments." This is the only executive agency specifically mandated by the constitution, and it deserves to be met with a department of its own.

The needs of Alaska's communities are too important and deserve a spokesman of their own in the cabinet. The loss of the municipal revenue sharing program is one symptom of diminished influence of communities.

# FISCAL NOTE

**STATE OF ALASKA**  
**2006 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HB 429  
 () Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Commerce  
 Title Restore DCRA and DCED RDU Executive Admin & Dev  
 Component Executive Admin & Dev  
 Sponsor Croft, Kapsner, Kerntula  
 Requester Community & Regional Affairs Component No. 1028

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services	(331.6)					
Travel	0.0					
Contractual	(5.0)					
Supplies	(2.0)					
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>(338.6)</b>					

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

1002 Federal Receipts						
1003 GF Match	(338.6)	0.0	0.0	0.0	0.0	0.0
1004 GF						
1007 I/A Rcpts						
1061 CIP Rcpts						
Other						
<b>TOTAL</b>	<b>(338.6)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2006) cost: 338.6

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

Full-time	4					
Part-time						
Temporary						

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

This legislation re-establishes the Department of Community & Regional Affairs. It does not appear to impact the organization or location of Alaska Energy Authority programs. Costs in this fiscal note represent the loss of three administrative services positions in the Division of Administrative Services and one deputy commissioner.

Prepared by: Sam Thomas, Director  
 Division: Administrative Services  
 Approved by: William C. Noll, Commissioner  
 Agency: Commerce, Community, and Economic Development

Phone 907.465.2506  
 Date/Time 3/20/06 2:36 PM  
 Date 3/20/2006

# FISCAL NOTE

**STATE OF ALASKA**  
**2006 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HB 429  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Commerce  
 Title Restore DCRA and DCED RDU Comm Assist & Ec Dev (405)  
 Component Community Advocacy  
 Sponsor Croft, Kapsner, Kerttula  
 Requester Community & Regional Affairs Component No. 2703

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services	(4,528.9)					
Travel	(371.6)					
Contractual	(1,672.2)					
Supplies	(64.0)					
Equipment	(14.0)					
Land & Structures	0.0					
Grants & Claims	(2,602.9)					
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>(9,253.6)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

1002 Federal Receipts	(2,679.2)					
1003 GF Match	(691.2)					
1004 GF	(3,697.3)					
1007 I/A Rcpts	(1,292.2)					
1061 CIP Rcpts	(625.0)					
Other	(268.7)					
<b>TOTAL</b>	<b>(9,253.6)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2006) cost: 13,087.2

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

Full-time	53.0					
Part-time						
Temporary						

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

This legislation re-establishes the Department of Community & Regional Affairs. The functions and budget for the Division of Community Advocacy (based on the Governor's FY07 request) would be transferred to the new department.

Prepared by: Sam Thomas, Director  
 Division Administrative Services  
 Approved by: William C. Noll, Commissioner  
 Agency Commerce, Community, and Economic Development

Phone 907.465.2506  
 Date/Time 3/20/06 2:27 PM  
 Date 3/20/2006

# FISCAL NOTE

**STATE OF ALASKA**  
**2006 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HB 429  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Governor  
 Title Restore DCRA and DCED RDU \_\_\_\_\_  
 Component \_\_\_\_\_  
 Sponsor Croft, Kapsner, Kerttula  
 Requester Community & Regional Affairs Component No. New

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services	4,528.9					
Travel	371.6					
Contractual	1,672.2					
Supplies	64.0					
Equipment	14.0					
Land & Structures	0.0					
Grants & Claims	2,602.9					
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>9,253.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

1002 Federal Receipts	2,679.2					
1003 GF Match	691.2					
1004 GF	3,697.3					
1007 I/A Rcpts	1,292.2					
1061 CIP Rcpts	625.0					
Other	268.7					
<b>TOTAL</b>	<b>9,253.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2006) cost: 13,087.2

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

Full-time	53.0					
Part-time						
Temporary						

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

This legislation re-establishes the Department of Community & Regional Affairs. The functions and budget for the Division of Community Advocacy (based on the Governor's FY07 request) would be transferred from the Department of Commerce, Community, and Economic Development to the new department.

Prepared by: Jack Kreinheder, Senior Analyst  
 Division: Office of Management and Budget  
 Approved by: Cheryl Frasca, Director  
 Agency: Office of Management and Budget

Phone 465-4676  
 Date/Time 3/20/06 12:42 PM  
 Date 3/20/2006

# FISCAL NOTE

**STATE OF ALASKA**  
**2006 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HB 429  
 () Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Governor  
 Title Restore DCRA and DCED RDU \_\_\_\_\_  
 Component \_\_\_\_\_  
 Sponsor Croft, Kapsner, Kerttula  
 Requester Community & Regional Affairs Component No. \_\_\_\_\_

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services	1,255.7	1,255.7	1,255.7	1,255.7	1,255.7	1,255.7
Travel	50.0	50.0	50.0	50.0	50.0	50.0
Contractual	350.0	200.0	200.0	200.0	200.0	200.0
Supplies	20.0	20.0	20.0	20.0	20.0	20.0
Equipment	90.0	25.0	10.0	10.0	10.0	10.0
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>1,765.7</b>	<b>1,550.7</b>	<b>1,535.7</b>	<b>1,535.7</b>	<b>1,535.7</b>	<b>1,535.7</b>

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

1002 Federal Receipts						
1003 GF Match						
1004 GF	1,765.7	1,550.7	1,535.7	1,535.7	1,535.7	1,535.7
1007 I/A Rcpts						
1061 CIP Rcpts						
Other						
<b>TOTAL</b>	<b>1,765.7</b>	<b>1,550.7</b>	<b>1,535.7</b>	<b>1,535.7</b>	<b>1,535.7</b>	<b>1,535.7</b>

Estimate of any current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

Full-time	11	11	11	11	11	11
Part-time						
Temporary						

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

This legislation re-establishes the Department of Community & Regional Affairs. This legislation does not appear to impact the organization or location of Alaska Energy Authority programs. Costs in this fiscal note provide for the establishment of a commissioner's office and a division of administrative services, and for the costs of detaching services from the current department.

Personal Services: Funds for 11 positions ranging from commissioner, deputy commissioner and division director, to administrative support positions for budget, supply, procurement, information technology, accounting and clerical functions.

Travel: Funds to provide support, training, and other services to residents of rural Alaska.

Contractual: Funds to provide for Dept of Administration chargebacks (personnel, IT, travel and rent) and other contractual agreements including but not limited to legal services. Includes \$150.0 in FY 07 for moving and space configuration costs.

Equipment: Funds for new equipment (desks, computers, etc) and for Information Technology platforms necessary to support department functions.

Prepared by: Jack Kreinheder, Senior Analyst  
 Division: Office of Management and Budget  
 Approved by: Cheryl Frasca, Director  
 Agency: Office of Management and Budget

Phone 465-4676  
 Date/Time 3/20/06 12:25 PM  
 Date 3/20/2006

**CITY OF ALEKNAGIK**  
P.O. Box 33, MAIN STREET  
ALEKNAGIK, ALASKA 99555-0033  
PHONE: 907-842-2953 OR 842-2528  
FAX: 907-842-2107  
EMAIL: [alekn@alekn.net](mailto:alekn@alekn.net)

March 29, 2006

RE: Re-Creating the Department of Community and Regional Affairs (DCRA)

To Whom It May Concern:

The Council of the City of Aleknagik is in support of Representative Eric Croft's proposal to recreate DCRA.

The City of Aleknagik is in support of reversing the 1999 merger of the Department of Commerce and Economic Development (DCEED) and DCRA.

An agency like DCRA is the only agency mandated by the Alaska constitution (Article 10, Section 14). This agency is to advise and assist local governments. The current agency reduces vital services to the local governments, and takes away its voice through a commissioner dedicated to community issues. Local governments need a commission to work toward the reinstating the revenue sharing, energy assistance, and power cost equalization.

The City of Aleknagik urges favorable consideration of Representative Eric Croft's proposal to recreate DCRA.

Sincerely,



Berna Andrews  
Mayor



P.O. Box 19110  
Thorne Bay, AK 99919  
Tel: 907-828-3380  
Fax: 907-828-3374  
Email: cityoftb@aptalaska.net

## City of Thorne Bay

February 13, 2006

Representative Eric Croft  
#400 State Capitol Building  
Juneau, AK 99801  
croft@akdemocrats.org  
Phone: 907-465-4998 Fax: 907-465-4419

Re: Press Release February 7, 2006/Introduction of HB 429

Dear Representative Croft,

Thank you for introducing HB 429, reestablishing the Department of Community & Regional Affairs, in an effort to restore an important voice for rural Alaska.

I believe the combining of the departments has undervalued rural issues and takes away our important voice on the cabinet. This is an important "first" step toward restoring a much needed community revenue sharing program. Thank you again for your effort to protect the advancement of Thorne Bay and other rural communities in Alaska.

I will be sending letters of support to the first committee to hear HB 429 (co-chaired by Representatives Kurt Olson and Bill Thomas). Let me know if there's anything else I can do to support the success of this bill.

You can leave a message for me at the number above or speak to me directly (daytime phone) at 907-828-3254. Also, feel free to contact me via e-mail: [jisom@sisd.org](mailto:jisom@sisd.org)

Thank you,

Julie Isom  
Mayor  
City of Thorne Bay

Ken Alper

---

**From:** Rep. Eric Croft  
**Sent:** Wednesday, February 08, 2006 3:05 PM  
**To:** Ken Alper  
**Subject:** FW: Bill to re-create Department of Community & Regional Affairs

---

**From:** Tom Hoblet [mailto:ghthwd@gci.net]  
**Sent:** Wednesday, February 08, 2006 2:53 PM  
**To:** Rep. Eric Croft  
**Subject:** Re: Bill to re-create Department of Community & Regional Affairs

Dear Rep. Croft,

The City of False Pass is in full support of HB 429, and the reinstatement of revenue sharing for rural communities. I want to thank you for looking out for our interests. sincerely, Tom Hoblet Mayor City of False Pass.

**Ken Alper**

---

**From:** Rep. Eric Croft  
**Sent:** Wednesday, February 08, 2006 3:10 PM  
**To:** Ken Alper  
**Subject:** FW: \*\*\*\*\*SPAM\*\*\*\*\* RE: Bill to re-create Department of Community & Regional Affairs

---

**From:** Roy Eckert [mailto:RoyE@borough.ketchikan.ak.us]  
**Sent:** Wednesday, February 08, 2006 3:09 PM  
**To:** Rep. Eric Croft  
**Subject:** \*\*\*\*\*SPAM\*\*\*\*\* RE: Bill to re-create Department of Community & Regional Affairs

Dear Representative Croft,

I am the Borough Manager of the Ketchikan Gateway Borough, and I read with interest your e-mail.

Prior to coming to Alaska, I worked for the University of Tennessee in a department called the Municipal Technical Advisory Service, and we were mandated to advise and assist every city and town in the State (400 of them). Our services were provided at no charge to the communities, and we were funded by a very small percentage of the state sales tax. I think you would find their information extremely valuable as you progress in the formation of the proposed department, and I think you are hitting the needs of every Alaskan community fairly and openly, and I applaud your efforts.

If you would like information concerning what MTAS does, you can look at their web-site at the following link. It may or may not be of help to you, but it will be interesting reading. Thank you for your concern for the needs of the municipalities of the State. We need more of that.

<http://www.mtas.utk.edu/public/web.nsf/search/Home?Opendocument>

Sincerely

Roy Eckert  
Borough Manager  
Ketchikan Gateway Borough

Ken Alper

---

**From:** Roswell L. Schaeffer, Sr. [rschaeffer@nwabor.org]  
**Sent:** Tuesday, February 14, 2006 9:37 AM  
**To:** Ken Alper  
**Subject:** RE: Bill to re-create Department of Community & Regional Affairs

Ken: I would support Eric's bill. From a rural perspective, we have seen the negative impacts of Governor Murkowski's merger of certain programs. The missions of these two organizations are completely different. The mission of the Department of Commerce and Economic Development has completely overshadowed DCRA especially with the continual push to initiate resource development at the expense of a rural government focus Rural Alaska, in my opinion, has taken a back seat to Resource development and suffers now without a State advocate at the Commissioner level. I had predicted that by the end of 2006, our rural and small municipal governments will be bankrupt. At the beginning of 2006, most of our municipal governments in our borough are there already. I visited Noorvik last month and found that they had spent all of their municipal funds for the rest of the year on the sewer and water freeze up of most of their community. The next day I received a fax from the city of Selawik requesting funds in the amount of \$75,000, they too were operating in the red due to huge expenses in operating their above the ground sewer and water system. A state revenue sharing program, if approved by the legislature, will be too late for many of our communities. I suspect that many communities throughout rural Alaska would be in the same state of affairs. The other agencies that were merged and have very negative consequences for rural Alaska is the merging of F&G protection officers with the Alaska State Troopers. I've said enough.....have a good day. Roswell

Ken Alper

---

**From:** Rep. Eric Croft  
**Sent:** Wednesday, February 22, 2006 3:06 PM  
**To:** Ken Alper  
**Subject:** FW: HB429

---

**From:** City of Seldovia [mailto:cityofseldovia@yahoo.com]  
**Sent:** Wednesday, February 22, 2006 2:44 PM  
**To:** croft@akdemocrats.org  
**Subject:** HB429

Consider this a letter in support of HB429, to recreate the Dept. of Community & Regional Affairs.

As Mayor of the City of Seldovia, I greatly miss the help we received previously from the Department of Community & Regional Affairs. Small 1st class cities such as ours need all the help we can get for economic development, general assistance and just plain survival.

Respectfully,  
Dick Wyland  
Myor of City of Seldovia.

**Ken Alper**

---

**From:** Rep. Eric Croft  
**Sent:** Tuesday, February 07, 2006 1:48 PM  
**To:** Ken Alper  
**Subject:** FW: CROFT INTRODUCES BILL TO RESTORE DEPT. OF COMMUNITY AND REGIONAL AFFAIRS -- PRESS RELEASE

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**From:** John Doyle [mailto:parallel64@gci.net]  
**Sent:** Tuesday, February 07, 2006 1:47 PM  
**To:** Rep. Eric Croft  
**Subject:** RE: CROFT INTRODUCES BILL TO RESTORE DEPT. OF COMMUNITY AND REGIONAL AFFAIRS -- PRESS RELEASE

Hello Eric --

Thank you for putting this bill forward.

I thought it was very unwise to merge the two departments, as it seemed obvious that trying to combine straight-on economic tasks with the special complexities of Alaska's rural and community issues would not work. More than that, it seemed to me the (primarily urban) perceptions that drove the combination were ignorant of what was -- and is -- at stake in Alaska's bush.

As I grew up in the bush (Seward Peninsula), and have lived in a lot of places besides Alaska and the United States, I've seen these perceptions at work in many ways. Despite what are almost always good intentions, things always seem to end up costing the peripheries more than the centers.

If I can help, let me know.

Cheers -- John

---

John F. Doyle  
64th Parallel International LLC  
Anchorage, Alaska  
tel: +1 907 243 6954  
fax: +1 907 868 2930  
global knowledge <> local solutions

---

-----Original Message-----

**From:** Frank Ameduri [mailto:Frank\_Ameduri@legis.state.ak.us]  
**Sent:** Monday, 06 February, 2006 5:55 PM  
**To:** frank\_ameduri@legis.state.ak.us  
**Subject:** CROFT INTRODUCES BILL TO RESTORE DEPT. OF COMMUNITY AND REGIONAL AFFAIRS -- PRESS RELEASE

**Alaska State  
Legislature**

WEB: <http://www.akdemocrat.com>  
CONTACT: Representative Eric Croft  
PHONE: (907) 465-2222  
FAX: (907) 465-2222  
EMAIL: [croft@akdemocrat.com](mailto:croft@akdemocrat.com)



Representative Eric Croft

***HB 429 - An Act Reestablishing the Department of  
Community and Regional Affairs***

***Subject Sectional Analysis***

**Sections 1-22. Establish department**

AS 44.47, restores the core functions originally performed by the Department of Community and Regional Affairs (DCRA) to a new department by that name. AS 44.47 originally contained the statutes defining the role of DCRA until repealed by HB 40 in 1999. At that time, DCRA activities were divided among several departments with the bulk moving to the Department of Commerce and Economic Development (AS 44.33), which was renamed the Department of Community and Economic Development.

The bill repeals these same functions from AS 44.33; this is done in Sections 42-45.

**Section 23. Correct reference**

The reference in AS 09.65.170 refers to limited liability of certain directors and officers. Section re-points a definition to the new AS 44.47 language.

**Section 24-25. Workforce Investment Board membership**

AS 23.15, membership corrected from Commissioner of DCCED to Commissioner of DCRA. Project comments to be solicited from Commissioner of DCRA, not DCCED.

**Section 26-27. Correct references**

AS 29 refers to local boundary commission.

**Section 28. Correct reference**

AS 36.30 refers to contracts entered into with a regional development organization.

**Section 29. Correct reference**

AS 37.06 refers to capital project matching grant programs.

**Section 30. Correct reference**

AS 38.06 refers to membership of the Alaska Royalty Oil and Gas Development Advisory Board.

**Section 31. Correct reference**

Re-points reference to Local Boundary Commission in AS 39.50 to new AS 44.47 language.

**Section 32-35. Correct references**

Corrects department names throughout AS 44.

**Sections 36-40. Correct references**

Corrects department names throughout AS 46. References villages councils and regulations recognized by DCCED.

**Section 41. Correct reference**

AS 47.27 refers to cooperative agreements with DHSS for developing job programs for families eligible for public assistance

**Sections 42-45. Repeal statutes**

AS 44.33 contains the enabling statutes for DCCED, including functions previously done by DCRA. These sections repeal the "DCRA" specific language from the DCCED statutes. The language is re-created in AS 44.47 in sections 1-22 of the bill.

**Sections 46-47. Transitional provisions**

Ensures ongoing activities are uninterrupted.

**Sections 48-51. Revisor's instructions**

Ensures all references in statute to Commerce, Community, and Economic Development are corrected. Revisor of Statutes is instructed to correct certain chapters to read either "Community and Regional Affairs" or "Commerce and Economic Development."

**Sections 52-54. Effective date clause.**

**HB**

**478**



## REPRESENTATIVE BILL THOMAS

ALASKA STATE LEGISLATURE DISTRICT 5

e-mail: Representative.Bill.Thomas@legis.state.ak.us webpage: www.akreblicans.org/thomas/

State Capitol

Juneau AK, 99801-1182

907-465-3732

888-461-3732

FAX 907-465-2652

### SPONSOR STATEMENT HB 478

#### **"An Act relating to the municipal harbor facility grant program"**

For Alaskan coastal communities, harbors are their road to resources. Not only do they protect vessels from the ocean, harbors are critical transportation links and hubs of waterfront commerce that many businesses depend on. Over the past 10 years, the Department of Transportation has transferred ownership of state harbors to 22 municipalities around Alaska's coast. In many instances the state had neglected its responsibility for conducting major preventative maintenance on those harbors. Although funds accompanied the transfers, the funds were insufficient to bring the harbors up to safe and serviceable condition. Accordingly, when local harbormasters took over the budgeting for their facilities they inherited a major financial burden that their local governments could not afford.

In 2005 the Statewide Harbormasters Association met to find a solution to the approximately \$99,858,000 in needed repairs. They brought forward a proposal for a 50/50 matching grant program. That proposal is reflected in House Bill 478.

HB 478 establishes the Municipal Harbor Facility Grant Fund and a 50/50 capital matching funding program administered by the Department of Transportation. The bill sets out strict criteria to determine project eligibility. For example the application must be for a capital improvement project, not routine maintenance, which is considered a local responsibility, and the municipality must have the financial capability to maintain the harbor in the future. The bill prioritizes repair and major maintenance projects above other projects or new construction. Once a harbor facility receives funding under this program it will not be eligible for additional grants.

In order to access resources and continue to stimulate our economy, Alaskan harbors must be in good working order. The proposal brought forth by the harbormasters, embodied in HB 478, will set up a fair and reasonable state/local partnership to ensure that our harbors receive the funding they deserve.

**Contact: Ian Fisk, aide to Rep. Thomas, at (907) 465-3732**

## **LANGUAGE FOR CONCEPTUAL AMENDMENT**

p. 2, Line 17: after "grant;" add: "state funds shall not be used by a municipality as their matching funds for grants under this program"

**CS FOR HOUSE BILL NO. 478( )**

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

**TWENTY-FOURTH LEGISLATURE - SECOND SESSION**

**BY**

**Offered:**

**Referred:**

**Sponsor(s): REPRESENTATIVES THOMAS, Elkins, Wilson, LeDoux**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to the municipal harbor facility grant program; and providing for an**  
2 **effective date."**

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

4 **\* Section 1.** AS 29.60 is amended by adding new sections to read:

5 **Article 10. Municipal Harbor Facility Grant Program.**

6 **Sec. 29.60.800. Municipal harbor facility grant fund.** (a) There is  
7 established the municipal harbor facility grant fund consisting of money appropriated  
8 to the fund. Each fiscal year, the legislature may appropriate money to the fund from  
9 the watercraft fuel tax account (AS 43.40.010(f)) and from the fisheries business tax  
10 collected under AS 43.75.015 after payments to municipalities are made under  
11 AS 43.75.130. The legislature may make other appropriations to the fund. The  
12 legislature may appropriate to the fund income earned on money in the fund.

13 (b) Money appropriated to the municipal harbor facility grant fund may be  
14 expended by the Department of Transportation and Public Facilities for municipal

1 harbor facility grants without further appropriation. Money in the fund does not lapse  
2 and remains available for expenditure in successive fiscal years.

3 (c) Each fiscal year, the Department of Transportation and Public Facilities  
4 shall use an amount equal to at least 50 percent of the balance of the municipal harbor  
5 facility grant fund June 30 of the preceding fiscal year for municipal harbor facility  
6 grants.

7 **Sec. 29.6<sup>6</sup> 810. Grant applications.** A municipality that owns a harbor facility  
8 may submit to the Department of Transportation and Public Facilities an application  
9 for a municipal harbor facility grant to be used for construction, expansion, major  
10 repair, or major maintenance of a harbor facility. The application must include  
11 information about the project requested by the department. For a proposed project to  
12 be eligible for a grant, the municipality must provide evidence acceptable to the  
13 department that the

14 (1) proposed project should be a capital improvement project and not  
15 part of a preventive maintenance program or regular custodial care program;

16 (2) municipality will provide 50 percent of the total project cost as  
17 matching funds for the state grant;

18 (3) municipality has secured and will maintain adequate property loss  
19 insurance for the replacement cost of the harbor facility or has an adequate program of  
20 insurance;

21 (4) municipality has a preventive maintenance plan for the harbor  
22 facility and will be adequately adhering to the preventive maintenance plan after  
23 completion of the proposed project.

24 **Sec. 29.60.820. Award of grants.** (a) The Department of Transportation and  
25 Public Facilities may award a municipal harbor facility grant during a fiscal year only  
26 for a proposed project eligible under AS 29.60.810 based on a grant application filed  
27 during the immediately preceding fiscal year before February 1. The total amount of  
28 grant money made available to a municipality during a fiscal year may not exceed  
29 \$5,000,000.

30 (b) The Department of Transportation and Public Facilities shall award a grant  
31 for every proposed project eligible under AS 29.60.810 that is for repair and major

1 maintenance of a harbor facility that was transferred by the state to a municipality  
2 before grants may be made for other proposed harbor facility projects during a fiscal  
3 year. However, after the department makes a grant for the repair and major  
4 maintenance of a harbor facility under this subsection, no other grants for the repair  
5 and major maintenance of that facility may be made during the same or any other  
6 fiscal year.

7 (c) The Department of Transportation and Public Facilities shall establish  
8 priorities for the award of grants for proposed municipal harbor facility projects under  
9 (b) of this section and priorities for the award of grants for other proposed harbor  
10 facility projects, with new construction projects having the lowest priority. The  
11 department shall award grants in the order of priority established. In establishing  
12 priorities, the department shall include at least the following, in the order listed:

13 (1) the extent to which the municipality can demonstrate that it will  
14 have sufficient revenue to operate and maintain the harbor facility in the future  
15 without state aid;

16 (2) public safety and emergency factors;

17 (3) the amount spent by the municipality on maintenance of the harbor  
18 facility;

19 (4) other options that would reduce or eliminate the need for the  
20 proposed project; and

21 (5) whether alternative harbor projects would better serve the public  
22 interest.

23 (d) The Department of Transportation and Public Facilities may suggest  
24 modifications to a project request to achieve cost savings or to better serve the public  
25 interest and, if the municipality agrees, award the municipal harbor facility grant for  
26 the proposed project as modified.

27 \* Sec. 2. This Act takes effect July 1, 2006.



## REPRESENTATIVE BILL THOMAS

ALASKA STATE LEGISLATURE DISTRICT 5

e-mail: Representative.Bill.Thomas@legis.state.ak.us webpage: www.akrebublicans.org/thomas/

State Capitol

Juneau AK, 99801-1182

907-465-3732

888-461-3732

FAX 907-465-2652

### HB 478

"an Act relating to the municipal harbor facility grant program"

#### SECTIONAL ANALYSIS

**Section 1:** Amends AS 29.60 to establish a municipal harbor facility grant program

##### **Sec. 29.60.800**

Allows the legislature to appropriate money to this fund from the watercraft fuel tax account, which consists of revenue from the marine fuel tax, and to make other appropriations to the fund.

Money in the fund does not lapse and may be spend in successive years. It may be expended by DOT for harbor facility grants without further appropriation.

Provides that DOT must use at least 50% of the balance of the fund each year for harbor facility grants.

##### **Sec. 29.60.810**

Allows municipalities to apply for grants for construction, expansion, major repair or major maintenance of harbor facilities.

Lists eligibility criteria for such grants, including that the project must be a capital improvement program, not a preventive maintenance program.

Communities must match the state grant on a 50% - 50% basis.

##### **Sec. 29.60.820**

Caps annual grant awards to any municipality at \$5,000,000.

Requires that DOT prioritize grant applications for repair and major maintenance received from communities that have already taken ownership of their harbors through transfer by the State.

Requires that DOT establish priorities for grant awards for repair and major maintenance, establish priorities for other proposed harbor projects, with new construction having the lowest priority.

Lists factors that shall be included by DOT in establishing priorities

Provides that DOT may suggest modifications to a project to achieve cost savings or to better serve the public, and may make such modifications to a grant award if the municipality agrees.

**Sec. 2**

Establishes the effective date as July 1, 2006

**CITY OF WHITTIER, ALASKA  
RESOLUTION #906-06**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WHITTIER, ALASKA, REQUESTING THAT THE ALASKA STATE LEGISLATURE PROVIDE STATEWIDE MAINTENANCE AND REPAIR FUNDS TO LOCAL GOVERNMENTS THAT HAVE ACCEPTED OWNERSHIP AND MAINTENANCE RESPONSIBILITY OF FORMERLY STATE OWNED HARBOR FACILITIES**

**WHEREAS, the State of Alaska (State) constructed or improved and owned numerous harbor facilities in communities throughout Alaska; and**

**WHEREAS, maintenance and repair of the harbor facilities under State ownership was minimal; and**

**WHEREAS, as part the transfer of ownership of the harbor facilities to local governments, the State provided insufficient funds to restore the harbor facilities to a safe operating condition; and**

**WHEREAS, even if local governments are willing to assume the financial responsibility of ownership by increasing rates to reflect actual maintenance and operating costs, as well as establishing a long-term, 1 sture major repairs, renovations, and replacement fund, the rates simply cannot be increased enough to accomplish all of the above and retroactively address the existing deficiencies inherited from the State; and**

**WHEREAS, the City of Whittier (City) has increased small boat harbor moorage fees 83 percent over the past three years to cover depreciation, inflation, and increased operating and maintenance costs, the City is in need of an additional \$14 million to bring the existing small boat harbor facility up to a safe and good condition, as well as for minor expansion to accommodate the increased size of the current boat harbor fleet and prevent infilling of the basin due to erosion and scouring; and**

**WHEREAS, the majority of local governments that accepted ownership and maintenance responsibilities of harbor facilities from the State are in need of additional financial support from the Alaska State Legislature to help bring Alaska's public harbor facilities to a safe condition.**

**THEREFORE, BE IT RESOLVED that the City Council for the City of Whittier, Alaska, requests that the State of Alaska Legislature appropriate capital funds to local governments that have accepted ownership of the harbors for the purpose of helping local governments transition to their ownership role.**

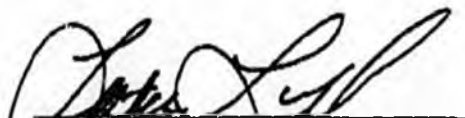
**PASSED AND APPROVED by a duly constituted quorum of the Whittier City Council on this \_\_\_ day of January 2006.**

**Introduced by: Mark Earnest  
Introduction date: 16 January 2006**

**ATTEST:**



**Brenda Krol  
City Clerk**



**Leagar Linoeford  
Mayor**

**Ayes: 7  
Noes: 0  
Absent: 0  
Abstain: 0**



## Cordova District Fishermen United

P.O. Box 939  
Cordova, Alaska 99574  
(907) 424-3447 FAX (907) 424-3430

February 22, 2006

Representative Bill Thomas  
Representative Kurt Olsen  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182

RE: Support HB 478- Municipal Harbor Facilities Grant Fund

Dear Representative's Thomas & Olsen,

Cordova District Fishermen United (CDFU) supports HB 478 relating to the creation of a program designed to attain capital improvements for harbor facilities through matching fund grants to municipalities.

For Alaska's coastal communities, harbors maintenance & facilities are critical for the fishing industry as well as residents & visitors. It is imperative that these harbors be in a good state of repair, both for functionality & safety of its users.

CDFU supports the creation of a program that will fund capital improvements as well as major maintenance or harbor facilities made possible through HB 478.

Sincerely,

A handwritten signature in cursive script that reads "Diane Platt".

Diane Platt  
Executive Director

# CITY OF CORDOVA



February 27, 2006

Representative Bill Thomas  
State Capital  
Juneau, AK 99811-1182

Re: HB 478

Dear Representative Thomas:

Cordova would like to add their support for HB 478, which would create the municipal harbor facility grant program.

Cordova received transfer of our harbor from the state in 2003. Although this was originally regarded as a positive move, we have not seen a great benefit to our community to date. Unfortunately, adequate funding needed to upgrade the facility was not included with that transfer. The City has a regular maintenance program which is funded through user-fee, but the time has come to fund major improvements that can better serve our large commercial fishing fleet and maritime community.

The following are examples of projects needed in Cordova which could be addressed by this legislation:

1. Construct and Install Courtesy Float at North Boat Launch Ramp	\$120,000
2. "G" Float Replacement	\$600,000
3. Old Grid Replacement	\$100,000
4. Transient Float Gangway Replacement	\$100,000
5. New Harbor Electrical Upgrade	\$500,000

As one of Alaska's busiest harbors coastal communities, please let me know what Cordova can to help in passage of this timely and much needed legislation.

Thank you for your attention to this urgent situation which is being faced by many coastal communities throughout Alaska.

Sincerely,

Mayor Tim Joyce  
City of Cordova

**ALASKA ASSOCIATION OF HARBORMASTERS AND PORT ADMINISTRATORS**

**Resolution Number 2005-01**

*A resolution of the Alaska Association of Harbormasters and Port Administrators for the Legislature to provide matching maintenance and repair funds to local government owned harbors.*

**Whereas**, the State of Alaska built and owned many of the harbor facilities in Alaska's communities; and,

**Whereas**, under State of Alaska ownership, the maintenance and repair of the harbor facilities was minimal; and,

**Whereas**, when transferring ownership of the harbor facilities to the local governments, the State of Alaska provided insufficient funds to restore the harbor facilities to "good" condition; and,

**Whereas**, local governments are willing to assume financial responsibility of their ownership roles;

**Whereas**, local governments are realizing that ownership of harbors means that moorage rates to the public must be increased several fold to restore the harbors to good condition; and,

**Whereas**, many local governments may not be able to implement such dramatic moorage increases without financial assistance; and

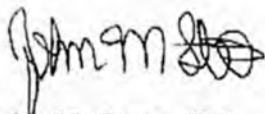
**Whereas**, local governments seek financial assistance from the Legislature to prevent Alaska's harbor facilities from disappearing; and

**Whereas**, local governments request the Legislature to provide 50% match funding program for the maintenance and repair of the transferred harbors.

**THEREFORE, BE IT RESOLVED** by the Alaska Association of Harbormasters and Port Administrators that it requests that the State of Alaska Legislature provide capital matching funds to local governments who have accepted ownership of the harbors for the purpose of helping local governments to fund deferred port and harbor maintenance projects.

Section 1. This resolution shall take effect immediately upon its adoption.

**PASSED AND APPROVED** by the Alaska Association of Harbormasters and Port Administrators, this 12<sup>nd</sup> day of October, 2005.



John M. Stone, P.E., President

Alaska Association of Harbormasters and Port Administrators

**ALASKA MUNICIPAL LEAGUE**

**RESOLUTION #2006-09**

**A RESOLUTION OF THE ALASKA MUNICIPAL LEAGUE FOR THE  
LEGISLATURE TO PROVIDE MATCHING MAINTENANCE AND  
REPAIR FUNDS TO LOCAL GOVERNMENT OWNED HARBORS**

**WHEREAS**, the State of Alaska built and owned many of the harbor facilities in Alaska's communities; and

**WHEREAS**, under State of Alaska ownership, the maintenance and repair of the harbor facilities was minimal; and

**WHEREAS**, when transferring ownership of the harbor facilities to the local governments, the State of Alaska provided insufficient funds to restore the harbor facilities to "good" condition; and

**WHEREAS**, local governments are willing to assume financial responsibility of their ownership roles; and

**WHEREAS**, local governments are realizing that ownership of harbors means that moorage rates to the public must be increased several fold to restore the harbors to good condition; and

**WHEREAS**, many local governments may not be able to implement such dramatic moorage increases without financial assistance; and

**WHEREAS**, local governments seek financial assistance from the Legislature to prevent Alaska's harbor facilities from disappearing; and

**WHEREAS**, local governments request the Legislature to provide 50% match funding program the maintenance and repair of the transferred harbors.

**THEREFORE, BE IT RESOLVED** by the Alaska Municipal League that it requests that the State of Alaska Legislature provide capital matching funds to local governments who have accepted ownership of the harbors for the purpose of helping local governments to fund deferred port and harbor maintenance projects.

**Alaska State Chamber of Commerce  
2005 Position  
State and Federal Funding Dock and Harbor Maintenance and  
Development Projects Throughout Alaska**

Request that the State of Alaska fund and assist in acquiring federal funding for existing and future harbor and dock development projects in an effort to stimulate economic growth in Alaskan communities. The Chamber further urges the State of Alaska make funding available to repair and improve existing facilities to serviceable standards consistent with DOT regulations as part of their mandated transferal of ownership of these harbors to communities.

Sponsored by: Corbridge

**CITY OF SEWARD, ALASKA  
RESOLUTION 2005-15**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF  
SEWARD, ALASKA, URGING THE LEGISLATURE TO  
PROVIDE MAINTENANCE AND REPAIR FUNDS TO LOCAL  
GOVERNMENT OWNED HARBORS**

**WHEREAS**, the State of Alaska built and owned many of the harbor facilities in Alaska's Communities; and

**WHEREAS**, under State of Alaska ownership, the maintenance and repair of the harbor facilities was minimal; and

**WHEREAS**, when transferring ownership of the harbor facilities to the local governments, the State of Alaska provided insufficient funds to complete deferred maintenance and restore the harbor facilities to "good" condition; and

**WHEREAS**, local governments are willing to assume financial responsibility of their ownership roles; and

**WHEREAS**, local governments are realizing that ownership of harbors means that moorage rates to the public must be increased several fold to restore the harbors to good condition; and

**WHEREAS**, many local governments may not be able to implement such dramatic moorage increases or complete maintenance and repairs deferred during state ownership without financial assistance; and

**WHEREAS**, local governments seek financial assistance from the Legislature to prevent Alaska's harbor facilities from disappearing.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEWARD, ALASKA, that:**

**Section 1.** The State of Alaska Legislature is urged to provide capital funds to local governments who have accepted ownership of the harbors for the purpose of helping local governments transition to their ownership roles.

**Section 2.** This resolution shall take effect immediately upon its adoption.

**PASSED AND APPROVED** by the City Council of the City of Seward, Alaska,  
this 14th day March, 2005

# CITY OF SKAGWAY, ALASKA

## RESOLUTION NO. 05-27R

**A RESOLUTION OF THE CITY OF SKAGWAY, ALASKA URGING THE LEGISLATURE TO PROVIDE MATCHING MAINTENANCE AND REPAIR FUNDS TO LOCAL GOVERNMENT OWNED HARBORS.**

**WHEREAS**, the State of Alaska built and owned many of the harbor facilities in Alaska's communities; and

**WHEREAS**, under State of Alaska ownership, the maintenance and repair of the harbor facilities was minimal; and

**WHEREAS**, when transferring ownership of the harbor facilities to the local governments, the State of Alaska provided insufficient funds to restore the harbor facilities to "good" condition; and

**WHEREAS**, local governments are willing to assume financial responsibility of their ownership roles; and

**WHEREAS**, local governments are realizing that ownership of harbors means that moorage rates to the public must be increased several fold to restore the harbors to good condition; and

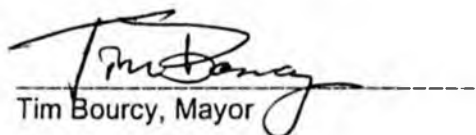
**WHEREAS**, many local governments may not be able to implement such dramatic moorage increases without financial assistance; and

**WHEREAS**, local governments seek financial assistance from the Legislature to prevent Alaska's harbor facilities from disappearing; and

**WHEREAS**, local governments request the Legislature to provide 50% match funding program for the maintenance and repairs of the transferred harbors;

**NOW, THEREFORE, BE IT RESOLVED** that the City Council of the City of Skagway urges the State of Alaska Legislature to provide capital matching funds to local governments who have accepted ownership of the harbors for the purpose of helping local governments to fund deferred port and harbor maintenance projects.

**PASSED AND APPROVED** on this 17<sup>th</sup> day of November, 2005 by the City Council of the City of Skagway, Alaska.

  
Tim Bourcy, Mayor

ATTEST:

-----  
Marjorie D. Harris, City Clerk

(SEAL)

Vote: 5 Aye 0 Nay 1 Absent



## Cordova District Fishermen United

P.O. Box 939  
Cordova, Alaska 99574  
(907) 424-3447 FAX (907) 424-3430

FEB 27 2006

February 22, 2006

Representative Bill Thomas  
Representative Kurt Olson  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182

RE: Support HB 478- Municipal Harbor Facilities Grant Fund

Dear Representative's Thomas & Olson,

Cordova District Fishermen United (CDFU) supports HB 478 relating to the creation of a program designed to attain capital improvements for harbor facilities through matching fund grants to municipalities.

For Alaska's coastal communities, harbors maintenance & facilities are critical for the fishing industry as well as residents & visitors. It is imperative that these harbors be in a good state of repair, both for functionality & safety of its users.

CDFU supports the creation of a program that will fund capital improvements as well as major maintenance or harbor facilities made possible through HB 478.

Sincerely,

Diane Platt  
Executive Director

**Alaska Association of Harbormasters and Port Administrators Deferred Maintenance Funding Summary**  
**List of Communities That Have Accepted Harbor Ownership from the State of Alaska**

Location	Facility	Sale Date/Type	*State Funds Already Provided	Cost Est Provided	Funds Required	Contact	Phone Number
Chenequa	Oil Spill Response & Seaplane Float	10/8/1998 Bill of Sale	\$ 315,000		\$678,000	Olen Harris	562-1444
Cold Bay	Dock	6/30/1992 Bill of Sale	n/a	Eng Est 5/4/05	\$500,000	Bob Juetner	274-7555
Cordova	Small Boat Harbor	8/03/2003 Bill of Sale	\$ 4,876,000	Est 1/31/2006		Dale Murra	424-6400
Craig	Dock North Cove Small Boat Harbor South Cove Small Boat Harbor	12/19/2001 Bill of Sale 6/30/1992 Comm's Deed 9/14/1995 Comm's Deed	\$ 581,000	Quote 2/1/2006	\$175,000	Michael Kampnich	826-1404
Homer	Small Boat Harbor	4/30/1999 Bill of Sale	\$ 3,605,400	Est 10/2005	\$3,100,000	Steve Dean	235-3160
Juneau	Aurora Small Boat Harbor Don Statter Small Boat Harbor Douglas Dock Douglas Small Boat Harbor Harris Small Boat Harbor Taku Small Boat Harbor North Douglas Launch Ramp	4/2/2003 Bill of Sale	\$ 7,119,000	Eng Report 3/04	\$17,100,000	John Stone	586-0294
Ketchikan	Bar Harbor North Bar Harbor South City Float Rvus Float Thomas Basin Small Boat Harbor	8/11/2004 Bill of Sale 5/15/2002 Bill of Sale 1/1/1999 Bill of Sale 8/1/2004 Bill of Sale 8/11/2004 Bill of Sale	\$ 7,876,000	Est 9/1/05	\$13,450,000	Chris Brewton	228-5632
King Cove	Old Harbor	3/25/1995 Bill of Sale	\$ 352,000	Eng Est 2/3/06	\$4,592,000	David Hash	497-2237
Klawock	Small Boat Harbor Dock	3/28/2003 Bill of Sale 5/16/1986 Quit Claim Deed	\$ 896,000		\$200,000	John Morris	755-2261
Kodiak	City Float St. Herman's Small Boat Harbor St. Paul Small Boat Harbor Channel Transient Float	3/12/1999 Bill of Sale	\$ 7,775,500	Eng Rep 2/02 Update Est 2/06	\$14,900,000	Marty Owen	486-8080
Old Harbor	Dock Float	5/20/1993 Bill of Sale 5/20/1993 Bill of Sale	\$ 154,000		\$1,000,000	Jim Nestic	286-2204
Pelican	Small Boat Harbor & Seaplane Float North Harbor	9/06/2001 Bill of Sale 12/06/2005 Bill of Sale	\$ 1,451,142	1/30/2006	\$1,040,000 \$4,000,000	Patty Phillips	715-2202
Petersburg	Midate Small Boat Harbor South Small Boat Harbor	6/03/2003 Bill of Sale	\$ 3,729,000	Eng Est 2/6/06	\$2,500,000	Jim Stronndahl	772-4688
Sand Point	Small Boat Harbor	12/2/1992 Bill of Sale	n/a		\$2,100,000	Richard Kochuten, Sr	383-2696
Seldovia	Small Boat Harbor	3/18/2004 Bill of Sale	\$ 2,628,000		\$3,400,000	Ronda Haynes	234-7643
Seward	Small Boat Harbor	2/25/1999 Bill of Sale	\$ 3,134,200	Eng Est 2/6/06	\$7,693,000	Scott Ransom	224-3138
Sitka	Crescent Harbor (A-D, 1-4) Crescent Harbor (E-F, 5-7) Sealing Cove Small Boat Harbor Thornton Small Boat Harbor - Old ANB Float	11/09/2001 Bill of Sale 08/30/2004 Bill of Sale 08/10/2004 Bill of Sale 08/30/2004 Bill of Sale 6/18/1992 Comm's Deed	\$ 6,468,000	Est 2/1/06	\$4,500,000	Ray Mareski	747-3439
Skegway	Small Boat Harbor	10/21/2004 Bill of Sale	\$ 1,068,852	Est 1/1/06	\$ 2,575,000	Matthew O'Boyle	983-2628
Tattletale	Oil Spill Response and Ferry Dock	10/8/1998 Bill of Sale	\$ 315,000		\$270,000	Olen Harris	562-1444
Valdez	Small Boat Harbor	12/03/2003 Bill of Sale	\$ 1,013,300	Est 2/1/06	\$2,500,000	Alan Sorum	835-4981
Whittier	Passenger Loading Dock Small Boat Harbor	5/15/2002 Bill of Sale 8/02/2004 Bill of Sale	\$ 2,479,000		\$4,890,000	Mark Earnest	472-2327x111
Wrangell	Fish & Game Float Inner Small Boat Harbor Reliance Small Boat Harbor Shoemaker Bay Harbor Standard Oil Float	8/20/2003 Bill of Sale	\$ 1,492,000	Eng Est 2/2/06	\$6,200,000	Greg Messner	874-3736
Yakutat	Small Boat Harbor and Seaplane Float	4/8/2005 Bill of Sale	\$ 526,000	Eng Rep 12/04	\$ 2,295,000	Erving Citass	784-3323

**Total State Funding Provided**

**\$64,354,394**

**Funding Needed to Complete Repairs**

**\$99,858,000**

Spreadsheet prepared by Alan Sorum on 25 March 2005. Contact: (907) 835-4981  
 \*Revised by John Stone on Feb. 6, 2006 to show verified cost estimates. 907-586-0294

**House Community and Regional Affairs Committee**

February 28, 2006

HB 478

Testimony by Marty Owen, Kodiak Harbormaster

**Thank you for the opportunity to comment. I'm Marty Owen, Kodiak's Harbormaster.**

**So why is it important to keep Alaska's harbor infrastructure modernized and in good condition?**

To coastal communities, harbors are economic lifeboats. Let me explain. A very high percentage of the wealth in a coastal community is initially created by harbor users -- primarily by commercial fishermen and tourism-related business. They are the economic foundation for almost every business because their new dollars are spent over and over. Grocers, mechanics, shopkeepers, fuel distributors, restaurant and bar owners, -- almost every business person in town -- depends upon the wealth initially created at, or in support of, the harbor. Without modern docks and floats, business and fishing can't grow, economic activity stagnates and populations decline. Remember: a vibrant harbor infrastructure is an economic lifeboat. And we must keep our lifeboats in good condition or we may meet the same fate the passengers of the Titanic did.

**You might ask, so what's wrong with an older harbor?** Here are couple things to consider. Most of Alaska's harbors were built over 25 years ago. Since then, the fleets have gotten longer, heavier and wider. [I'm talking about the boats now -- not the fishermen!] For example the average fishing boat of the 60s was 38' long. Today's seiners are over 50 feet in length. To remain competitive in a global seafood market, commercial fishermen upgraded their vessels but unfortunately our harbors have not kept pace. When harbor floats are replaced today, the new slips are longer, stronger and wider -- without exception. That's what it takes to accommodate today's modern fleet. Additionally, the new boats have an appetite for shore power that has outstripped the utility system. These old dock distribution systems are inadequate, unsafe, and out of code compliance.

**So why not spend money to fix the utilities?** Let's think about that . . . Does it make sense to spend millions for new electric systems on floats built to last 25 years that are now 30 years old? I think you can agree . . . that it does not.

**So what about the future? How have, and will, the various rationalization schemes impact harbor use and development?** To some degree the fleets have consolidated – and more seems inevitable. But fishing isn't going away. Salmon prices are recovering and prices of other species like halibut, pollock and cod are strong. The future is different, but still bright. Alaska needs to support and sustain the fleet as it matures. Currently we are going through a major adjustment but state and local government can help by supporting harbors to meet the needs of the modern fleet.

**Let me provide an example based upon the community I know best – Kodiak.**

Just a few years ago, DOT offered Kodiak \$7.5M and the deed to its two harbors. It was the only offer we got and it certainly was better than nothing. With that money, we replaced the smaller, and older, of our two harbors. It was 40-years old, having been built by the State right after the 1964 tsunami. The average size boats was much smaller then. Our new has slips are sized appropriately and accommodate the fleet nicely today. They are wider, stronger, and longer. Yes, here is a valid example of where size matters! But our **other** harbor, a mere 20-years old at the time, was also nearing the end of its useful life and now it is 25 years old. It will cost at least \$14M to replace it.

For many years, Kodiak's moorage fees were some of the highest in the state, but they barely covered operating and maintenance costs. Nothing was left over to set aside for major replacement projects. Since Kodiak accepted ownership of the harbors, moorage rates have increased three times, and two more increases have been authorized by the City Council. For the larger vessels, the annual moorage climbs from \$25 per foot per year to nearly \$100 per foot per year. That is 400 percent increase. And it is not enough to catch up, it is barely enough to hold together our old harbor which is undersized and at the end of its design life. In another decade, the new moorage rates will accumulate sufficient retained earnings to partially finance new facilities and create enough income to support bonding for the remainder. But we can't wait that long. That would be like rearranging the deck chairs on the Titanic, knowing full well that there are not enough life boats.

Well . . . lets not waste any more time. The 50/50 matching program that HB-478 creates, will help communities build lifeboats before they hit an iceberg. This bill is not a give-a-way, it puts plenty of financial responsibility on local government too. It is a good concept and will be good for the economy of all Alaska.

Thanks for listening to me.



**Alaska Association of Harbormasters  
And Port Administrators**  
617 Katlian Ave., Sitka, AK 99835  
Phone: (907) 747-4877 Fax: (907) 747-6278

House Community and Regional Affairs Committee  
February 28, 2006  
HB 478  
Testimony by John Stone  
President, AAHPA

Mr. Chair and members of the House Community and Regional Affairs Committee, my name is John Stone. I am the president of the Alaska Association of Harbormasters and Port Administrators. I, along with three other members of our association, will testify in support of HB 478, Municipal Harbor Facility Grants. The other members are on teleconference and include Alan Sorum, Valdez Ports and Harbors Director, Marty Owen, Kodiak Port Director and Harbormaster, and Jim Stromdahl, Petersburg Harbormaster. All of these individuals are past presidents of the Association and have served on the Board of Directors of the Association.

The Alaska Association of Harbormasters is an organization comprised of the senior managers from 27 harbor systems. These include Anchorage, Bethel, Bristol Bay Borough/Naknek, Cordova, Craig, Dillingham, Haines, Homer, Hoonah, Juneau, Kenai, Ketchikan, King Cove, Kodiak, Nome, Pelican, Petersburg, Port MacKenzie, Sand Point, Seward, Sitka, Skagway, Unalaska/Dutch Harbor, Valdez, Whittier, Wrangell, and Yakutat. The Association's goal is simple: to make Alaska's harbors the best they can be.

First, let me say that the Association fully supports HB 478 and appreciates the Committee taking the lead on this important state and community issue. During the past several years, the Association has attempted to bring the dilapidated condition of Alaska's harbor infrastructure to the attention of the Legislature.

Most of Alaska's harbor infrastructure was built by the Alaska Department of Transportation and Public Facilities in the 1960's and 1970's. Largely, this infrastructure is at the end its useful life making complete replacement of it necessary. We believe the financial resources needed to replace these facilities before the end of their lives requires the collective effort of the State and local harbor jurisdictions.

**Testimony of John Stone, President of AAHPA, on HB-478  
Before the House Community and Regional Affairs Committee  
February 28, 2006**

As you know, the State's policy for many years was to enter into agreements with the cities and municipalities for the operation of the harbor systems with the State retaining title to the physical harbor improvements. The cities and municipalities established enterprise funds and assessed fees to users in an amount necessary to finance the operating cost of the facilities. This arrangement worked good from an operations standpoint. However, neither party addressed facility replacement; the locals because they did not hold title to the improvements and the State because funding was not available.

In the 1990's, the State developed a new policy whereby the title of the physical improvements would be turned over to the local harbor jurisdictions along with some funding to help with facility replacement. Although the policy is sound, the program suffered from the fact that the funding provided with the transfer of title was only a fraction of the funding needed to replace the infrastructure that was transferred. The program also suffered from the fact that it was a "take it or lose it" deal. ADOT only had the money it was given for the transfer; everyone knew it was far short of what was needed. The communities could not leave the money on the table because the harbors were too financial'y important, in many cases the economic lifeblood of the community.

As the transfers went forward, local harbor jurisdictions developed facility replacement schedules and began looking at fees to cover facility replacement costs. It became clear that harbor fees needed to increase several-fold in short order. Local harbor jurisdictions undertook local government processes to increase fees resulting in doubling and tripling of fees over a few year period. However, the fee increase processes have shown that it is not economically possible to recapitalize a harbor system with only user fees. We just can't make-up for forty years of deferred maintenance in a few short years.

This does not mean that the local harbor jurisdictions are not willing to step up to the plate. Many of us are looking to finance revenue bonds with fee increases in order to replace transferred infrastructure. The Association believes this presents a good opportunity for a match funding program with the State. Many local governments, the State Chamber, the Alaska Municipal League, and our Association have adopted resolutions in support of this harbor match funding program.

**Testimony of John Stone, President of AAHPA, on HB-478  
Before the House Community and Regional Affairs Committee  
February 28, 2006**

We ask for this match program because we believe it is a good investment for the State. My colleagues will expand upon this point. However, being on the front line, we see the economic contribution that harbors make to our communities and to the State. Our harbors house Alaska's fishing fleet, which is in effect comprised of thousands of small and medium sized businesses. The fishing fleet imports wealth into the State by exporting a high quality, renewable state resource. Our harbors also house a variety of other small businesses. Most promising is the growth of small, locally owned passenger-for-hire businesses. These small businesses bring well-to-do visitors into the State to experience Alaska's natural beauty and excellent fishing opportunities. Many of these visitors couple their shoreland excursion with visits to the interior of our State. Many of our harbor patrons use boats for subsistence activities, stocking freezers with salmon, halibut, crab, and shrimp, or accessing remote areas for hunting opportunity. These are just a few of the many economic and social benefits provided to the State by its harbors.

In summary, we thank the Chair and Committee for its consideration of HB 478. The Alaska Association of Harbormasters and Port Administrators strongly supports this bill. The dilemma facing us is that we have a tremendous amount of harbor infrastructure that is at the end of its useful life. This infrastructure has been put into our hands. We are scrambling to find ways to replace it before it is lost. We are also substantially increasing fees to help with replacement costs. We have learned that fees are not the total answer. This bill provides much needed help with these replacements by matching our local investments. This bill also achieves the policy goal of the harbor transfers, whereby the local communities become responsible for the operation, maintenance, and replacement of the harbor improvements, because it gives us the capability to replace the transferred infrastructure before it is lost.

I would ask the Chair to call upon my colleagues from Valdez, Kodiak, and Petersburg so they can present their short testimony and then we can collectively answer the Committee's questions. Thank-you.

**HCR**

**5**

# ALASKA STATE LEGISLATURE

*Chair*  
STATE AFFAIRS

*Member*  
RESOURCES

*Member*  
HEALTH, EDUCATION AND SOCIAL SERVICES

*Member*  
WAYS AND MEANS



*Session:*  
State Capitol Building  
Juneau, Alaska 99801  
Phone 907-465-2689  
Fax 907-465-3472  
1-800-665-2689

Rep.Paul.Seaton@legis.state.ak.us

*Interim:*  
345 W. Sterling Highway  
Suite 102B  
Homer, Alaska 99603  
Phone 907-235-2921  
Fax 907-235-4008

**REPRESENTATIVE PAUL SEATON**  
House District 35

## MEMORANDUM

**TO:** Representative Kurt Olson, Co-Chair  
House Community and Regional Affairs Committee  
CC: Representative Bill Thomas

**FROM:** Representative Paul Seaton

A handwritten signature in cursive script that reads "Paul Seaton".

**DATE:** Monday, January 23, 2006

**RE:** Hearing Request for HCR 5

I respectfully request a hearing before the House Community and Regional Affairs Committee on HCR 5 re: Encouraging the Fluoridation of Community Water Systems.

In summary, HCR 5 does the following things:

- Recognizes the benefits of fluoridating community water systems
- Encourages communities to fluoridate their community water systems
- Requires new community water systems to be engineered so as to easily incorporate fluoridation in the future

Attached please find sponsor statement; HCR 5; resolutions and letters of support; supporting research and opposition arguments.

Staff contact: Katie Shows, 2028



# ALASKA STATE LEGISLATURE

*Chair*  
STATE AFFAIRS

*Member*  
RESOURCES

*Member*  
HEALTH, EDUCATION AND SOCIAL SERVICES

*Member*  
WAYS AND MEANS



**REPRESENTATIVE PAUL SEATON**  
House District 35

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## Sponsor Statement HCR 5

HCR 5 encourages Alaskan communities to incorporate fluoride in their public water systems.

Fluoridated water has been shown to dramatically reduce dental carries, especially in children. Fluoride is one of the most efficient ways of providing cost-effective preventative dental health care. Every dollar spent on fluoridation saves \$37 in future dental expenses. Currently, all cities in Alaska with a population exceeding 30,000 have access to fluoridated water. The benefits of fluoridated water should be extended to all Alaskans.

HCR 5 requests that all new community water systems be engineered with the capacity for incorporating fluoride.

Tooth decay is a serious problem in Alaska, particularly in rural areas where access to dentists is not easily available. Poor dental health also puts a major burden upon Medicaid/Medicare programs.

Fluoridating community water systems is an investment in Alaska's public health that would provide returns both in dental health and to the pocketbook. HCR 5 makes it clear that the state supports communities in taking this step to improve the dental health of their residents.

Last updated on: 1/23/06  
Bill version: 24-LS032/Y



# FISCAL NOTE

**STATE OF ALASKA**  
**2006 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HCR 5  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Dept of Environmental Conservation  
 Title Fluoridation RDU Environmental Health  
 Component Drinking Water  
 Sponsor Representative Paul Seaton  
 Requester House Community & Regional Affairs Committee Component No. 2066

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
Other (Specify Type--Do not abbreviate)	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

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

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

This House Concurrent Resolution will have no fiscal impact on DEC.

Prepared by: Kristin Ryan, Director  
 Division: Environmental Conservation  
 Approved by: Kurt Fredriksson  
 Agency: Department of Environmental Conservation

Phone (907) 269-7644  
 Date/Time 2/1/06 8:00 AM  
 Date 2/1/2006

- HCR 5 Community  
Water Fluoridation:

Resolutions/letters of  
support

**Support for HCR 5 and community water fluoridation from organizations/individuals:**

- Resolution, Oral Health America
- Resolution, Alaska State Medical Association
- Resolution, Alaska Public Health Association
- Resolution, Alaska State Dental Hygiene Association
- Resolution, Alaska Dental Society
- Letter of support, Troy Ritter
- Compendium, list of National and International organizations that Recognize the Public Health Benefits of Community Water Fluoridation

**ORAL HEALTH AMERICA  
RESOLUTION IN SUPPORT OF  
COMMUNITY WATER FLUORIDATION TO IMPROVE ORAL HEALTH**

**WHEREAS**, dental tooth decay is recognized as a chronic disease, and the most common chronic disease found in children (1); and

**WHEREAS**, fluoride is a naturally occurring element, and the fluoride content of community water supplies is the single most safe and effective public health measure to prevent tooth decay and to improve oral health for a lifetime (2); and

**WHEREAS**, community water fluoridation is a public health measure that benefits individuals of all ages and socioeconomic groups, especially those without access to regular dental care; and

**WHEREAS**, the average yearly cost for a community to fluoridate its water is estimated at an average cost of \$0.50, with a range of \$0.12 - \$5.41 per person, depending mostly on the size of the community and labor costs (2); and

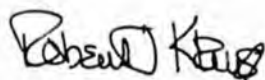
**WHEREAS**, the lifetime average cost per person represents less than one third of the charge for one dental restoration; and

**WHEREAS**, fluoridation of community water supplies is supported by over 90 professional health organizations including Oral Health America (2); and

**WHEREAS**, the Centers for Disease Control and Prevention has named water fluoridation as one of the ten greatest public health achievements during the 20<sup>th</sup> century (3) and 2005 marks the 60<sup>th</sup> anniversary of water fluoridation in the United States;

**THEREFORE BE IT RESOLVED**, that Oral Health America recognizes the public health benefits of community water fluoridation for preventing dental decay, and encourages Alaska communities to fluoridate water supplies to levels optimal to prevent tooth decay and promote optimal oral health.

**DONE AND DATED** this 27<sup>th</sup> day of January, in the year 2005 .



President and CEO, Oral Health America

**REFERENCES:**

- (1) U.S. Department of Health and Human Services, "Oral Health in America: A Report of the Surgeon General, October 2000.
- (2) American Dental Association, "Fluoridation Facts", 1999.
- (3) USDHHS, Centers for Disease Control and Prevention, "Achievements in Public Health, 1900-1999: Fluoridation of Drinking Water to Prevent Dental Caries", *MMWR*, 48(41), pp. 933-940, October 22, 1999



# ALASKA STATE MEDICAL ASSOCIATION

4. J Laurel Street • Suite 1 • Anchorage, Alaska 99508 • (907) 562-2662



ADOPTED AS AMENDED BY THE ALASKA STATE MEDICAL ASSOCIATION HOUSE OF DELEGATES AT ITS ANNUAL MEETING IN VALDEZ, ALASKA JUNE 11, 1984

RESOLUTION NO. 84 - 5

SUBJECT: *Encouraging* PROMOTION OF UNIVERSAL ACCESS TO FLUORIDATION IN ALASKA *JK*

WHEREAS, dental caries is one of the most prevalent public health problems of Alaskans<sup>1</sup>, and

WHEREAS, health care expenditures for restoration of caries are very large, and

WHEREAS, fluoridation of public water supplies will reduce the incidence of caries by 50% on a reliable, safe and well-documented basis<sup>1-2</sup>; therefore

BE IT RESOLVED, that the Alaska State Medical Association calls for a statewide effort by appropriate State and federal agencies to encourage all Alaskan communities with public water systems implement central water fluoridation; and, for communities without public water systems, to assure community access to fluoridation techniques such as school-based fluoridation programs and fluoride drops; and

BE IT FURTHER RESOLVED, that the Alaska State Medical Association encourages the State of Alaska Department of Health and Social Services and Environmental Conservation to budget for and implement this plan.

- 
1. State Health Plan for Alaska 5, Statewide Health Coordinating Council and Division of Planning, Policy, and Program Evaluation, DHSS, January, 1984.
  2. A Two-Part Report on Fluoridation, Consumer Reports, July-August 1978 Consumers Union of United States, Inc., Mount Vernon, NY.

DISTRIBUTION: Dental Assoc.  
DHSS  
Dept. of Environmental Conservation  
Governor

ALASKA STATE MEDICAL ASSOCIATION

Resolution No. 12-71

ADOPTED UNANIMOUSLY  
June 11, 1971

SUBJECT: *favoring* Fluoridation of water

*Public Health*

SUBMITTED BY: Legislative Committee, at request of  
Alaska Dental Society

RESOLVED, that the Alaska State Medical Association favors fluoridation of public water supplies wherever water does not naturally contain fluoride sufficient to prevent tooth decay.



**ALPHA Resolution 2004-1**

**RESOLUTION REAFFIRMING SUPPORT FOR  
COMMUNITY WATER FLUORIDATION TO IMPROVE ORAL HEALTH**

**WHEREAS**, dental tooth decay is recognized as a chronic disease, and the most common chronic disease found in children (1); and

**WHEREAS**, fluoride is a naturally occurring element, and the fluoride content of community water supplies is the single most safe and effective public health measure to prevent tooth decay and to improve oral health for a lifetime (2); and

**WHEREAS**, community water fluoridation is a public health measure that benefits individuals of all ages and socioeconomic groups, especially those without access to regular dental care; and

**WHEREAS**, the average yearly cost for a community to fluoridate its water is estimated at an average cost of \$0.50, with a range of \$0.12 - \$5.41 per person, depending mostly on the size of the community and labor costs (2); and

**WHEREAS**, the lifetime average cost per person represents less than one-third of the charge for one dental restoration; and

**WHEREAS**, fluoridation of community water supplies is supported by over 90 professional health organizations including the American Public Health Association (2); and

**WHEREAS**, the Centers for Disease Control and Prevention has named water fluoridation as one of the ten greatest public health achievements during the 20<sup>th</sup> century (3), ALPHA has been on record of supporting community water fluoridation in a past resolution, and 2005 marks the 60<sup>th</sup> anniversary of water fluoridation in the United States;

**THEREFORE BE IT RESOLVED**, that the Alaska Public Health Association reaffirms the association's recognition of the public health benefits of community water fluoridation for preventing dental decay, and encourages Alaska communities to fluoridate water supplies to levels optimal to prevent tooth decay and promote optimal oral health. Further, be it resolved that the Alaska Public Health Association submit a letter defining the organization position on community water fluoridation to the Juneau Fluoridation Task Force that is meeting at this time and follow similar actions in any future community and/or legislative forums discussing the merits of water fluoridation in Alaska.

**Approved by the ALPHA Membership at the November 30, 2004 Annual meeting**

**REFERENCES:**

- (1) U.S. Department of Health and Human Services, "Oral Health in America: A Report of the Surgeon General, October 2000.
- (2) American Dental Association, "Fluoridation Facts", 1999.
- (3) USDHHS, Centers for Disease Control and Prevention, "Achievements in Public Health, 1900-1999: Fluoridation of Drinking Water to Prevent Dental Caries", *MMWR*, 48(41), pp. 933-940, October 22, 1999



**ALASKA STATE DENTAL HYGIENE ASSOCIATION  
RESOLUTION IN SUPPORT OF  
COMMUNITY WATER FLUORIDATION TO IMPROVE ORAL HEALTH**

**WHEREAS**, dental tooth decay is recognized as a chronic disease, and the most common chronic disease found in children (1); and

**WHEREAS**, fluoride is a naturally occurring element, and the fluoride content of community water supplies is the single most safe and effective public health measure to prevent tooth decay and to improve oral health for a lifetime (2); and

**WHEREAS**, community water fluoridation is a public health measure that benefits individuals of all ages and socioeconomic groups, especially those without access to regular dental care; and

**WHEREAS**, the average yearly cost for a community to fluoridate its water is estimated at an average cost of \$0.50, with a range of \$0.51 - \$5.41 per person, depending mostly on the size of the community and labor costs (2); and

**WHEREAS**, the lifetime average cost per person represents less than one third of the charge for one dental restoration; and

**WHEREAS**, fluoridation of community water supplies is supported by over 90 professional health organizations including the American Dental Hygiene Association; and

**WHEREAS**, the Centers for Disease Control and Prevention has named water fluoridation as one of the ten greatest public health achievements during the 20<sup>th</sup> century (3) and 2005 marks the 60<sup>th</sup> anniversary of water fluoridation in the United States;

**THEREFORE BE IT RESOLVED**, that the Alaska State Dental Hygiene Association recognizes the public health benefits of community water fluoridation for preventing dental decay, and encourages Alaska communities to fluoridate water supplies to levels optimal to prevent tooth decay and promote optimal oral health.

**DONE AND DATED** this 22<sup>nd</sup> day of November, in the year 2004.

Signed by the President for the Board of Directors and approved by the membership.

Royann Royer RDH MPH, President ASDHA

**REFERENCES:**

- (1) U.S. Department of Health and Human Services, "Oral Health in America: A Report of the Surgeon General, October 2000.
- (2) American Dental Association, "Fluoridation Facts", 1999.
- (3) USDHHS, Centers for Disease Control and Prevention, "Achievements in Public Health, 1900-1999: Fluoridation of Drinking Water to Prevent Dental Caries", *MMWR*, 48(41), pp. 933-940, October 22, 1999



**Alaska Dental Society, Inc.**

9170 Jewel Lake Road, Suite 203  
Anchorage, Alaska 99502-5390  
(907) 563-3003 • FAX: 563-3009  
akdental@alaska.net

**RESOLUTION IN SUPPORT OF  
COMMUNITY WATER FLUORIDATION TO IMPROVE ORAL HEALTH**

**WHEREAS**, dental tooth decay is recognized as a chronic disease, and the most common chronic disease found in children (1); and

**WHEREAS**, fluoride is a naturally occurring element, and the fluoride content of community water supplies is the single most safe and effective public health measure to prevent tooth decay and to improve oral health for a lifetime (2); and

**WHEREAS**, community water fluoridation is a public health measure that benefits individuals of all ages and socioeconomic groups, especially those without access to regular dental care; and

**WHEREAS**, the average yearly cost for a community to fluoridate its water is estimated at an average cost of \$0.50, with a range of \$0.12 - \$5.41 per person, depending mostly on the size of the community and labor costs (2); and

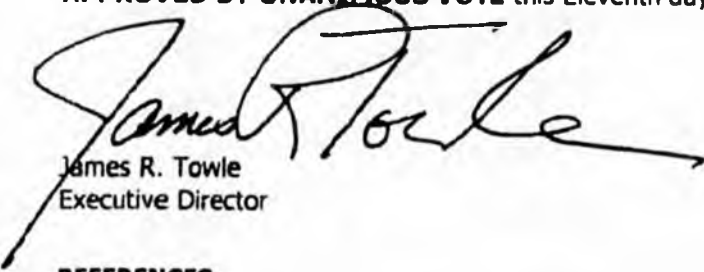
**WHEREAS**, the lifetime average cost per person represents less than one third of the charge for one dental restoration; and

**WHEREAS**, fluoridation of community water supplies is supported by over 90 professional health organizations including the American Dental Association (2); and

**WHEREAS**, the Centers for Disease Control and Prevention has named water fluoridation as one of the ten greatest public health achievements during the 20th century (3) and 2005 marks the 60th anniversary of water fluoridation in the United States;

**THEREFORE BE IT RESOLVED**, that the Alaska Dental Society recognizes the public health benefits of community water fluoridation for preventing dental decay, and encourages Alaska communities to fluoridate water supplies to levels optimal to prevent tooth decay and promote optimal oral health.

**APPROVED BY UNANIMOUS VOTE** this Eleventh day of December, in the year 2004

  
James R. Towle  
Executive Director

**REFERENCES:**

- (1) U.S. Department of Health and Human Services, "Oral Health in America: A Report of the Surgeon General, October 2000.
- (2) American Dental Association, "Fluoridation Facts", 1999.
- (3) USDHHS, Centers for Disease Control and Prevention, "Achievements in Public Health, 1900-1999: Fluoridation of Drinking Water to Prevent Dental Caries", *MMWR*, 48(41), pp. 933-940, October 22, 1999

January 19, 2006

Tom Anderson, Representative  
Alaska House of Representatives  
State Capital, Room 408  
Juneau, AK 99801-1182

Dear Representative Anderson:

I am writing in support of House Concurrent Resolution 5 (HCR 5), Support for Community Water Fluoridation. As a father, public health professional and district 19 constituent, I feel that passage of HCR 5 would improve the health status of Alaskans. Most importantly, HCR 5 would not require communities to fluoridate their community water supply, but would increase opportunities for cooperation among out state's many public health entities.

As you may know, water fluoridation was recently recognized by the Center's for Disease Control and Prevention as *One of the Ten Greatest Public Health Achievements in the 20<sup>th</sup> Century*. Over sixty years of scientific research has proven water fluoridation to be both safe and effective. I hope you will support HCR 5. Please call me at (907) 332-0289 with any questions.

Sincerely,



Troy L. Ritter

cc: Representative Paul Seaton, HCR 5 Sponsor