ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

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February 6, 1987

MEMORANDUM

TO: Representative Mike Navarre

FROM: Brad Pierce
Legislative Analyst

ATTN: Pat Malone

RE: **History of Municipal Assistance and Revenue Sharing**
Research Request 87.073

You requested this agency to provide information on the history of the State **Revenue Sharing and Municipal Assistance** programs. Specifically, you wished to know: 1) when these programs started; 2) their goals and objectives; and 3) how the allocation formulas work.

The information presented in this memorandum comes from three sources:

> "State Revenue Sharing Handbook for Municipal Officials", (Alaska Department of Community and Regional Affairs, various years);
>
> "Governor's Task Force On State Shared Revenue: Final Report and Recommendation", (Department of Community and Regional Affairs, December 9, 1985); and
>
> Conversations with municipal officials--most notably Lee Sharp, Matanuska/Susitna Borough Attorney and Judy Slajer, Finance Director, Fairbanks North Star Borough--who were directly involved in the evolution of these programs.

We discuss each program separately and devote a final section to the recommendations of the Governor's Task Force on Shared Revenue and the implications of changes to the existing programs.

State Revenue Sharing

The State Revenue Sharing Program came into being on July 1, 1969 with the passage of HB 350 (Chapter 95, SLA 1969). Alaska Statute 43.18 contained the statutes which authorized the program. Originally, Revenue Sharing was designed to accomplish the following:

1) help ease fiscal problems facing local governments;

2) stabilize or reduce local property tax rates;

3) encourage local governments to provide adequate levels of public services;

4) inject a measure of budget planning and stability into local governments; and

5) improve the allocation of State funds by sharing them with local governments (on the assumption that local governments are more in tune with the needs of the public, and are better able to respond and provide public goods and services in accordance with taxpayer preferences).

Under the original legislation, the legislature made annual appropriations to fund the program. The first-year (FY 70) appropriation was $2 million. The original Revenue Sharing Program was exclusively a categorical aid program. Local governments applied for entitlements under each of five categories of municipal services (police, fire protection, air or water pollution, land use planning and road maintenance). Table 1 lists all entitlement categories and their respective rates of reimbursement. Additional categories were added in later years until the categorical program was repealed in 1980. As portrayed in Table 1, the program grew quickly from the original five categories and $2 million budget to 12 categories and a $26.9 million budget.

Table 1
The Categorical State Revenue Sharing Program FY 70 and FY 80

Public Service Category	1970	1980
1) Police Protection per capita	$5.00	$12.00
Military per capita*		6.00
2) Fire Protection per capita	2.50	7.50
3) Air or Water Pollution per capita	1.00	2.00
4) Land Use Planning per capita	1.00	2.00
5) Parks and Recreation per capita	NA	5.00
Military per capita		1.25
6) Transportation Facilities per capita	NA	5.00
Military per capita		2.50
7) Road Maintenance per mile	1,000	1,500
8) Ice Roads per mile	NA	900
9) Health Services per capita	NA	2.00
10) Hospitals per facility > 25 beds	NA	75,000
< 10 beds		25,000
per bed		1,000
11) Health Facilities per bed	NA	1,000
per facility		4,000
12) Hospital Construction Aid per bed	NA	2,500**
Total Revenue Sharing Appropriation	$ 2 million	$26.9 million

NA: Not Applicable.

*Entitlements for military residents of public service areas are calculated at a lower per capita rate.

**Alternatively, five percent of the project cost if over the base entitlement amount.

* * * *

Under the original distribution formula, about 75 percent of the funds appropriated were distributed on a per capita basis, while the remainder was based on other factors (e.g., miles of maintained public road). The more eligible services provided or facilities maintained by the community, the more money a municipality could expect to receive. The Department of Community and Regional Affairs (DCRA) was responsible for administering the State Revenue Sharing Program. The most important administrative task was to determine whether a municipality met the minimum standards to qualify under any of the service categories. Restrictions were placed on the amount of the entitlement that could be spent outside of the service area for which it was computed (e.g., entitlements collected on the number of persons in a volunteer fire district had to be spent in that district). In addition, each municipality was required to budget and spend at least 20 percent of the entitlement for a particular service category on providing that service during the fiscal year in which the entitlement was received.

In other words up to 80 percent of the State Revenue Sharing funds could be spent at the discretion of the municipality.

If the amount appropriated by the legislature each year was not sufficient to fully fund the entitlements, all entitlements were reduced in equal proportion (pro-rated) by whatever amount necessary to bring appropriations and entitlements into balance. As can be seen in the table presented above, the Revenue Sharing Program grew rapidly, through population increases, incorporation of new municipalities, increased road mileage, additional health facilities and the assumption of new services by municipalities. The five original categories were expanded to 12 as the legislature responded to funding requests for additional public services by municipalities. Once they began providing services via State funding, municipalities put increasing pressure on the legislature to fully fund their entitlements as computed by the categorical formulae.

According to DCRA, the implied intent of the original Revenue Sharing Program was to encourage municipalities to provide acceptable levels of public services.[1] The formal legislative intent accompanying the statute (AS 43.18.030) suggested that "local governments which levy property taxes reduce those levies in direct proportion to the amount of State aid received by a local government for a given fiscal year."

In 1977, the legislature broadened the intent language of the State Revenue Sharing statute. House Bill 89 (effective July 1, 1978) contained intent language which called for a reduction in both property and sales taxes in proportion to the amount of State aid received. **Two major problems surfaced regarding whether the categorical program was actually fulfilling the legislative intent embodied in the statutes.**

First, **local tax effort was ignored in the allocation formulae.** Those local governments levying a high tax rate received funding at the same rate as local governments which provided few or no services through local tax collections. If local tax effort was not considered in distributing Revenue Sharing funds, then the program could not effectively contribute to proportionally lowered rates of taxation.

Second, **the categorical formulae ignored the ability of a municipality to pay for public services.** Municipalities with high tax bases received funding at the same rate as those with small or nonexistent tax bases. To provide the same level of service, a poor municipality would have to put forth a much greater tax effort. Alternatively, at the same tax effort, a poorer municipality would have to forego some services or provide them at a much lower level than a wealthy municipality.

In sum, the "service category" approach to distributing the legislative appropriation for Revenue Sharing was criticized for biasing the program toward the wealthy and more populous cities and boroughs. Other problems emerged from the debate over the two major concerns expressed above. Some municipal officials questioned why the program had to be so categorical,

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[1] "State Revenue Sharing Handbook for Municipal Officials, January 1983", Alaska Department of Community and Regional Affairs.

with the State mandating the services local governments had to provide in order to receive State aid. They felt that the municipalities should decide for themselves what services were important to provide in their communities. Another frequently mentioned problem was that the per capita cost of providing services varies considerably around the state.

The legislature and administration, in consultation with municipal officials, considered several different plans for revising the Revenue Sharing Program during the mid-1970s. Their goal was to replace the service category formulae with a single formula that would equalize the tax resources of municipalities. In other words, they wanted a formula that would benefit those local governments that are helping themselves by levying local taxes, while providing relatively less to municipalities with low tax effort. Additionally municipalities desired a new allocation formula that guaranteed them at least as much State funding as they received under the old categorical program.

There was extensive debate over what an equalization formula should include as local revenue. Distinctions needed to be made between program receipts and tax effort. Some municipalities provide electrical service or have publicly funded garbage disposal, while others have these services provided by the private sector. Some land-rich municipalities receive substantial amounts of revenue through land sales in lieu of property and/or sales taxes. According to individuals who were involved in the process, **the determination of exactly which types of locally generated revenue would be defined as local effort was the most difficult problem to solve in developing a new revenue sharing formula.**

The consensus that emerged from this debate was embodied in HB 192 (Chapter 155, SLA 1980), which repealed and replaced the existing State Revenue Statutes. The new program was drastically different from the old formula. Nearly all provisions of the municipal services programs that had been allocated on a per capita basis were replaced with an equalization formula, though some of the categorical payments (roads, health facilities and hospitals) were retained. The new program also featured a $25,000 (plus area cost-of-living differential) minimum for all municipalities of over 25 permanent residents. Another feature was a five-year 125 percent hold-harmless provision for municipalities already in the program.[2] The hold harmless provision was designed to allow communities time to adjust their local revenues to their entitlements under the new formula.

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[2]The hold-harmless provision was especially important for Fairbanks, which was experiencing a post-pipeline decline in population and tax base in 1980 when the program was passed and continued to received a substantially greater entitlement over time than it would have without the provision in place. Fairbanks received a $3.5 million Municipal Tax Equalization entitlement in FY 85 (under the hold-harmless provision) and $1.48 million in FY 86 (after the provision had been phased out).

The legislative intent of the program was expressed in the bill as follows:

1) "to improve the revenue raising and distribution system for the benefit of residents of home rule and general law municipalities by providing for more equitable allocation of financial resources among municipalities to improve their fiscal capacities; and

2) to assure that no municipality suffers impoverishment of necessary public services, relative to other municipalities, because of chance location of taxable wealth in the state".

Three separate accounts were set up under the new Revenue Sharing Act. These are listed with their statutory authorization below:

Tax Resources Equalization Account	AS 29.88
Miscellaneous Municipal Services Account	AS 29.89
Hospital Construction Assistance Account	AS 29.90

The legislature appropriated $51.9 million to the State Revenue Sharing Program for FY 81; $34.9 million to the Tax Equalization Account; $10.2 million to the Miscellaneous account; and $6.7 million to the Hospital Construction account. Entitlements were to be paid from each account, and, if there was money left over in either the Miscellaneous or Hospital Construction account, it was to be placed into the Equalization account.

The steps involved in the calculation of a municipality's entitlement under the **Tax Resource Equalization Formula** are as follows:

1) All eligible revenues generated from local sources (e.g., sales tax, property tax, permits or fees for services, fines and penalties) for the preceding fiscal year are added together. The resulting figure is defined as the municipality's total fiscal effort.

2) The total fiscal effort (which excludes municipal utility revenue, interest earned on investments, revenue from the sale or lease of land or equipment, or intergovernmental transfers) is divided by one-tenth of one percent of the full and true assessed valuation of property within the municipality. The resulting figure is the municipality's millage rate equivalent. This computation compares a municipality's fiscal effort relative to its taxable wealth.

3) The millage-rate equivalent is multiplied by the municipality's population to arrive at an entitlement number.

4) The entitlement numbers of all municipalities are added together and each municipality's entitlement number is divided by the sum to determine the percentage of the total appropriation each municipality receives.

Thus, a municipality's allocation from the Equalization account increases when, at a given level of fiscal effort, its population increases or alternatively, if its local effort increases and population remains stable. The relative relationship of these factors between communities determines the amount received by each.

The **Miscellaneous Services Entitlement** account retains many of the features of the categorical program. The State aid award schedule for this account is as follows:

1) Road maintenance at $2,500 per mile.

2) Ice road maintenance at $1,500 per mile.

3) Hospital facilities at $1,000 per bed, limited to the number of beds provided for in the construction design of the hospital or $250,000 a hospital for those with 10 or more beds, or $50,000 per hospital for those with fewer than 10 beds.

4) Health facilities at $2,000 per bed (actually used for patient care) or $8,000 per health facility.

5) Fire protection at $10 per capita for the population served by the fire department. Additional grants are made under this section to facilitate the organization of volunteer fire departments under the administration of the State fire marshall.

The Miscellaneous Services account provides for each unincorporated community of over 25 permanent residents to recieve a $25,000 basic entitlement to be used for a public purpose. This is designed to encourage the development of local governments. All Miscellaneous Services entitlements include area cost-of-living differentials.

Before its repeal by the 1983 legislature, the **Hospital Construction Entitlement** account provided funds for hospital and health facility construction. Projects begun after January 1, 1968 and before July 1, 1980 were eligible if State matching aid for these facilities constituted less than 25 percent of total project cost. The entitlement account paid the municipality or other health facility sponsor $2,500 per bed each fiscal year for the maximum number of beds in the project design or five percent of the total project cost (whichever is greater). State aid under this account continued until the municipality or sponsor received an amount, which when combined with other State construction aid, equalled 25 percent of the total construction cost. These funds were to be spent only on project construction.

Two hospitals were grandfathered into the program under the repeal legislation--Central Peninsula in Kenai and Providence in Anchorage.[3] The total FY 87 appropriation to the Hospital Construction Entitlement account is $489,960. Central Peninsula has applied to DCRA for approximately $600,000 and Providence for $6.99 million, resulting in prorated payments that will predominantly go to Providence. Depending on the amount of future appropriations to this account, this situation could continue for a number of years.

We have presented a condensed version of the history of the Revenue Sharing Program and have attempted to include all of the major issues and legislative changes in our discussion.[4] Table 2, found in the next section of this memorandum includes the appropriations history of the Revenue Sharing Program.

Municipal Assistance

The Municipal Assistance program (AS 29.60.350) was established to replace the Gross Business Receipts Program which was repealed on January 1, 1979. Under the Gross Business Receipts Program, municipalities received an appropriation equal to 20 percent of the Gross Business Receipts Tax collected by the State within the jurisdiction of the municipality. The Municipal Assistance Program uses the FY 78 Gross Business Receipts Program (the final year the program was in effect) allocation by community ($10.6 million total) as a base figure, with any additional appropriation to be divided among all municipalities on a per capita basis. Municipal Assistance appropriations are based on the Corporate Income Tax receipts of the previous fiscal year.

As with the State Revenue Sharing Program, municipal leaders made it very clear to the legislature that any change to the Gross Business Receipts sharing program would have to result in payments under a new plan that were at least equal to those received under the old program. In turn, the legislature wanted assurance that any increase in appropriation would be used for property tax relief and not to fund more expensive or extravagant public services.

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[3]Providence Hospital recently won a lawsuit against the Department of Community and Regional Affairs to be included in the program. The hospital contended (and the State disputed) that their construction project had begun within the appropriate time frame.

[4]There was a clean up of Title 29 in the Alaska Statutes, which repealed the existing statutes and moved Municipal Tax Resource Equalization to AS 29.60.010-080 and State aid for Miscellaneous Purposes to AS 29.60.100-180. These changes were largely cosmetic and only involved minor changes in definitions under these programs. Thus, the substance of the Revenue Sharing program has not changed since 1983.

The legislature borrowed language from the original Revenue Sharing statutes cited in the previous section to express the intent of the program: "The intent of this section [AS 29.60.370(b)],is that a municipality that levies property taxes reduce those levies in reasonable proportion to the amount of increased State aid received by the municipality."

When the Municipal Assistance program went into effect in FY 80, the authorizing statute used 10 percent of Corporate Income Tax receipts as a guideline for what the appropriation level to the program should be. The 1981 legislature repealed the separate accounting method of computing taxable income on the oil companies in Alaska and replaced it with modified apportionment. This change substantially lowered Corporate Income Tax revenues collected by the State and consequently the amount available for distribution through the Municipal Assistance Program. In recognition of this situation, the legislature changed the Municipal Assistance statutes to the present 30 percent appropriation level in the same year.

The language in the present Municipal Assistance was designed to give the legislature maximum flexibility in determining the appropriate level of Municipal Assistance funding. The statute reads: "The legislature may appropriate to the municipal assistance fund during each fiscal year an amount equal to or greater than 30 percent of the income tax revenue received by the state under AS 43.20.011(e) (Corporate Income Tax)."

Table 2 shows legislative appropriations for both Revenue Sharing and Municipal Assistance. The Corporate Income Tax revenue stream (on which appropriations to the Municipal Assistance Program are based) is also portrayed. For FY 86, the legislature chose to fund Municipal Assistance at the FY 85 level even though Corporate Income Tax revenue declined by a third between FY 84 and FY 85 (the appropriation level is based on the previous fiscal year revenues).

Table 2

Revenue Sharing and Municipal Assistance Appropriations

Fiscal Year	Revenue Sharing ($ thousands)	Municipal Assistance ($ thousands)	Corporate Income Tax ($ millions)
1970	$ 2,020.0		
1971	6,500.0		
1972	7,500.0		
1973	8,215.0		
1974	8,777.0		
1975	12,929.3		
1976	15,130.1		
1977	16,600.4		$ 38.8 GR
1978	18,656.8	$ 10,571.5	41.6 GR
1979	18,688.0	12,114.0	52.8 GR
1980	20,236.0	11,400.0	565.4
1981	51,900.0	56,500.0	894.9
1982	55,707.6	87,947.6	703.7
1983	55,721.0	71,300.0	266.3
1984	57,950.0	70,500.0	304.6
1985	59,950.0	81,306.8	204.6
1986	59,632.2	81,306.8	145.1
1987 estimated	47,897.1	65,858.5	
1988 Proposed**	38,401.3	52,686,8	

GR - Gross Receipts Tax Sharing.

*Base year for Municipal Assistance entitlement dispersal.

**Governor Cowper's recommended FY 88 budget includes a 20 percent reduction in Municipal Assistance and Revenue Sharing entitlements.

Source: "Governor's Task Force Report on State Shared Revenue", p. 7, 9, and "Revenue Sources FY 1985-88", Alaska Department of Revenue, March 1986, p. 32.

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As the Municipal Assistance appropriations decline--19 percent from FY 86 to FY 87, and a potential 20 percent reduction for FY 88--attention has been focused on the language in the authorizing statutes. In an era of declining State revenues, the corollary to property tax relief "in proportion to increased State aid" is property tax increases in proportion to declining State funding.

Comparison of Revenue Sharing and Municipal Assistance

State Revenue Sharing and Municipal Assistance are two of the major block grant type funding programs in Alaska. Other State revenue dispersing programs (such as educational support programs) are constitutionally mandated, while others are tied directly to specific tax sources (Amusement and Gaming Tax, Aviation Fuel Tax, Electric and Telephone Cooperative Tax, Liquor License Tax and Fisheries Tax) and shared on the basis of the origin of tax revenues. Table 3 portrays the geographic distribution of State operating expenditures (excluding loan programs) in FY 86 by House election district (the most recent year for which we have data). Together, Revenue Sharing and Municipal Assistance accounted for five percent of the flow of State operating dollars to the local level in FY 86.

We have shown that while Revenue Sharing and Municipal Assistance are both programs that share State-generated revenues, they differ in their objectives and formulas for allocating funds. The Revenue Sharing Program was designed to allocate funds in an equitable manner so that local public services may be provided by municipalities despite inequalities in the distribution of taxable wealth in the state. The Municipal Assistance Program was designed specifically as a property tax relief measure.

State Revenue Sharing and Municipal Assistance have become increasingly important to local governments. Table 4 shows the proportion of the flow of State operating expenditures that these programs provide to each election district . The State Shared Revenue programs as a proportion of the total flow of State operating funds to election districts range from 10 percent in Kenai-Cook Inlet to a low of 3 percent in the Interior Rivers district. A 1983 report issued by the University of Alaska's Institute of Social and Economic Research (ISER), entitled "Effects of Oil Revenues on State Aid to Local Governments in Alaska" (Alaska Review of Social and Economic Conditions, September 1983, Volume XX, No. 4), indicates that the Shared Revenue programs have generally been effective in their stated objectives. Among the findings of this report were: 1) that there had been an expansion of local government services as indicated by the increase in local government employment and borough service areas; and 2) growth in municipal tax bases and increases in State aid generally resulted in a reduction in municipal property tax rates.

The development of the State Revenue and Municipal Assistance Programs must be considered in the context of the politics of the late 1970s and early 1980s. Nineteen-seventy-nine marked the beginning of the dollar deluge to the State treasury from oil revenues and legislators came under great pressure to bring some of the money home to their districts in the form of capital projects and public services that are taken for granted in other parts of the country. A rapidly expanding population placed extreme demands on existing services at the local level. Infrastructure development generated increased entitlement levels (e.g., new roads and health facilities were built). There was a national property tax relief movement underway, typified by the Proposition 13 legislation in California.

TABLE 3
FY 86 OPERATING BUDGET EXPENDITURES BY HOUSE ELECTION DISTRICT

	ELECTION DISTRICT	FY 85 POPULATION	STATE EMPLOYEE SALARIES	STATE EMPLOYEE BENEFITS	GRANTS	PUBLIC SCHOOLS FOUNDATION	PUBLIC SCHOOLS DEBT RETIREMENT	REVENUE SHARING	MUNI ASSISTANCE	OTHER SHARED TAXES	PUBLIC/MEDICAL ASSISTANCE	LONGEVITY BONUS	OFFICE LEASES	TOTAL EXPENDITURES
			IN THOUSANDS OF DOLLARS											
1	Ketchkn-Wrangl-Petrsbg	18,689	$22,014.6	$5,540.4	$6,842.8	$14,181.9	$4,909.3	$3,333.0	$2,894.6	$1,050.3	$3,404.0	$3,185.4	$438.2	$67,794.7
2	Inside Passage	10,240	4,074.2	1,025.4	8,267.1	18,687.4	125.3	972.9	1,321.3	291.5	2,386.7	1,301.5	42.2	38,495.4
3	Baranof-Chichagof	8,220	8,530.0	2,146.7	7,333.9	7,254.3	568.6	1,020.1	1,257.7	465.2	923.3	1,216.5	59.5	30,776.0
4	Juneau	23,729	156,907.6	39,488.9	14,595.3	17,699.9	6,412.2	5,889.5	4,170.7	118.6	3,245.6	2,908.0	7,407.6	258,843.6
5	Kenai-Cook Inlet	32,202	19,419.8	4,887.4	11,341.7	35,470.0	13,006.3	5,175.8	5,429.5	1,134.6	5,943.6	3,078.8	1,077.0	105,964.4
6	Prince William Sound	10,357	26,204.1	6,594.8	5,301.4	7,181.9	4,990.2	1,915.9	1,575.1	774.2	1,217.3	1,204.5	1,007.3	58,036.7
7-15	Anchorage	245,491	245,913.8	61,889.0	103,369.9	139,764.1	22,975.2	19,957.2	37,025.7	1,181.3	35,713.4	14,715.2	14,736.6	697,241.5
16	Matanuska-Susitna	29,836	24,850.0	6,254.0	10,096.5	32,357.6	13,860.4	4,994.2	5,515.4	476.8	5,814.7	3,168.5	495.3	107,891.4
17	Interior Highways	10,313	6,764.3	1,702.4	4,675.6	18,012.9	206.6	840.6	362.7	15.4	2,886.7	1,143.5	120.0	36,730.6
18-21	Fairbanks	64,321	135,383.5	34,071.9	26,067.1	53,540.3	13,041.1	4,835.9	11,355.5	274.9	10,500.4	4,863.0	1,477.3	295,410.9
22	North Slope-Kotzebue	11,051	4,293.4	1,080.5	19,553.2	23,474.7	18,396.5	1,846.3	3,108.5	158.6	3,936.3	1,225.3	229.6	77,302.9
23	Norton Sound	10,975	10,445.2	2,628.7	18,855.1	24,404.2	0.0	1,807.5	1,578.6	49.1	6,760.4	1,413.3	228.5	68,170.6
24	Interior Rivers	10,652	7,193.9	1,810.5	14,521.4	30,382.8	194.6	1,945.4	1,132.2	72.8	8,114.0	1,297.0	80.2	66,744.7
25	Lower Kuskokwim	9,892	10,239.7	2,577.0	13,134.1	27,592.3	0.0	1,385.5	1,232.5	44.7	8,277.1	1,300.3	360.2	66,143.3
26	Bristol Bay-Aleutians	14,089	5,865.9	1,476.3	17,926.1	25,034.9	1,165.3	1,881.7	1,366.6	2,122.3	1,787.1	924.3	370.3	59,920.7
27	Kodiak-East Ak Peninsula	12,873	9,926.1	2,498.1	10,559.7	12,854.4	6,144.6	1,823.6	1,980.1	1,374.9	2,232.8	1,077.5	261.3	50,733.2
	STATEWIDE/UNABLE TO ALLOCATE		$3,903.5	$982.4	$11,885.5						$79,577.0			$732,276.4
	OUT-OF-STATE										$55.2		$48.8	$104.0
	TOTAL	522,910	$701,929.7	$176,654.3	$304,406.5	$487,893.6	$105,994.3	$59,625.0	$81,306.7	$9,605.1	$182,775.4	$44,022.3	$28,439.9	$2,818,580.9
	PERCENT OF TOTAL EXPENDITURES		24.9%	6.3%	10.8%	17.3%	3.8%	2.1%	2.9%	0.3%	6.5%	1.6%	1.0%	

NOTES: The grants expenditures, obtained from the Grants Information System operated by the Office of Management and Budget, includes some capital funds to State agencies and communities. As estimated $29 million in capital expenditures are included in this grants column.

Actual FY 86 expenditures for medical assistance programs were not available. FY86 authorized funds for Medicaid ($66.7 million), Catastrophic Illness ($1.3 million), and General Relief-Medical ($11.6 million) are included in the statewide/unallocated row under Public/Medical Assistance.

The table allocates about 74 percent of the FY 86 operating expenditures by election district. Other expenditures available in statewide totals include: debt service ($168.9 million; 6.0%), medical assistance ($79.6 million; 2.8%), State travel ($30.4 million; 1.1%), and State purchases of commodities ($78.7 million; 2.8%), equipment ($16.4 million; 0.6%), contractual services ($311.6 million; 11.1%), lands/buildings ($11.3 million; 0.4%), and miscellaneous ($18.6 million; 0.7%).

State employee salaries are based on Alaska Department of Labor employment and payroll data. The retirement, health, and supplemental benefits were allocated to election districts on the basis of Labor's payroll data.

Per capita figures were calculated using Alaska Department of Labor population estimates. The FY 86 per capita figures for election districts are slightly overstated because they are based on FY 85 population estimates (the most recent available).

Prepared by the House Research Agency (Opsum2; 860227-07). 06-Feb-87

TABLE 4

FY 86 STATE SHARED REVENUE PROGRAMS (MUNICIPAL ASSISTANCE AND REVENUE SHARING)
RELATED TO STATE OPERATING EXPENDITURES BY HOUSE ELECTION DISTRICT
($ Thousands)

ELECTION DISTRICT		FY 85 POPULATION	REVENUE SHARING	MUNI ASSISTANCE	TOTAL STATE SHARED REVENUE	STATE SHARED REVENUE AS A PERCENT OF TOTAL ST. $	TOTAL STATE EXPENDITURES	PER CAPITA STATE SHARED REVENUE
1	Ketchkn-Wrangl-Petrsbg	18,689	$3,333.0	$2,894.6	$6,227.6	9.2%	$67,794.7	$333
2	Inside Passage	10,240	972.9	1,321.3	2,294.2	6.0	38,495.4	224
3	Baranof-Chichagof	8,220	1,020.1	1,257.7	2,277.8	7.4	30,776.0	277
4	Juneau	23,729	5,889.5	4,170.7	10,060.1	3.9	258,843.5	424
5	Kenai-Cook Inlet	32,202	5,175.8	5,429.5	10,605.3	10.0	105,964.4	329
6	Prince William Sound	10,357	1,915.9	1,575.1	3,491.0	6.0	58,036.7	337
7-15	Anchorage	245,491	19,957.2	37,025.7	56,982.9	8.2	697,241.5	232
16	Matanuska-Susitna	29,836	4,994.2	5,515.4	10,509.6	9.7	107,891.4	352
17	Interior Highways	10,313	840.6	362.7	1,203.3	3.3	36,730.6	117
18-21	Fairbanks	64,321	4,835.9	11,355.5	16,191.4	5.5	295,410.9	252
22	North Slope-Kotzebue	11,051	1,846.3	3,108.5	4,954.8	6.4	77,302.9	448
23	Norton Sound	10,975	1,807.5	1,578.6	3,386.1	5.0	68,170.6	309
24	Interior Rivers	10,652	1,945.4	1,132.2	3,077.6	4.6	66,744.7	289
25	Lower Kuskokwim	9,892	1,385.5	1,232.5	2,617.9	4.0	66,143.3	265
26	Bristol Bay-Aleutians	14,069	1,881.7	1,366.6	3,248.3	5.4	59,920.7	231
27	Kodiak-East Ak Peninsula	12,873	1,823.6	1,980.1	3,803.7	7.5	50,733.2	295
STATEWIDE/UNABLE TO ALLOCATE							$732,276.4	
OUT-OF-STATE							$104.0	
TOTAL		522,910	$59,625.0	$81,306.7	$140,931.7	5.0%	$2,818,580.9	$270
PERCENT OF TOTAL EXPENDITURES			2.1%	2.9%	5.0%			

Prepared by the House Research Agency (Opsum3.wk1; 860227-07).

Governor's Task Force on State Shared Revenue

Governor Sheffield appointed a task force composed of municipal officials, executive branch administrators responsible for shared revenue programs, legislators and former government officials, which met for the first time on May 11, 1984 "to assess the present and future distribution of State-shared revenues for local governments." The task force examined the following issues in relation to the State Revenue Sharing and Municipal Assistance Programs:

1) formula modification;

2) increased predictability of entitlements;

3) consolidation of programs;

4) clarification of health facility definition;

5) treatment of unincorporated communities; and

6) raising minimum municipal entitlements.

The final task force report recommended that the formulae for Revenue Sharing and Municipal Assistance not be changed. It became obvious in their deliberations that any modification of the entitlement formulas would result in a redistribution of funds among municipalities (i.e., winners and losers). This was not acceptable to municipal leaders. Likewise combining the programs into a single distribution formula would disrupt the accepted balance of funding among municipalities. As we showed in previous sections of this memorandum, the present Revenue Sharing and Municipal Assistance programs have separate goals and objectives. Combining them into a single program would reopen the debate on many of the issues that took several years to resolve in the 1970s. The task force was reluctant to do this.

With regard to increased predictability of entitlements, the task force did recommended legislation and administrative changes to utilize prior year data in entitlement calculation. House Bill 90, introduced on January 30, 1987, and referred to the Community and Regional Affairs and Finance Committees, deals with this problem. Governor Cowper's proposal to pass bienniel budgets for Revenue Sharing, Municipal Assistance and School Foundation Funding would go a long way toward increasing the predictability of the entitlement programs for local government planning.

Consolidation of programs, clarification of health facility definitions and treatment of unincorporated communities are issues that have largely been resolved legislatively (Chapter 74, SLA 1985) in previous sessions. Both programs are now administered by the Department of Community and Regional Affairs. Finally, any increase in minimum entitlements would come at the expense of larger municipalities and thus was not recommended.

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I have attempted to paint a broad brush picture of the development of State Shared Revenue Programs. I have not discussed the administrative operations of the programs or the technical details involved in calculating entitlements. The House Research Agency is in the process of transferring the Revenue Sharing and Municipal Assistance data files from Community and Regional Affairs to our computer system. We will be able to manipulate these data for specific requests. For further detail on the Shared Revenue Programs, I would suggest you call Jim Plasman (4750) at DCRA. Please feel free to call if you have further questions on this or any other subject.

BP

Attachments