

Discussion Draft based on discussions by the Advisory Commission on local government and other state and local officials.

Why a Community Dividend is good for Alaskan citizens and business

1. Creates a **sustainable benefit to Alaskan citizens and business**. Avoids using too much of current oil revenue surpluses on capital projects that increase long-range operating costs.
2. **Uses oil revenue to offset significantly higher local government and school costs caused by higher oil prices**. (Each \$1 increase in a barrel of oil provides \$60 million of new revenue to the State but costs communities, schools, businesses \$20 million.
3. Promotes the **delivery of key local public services** critical to business and community quality of life, especially in the poorest communities in the state that currently have no other options.
4. Provides a **sustainable level of property tax relief** to citizens and businesses.
5. **Funds the state mandated senior citizen/disabled veteran property tax exemption**.
6. Promotes **local economic development and job creation**.
7. Promotes "maximum local self-government" and **local responsibility and accountability** as mandated by the constitution.

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"An Act relating to the community dividend program; regional economic development and job creation; and providing for an effective date."

Finding:

When Alaska achieved statehood it was widely recognized that Alaska (with sparse population and high transportation costs) required resource revenues to maintain government public services at both the state and local government levels.

Purposes:

8. Develop a **sustainable plan** to provide needed financial support to communities, especially remote communities that have very small local tax bases.
9. Promote the **delivery of key local public services** critical to business and community quality of life.
10. Provide a **sustainable level of property tax relief** to citizens and businesses.
11. Promote **local economic development and job creation**.
12. Promote "maximum local self-government" and **local responsibility and accountability** as mandated by the constitution.

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

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

Article 10. Community Dividend Program.

Sec. 29.60.800. Community dividend fund. There is established in the department the community dividend fund consisting of money transferred to the fund under AS 37.13.145(e). Subject to appropriations for the purpose, the amount transferred to the fund shall be distributed each fiscal year by the department as dividends to cities, boroughs; and unorganized boroughs as may be created by the state for improved service delivery, economic development, and local responsibility.

Sec. 29.60.810. Community dividends.

(a) **Option # 1 - Straight per capita option:** The amount of a community dividend for a fiscal year equals \$250 for each resident of the municipality or unorganized borough.

OR

(a) **Option # 2 - Provide support for key public services:** The amount of a community dividend for a fiscal year equals up to \$250 for each resident of the municipality or unorganized borough depending of the local services provided the previous year as documented by an audit or financial report, or a new service budgeted for the coming fiscal year and detailed in a resolution by the council or assembly. Funds will be allocated as follows:

- i. Police - \$75 per resident
- ii. Road and Public Works Maintenance - \$75 per resident
- iii. Fire Protection/Emergency Medical Services - \$50 per resident

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- iv. Economic Development planning and implementation of job creation projects - \$25 per resident
- v. Basic municipal administration or local contribution to schools - \$25 per resident

or

(a) **Option # 3 - Encourage local services but do not specify amounts:** The amount of a community dividend for a fiscal year equals \$250 for each resident of the municipality or unorganized borough. Community Dividends received by a municipality, above the minimum prescribed for that population in (c) of this section, must be used for one or more of the following public services:

- i. Professional financial audit
- ii. Local property tax relief
- iii. Public safety including police, fire protection, emergency medical services or other related public safety services.
- iv. Capital improvements and community infrastructure maintenance
- v. Local contribution to schools

Annually, each municipality must submit a report to the department detailing how funds under this section were spent supported by a professional financial audit.

(b) **Resident Population determination:** The population of each municipality or unorganized borough shall be determined annually by using the latest numbers of permanent fund dividend recipients or other population data that, in the judgment of the department, is reliable. In determining the population of a borough, or unorganized borough, the population of all cities in the borough and of all municipalities described under (g) of this section in the borough shall be deducted from the total population of the borough.

(c) **Base funding for small communities:** Notwithstanding (a) of this section, the minimum amount of a community dividend for each municipality or unorganized borough, with a population 150 or less is \$50,000, and the minimum amount of a municipal dividend for each municipality with a population 151 or more is \$100,000. Notwithstanding (a) of this section, the first \$50,000 received by a municipality may be used for basic administrative costs such as a municipal clerk, accounting services, and office expenses including heat.

(d) **Reimbursement of senior citizen/disabled veteran property tax exemption mandated by AS 29.45.030 (e)-(1):** If a municipality has a property tax, at least the amount of the loss of revenue from the senior citizen/disabled veteran property tax exemption mandated by AS 29.45.030 (e)-(1) must be used for direct property tax mill rate reduction.

(e) **Improving the sustainability of small communities and promoting regional economic development:** (a-d) of this section,

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in addition to any other distribution of funds for a borough, each borough, and unorganized borough created by the state, shall receive \$200,000 that must be used to provide administrative assistance and support to cities and unorganized communities within the borough, and regional economic development services. Administration includes services such as training, direct assistance on an interim basis such as providing an interim municipal clerk or accountant, support or capital grants performing financial or performance audits and evaluations, and joint services such as bill collection, utility maintenance, or accounting. Regional economic development services shall be provided by or jointly with an ARDOR, if a functioning ARDOR exists in the opinion of the department. Regional economic development services includes those specified for ARDORS in AS ---. Such services and assistance may be provided to cities or, outside of cities, to tribal governments or community organizations that in the opinion of the borough provide public services to their community.

(f) If the amount appropriated is not sufficient to fully fund municipal dividends for a fiscal year under (a) and (b) of this section, the amount of each dividend shall be reduced on a pro-rata basis.

(g) In this section, "municipality" includes a municipality organized under federal law as an Indian reserve that existed before enactment of 43 U.S.C. 1618(a) and is continued in existence under that subsection.

*** Sec. 2.** AS 37.13.145 is amended by adding a new subsection to read:

(e) **Funding:** After the transfers under (b) and (c) of this section, on June 30 of each year, the corporation shall transfer from the earnings reserve account to the municipal dividend fund established under AS 29.60.800 the amount needed to fund municipal dividends for the next fiscal year, or the balance in the earnings reserve account, whichever is less.

Or

(e) **Funding:** Funding from Amerada Hess as sustainable funding plus an X % share of current oil revenues when oil prices rise above Y \$ per barrel to offset higher costs driven by higher fuel prices.

OR

(e) **Funding:** Funding from General Fund for the next one (or two) years to allow the communities, taxpayers, and business to see if program should be made sustainable in conjunction with a POMV management of the Permanent Fund

*** Sec. 3.** This Act takes effect June 30, 2006.