

Dillingham Area Analysis of Borough Formation

prepared for
City of Dillingham



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EXECUTIVE SUMMARY

Objectives in Considering Borough Formation

Dillingham is considering the implications of borough formation because it is interested in:

1. Being proactive in forming a borough rather than having it imposed upon the region.
2. Being more involved in land use development, management and regulation, including activities and uses on land and waters in the region that have an impact on the area's economy and resources.
3. Providing services that make sense to offer regionally, such as education and planning and economic development, in an efficient manner.
4. Increasing political power, voice and unity to the region.
5. Capturing an appropriate share of revenues from the region which are not currently taxed by a municipality but which benefit from municipal infrastructure and services.

Borough Options Investigated

The 1st class City of Dillingham is investigating two borough formation options, both of which are only a portion of the State's Model Borough Boundary for this area. Either borough option should be considered the first step in forming a regional, or borough, government. Both options are seen on Figure 1 (page 11).

Scenario 1. The first option is forming a Dillingham-Aleknagik-Tikchik Borough, which stretches from the mouth of Nushagak Bay to Dillingham, Aleknagik and either a geographically and /or politically defined area that includes the Wood Tikchik State Park.

Scenario 2. Borough formation scenario 2 is forming a Dillingham-Aleknagik-Nushagak Borough that includes all of scenario 1, but also stretches east to the border with the Lake and Peninsula Borough. This would include the communities of Ekuk, Clarks Point, Portage Creek, Ekwok, New Stuyahok and Koliganek.

- **Under both borough options, the borough will take on the three mandatory borough powers of education, assessment and collection of taxes, and land use regulation, plus the forth power of economic development.**

Land Entitlement

State statute AS 29.65 provides for an entitlement of 10% of the maximum, total acreage of vacant, unreserved and unappropriated (VUU) state land within the boundaries of a newly incorporated borough.

In the Dillingham-Aleknagik-Wood Tikchik Borough (Scenario 1) there are an estimated 101,060 acres of State land that are classified so as to be part of the entitlement base and eligible for municipal selection.

- **This will allow the Borough to select 10,106 acres of this State land.**

If the Dillingham-Aleknagik-Nushagak Borough forms (Scenario 2), there are an estimated 620,740 acres that are part of the entitlement base and eligible for municipal selection.

- **This will allow the Borough to select 62,074 acres of State land.**

Borough Planning and Economic Development

- **The ability to legally conduct regional land and resource planning, development and conservation is particularly important to area residents and of strong local interest in considering borough formation.**

The Borough would not only plan for its own land, but would prepare a comprehensive plan and conduct implementing actions such as Capital Improvement Project planning and funding, pursuing targeted grants, and establishing zoning and platting for all land within the Borough's corporate boundary. AS 29.35.180 establishes that 1st and 2nd class boroughs shall provide for planning, platting and land use regulation on an areawide basis in accordance with AS 29.40. (Home rule boroughs must provide the same, but have more flexibility in that it need not be done in accordance with AS 29.40.)

- **The Borough would team with other regional organizations, such as Bristol Bay Native Association and Bristol Bay Economic Development Corporation, as well as local communities and tribes, to accomplish the area planning, development and conservation goals and pursue related funding.**

Proposals for planning and project funding are always stronger when multiple entities team and support one another – the Borough would be a new strong player to add to regional entities already in place.

Coastal Management Planning. If a borough were to form, it would become a coastal district and responsible for implementing the existing Bristol Bay CRSA Plan. The new borough would have to revise the plan to update the boundary and implementation sections as well address the policy revisions required by the new legislation. With the passage of HB 191 during the 2002/03 Alaska Legislative session, the status of the remainder of the BBCRSA, that would not be a part of the new borough, is not clear. Under the recently passed legislation amending the ACMP, new CRSAs cannot form, and the sections of the statutes addressing the formation of CRSAs were repealed. So, there are questions regarding what happens to the remaining BBCRSA. ADNR OPPM would need to consult with the State of Law to determine whether a portion of the existing BBCRSA that was excluded from the formation of a new borough could still be a CRSA. Would the criteria from the old statute (AS.46.40) even be met? Even if the remnants of the original BBCRSA were still a CRSA, it

is unclear whether it would be eligible for the same amount of funding, given the reduced size and population? There are no certain answers to these questions at this time.

Borough Education

- **Within two years of borough formation, the Dillingham City School District must dissolve and all assets and liabilities of it would be combined with the assets and liabilities of a portion (depending on the borough formation option selected) of the Southwest Region Educational Attendance Area (SWREAA) schools, to form a new Borough School District. Education services will be provided by the Borough under the authority of a newly elected borough school board.**

Under borough formation scenario 1, the approximately 540 pupils from the Dillingham City School District, and the approximately 34 students from the SWREAA school of Aleknagik, would be consolidated into a new Borough School District. For borough formation scenario 2, the 574 students would be joined by an additional 307 pupils from Clarks Point, Portage Creek, New Stuyahok, Ekwok, and Koliganek to become students of the new borough school district.

- **If a borough is formed State Support for education to the region will increase.**
- **The Required Minimum Local Contribution (RMLC) or “Local Effort” will also increase, but the amount of State Support increases by more, resulting in a net gain to the region for education funding.**
- **Under both borough formation scenarios, if the borough accepts the four-year phase-in of the need to make the RMLC, it must forego making an Additional Local Contribution (ALC) for education and together this results in less total revenue for education during the four year phase-in period. For this reason the sample borough budget in this report assumes that the borough does not take a four year phase-in of the RMLC.**

Borough Formation Scenario 1. If the Dillingham-Aleknagik-Tikchik borough forms, the State Department of Education (DOE) estimates that the region will receive approximately \$539,551, or 13%, more in State Support for education compared to current funding for Dillingham and for the Aleknagik portion of SWREAA. However, the State DOE likely overestimated this revenue increase because it used the SWREAA District Cost Factor (DCF) when calculating Basic Need, and with only two school sites in the prospective borough, a smaller DCF closer to Dillingham’s is more realistic for calculating Basic Need. This would likely reduce total State Support for education under this scenario by about half, bringing it to approximately a \$260,000 increase compared to current education funding.

The communities and territory that were formerly part of the Dillingham School District and SWREAA have an estimated FTV of \$161 million; the four mill equivalent of this higher FTV would add approximately \$53,400 to the RMLC for education.

Borough Formation Scenario 2. If the Dillingham-Aleknagik-Nushagak borough forms, the DOE estimates that the region will receive approximately \$757,900, or 11%, more in State Support for education compared to current funding that Dillingham and the schools in the eastern half of the SWREAA now receive. The communities and territory that were formerly part of the Dillingham School District and SWREAA have an estimated FTV of approximately \$186 million; the four mill equivalent of this higher FTV would add approximately \$155,600 to the RMLC for education.

Borough Budget

The revenue and expenditure estimates in this report are a “snap shot” in time, and will shift as funding changes. The estimates here also assume that other factors (e.g., political changes to funding levels, size of fish runs and related business tax, etc) are held constant, so that what is being compared is the status quo now, and if a borough formed.

The provision of education, some taxation, and land use planning will shift to borough, rather than city, responsibilities. Related expenditures will also shift from city to borough responsibilities, requiring less city revenue.

As a result of borough formation:

- **Combined federal and State revenue to the region will decrease, by approximately \$72,000-\$130,000 (respective scenarios).**
- **Revenue reductions are countered in the short term by a three year borough organization grant of \$300,000 \$200,000 and \$100,000 in successive years.**
- **The Required Minimum Local Contribution for education will increase from \$54,000-\$155,600 (the four mill equivalent of the estimated increased Full True Value of real and personal property in the respective boroughs).**
- **There will be an increase in State education funding, from approximately \$539,000 (or perhaps only \$260,000) to \$758,000 (respective borough scenarios).**

Under either borough formation scenario, the first year the new borough would receive approximately \$562,200 in revenue from the State and federal government (without the borough organization grant, and holding revenues constant, it would be about \$262,200; education funding of approximately \$4.5-7.6 million is not included as this goes directly to the borough school district).

To provide borough education (make the Local Effort (RMLC) contribution), land use planning and economic development, taxation, and support the Borough Assembly and administration, it will cost an estimated \$2.3-\$2.4 million.

- **To achieve a balanced budget and pay for education and borough government services, a revenue source, such as borough taxes, is needed.**

Accordingly, borough budget scenarios increase and split the region's sales tax so a portion becomes a 5% areawide borough sales tax levied to support education, and other sales taxes stay with the cities to support city government.

- **A 5% areawide borough sales tax would generate an estimated \$1.8 million annually for borough formation scenario 1, and \$1.9 million for borough formation scenario 2.**
- **A borough wide 3% lodging tax would generate approximately \$27,000 annually.**
- **The combined city and borough sales tax in Dillingham and Aleknagik would be 8%.**
- **No borough property tax is proposed.**

Borough Apportionment

Two bodies --- the Borough Assembly and School Board, assume key roles in borough policy development and operations. The legislative body of a borough is the assembly. It has 5-16 (typical) members and is elected to govern borough, adopt laws and approve budgets. The school board oversees the operation of borough schools. (Note that an individual may serve as an elected official on both their local city council and on the borough assembly.)

- **An apportionment (distributing) borough assembly seat is based on population. The fundamental "one-person, one vote" concept must be met. For example in borough formation scenario 2, Dillingham has approximately 67% of the borough population, so all options for dividing into election districts will generally reflect this.**

For borough formation scenario 1, the total borough population would be approximately 2,741 with 2,466 from Dillingham and 275 from Aleknagik and surrounding areas. One option for borough apportionment that meets criteria is for Dillingham to have 9 representatives from one election district and Aleknagik and surrounding areas to have 1 representative from another district. Another option would be to divide Dillingham up into election districts based on areas with equal populations (say, 275) so that the number of districts is increased, but still, residents outside of Dillingham will have fewer borough Assembly representatives than Dillingham residents

For borough formation scenario 2, two options that would meet apportionment criteria are:

- 13 Borough Assembly seats from 3 districts, with:
 - 9 seats from a Dillingham-Clarks Pt-Ekuk district,
 - 1 seat from the Aleknagik area, and
 - 3 seats from an Ekwok-Portage Creek, New Stuyahok, and Koliganek area district.

- 9 Borough Assembly seats from 2 districts, with
 - 7 seats from Dillingham, Clarks Point, Ekuk, and Aleknagik areas, and
 - 2 seats from the Ekwok, Portage Creek, New Stuyahok, Koliganek, and Nushagak areas

1.0 PROJECT PURPOSE

The 1st class City of Dillingham is considering whether or not it should form a Borough and whether to annex territory to its City. Sheinberg Associates was hired to analyze the implications of such actions for the City of Dillingham, to conduct a fiscal impact analysis, and to present this objective information to the Dillingham City Council and community to assist it in considering these local government actions. This report presents the results of the borough formation analysis (the annexation report was submitted previously).

1.1 City or Borough Government?

City governments are local, community-based governments and provide city services, such as police, fire/EMS, water, sewer, solid waste, road maintenance, parks and recreation services, land use planning and zoning, and where there is no borough - education. People using city infrastructure and benefiting from city services should support their use through paying city taxes.

Borough governments are to provide regional services and planning efficiently to a population with common interests. The State Constitution requires that all of Alaska be to divided into boroughs, either organized or unorganized. Boroughs must provide three services - education, taxation and land use planning and regulation. If a Borough forms in this area, the City of Dillingham School District would dissolve and join with portions of Southwest Region REAA to form a new Borough School District. A borough's zoning and coastal management policies must be followed by all private, city and state landowners; the federal government is exempt but the borough can create pressure for the federal landowner to cooperate and consult.

The question of whether or not to annex new lands to the City of Dillingham and whether or not to form a borough are separate matters and not mutually exclusive options. The City can pursue either annexation, borough formation, or both. The key issue for the City and its residents to consider is the same issue that the State Local Boundary Commission and its staff, the Department of Community and Economic Development (DCED) will consider --- what are the interests and goals trying to be achieved, and is a city (local government) or regional (borough government) the best way to achieve these goals.

Report Sources

To prepare this report the following data sources and individuals provided information:

- Population – 2000 U.S. Census data is used, unless otherwise noted. For state revenues, updated population figures provided by State DCED are used.
- Dillingham financial data – June 2002 City of Dillingham General Purpose Financial Audit by Mikunda, Cottrell & Co.
- Housing units – 2000 US Census data

- State revenues estimates – Alaska DCED estimates
- Federal revenue estimates – Alaska DCED estimates
- Education Aid Impact – Eddie Jeans, Mindy Lobaugh, State Department of Education
- Assessed property values – Audited Financial Statement, City of Dillingham; assessor’s data from V.I. Braswell, City Clerk; Steve VanSant-State Assessor; Mike Renfro, Alaska Appraisal Company; Tom Hoseth, Bristol Bay Native Association
- State Fish Tax estimates- MaryJane Doster-Gates, Alaska Department of Revenue

Interviews were conducted, or information was provided by the following individuals:

John Fulton, Dillingham City Manager
 V.I. Braswell, Dillingham City Clerk
 Katy Bagierek, Dillingham Finance Director
 Gregg Burton, Dillingham Assistant Finance Director
 Alice Ruby, Choggiung Ltd
 Mike Renfro, Appraisal Company
 Patty Heyano, Aleknagik City Manager
 Tom Hoseth, Bristol Bay Native Association
 Elizabeth Francis, Southwest REAA and Dillingham City Schools Business Manager
 Bill Rolfzen, Program Administrator, State DCED
 Geri Henricksen, Grants Administrator, State DCED
 Dan Bockhorst, Local Boundary Commission staff, State DCED
 Mindy Lobaugh, State Department of Education
 Steve VanSant, State Assessor
 Raybell Smeaton, Bristol Fuels
 Ray Burger, State of Alaska, DMLW, Land Use Planner
 Arlan De Yong, State of Alaska, DMLW, Municipal Entitlement Manager
 Lauri Allred, State Division of Elections

2.0 BOROUGH FORMATION OBJECTIVES AND OPTIONS BEING INVESTIGATED

2.1 Objectives

Dillingham is considering borough formation because it is interested in¹:

1. Being proactive in forming a borough rather than having it imposed upon the region. Although this area is relatively low on the list of priority areas that the State is considering for borough formation², forming boroughs has been an action

¹ This issue has been periodically investigated since the 1993.

² Unorganized Areas of Alaska that Meet Borough Incorporation Standards, a report by the Local Boundary Commission to the Alaska Legislature Pursuant to Chapter 53, Session Laws of Alaska 2002, February 2003.

item by the State Legislature in one form or another for the last five years. And, the State's current fiscal shortfall will undoubtedly continue this type of debate and consideration.

2. Being more involved in land use development, management and regulation, including activities and uses on land and waters in the region that have an impact on the area's economy and resources.
3. Providing services that make sense to offer regionally, such as education and planning and economic development, in an efficient manner.
4. Increasing political power, voice and unity to the region.
5. Capturing an appropriate share of revenues from the region which are not currently taxed by a municipality but which benefit from municipal infrastructure and services.

2.2 Types of Borough Government

The governing structure of all boroughs is an Assembly, which typically has five to 16 members and a mayor. There is also an elected borough school board to operate the borough school system. The three areawide powers that all boroughs must exercise are education, taxation, and land use regulation. The types of additional powers a borough can exercise, and the way it acquires additional powers, differs depending upon the type of borough it is (Table 1).

There are three types of boroughs allowed in Alaska today:

- 1) Home rule 2) General law-1st class 3) General law-2nd class

Home Rule boroughs have an adopted home rule charter and can have all legislative powers not prohibited by law or charter. Home Rule boroughs must exercise education, taxation and land use regulation, but can set its own "rules" through its charter (see Table 1).

First and second class boroughs are both General Law municipalities. These boroughs must also exercise the three mandatory areawide powers: education, taxation, and land use regulation. These boroughs differ in the way their Assembly can take on additional powers. A 1st class borough takes on additional areawide powers if a city transfers them, or a borough-wide vote is held. Non-areawide powers are obtained when the Borough Assembly passing an ordinance. Because this is perceived to give the borough broad powers, there are no 1st class boroughs at this time in Alaska.

For 2nd class boroughs, extra powers can only be obtained by either an areawide, or non-areawide, vote (depending on the scope of the power).

TABLE 1 - Types of Borough Governments in Alaska			
TYPE OF BOROUGH	MANDATORY POWERS/SERVICES	WAY TO OBTAIN OTHER BOROUGH-WIDE POWERS/SERVICES	WAY TO OBTAIN OTHER NON-AREAWIDE POWERS/SERVICES
Home rule borough	Borough can provide any power or service not specifically prohibited by state law. A charter is created when borough is formed to establish desired powers and services and state how additional powers are acquired. Broad latitude.		
1st class (general law) borough	Education, planning, taxation	By a vote of residents	By Assembly passing an ordinance
2nd class (general law) borough	Education, planning, taxation	By a vote of residents	By a vote of residents

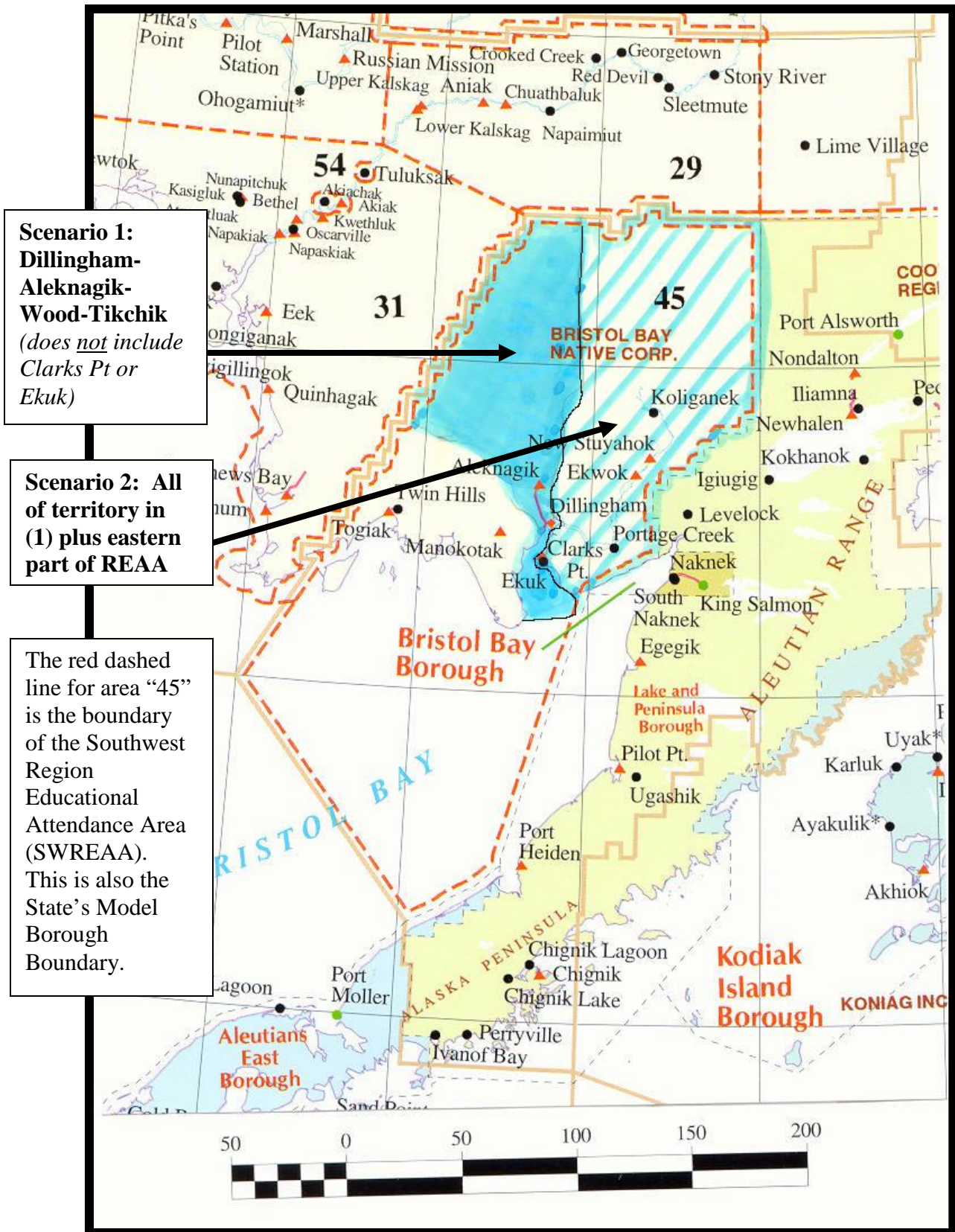
- This report assumes that either a Home Rule or 2nd class borough will form, and that it will (at least initially) only take on the three mandatory powers of education, taxation, and planning, as well as a fourth service of economic development (see section 3.0 of this report).

2.3 Borough Options This Report Investigates

Because proposed borough and city boundaries often raise highly contentious issues, the Local Boundary Commission and its staff at the State Department of Community and Economic Development (DCED) issued a study, revised in June 1997, to identify Model Borough Boundaries (MBB). The MBB are to help guide decision-making on future petitions for borough incorporation. The boundaries are based on conditions in the State, objectives in the Alaska Constitution, State statutes and regulations, responses to a public opinion survey, and community meetings. The MBB for this area is the Dillingham Census Area, which is the same boundary as the Southwest Region Educational Attendance Area (SWREAA) and the Bristol Bay Coastal Resource Service Area (BBCRSA).

The 1st class City of Dillingham is investigating two borough formation options in this study, both of which are only a portion of the MBB because the communities and residents in the area are not ready at this time to form a borough that embraces that full area. Either borough option should be considered the first step in forming a regional, or borough, government.

Figure One – Borough Formation Scenarios Investigated in This Report



Borough formation scenario 1 is forming a Dillingham-Aleknagik-Tikchik Borough that stretches from the mouth of Nushagak Bay to Dillingham, Aleknagik and either a geographically and /or politically defined area that includes the Wood Tikchik State Park (the solid blue colored area on Figure 1). Under this scenario, when communities to the east or west within this area's MBB are ready, they would petition to join the existing Borough.

Borough formation scenario 2 is forming a Dillingham- Aleknagik-Nushagak Borough that includes all of scenario 1, but also stretches east to the border with the Lake and Peninsula Borough (blue striped area on Figure 1). This would include the communities of Ekuk, Clarks Point, Portage Creek, Ekwok, New Stuyahok and Koliganek. Under this scenario, when Togiak, Twin Hills and Manokotak to the southwest are ready, they would petition to join the existing Borough.

3.0 EFFECT ON LOCAL GOVERNMENT SERVICES

Under both borough options, the borough will take on the three mandatory borough powers of education, assessment and collection of taxes, and land use regulation, plus the forth power of economic development. This analysis assumes that the borough takes on no other powers or services beyond these unless there will be a cost savings or efficiencies achieved through offering the service regionally.³ In general, for each of the three mandatory borough powers, these areas of responsibility are transferred from cities to the borough.

Education. The Dillingham City School District would dissolve, and a new Borough school district would be formed that includes pupils from Dillingham, and about half the Southeast Region educational Attendance Area (SWREAA). Fiscal and management responsibility for education would transfer from the City of Dillingham and SWREAA to the new Borough School District. Thus, the Dillingham City Council will no longer approve the school district budgets or receive State education aid funding. Instead, the new Borough Assembly will receive these revenues, approve the Borough School District budget, and pass-on school funding to the school district.

Taxation. Any taxes levied by the borough that are the same as taxes levied by cities must be collected by the borough and passed through to the cities. So, if the borough decided (per voter approval) to levy a 5 % sales tax, the borough will be responsible for collecting this tax and the sales taxes levied by the cities within the borough --- relieving the city governments of some administrative burden. City taxes collected by the borough must be fully passed onto the city for which they were collected.

Land Use Planning. AS 29.35.180 establishes that 1st and 2nd class boroughs shall provide for planning, platting and land use regulation on an areawide basis in accordance with AS 29.40. Home rule and unified boroughs must provide the same, but have more flexibility in

³ Two areas where regional efficiency might warrant the borough providing these services are health care and solid waste.

that it need not be done in accordance with AS 29.40. If a city within a borough and the borough agree, planning powers and duties can be delegated to the city. Dillingham and Aleknagik currently exercise planning powers and have planning commissions. If this status quo is desired, the borough could delegate planning powers to these cities. Conversely, if either of these cities wishes to be relieved of this responsibility, the Borough could provide technical planning assistance and community planning. Land use planning and economic development often go hand in hand in Alaska as the economy is so dependent on the resources of the land and waters. Thus, economic development planning and actions would take place simultaneous with land use planning and regulation.

There will be no change to the status of IRA Councils or federally-recognized tribes as a result of borough formation.

Additional Borough Powers and Services. Beyond the three mandatory borough services, there is flexibility in which, if any, additional services and powers the borough exercises. Generally, for the 2nd class borough options, local government powers and services such as libraries, fire and police/VPSO, water, sewer, and solid waste remain city or community responsibilities (unless the communities and borough wish the borough to take on some of these services).

4.0 BOROUGH LAND ENTITLEMENT

State statute AS 29.65 provides for an entitlement of 10% of the maximum, total acreage of vacant, unreserved and unappropriated (VUU) state land within the boundaries of a newly incorporated borough between the date of incorporation and two years after that date. Within two-and-a-half years of incorporation, the Alaska Department of Natural Resources (DNR) is required to determine the entitlement. VUU lands include state lands not currently classified, or classified for agriculture, grazing, material, public recreation or settlement. These figures, while researched, are still estimates, and may be subject to some modification at the actual time the calculations are made.

In the Dillingham-Aleknagik-Wood Tikchik Borough (Scenario 1) there are an estimated 101,060 acres of State land that are classified so as to be part of the entitlement base and eligible for municipal selection.

- **This will allow the Borough to select 10,106 acres of this State land.**

The land from which these selections can be made is seen on Figures 2 and 3.

If the Dillingham-Aleknagik-Nushagak Borough forms (Scenario 2), there are an estimated 620,740 acres that are part of the entitlement base and eligible for municipal selection.

- **This will allow the Borough to select 62,074 acres of State land.**

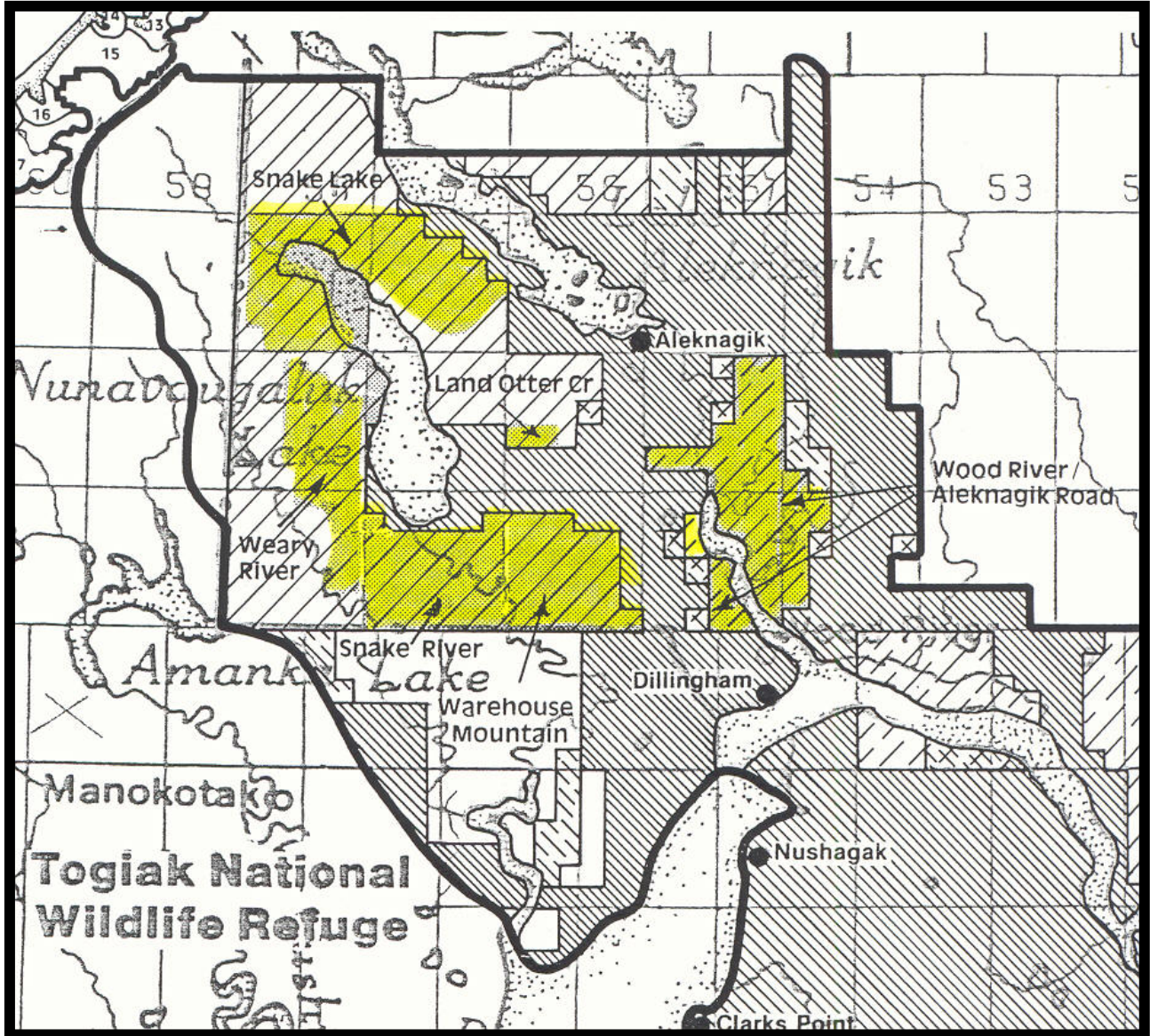
The land from which these selections can be made is seen on Figures 2, 3, 4a and 4b.

The approximate amount of acreage eligible for the Borough's entitlement base, in the State's Bristol Bay Area Palm (BBAP) and Southern part of the Kuskokwim Area Plan (KAP) is as follows:

- 1) BBAP, Management Unit 2 – no eligible acres
- 2) BBAP, Management Unit 3 - no eligible acres
- 3) BBAP, Management Unit 4 - no eligible acres
- 4) BBAP, Management Unit 5 - 136,900 eligible acres
- 5) BBAP, Management Unit 6 - no eligible acres
- 6) KAP Unit 15, Holitna River east and west (for southern portion that is within SWREAA) - 483,840 eligible acres

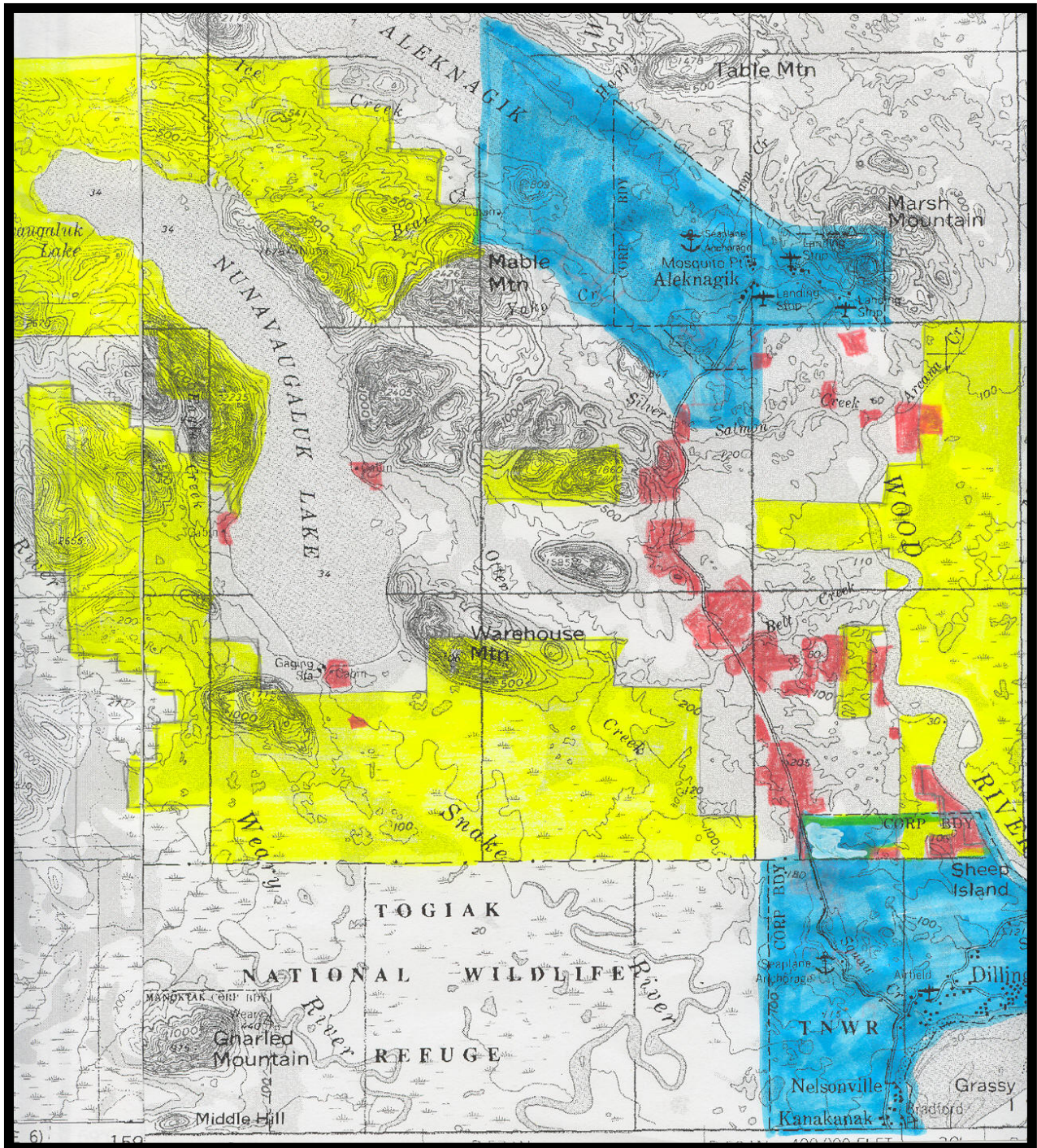
As part of the process of gaining municipal entitlement lands, the Borough will likely have to pay some or all of the survey costs associated with land transfer/getting the state patent, which can be significant.

**Figure 2 – State land Eligible for the Borough’s Municipal Entitlement
(Borough Formation Option 1)**



The 101,060 acres of State land (shaded yellow) within Borough Formation Option 1 that are parts of the municipal entitlement base. The Borough would be eligible to select ten percent (10,106 acres) of these acres. (Note that one township and range (the squares on this map) is 23,040 acres.)

Figure 3 –“Zoomed-in” View of State land Eligible for the Borough’s Municipal Entitlement (Borough Formation Option 1)



Blue = City boundaries (Dillingham, Aleknagik)
Yellow = State land eligible for borough selection
Red = Native Allotments in area

**Figure 4A – State land Eligible for the Borough’s Municipal Entitlement
(Borough Formation Option 2)**
(additional 35,840 acres by EtoIn Pt)

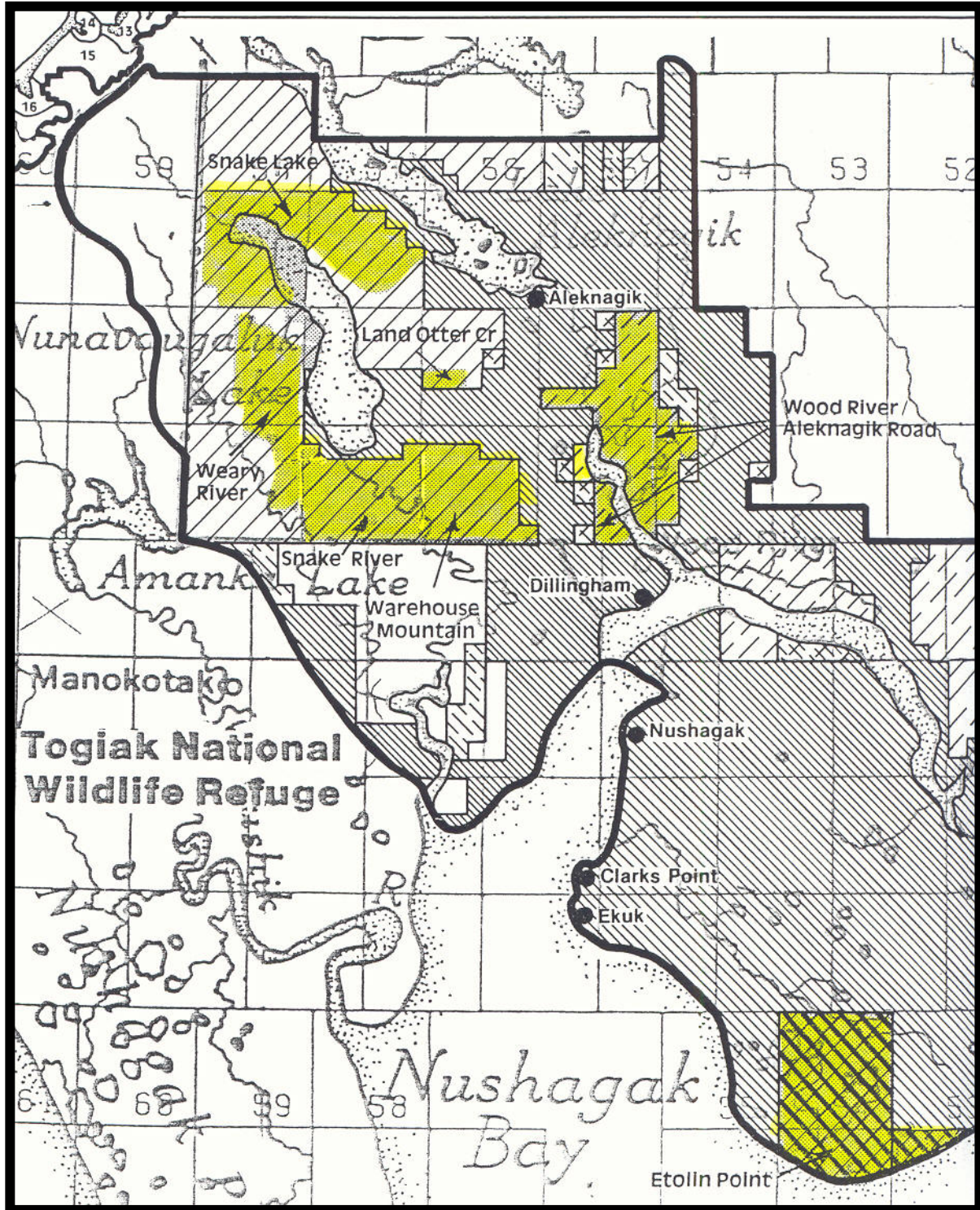
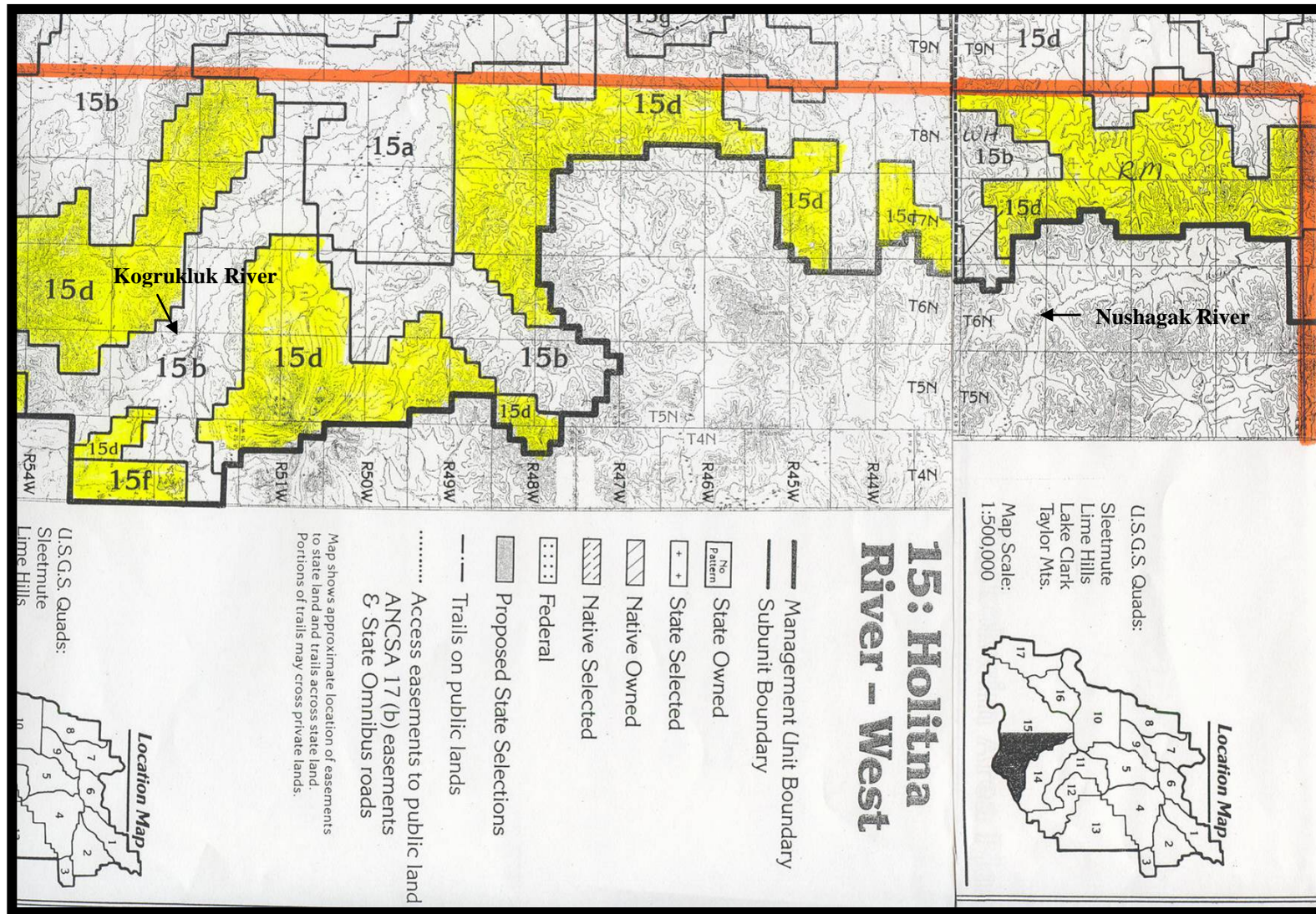


Figure 4B – State land Eligible for the Borough’s Municipal Entitlement (Borough Formation Option 2) in the north-east part of SWREAA



The 483,840 acres of State land (shaded yellow) within this part of Borough Formation Option 2 that are part of the municipal entitlement base. The Borough would be eligible to select ten percent of 620,740 acres (62,074 acres) under this Borough Formation Option.

5.0 BOROUGH PLANNING AND ECONOMIC DEVELOPMENT

The ability to legally conduct regional land and resource planning, development and conservation is particularly important to area residents and of strong local interest in considering borough formation.

The Borough would not only plan for its own land, but would prepare a comprehensive plan and conduct implementing actions such as Capital Improvement Project planning and funding, pursuing targeted grants, and establishing zoning and platting for all land within the Borough's corporate boundary. AS 29.35.180 establishes that 1st and 2nd class boroughs shall provide for planning, platting and land use regulation on an areawide basis in accordance with AS 29.40. (Home rule boroughs must provide the same, but have more flexibility in that it need not be done in accordance with AS 29.40.)

The Borough would team with other regional organizations, such as Bristol Bay Native Association and Bristol Bay Economic Development Corporation, as well as local communities and tribes, to accomplish the area planning, development and conservation goals and pursue related funding. Proposals for planning and project funding are always stronger when multiple entities team and support one another – the Borough would be a new strong player to add to regional entities already in place.

The borough comprehensive plan will set out the vision for the area and must at a minimum, contain:

- Borough Goals, Objectives, Policies
- A Land Use Element
- A Facilities Element (community facilities, solid waste, water , sewer)
- A Transportation Element, and
- Recommendations for Implementation of the Comprehensive Plan

Many municipalities also include Economic Development (commercial and sport fishing, mining, oil and gas, timber harvest, tourism), Cultural Elements, Parks and Recreation, Housing, and Social Services in their Comprehensive Plans.

The Comprehensive Plan is a “policy document” and not law in and of itself, but will be implemented through a variety of legal, regulatory, or voluntary measures. Zoning and Capital Improvement Planning (CIP) are two of the most common tools used to implement the comprehensive plan. Zoning guides and controls land use and CIPs and related funding helps to build needed borough infrastructure and accomplish desired development.

Borough zoning can be as general or specific, and as creative as borough residents and the law allow. Many boroughs have established extremely simple and general land use categories that only apply to parts of the borough outside cities. The job of planning for cities or special use/service areas within the borough can be delegated to the cities if desired.

Zoning rules will apply to all but federal land (such as the Togiak National Wildlife Refuge). While there is no law per se that states that the federal government does not have to follow municipal zoning, as the supreme government of Alaska, the federal government does not have to comply with any legislation that conflicts or frustrates a federal law or federal interest. Thus, as a practical matter, the federal government is essentially exempt from local government planning and zoning. However, a home rule municipality can enact legislation (such as zoning) that doesn't conflict or frustrate federal law. The best course of action to avoid conflicts and litigation on all parts is for the federal government or any parties proposing actions on federal lands to establish a relationship and dialogue with the Borough (and visa versa) with a goal of achieving compatible visions and rules. When dealing with federal land and resource managers, the joint voice and weight of the borough, its elected representatives, regional native corporations, cities and tribes together can be quite persuasive.

To guide planning actions, a Borough Planning Commission may be appointed or elected composed of eight to twelve members from the borough. The number of representatives from 1st class cities in the borough must be apportioned to reflect its proportion of borough population.

The Bristol Bay region actively participates in the Alaska Coastal Management Program (ACMP) through the Bristol Bay Coastal Resource Service Area (BBCRSA), its elected board and paid staff. However, recent charges to the ACMP adopted by the State Legislature and Governor Murkowski (HB 191) will greatly limit the scope of the BBCRSA program and the purview of its reviews and plans. In fact, this decrease in the ability to use the ACMP for regional planning and development may influence resident's interest in borough formation.

If a borough were to form, it would become a coastal district and responsible for implementing the BBCRSA Plan. The new borough would have to revise the plan to update the boundary and implementation sections as well address the policy revisions required by the new legislation. The Nushagak Mulchatna Rivers Recreation Plan AMSA would also have to be revised to reflect the new borough formation and the legislation.

With the passage of HB 191 during the 2002/03 Alaska Legislative session, the status of the remainder of the BBCRSA, that would not be a part of the new borough, is not clear. Under the recently passed legislation amending the ACMP, new CRSAs cannot form, and the sections of the statutes addressing the formation of CRSAs were repealed. So, there are questions regarding what happens to the remaining BBCRSA. ADNRP would need to consult with the State of Alaska to determine whether a portion of the existing BBCRSA that was excluded from the formation of a new borough could still be a CRSA. Would the criteria from the old statute (AS.46.40) even be met? Even if the remnants of the original BBCRSA were still a CRSA, it is unclear whether it would be eligible for the same amount of funding, given the reduced size and population? There are no certain answers to these questions at this time.

6.0 BOROUGH EDUCATION

6.1 Introduction

Education is one of the mandatory services that boroughs must provide.

Within two years of borough formation, the Dillingham City School District must dissolve and all assets and liabilities of it would be combined with the assets and liabilities of a portion (depending on the borough formation option selected) of the Southwest Region Educational Attendance Area (SWREAA) schools, to form a new Borough School District. Education services will be provided by the Borough under the authority of a newly elected borough school board.

Under borough formation scenario 1, the approximately 540 pupils from the Dillingham City School District, and the approximately 34 students from the SWREAA school of Aleknagik, would be consolidated into a new Borough School District. For borough formation scenario 2, the 574 students would be joined by an additional 307 pupils from Clarks Point, Portage Creek, New Stuyahok, Ekwok, and Koliganek to become students of the new borough school district.

Under either scenario, but particularly for scenario 2, consolidating education services will be a challenging part of the borough formation. Labor contracts, benefits and pension plan contributions will have to be reconciled between the districts as part of the two year transition for the borough to assume education responsibilities.

6.2 Existing School Districts

As a 1st class city, Dillingham operates the Dillingham City School District, with an elementary School and a combined Middle and High School (though they are run as two separate schools). A total of 541 students are enrolled in Dillingham district schools (2002) and there are 41.5 teachers, yielding a student/teacher ratio of 13.0. Aleknagik sends its middle and high school students to Dillingham. The Southwest Region REAA operates schools in Aleknagik, New Stuyahok, Clarks Point, Koliganek, Manokotak, Portage Creek, Togiak, Twin Hills and Ekwok. A total of 759 students are enrolled (2002). This and other information about area schools is found on Table 3.

TABLE 3
Snapshot of Current Area School Districts

	Dillingham School District	SWREAA SCHOOLS					
		Aleknagik	Chief Ivan Blunka (New Stuyahok)	Clarks Point	Koliganek	Portage Creek	William "Sonny" Nelson (Ekwok)
FY 02 Enrollment	541	36	181	17	75	14	31
Teacher/Pupil ratio	13	9	13	17	11	14	8

	Dillingham School District	SWREAA Schools
General Fixed Assets	\$12,644,151	\$47,825,223
Unreserved Fund Balance	\$417,714	\$6,085,848
FY 02 Local Revenues (1)	\$1,692,544	\$939,944
FY 2002 Total Revenues	\$7,363,434	\$21,467,107
FY 02 Total Expenditures	\$7,528,264	\$21,254,493
Excess Revenues over Expenditures	(\$164,830)	\$212,614
<i>School district admin</i>	\$312,008	\$668,899
<i>District admin support</i>	\$114,165	\$1,231,258

FY 02 Enrollment for SWREAA	759
FY 02, No. Schools SWREAA	9
Enrollment and no. of schools from SWREAA that would transfer to Borough under Option 1	36 pupils (4.7%), 1 school
Enrollment and no. of schools from SWREAA that would transfer to Borough under Option 2	354 pupils (46.6%), 6 schools

(1) For Dillingham this is the Required Minimum Local Contribution and the Additional Local Contribution; for SWREAA this is income from earnings on investments, E-Rate and other local contract income.

Sources: Dillingham City School District, General Purpose Financial Statements, June 30, 2002, Altman, Rogers & Co.; Southwest Region Schools, Management Discussion and Analysis, Basic Financial Statement... June 30, 2002, Altman, Rogers & Co.

6.3 Local Education Funding

Required Minimum Local Contribution (RMLC) or "Local Effort" to support Education

Except for REAAs, the local government within which a school district is located is required to make a Required Minimum Local Contribution (RMLC) to support education. The amount of RMLC that the community gives is one variable in the State's formula that determines how much state aid each school district receives. State Department of Education (DOE) statute AS

14.17.025 governs how the RMLC is determined --- it is equal to the lesser of four mills (0.004) of the State's assessed Full and True Value (FTV) of personal and real property value within the community that the school district resides (from two year's past), or 45% of Basic Need (the State's determined amount necessary to run the school district).

In addition to the RMLC, local governments are allowed to make Additional Local Contributions (ALC) for education up to the equivalent of a two mill tax levy, or 23 percent of the district's Basic Need (whichever is greater).⁴ Dillingham has routinely made a significant ALC in the last several years.

For borough formation scenario 1, the communities and territory that were formerly part of the Dillingham School District and SWREAA have an estimated FTV of \$161 million; for borough formation scenario 2, the estimated FTV is approximately \$186 million. The four mill equivalent of this higher FTV would add approximately \$53,400 to the RMLC for education for scenario 1 and approximately \$155,600 for Scenario 2.

State Education Foundation Entitlement Aid (State Support)

Funding for public education in Alaska is provided primarily by State of Alaska funding to municipalities or Regional Education Attendance Areas (REAA) through the State Education Foundation Entitlement Program ("State Support"). The amount of funding received is based on a formula that includes characteristics of a school district such as average daily membership (ADM); an area cost differential; basic need; quality schools funding; the number of schools; Federal aid payments; the amount of the district's RMLC and ALC; and other variables. All these variables are entered into a formula to determine the amount of State Education Foundation Entitlement Program aid provided to each school district or REAA.

Under both borough formation scenarios, the amount of total State Support for education will increase. This increase in State Support is primarily due to differences in the District Cost Factors between the school districts that are being used to calculate Basic Need. (It is also due to the fact that Dillingham makes a generous Additional Local Contribution (ALC) for education which reduces the amount of federal impact aid that is deducted from the State Support that the school district receives.)

If the Dillingham-Aleknagik-Tikchik borough forms (Scenario 1), the State Department of Education (DOE) estimates that the region will receive approximately \$539,551, or 13%, more in State Support for education compared to current funding for Dillingham and for the Aleknagik portion of SWREAA (See Table 4a, bottom right corner). However, for borough formation scenario 1, the State DOE likely overestimated this revenue increase because it used the SWREAA District Cost Factor (DCF) when calculating Basic Need, and with only two school sites in the prospective borough, a smaller DCF closer to Dillingham's is more realistic for calculating Basic Need. This would likely reduce total State Support for education under this scenario by about half, bringing it to approximately a \$260,000 increase compared to current

⁴ This cap on additional contributions is to keep revenue or expenditure disparities among school districts in compliance with Federal equalization requirements that mandate that education financing must be roughly equivalent among rich and poor school districts.

education funding. This increase in State Support for education of \$539,551 (or \$260,000) will be available to the borough school district either immediately or, if the optional four year phase-in of the RMLC is selected (see section below), at Year Four after borough formation.

If the Dillingham-Aleknagik-Nushagak borough forms (Scenario 2), the DOE estimates that the region will receive approximately \$757,900, or 11%, more in State Support for education compared to current funding that Dillingham and the schools in the eastern half of the SWREAA now receive (See Table 5a, bottom right hand corner). This increase in State Support for education of \$757,900 will be available to the borough school district either immediately or, if the optional four year phase-in of the RMLC is selected (see section below), at Year Four after borough formation.

Optional Phase-In of Required Minimum Local Contribution (RMLC) or Local Effort (LE)

Clause (f) of AS 14.17.025 allows a newly formed borough school district to phase-in the four-mill RMLC (Local Effort) over a four-year period. Under this phase-in provision, when a new borough takes over educational powers, no RMLC is required the first year, the second year a two-mill contribution is required, three-mills the third year, and four-mills the fourth and all subsequent years. Under this clause the State is essentially making the local government payment to assist the new borough school district “get on its feet” – this can be seen on tables 4b and 5b in the 8th row down, labeled “LE State Pays.”

However for this region, taking advantage of the four year phase-in of the RMLC results, under both borough formation scenarios, in a reduction to total revenue for education funding during the four year phase-in period. This is because under the optional RMLC phase-in, the State of Alaska does not pay the increment of Additional Local Contribution (ALC). Further, the lack of an ALC decreases total State Support because more federal impact aid is deducted from the total state funding that the district gets. This effect can be seen for borough formation scenario 1 on Table 4c, and for borough formation scenario 2 on Table 5c - the final row on both tables shows that the Total Revenue for education is less for the 1st year and increases (corresponding with the increased Local Effort) until it reaches its Final Year amount. If the Borough School District foregoes the four year phase-in option, it would immediately get the total revenue shown in the Final Year Column on Tables 4c and 5c.

This means that in order to take advantage of a phase-in of the RMLC as allowed under AS 14.17.025(f), the new borough school district’s total revenue would be reduced by an amount at least equal to the ALC. Other recently formed boroughs have realized that this phase-in under clause (f) was not to their benefit because it meant reduced funding to region schools and have consequently turned down the phase-in partly or completely.⁵

⁵ When the Aleutians East and the Yakutat Boroughs formed, the cities of King Cove and Yakutat, as first class cities, were making Additional Local Contributions in excess of the Required Minimum Local Contribution (RMLC). As a result, these boroughs chose to forego the four-year phase-in of the RMLC because the school district budgets, and the level of education services delivered, would have had to be reduced.

6.4 Cost Savings

If the Dillingham-Aleknagik-Nushagak borough forms, there will likely be additional costs during the (up to) two year transition for the Borough to take on education services, as administrative, labor, financial, pension, and other matters are addressed. In the long term, it is possible that there could be small savings due to the elimination of some district administration and support service expenses, a reduction in the number of annual audits, and increased sharing of other contractual professional services. Countering this will be additional teleconferencing and travel costs for the school district administration. Also, because the SWREAA will still exist, albeit with reduced schools (3 remaining) and pupils (405), there will not be any overall reduction in the number of school districts in the State.

6.5 Budget Conclusion

If a borough is formed State Support for education to the region will increase. The RMLC or Local Effort will also increase, but the amount of State Support increases by more, resulting in a net gain to the region for education funding.

Under both borough formation scenarios, if the borough accepts the four-year phase-in of the need to make the RMLC, it must forego making an ALC for education and together this results in less total revenue for education during the four year phase-in period. For this reason the sample borough budget in this report assumes that the borough does not take a four year phase-in of the RMLC.

6.6 Location of Borough School District Administration

The physical location of the Borough School District administration will be a local, political decision.

TABLE 4A
Change to State Aid if Borough Option 1 Forms (FY02 scenario)

	Dillingham	Est. Share of SWREAA funding - Aleknagik	Current Total	Final Dillingham/Aleknagik Borough	Difference
Basic Need	\$4,354,218	\$464,398	\$418,616	\$5,381,099	\$562,483 (1)
Local Effort (LE)	\$588,839		\$588,839	\$642,797	\$53,958
Deductible Impact Aid	\$199,056	\$96,350	\$295,406	\$266,625	\$(28,781)
Quality Schools	\$17,373	\$1,853	\$19,226	\$21,471	\$2,245
State Aid	\$3,583,696	\$369,901	\$3,953,597	\$4,493,148	\$539,551
Funding Floor	\$79,814	-	\$79,814	\$79,814	-
Total State Support	\$3,663,510	\$369,901	\$4,033,411	\$4,572,962	\$539,551 (1)

(1) Basic Need increases primarily due to difference in District Cost Factors. The SWREAA DCF of 1.423 is used (DIg is 1.254). Note that because this borough scenario only has two school sites, it is probably too high. A good estimate is that the added Basic Need funding would only be half what is shown here.

Source: State Department of Education, July 2003

TABLE 4B
How the 4-year Phase-in for the Local Effort Contributions Would Work for Borough Formation Option 1

	Current Total	1st Year zero Mills	2nd Year .002 Mills	3rd Year .003 Mills	4th Year .004 Mills
Basic Need	\$4,818,616	\$5,381,099	\$5,381,099	\$5,381,099	\$5,381,099
Local Effort (LE)	\$588,839	\$642,797	\$642,797	\$642,797	\$642,797
Deductible Impact Aid	\$295,406	\$520,956	\$520,956	\$520,956	\$266,625
Quality Schools	\$19,226	\$21,471	\$21,471	\$21,471	\$21,471
State Aid	\$ 3,953,597	\$4,238,817	\$4,238,817	\$4,238,817	\$4,493,148
Funding Floor	\$79,814	\$79,814	\$79,814	\$79,814	\$79,814
Entitlement	\$4,033,411	\$4,318,631	\$4,318,631	\$4,318,631	\$4,572,962
LE State Pays		\$642,797	\$321,399	\$160,699	-
TOTAL STATE SUPPORT		\$4,961,428	\$4,640,030	\$4,479,330	\$4,572,962

Source: State Department of Education, July 2003

TABLE 4C
Total Education Revenue for Borough Formation Option 1

REVENUE	Existing District	1st year	2nd year	3rd year	Final year
Total State Support	\$4,033,411	\$4,961,428	\$4,640,030	\$4,479,330	\$4,572,962
Local Contribution	\$1,255,994	-	\$321,399	\$482,098	\$1,255,994
Federal Impact Aid	\$633,856	\$633,856	\$633,856	\$633,856	\$633,856
Total Revenue	\$5,923,261	\$5,595,284	\$5,595,284	\$5,595,284	\$6,462,812

Source: State Department of Education, July 2003

TABLE 5A
Change to State Aid if Borough Option 2 Forms (FY02 scenario)

	Dillingham	Est. share SWREAA (east side only)	Current Total	Final Dillingham/ Aleknagik Borough	Difference
Basic Need	\$4,354,218	\$4,219,643	\$8,573,861	\$9,136,344	\$562,483
Local Effort (LE)	\$588,839	-	\$588,839	\$744,457	\$155,618
Deductible Impact Aid	\$199,056	\$985,511	\$1,184,567	\$835,777	\$(348,790)
Quality Schools	\$17,373	\$16,836	\$34,209	\$36,454	\$2,245
State Aid	\$3,583,696	\$3,250,968	\$ 6,834,664	\$7,592,564	\$ 757,900
Funding Floor	\$79,814	-	\$79,814	\$79,814	-
Entitlement	\$3,663,510	\$3,250,968	\$6,914,478	\$7,672,378	\$757,900

Source: State Department of Education, July 2003

TABLE 5B
**How the 4-year Phase-in for the Local Effort Contributions Would Work for
Borough Formation Option 2**

	Current Total	1st Year zero Mills	2nd Year .002 Mills	3rd Year .003 Mills	4th Year .004 Mills
Basic Need	\$8,573,861	\$9,136,344	\$9,136,344	\$9,136,344	\$9,136,344
Local Effort (LE)	\$588,839	\$744,457	\$744,457	\$744,457	\$744,457
Deductible Impact Aid	\$1,184,567	\$1,410,118	\$1,410,118	\$1,410,118	\$835,777
Quality Schools	\$34,209	\$36,454	\$36,454	\$36,454	\$36,454
State Aid	\$6,834,664	\$7,018,223	\$7,018,223	\$7,018,223	\$7,592,564
Funding Floor	\$79,814	\$79,814	\$79,814	\$79,814	\$79,814
Entitlement	\$6,914,478	\$7,098,037	\$7,098,037	\$7,098,037	\$7,672,378
LE State Pays		\$744,457	\$372,228	\$186,114	-
TOTAL STATE SUPPORT		\$7,842,494	\$7,470,266	\$7,284,152	\$7,672,378

Source: State Department of Education, July 2003

TABLE 5C
**Total Education Revenue for
Borough Formation Option 2**

REVENUE	Existing District	1st year	2nd year	3rd year	Final year
Total State Support	\$6,914,478	\$7,842,494	\$7,470,266	\$7,284,152	\$7,672,378
Local Contribution	\$1,255,994	-	\$372,228	\$558,342	\$1,255,994
Federal Impact Aid	\$1,992,448	\$1,992,448	\$1,992,448	\$1,992,448	\$1,992,448
Total Revenue	\$10,162,920	\$9,834,942	\$9,834,942	\$9,834,942	\$10,920,821

Source: State Department of Education, July 2003

7.0 Borough Budget

7.1 Summary

This section estimates changes to communities and the region's revenues if a borough is formed, considers expenditures needed to run borough government, and then presents a sample balanced borough budget, which requires a borough tax to balance the budget and fully fund education. The local tax types and rates used in this report are only one option to achieve this, others are possible with the final decision up to area voters as part of the package they vote on regarding borough formation. Tables 6-11 display results. Table 10 summarizes the local, state and federal revenue that currently comes to this region (status quo) and comparing this to area revenue after borough formation. Table 11 offers a sample borough budget.

This report uses FY 2002 revenue data because it is the most complete information set available. The revenue and expenditure estimates in this report are a "snap shot" in time, and will shift as funding changes. Revenues will certainly vary from what is depicted in this report if a borough forms, however, the budget information herein does present an accurate picture of trends and changes due to borough formation. Finally, the estimates here also assume that other factors (e.g., political changes to funding levels, size of fish runs and related business tax, etc) are held constant, so that what is being compared is the status quo now, and if a borough formed.

As a result of borough formation, combined federal and State revenue to the region will decrease, by approximately \$72,000-\$130,000 (respective scenarios). Revenue reductions are countered in the short term by a three year borough organization grant of \$300,000 \$200,000 and \$100,000 in successive years.

As a result of borough formation, the Required Minimum Local Contribution for education will increase from \$54,000-\$155,600 (the four mill equivalent of the estimated increased Full True Value of real and personal property in the respective boroughs). Under both scenarios, there will be an increase in State education funding, from approximately \$539,000 (or perhaps only \$260,000) to \$758,000 (respective borough scenarios).

Under either borough formation scenario, the first year of the new borough would receive approximately \$562,200 in revenue from the State and federal government; in the longer term (without the borough organization grant, and holding revenues constant) it would be about \$262,200. Education funding of approximately \$4.5-7.6 million is not included as this goes directly to the borough school district.

To provide borough education (make the Local Effort (RMLC) contribution), land use planning and economic development, taxation, and support the Borough Assembly and administration, it will cost an estimated \$2.3-\$2.4 million. Thus, to achieve a balanced budget and pay for education and borough government services, a revenue source, such as borough taxes, is needed. These borough scenarios (Tables 6-11) increase and split the region's sales tax so that 5% becomes an areawide borough sales tax levied to support education, and other sales taxes stay with the cities to support city government. The combined city and borough sales tax in

Dillingham and Aleknagik would be 8%. A small borough lodging tax is also proposed to support borough government, but the combined lodging tax rate in Dillingham and Aleknagik would not change.

No borough property tax is proposed.

A 5% areawide borough sales tax would generate an estimated \$1.8 million annually for borough formation scenario 1, and \$1.9 million under borough formation scenario 2. A borough wide 3% lodging tax would generate approximately \$27,000 annually.

7.2 Federal and State Revenue

Each federal and State revenue source to the borough is now reviewed.

Payment In Lieu of property Tax (PILT) - Public Law 97-258

The Federal Payment in Lieu of Taxes (PILT) program provides payments to municipalities based on a formula that includes the number of federally-owned acres, population and other factors. Federal law provides that PILT payments may be used by the local government for any governmental purpose. After borough formation, PILT payments will go to the borough rather than cities.

Under the borough options investigated, the region receives less overall PILT funding while the totals for individual cities varies. For Borough formation scenario 1, the region receives \$7,380 less. This is a reduction in the amount the Borough would receive, compared to what Dillingham and Aleknagik together were getting under the status quo, of \$16,000, while the cities in the remaining unorganized borough (Ekwok, Manokotak, Togiak, New Stuyahok, and Clarks Point) would each get an increment higher funding compared to the status quo. The significant losses occur under borough formation scenario 2. In this case, the region loses \$74,000 in total PILT payment, and Manokotak and Togiak, the only cities that would not be in the borough, also experience a small loss compared to the status quo. These losses occur because when the whole census area is considered (status quo), there are enough federal acres to essentially make it a per person payment for PILT. However, when the area is divided under borough formation scenario 1, the borough hits a PILT funding cap based on population because there are not enough federal acres in the proposed borough.

On a final note, if the state model borough boundary formed (which is the entire SWREAA or Census Area becoming a borough) the PILT payment would not change from the status quo.

TABLE 6 - Estimated FY 02 PILT Payments if Borough Forms
 (Note: When a borough forms, PILT payments go to borough, not municipalities)

Municipalities that receive PILT	Status Quo FY 02 PILT	Borough Scenario 1	Borough Scenario 2
Ekwok	\$10,110	\$10,685	\$0
Manokotak	\$33,290	\$35,182	\$32,302
Togiak	\$67,732	\$71,581	\$65,721
Dillingham	\$197,277	\$0	\$0
Aleknagik	\$18,577	\$0	\$0
New Stuyahok	\$38,469	\$40,655	\$0
Clarks Point	\$6,247	\$6,602	\$0
Borough	\$0	\$199,615	\$199,615
total PILT to region	\$371,702	\$364,321	\$297,638
Difference for <i>region</i> compared to status quo		-\$7,381	-\$74,064

These figures are estimates based on the following assumptions: A) Total base federal acres in census area are 3,263,157, and assume that all of this is the Togiak National Wildlife Refuge. B) Assume that 40% of these acres (1,305,262) will be in Borough Option 1 or 2, and the remaining 60% (1,957,894 acres) stay in the unorganized borough portion of the census area.

Source: Personal communication with Bill Rolfzen, DCED

State Revenue Sharing, Safe Communities Assistance, Capital Matching Grant

While these revenues were received in FY 02, they are removed from the draft budgets because State Revenue Sharing (SRS), Safe Communities (SC), and Capital Matching Grants funding were eliminated in FY 04 by Governor Murkowski, and are not planned for the future at this time. Under all of these programs, the borough would have been eligible for a payment, as well as municipalities within the borough. Thus, the elimination of these programs is not only a revenue loss to the communities, but also to a future borough.

State Department of Revenue (DOR) Fisheries Business Tax.

If fish processing occurs within the boundaries of municipalities, State Fisheries Business Tax revenue generated within those boundaries is shared with those municipalities at the following rates:

- Cities in the unorganized borough - 50%
- Cities in a borough - 25%
- Boroughs in the area outside of cities - 50%
- Boroughs in the area inside of cities - 25%

If the Dillingham-Aleknagik-Tikchik Borough formed, the amount paid to the City of Dillingham will be reduced 5% each year for five years (from 50% to 25% of the total tax the State collects), with the difference going to the borough. Thus, by the fifth year, the borough will get the 50% share collected outside cities, plus 25% of the taxes collected inside cities.

Similarly, if the Dillingham-Aleknagik-Nushagak Borough formed, the amount paid to Dillingham and Clark's Point will be reduced 5% each year for five years (from 50% to 25% of the total tax the State collects), with the difference going to the borough. Thus, by the fifth year, the borough will get the 50% share collected outside cities, plus 25% of the taxes collected inside cities.

TABLE 7
Effect of Forming Dillingham-Aleknagik-Nushagak Borough on the "Split" of Fisheries Business Tax Revenue
(assumes revenues are constant for 5 years, purpose is to show changing split)

	50% tax collected shared with cities in unorganized borough	5% to borough, 45% to cities	10% to borough, 40% to cities	15% to borough, 35% to cities	20% to borough, 30% to cities	25% tax collected shared with cities, 25% shared with borough
	2002	2003	2004	2005	2006	2007
State share	\$89,527	\$89,527	\$89,527	\$89,527	\$89,527	\$89,527
Dillingham	\$49,069	\$44,162	\$39,255	\$34,348	\$29,441	\$24,535
Clark's Point	\$40,458	\$36,412	\$32,366	\$28,321	\$24,275	\$20,229
Borough	n/a	\$8,953	\$17,905	\$26,858	\$35,811	\$44,764
Total to region	\$89,527	\$89,527	\$89,527	\$89,527	\$89,527	\$89,527

However, budget assumptions under both borough scenarios assumes that in order for Dillingham and Clark's Point to agree to borough formation, these cities must not be financially harmed as a result of borough formation. To accomplish this, the borough will pass back this changing fisheries business tax allocation between the borough and cities, as discussed above, to Dillingham and Clark's Point. This policy would result in no net change to the business fish tax revenue received by cities.

Following borough formation there will be not be any additional state fish tax revenue captured by the region from processing that occurs outside incorporated city boundaries, but within the borough, because there is no additional fish processing occurring outside city boundaries but within the borough. The State DOR estimates there will be no additional fisheries business tax revenue.

State DCED Shared Fisheries Business Tax.

Borough formation should not have an effect on the amount of Shared Fisheries Business Tax. This revenue is from fish taxes collected outside of municipal boundaries, primarily from floating processors. The State distributes 50% of the taxes collected to municipalities in the area. Because there is not expected to be a change in the amount of fish processing occurring within municipal boundaries, the total amount and value of processing outside boundaries in this area will not change either.

Alaska Coastal Management Program

If a borough forms in the area, State coastal management funding would likely decrease compared to what the area currently received. This area participates in the Alaska Coastal Management Program (ACMP) through the Bristol Bay Coastal Resource Service Area (BBCRSA) Board and has an adopted coastal program. If a borough formed in this area, the new borough would be funded for coastal management at a level similar to the Lake and Peninsula, Aleutians East, Northwest Arctic, and Bristol Bay Boroughs --- \$17,800 annually plus airfare to

the statewide and regional district workshops (for the coordinator). The CRSAs receive about \$75,650 for a position and administrative costs and board meetings plus airfare for travel to the statewide and regional workshops. In the past, the ACMP program has funded some transition assistance when a CRSA was absorbed by borough formation.

With the passage of HB 191 during the 2002/03 Alaska Legislative session, the status and funding level for the remainder of the BBCRSA, that would not be a part of the new borough, is unclear. See page 19, Section 5 this report on Borough Economic Development and Planning, for more information.

State Education Foundation Aid

Section 6.0 on Education discusses education revenues in detail. Borough formation will result in an overall increase in State education aid funding to the region (Tables 4 and 5). Because this revenue passes through directly to the school district though, it is not included in the borough budget (Table 11).

Borough Organization Grant

AS 29.05.190 provides organization grants to boroughs and unified municipalities to defray the costs of transitioning to a borough government and to provide for interim governmental operations. Each borough or unified municipality to incorporate after December 31, 1985, is entitled to organization grants as follows:

- (1) \$300,000 for the municipality's first full or partial fiscal year;
- (2) \$200,000 for the municipality's second fiscal year; and
- (3) \$100,000 for the municipality's third fiscal year.

Table 10 and 11 include this revenue, although it is critical to recognize that this is a one-time, three-year grant.

Summary

Under both borough formation scenarios, the first year the new borough would receive approximately \$562,200 in revenue from the State and federal government sources. However, without the short term borough organization grant, and holding revenues constant, the annual state and federal revenue would be only about \$262,200,⁶ a decrease of approximately \$72,000-\$130,000 (respective scenarios) in combined State and federal revenue to the region.

7.3 Expenditures⁷

To run the borough government the expenditures outlined in this section will be required.

⁶ This does not include education funding (\$4.5-\$7.6 million) as this goes directly to the borough school district.

⁷ Assumptions used to determine borough government operating expenses are that the borough will assume the mandatory powers of education, taxation and planning, and also take on economic development efforts; and that the Borough School District and administration will use existing office facilities regardless of which community houses this administration (no new building).

Borough Assembly and Mayor

In its first year a borough assembly must be elected and will immediately have tasks such as establishing operating procedures, personnel rules, regulations, pay schedules, tax levies, contracts, adoption of a budget and planning of the transition of existing school district facilities into the new borough. While no stipend is planned, Assembly expenses include training, supplies, memberships and lobbying. Under borough option 2, Assembly travel and per diem is added.

Borough Clerk and Manager

Funding for a part time borough clerk who also provides clerical support, and a full time borough manager, including benefits will be approximately \$120,000 (scenario 1) based on current rates. For borough scenario 2 the clerk position becomes fulltime increasing expenditures to \$153,000. Other administrative and contractual expenses to support Borough administrative functions, such as rent, utilities, office supplies, printing, audits, and telephone are estimated at \$70,000 per year.

Legal Assistance

Professional legal counsel will be needed by the Assembly, Borough Administration and Borough School Board to prepare codes, review contracts and so on. An allocation of \$30,000 as a one time fee and \$50-65,000 per year is estimated for legal services assuming services are contracted on an as-needed, or retainer, basis.

Borough Planner and Planning Commission

A planner will work with residents to create and implement borough comprehensive planning and zoning, provide assistance to communities within the borough, run the borough coastal management program, assist in selection of borough entitlement lands, and collaborate with other regional organizations on economic development activities. Both one time initial expenses (\$120,000) and an annual planner's salary with travel (\$95-110,000) are estimated. A planning commission will be vital to these planning functions. Cost estimates assume planning commissioners who do not receive compensation for serving, but under borough formation scenario 2 receive paid travel and per diem for six meetings per year. Costs vary from \$5-20,000.

Finance

Levy and collection of sales and lodging taxes will transfer from city to borough government in the region. In addition, after borough formation property will need to be assessed and systematically added to the borough's property tax rolls. There are one time (\$100,000) and annual (\$350,000) expenditures to address these services and provide for borough finance personnel.

Education

As reviewed in detail in Section 6.0 the borough government will need to make a Required Minimum Local Contribution (RMLC) to support education of an estimated \$588,839 under borough formation scenario 1 or \$744,457 under borough formation scenario 2. Because it is assumed that no decrease in the quality of education is desired as a result of borough formation, it is assumed that the borough government would want to make an Additional Local Contribution to education, similar to what Dillingham was making previously. The sample borough budget (Table 11) accordingly shows an additional contribution of \$400,000-\$600,000 for education to make the Local Effort equal with what Dillingham contributed in FY 02.

Summary

To provide borough education (make the RMLC), land use planning and economic development, taxation, and support the Borough Assembly and administration, it will cost an estimated \$2.3-\$2.4 million (Table 11).

7.4 Borough Tax Revenue Needed To Balance Borough Budget

Since estimated state and federal revenue will only be approximately \$262,200 (long term) to \$562,200 (with borough organization grant), a revenue source, such as borough taxes is needed to achieve a balanced budget.

Current Taxes in Region

Dillingham, Aleknagik and Clarks Point levy a sales tax; Dillingham and Aleknagik levy a lodging tax; and Dillingham also levies a property tax, and a tax on liquor and gaming, to generate local revenue to support government operations, including education. Dillingham current rates are 11 mill areawide property tax, a 6% general sale tax, 10% lodging tax, 6% tax on gaming and 10% on liquor; Aleknagik current rates are a 5% general sales and 5% lodging tax. Table 8 shows revenues these taxes generated in 2002. Neither Ekwok nor New Stuyahok, the other cities within the prospective borough, levy taxes. Koliganek, Ekuk, and Portage Creek are not incorporated so do not have the option of taxation.

TABLE 8 Current Municipal Taxes and Revenues (FY 02)			
	Sales Tax 6% DLG 5% ALEK 5% CLARK PT	Lodging Tax 10% DLG 5% ALEK	Property Tax (11 mill-DLG)
Dillingham	\$1,892,967	\$47,772	\$1,339,392
Aleknagik	\$97,743	\$6,574	\$0
Clarks Pt	\$5,000	\$0	\$0

Proposed Borough Taxes

The borough budget scenario increases and splits the region’s sales tax so a portion becomes a 5% areawide borough sales tax levied to support education, and other sales taxes stay with the cities to support city government. The combined city and borough sales tax in Dillingham and Aleknagik would be 8%.

A review of the websites of lodges in the prospective borough and selected interviews were conducted to develop an estimate of what a sales and lodging tax would generate from these businesses (Table 9). This suggests that a 5% sales tax would generate \$208,195 annually from area lodges and a 3% lodging tax would generate \$8,505 annually from these businesses. These are conservative estimates based on half full occupancies during the 16-17 week summer season.

TABLE 9
Estimate of Borough Sales Tax Revenue from Area Lodges

Assumptions for Sales and Lodging Tax Estimate for Area Lodges									
LODGE	# clients per week	# weeks per year	package cost per week	revenue per year	5% annual sales tax	est. cost of lodging per week	number of nights per week	3% annual lodging tax	NOTES
Crystal Creek	10	16	\$6,500	\$1,040,000	\$52,000	\$75	5	\$1,800	\$6500 for 6d7n; Jun 7-sept 28 season (16 weeks); 4d5n-\$4800 pp; 20 guests max
Bristol Bay Lodge	4	16	\$6,200	\$396,800	\$19,840	\$75	5	\$720	\$6200pp per week; 8 guest rooms in lodge, some out too
Wood River Lodge	8	16	\$5,500	\$704,000	\$35,200	\$75	5	\$1,440	\$6000 pp for 7day, \$5000 for 4day; 16 guests max
Tikchik Narrows Lodge	6	16	\$6,200	\$595,200	\$29,760	\$75	5	\$1,080	7day \$ 6200pp; assume 6 cabins, occup of 12
Royal Coachman	6	16	\$6,000	\$576,000	\$28,800	\$75	5	\$1,080	Nuyakuk River, \$6000 pp, max 12, in Park
Mission Lodge	4	16	\$6,200	\$396,800	\$19,840	\$75	5	\$720	\$6200 pp per week, 8 people max
Golden Horn Lodge	4	16	\$3,075	\$196,800	\$9,840	\$75	5	\$720	seaplane base bet lakes, lodge 1 mile, no info, assume what is listed
Bear Claw	6	14	\$3,075	\$258,300	\$12,915	\$75	5	\$945	on Lake Alek; 4n for \$2585, 6n for \$3565, Jun 16-Sept15 season; 6-12 guests at a time, 2700 sf lodge
TOTALS					\$208,195			\$8,505	

Sources: Lodge sites on internet, data compiled by Sheinberg Associates, September 2003

Looking at the full borough, a 5% areawide borough sales tax would generate an estimated \$1.8 million annually for borough formation scenario 1, and \$1.9 million for borough formation scenario 2. A borough wide 3% lodging tax would generate approximately \$27,000 annually.

No borough property tax is proposed

Levy and Collection of Borough Taxes

Any taxes levied by the borough that are the same as taxes levied by cities must be collected by the borough and passed through to the cities. So, if the borough decides (per voter approval) to levy a 5 % sales tax, the borough will be responsible for collecting this tax and (for example) the sales tax levied by Dillingham, Aleknagik and Clarks Point --- relieving the local governments of some administrative burden.

7.5 Combining Revenues and Expenditures – Balanced Borough Budget

Local, state and federal revenues and borough expenditures are combined to create the borough budgets detailed on Table 11. One time revenues and expenditures are separated from the longer term budget. Also, state aid for education does not appear in the borough budget as this and federal revenue directed to schools passes directly to the school district. These budgets are ‘snapshots’ in time, based on FY 02 revenues and expenses. They will vary over time, but offer a realistic assessment of borough budget trends.

Table 10

TABLE 11

Borough provides education, taxation, land use planning and regulation, economic development	Borough Formation Option 1 Dillingham-Aleknagik-Tikchik Borough		Borough Formation Option 2 Dillingham-Aleknagik- Nushagak Borough	
	one time	longer term (based on FY 02)	one time	longer term (based on FY 02)
Expenditures				
Elections (<i>State pays for initial election</i>)		\$10,000		\$20,000
Borough Assembly (<i>S1: travel, training for 9, 12 mtg/yr, lobbying; S2: same but includes travel for 5 @ \$300 per trip, for each mtg</i>)		\$25,000		\$43,000
Borough Manager and Clerk (<i>S1: HT clerk; S2: FT clerk</i>)		\$120,000		\$153,000
Borough Planning Commission (<i>S1: travel, training; S2: travel, per diem during travel, and training for 7 commissioners, 6 mtg per year</i>)		\$5,000		\$20,000
Borough Planning and Development	\$120,000	\$95,000	\$120,000	\$110,000
Borough Finance	\$100,000	\$350,000	\$100,000	\$350,000
Borough Attorney	\$30,000	\$50,000	\$30,000	\$65,000
Borough Operating Supplies, Rent etc		\$70,000		\$70,000
Borough Required Minimum Local Contribution for Education		\$588,839		\$744,457
Additional Local Contr to Schools		\$603,265		\$447,647
Pass back all or portion of PILT to cities		\$199,615		\$170,000
Total	\$250,000	\$2,116,719	\$250,000	\$2,193,104
Revenues				
Borough 5% sales tax for education		\$1,883,413		\$1,905,550
Borough 3% lodging tax		\$26,781		\$26,781
Alaska Coastal Management	\$80,000	\$17,800	\$80,000	\$17,800
PILT - Public Law 97-258		\$199,615		\$199,615
State Extraterritorial shared fish tax		\$0		\$0
State Fisheries Tax		\$44,764		\$44,764
Borough Organization Grant	\$300,000	\$0	\$300,000	\$0
Total	\$380,000	\$2,172,375	\$380,000	\$2,194,510
Excess (deficiency)	\$130,000	\$55,656	\$130,000	\$1,406
<i>Sources: Alaska Department of Community and Economic Development, Department of Revenue, June 2002 General Purpose Financial Statements for Petersburg and Wrangell, Petersburg Budget; personal comm. John Fulton, Dlg Manager, as compiled and analyzed by Sheinberg Associates</i>				

7.6 Relationship between Borough and City Responsibilities and Budgets

Provision of education, some taxation and some land use planning will shift to become borough, rather than city, responsibilities. Related expenditures will also shift from city to borough responsibilities, requiring less city revenue. But, there will still be some tax (property) and planning (local planning commission) responsibilities for the city to exercise. Under both borough formation scenarios certain State and local revenues (e.g. PILT) will accrue to the borough rather than cities. Sheinberg Associates has not done a detailed review of the Dillingham municipal operating budget to determine if a commensurate relationship exists between services, revenues and expenditures transferring responsibility. It is advised that Dillingham complete a more detailed review of this implication of borough formation before proceeding with such an action.

8.0 APPORTIONMENT

Two bodies --- the Borough Assembly and School Board, assume key roles in borough policy development and operations. The legislative body of a borough is the assembly. It has 5-16 (typical) members and is elected to govern borough, adopt laws and approve budgets. The school board oversees the operation of borough schools. (Note that an individual may serve as an elected official on both their local city council and on the borough assembly.)

8.1 Electing the Borough Assembly

An apportionment (distributing) borough assembly seat is based on population. The fundamental “one-person, one vote” concept must be met. This means that for borough formation scenario 2 all options for dividing into election districts will generally reflect the fact that Dillingham has approximately 67% of the borough population.

State and federal constitutional provisions require that each district be equally represented. Ideally, each district will have an equal population (per assembly member). However, because this is hard to do, the courts have held that deviations of up to 10% are legal.

For Borough Formation Option 1, the total population would be approximately: 2,741 with 2,466 from Dillingham and 275 from Aleknagik and surrounding areas. One option for borough apportionment that meets criteria is for Dillingham to have 9 representatives from one election district and Aleknagik and surrounding areas to have 1 representative from another district. Another option would be to divide Dillingham up into election districts based on areas with equal populations (say, 275) so that the number of districts is increased, but still, residents outside of Dillingham will have fewer borough Assembly representatives than Dillingham residents.

On the next page are two possible apportionment plans as examples for Borough Formation Option 2, one with 13 members and the other with 9, are presented.

**TABLE 12A - Borough Formation Option 2
Assembly and School Board Apportionment with 13 seats, 3 districts**

Assembly District	Community	Population (2000 Census)	% of Borough Pop in District	No. of Assembly Seats	District pop	Pop per Assy Seat	% Variance from Mean Pop per Assy Seat of 145
A	Dillingham	2,466	67.65%	9	2543	283	-0.91%
A	Clarks Point	75	2.06%				
A	Ekuk	2	0.05%				
B	Aleknagik	221	6.06%	1	275	275	1.79%
B	Dlg-Alek area	54	1.48%				
C	Ekwok	130	3.57%	3	827	276	1.55%
C	Portage Creek	36	0.99%				
C	New Stuyahok	471	12.92%				
C	Koliganek	182	4.99%				
C	Remainder	8	0.22%				
Totals		3,645	100.00%				

Source: Sheinberg Associates

**TABLE 12B - Borough Formation Option 2
Assembly and School Board Apportionment with 9 seats, 2 districts**

Assembly District	Community	Population	% of Borough Pop in District	No. of Assembly Seats	district pop	Pop per Assy Seat	% Variance from Mean Pop per Assy Seat of 145
A	Dillingham	2,466	67.65%	7	2,818	403	0.60%
A	Clarks Point	75	2.06%				
a	Ekuk	2	0.05%				
a	Aleknagik	221	6.06%				
a	Dlg-Alek area	54	1.48%				
b	Ekwok	130	3.57%	2	827	414	-2.10%
b	Portage Creek	36	0.99%				
b	New Stuyahok	471	12.92%				
b	Koliganek	182	4.99%				
b	Nushagak area	8	0.22%				
Totals		3,645	100.00%				

Source: Sheinberg Associates

To ensure the “equitable distribution of power” throughout the region, State law permits flexibility in the how members are elected from each district. Assembly members can be elected in four ways:

- **AT LARGE** - Assembly candidates may live anywhere in the borough. Borough voters vote on all members of the assembly.
- **DISTRICT RESIDENT, VOTE AT LARGE** - Assembly candidates must live in particular districts representing segments of the population of the borough, but all voters vote on all candidates.
- **DISTRICT RESIDENT, VOTE BY DISTRICT** - Assembly candidates must live in a particular district. Only voters who reside in that district vote for the assembly member from that district.
- **COMBINED AT LARGE/DISTRICT** - Assembly candidates are elected by some combination of the above. For example, 4 of 8 members may be elected by districts and the remaining 4 may be elected at large.

Within 30 days after the Local Boundary Commission approves a petition for borough incorporation, the director of elections shall order an election in the proposed municipality to determine whether the voters desire incorporation and, if so, to elect the initial municipal officials. The State will pay for this election. If incorporation is rejected, no officials are elected. Nominations for initial borough assembly members are made by petition. The initial elected members of the governing body will determine by lot the length of their terms of office so that a proportionate number of terms expire each year, resulting in staggered terms of office for members subsequently elected.

8.2 Electing the School Board

State law also allows a region flexibility in establishing the size of the school board (AS 14.12.030 d). Like an assembly, a school board may be elected by districts (AS 29.20.300). Additionally, the borough school board can establish advisory school boards to ensure representation from each community in the region.

9.0 BOROUGH FORMATION CRITERIA

To form any type of borough, the following general standards must be met (AS Title 29, §29.05.031):

- The population of the area must be interrelated and integrated as to its social, cultural, and economic activities,
- The area must be large and stable enough to support borough government;
- The boundaries of the proposed borough or unified municipality conform generally to natural geography and include all areas necessary for full development of municipal services;
- The economy of the area includes the human and financial resources capable of

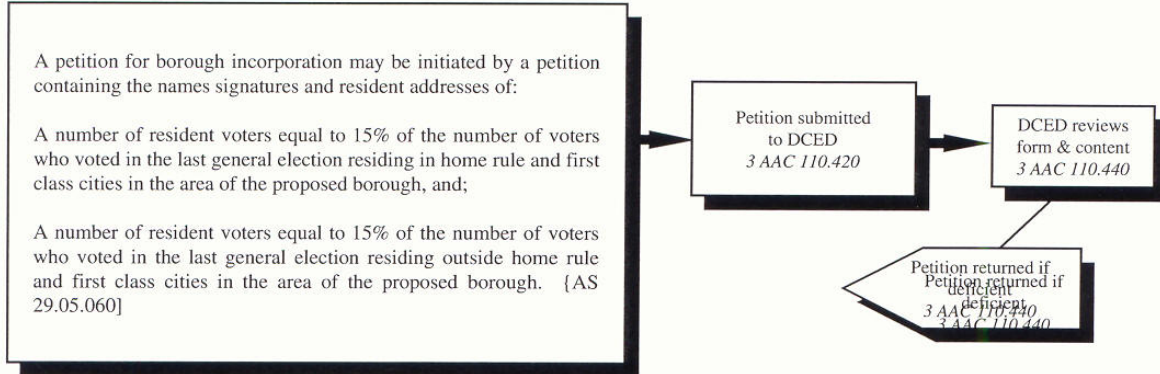
- providing municipal services; evaluation of an area's economy includes land use, property values, total economic base, total personal income, resource and commercial development, anticipated functions, expenses, and income of the proposed borough or unified municipality; and
- The land, water, and air transportation facilities allow the communication and exchange necessary for the development of integrated borough government.

The standards (State regulations) which govern incorporation of new boroughs are found at 3AAC 110.045-065, and presented in Appendix A.

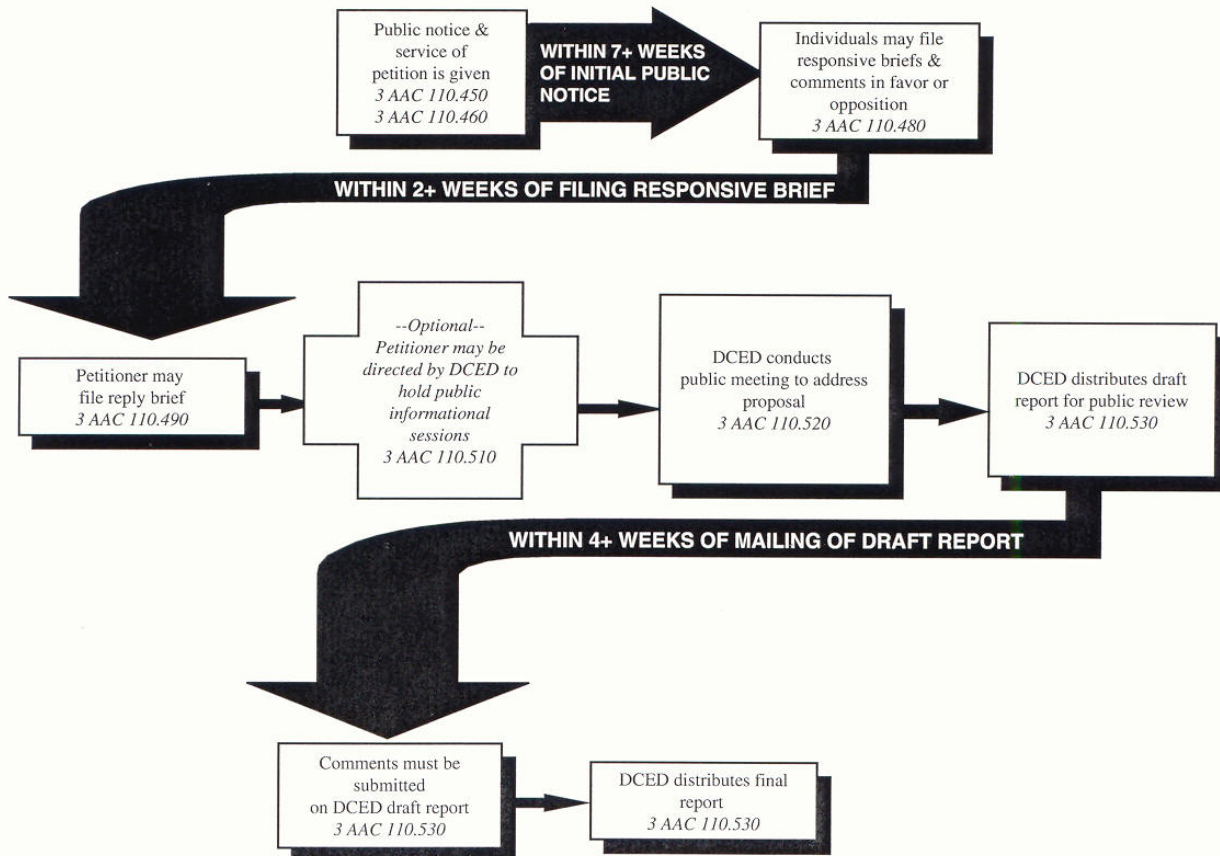
The flowchart on the next three pages, prepared by the State Department of Commerce and Economic Development, summarizes the process and timing for borough incorporation.

PROCEDURES FOR INCORPORATION OF A BOROUGH OR UNIFIED MUNICIPALITY

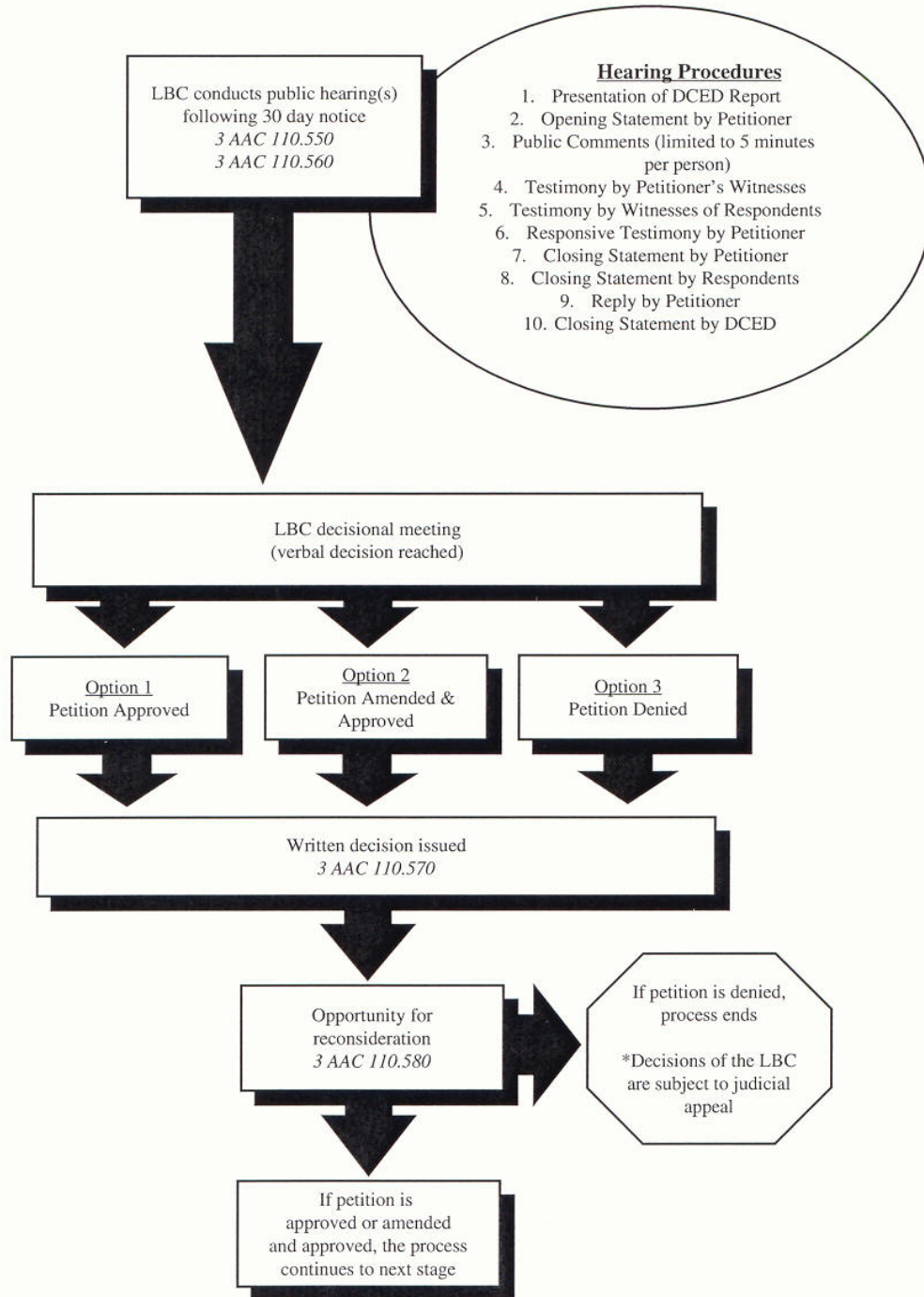
STAGE ONE - FILING PETITION



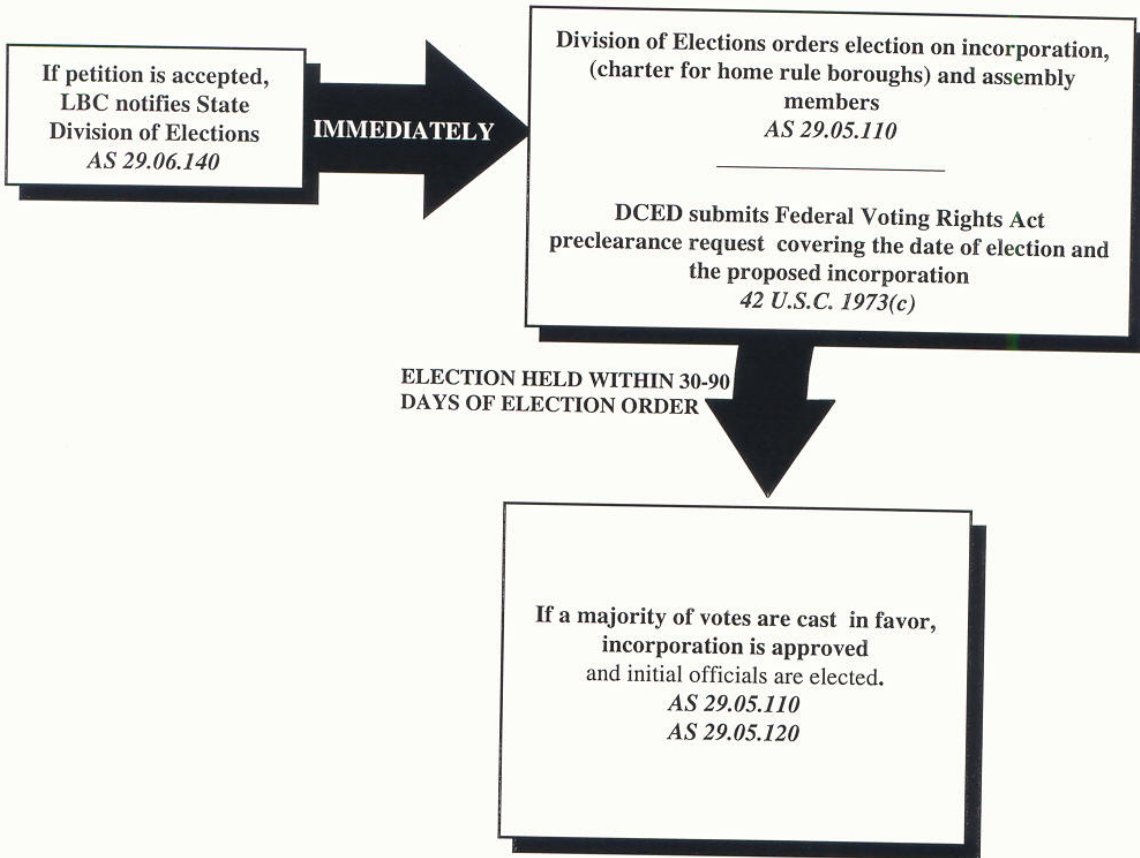
STAGE TWO - PUBLIC REVIEW



STAGE THREE - HEARING & DECISION BY LBC



STAGE FOUR - ELECTION



STAGE FIVE - TRANSITION

The powers and duties exercised by cities and service areas that are succeeded to by a newly incorporated borough continue to be exercised by the cities and service areas until the new borough assumes the powers and functions, which may not exceed 2 years after the date of incorporation. The new borough shall give written notice of assumption of all rights, powers, duties, assets, and liabilities of the former service provider. The ordinances, rules, resolutions, regulations, procedures, and orders of the service areas remain in force in the prespective territories until superceded.

AS 29.05.130 & AS 29.05.140

Appendix A – State Regulations for Incorporation of Boroughs

Article 2 Standards for Incorporation of Boroughs Section

45. Community of interests.

50. Population.

55. Resources.

60. Boundaries.

65. Best interests of state.

3 AAC 110.045. **Community of interests**

(a) The social, cultural, and economic characteristics and activities of the people in a proposed borough must be interrelated and integrated. In this regard, the commission may consider relevant factors, including the

- (1) compatibility of urban and rural areas within the proposed borough;
- (2) compatibility of economic lifestyles, and industrial or commercial activities;
- (3) existence throughout the proposed borough of customary and simple transportation and communication patterns; and

(4) extent and accommodation of spoken language differences throughout the proposed borough.

(b) Absent a specific and persuasive showing to the contrary, the commission will presume that a sufficient level of interrelationship cannot exist unless there are at least two communities in the proposed borough.

(c) The communications media and the land, water, and air transportation facilities throughout the proposed borough must allow for the level of communications and exchange necessary to develop an integrated borough government. In this regard, the commission may consider relevant factors, including

- (1) transportation schedules and costs;
- (2) geographical and climatic impediments;
- (3) telephonic and teleconferencing facilities; and
- (4) electronic media for use by the public.

(d) Absent a specific and persuasive showing to the contrary, the commission will presume that communications and exchange patterns are insufficient unless all communities within a proposed borough are connected to the seat of the proposed borough by a public roadway, regular scheduled airline flights on at least a weekly basis, regular ferry service on at least a weekly basis, a charter flight service based in the proposed borough, or sufficient electronic media communications.

History: Eff. 10/12/91, Register 120; am 5/19/2002, Register 162 | Authority: Art. X, sec. 12, Ak Const.; AS 29.05.031; AS 44.33.812

3 AAC 110.050. **Population**

(a) The population of a proposed borough must be sufficiently large and stable to support the proposed borough government. In this regard, the commission may consider relevant factors, including

- (1) total census enumerations;
- (2) durations of residency;
- (3) historical population patterns;
- (4) seasonal population changes; and
- (5) age distributions.

(b) Absent a specific and persuasive showing to the contrary, the commission will presume that the population is not large enough and stable enough to support the proposed borough government unless at least 1,000 permanent residents live in the proposed borough.

History: Eff. 10/12/91, Register 120; am 5/19/2002, Register 162 | Authority: Art. X, sec. 12, Ak Const.; AS 29.05.031; AS 44.33.812

3 AAC 110.055. **Resources**

The economy of a proposed borough must include the human and financial resources necessary to provide essential borough services on an efficient, cost-effective level. In this regard, the commission

(1) will consider

- (A) the reasonably anticipated functions of the proposed borough;
- (B) the reasonably anticipated expenses of the proposed borough;
- (C) the ability of the proposed borough to generate and collect local revenue, and the reasonably anticipated income of the proposed borough;
- (D) the feasibility and plausibility of the anticipated operating and capital budgets through the third full fiscal year of operation;
- (E) the economic base of the proposed borough;
- (F) property valuations for the proposed borough;
- (G) land use for the proposed borough;
- (H) existing and reasonably anticipated industrial, commercial, and resource development for the proposed borough; and
- (I) personal income of residents of the proposed borough; and

(2) may consider other relevant factors, including

- (A) the need for and availability of employable skilled and unskilled persons to serve the proposed borough; and
- (B) a reasonably predictable level of commitment and interest of the population in sustaining a borough government.

History: Eff. 10/12/91, Register 120; am 5/19/2002, Register 162 | Authority: Art. X, sec. 12, Ak Const.; AS 29.05.031; AS 44.33.812

3 AAC 110.060. **Boundaries**

(a) The boundaries of a proposed borough must conform generally to natural geography, and must include all land and water necessary to provide the full development of essential borough services on an efficient, cost-effective level. In this regard, the commission may consider relevant factors, including

- (1) land use and ownership patterns;
- (2) ethnicity and cultures;
- (3) population density patterns;
- (4) existing and reasonably anticipated transportation patterns and facilities;
- (5) natural geographical features and environmental factors; and
- (6) extraterritorial powers of boroughs.

(b) Absent a specific and persuasive showing to the contrary, the commission will not approve a proposed borough with boundaries extending beyond any model borough boundaries.

(c) The proposed borough boundaries must conform to existing regional educational attendance area boundaries unless the commission determines, after consultation with the commissioner of education and early development, that a territory of different size is better suited to the public interest in a full balance of the standards for incorporation of a borough.

(d) Absent a specific and persuasive showing to the contrary, the commission will presume that territory proposed for incorporation that is non-contiguous or that contains enclaves does not include all land and water necessary to allow for the full development of essential borough services on an efficient, cost-effective level.

(e) If a petition for incorporation of a proposed borough describes boundaries overlapping the boundaries of an existing organized borough, the petition for incorporation must also address and comply with all standards and procedures for detachment of the overlapping region from the existing organized borough. The commission will consider and treat that petition for incorporation as also being a detachment petition.

History: Eff. 10/12/91, Register 120; am 5/19/2002, Register 162 | Authority: Art. X, sec. 12, Ak Const.; AS 29.05.031; AS 44.33.812

3 AAC 110.065. **Best interests of state**

In determining whether incorporation of a borough is in the best interests of the state under AS 29.05.100 (a), the commission may consider relevant factors, including whether incorporation

- (1) promotes maximum local self-government;
- (2) promotes a minimum number of local government units;
- (3) will relieve the state government of the responsibility of providing local services; and
- (4) is reasonably likely to expose the state government to unusual and substantial risks as the prospective successor to the borough in the event of the borough's dissolution.

History: Eff. 5/19/2002, Register 162 | Authority: Art. X, sec. 12, Ak Const.; AS 29.05.100; AS 44.33.812