

LOCAL GOVERNMENT PRIMER

ALASKA · STATE · CAPITOL

Alaska Municipal League
Alaskan Local Government Primer

Alaska Municipal League

The Alaska Municipal League (AML) is a voluntary, nonprofit, nonpartisan, statewide organization of 163 cities, boroughs, and unified municipalities, representing over 97 percent of Alaska's residents. Originally organized in 1950, the League of Alaska Cities became the Alaska Municipal League in 1962 when boroughs joined the League.

The mission of the Alaska Municipal League is to:

1. Represent the unified voice of Alaska's local governments to successfully influence state and federal decision making.
2. Build consensus and partnerships to address Alaska's Challenges, and
3. Provide training and joint services to strengthen Alaska's local governments.

Alaska Conference of Mayors

ACoM is the parent organization of the Alaska Municipal League. The ACoM and AML work together to form a municipal consensus on statewide and federal issues facing Alaskan local governments.

The purpose of the Alaska Conference of Mayors (ACoM) is to offer an opportunity for the mayors to discuss issues of common concern, to work together for the betterment of their municipalities, and to improve the understanding of information about municipalities in Alaska.



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Important Local Government Facts:

◆ Mill rates are calculated by directing the governing body to determine the budget requirements and identifying all revenue sources. After the budget amount is reduced by subtracting revenue sources, the residual is the amount required to be raised by the property tax. That amount is divided by the total assessed value and the result is identified as a “mill rate”. A “mill” is 1/1000 of a dollar, so the mill rate simply states the amount of tax to be charged per \$1,000 of assessed value. For example, a mill rate of 18.5 mills equates to \$18.50 of tax per \$1,000 of assessed value. Under this scenario, a property assessed at \$100,000 would have a tax liability of \$1,850 annually.

◆ A home rule municipality adopts a charter, subject to voter approval, and has all powers not prohibited by the law or charter. A general law municipality is unchartered and its powers are granted by state law. There are two classes of general law cities and two classes of general law boroughs – first and second class. The differences between the two classes of cities include taxing authority, responsibility for schools, and the powers and duties of the Mayor. The differences between the two classes of borough are the manner in which they adopt additional powers.

ALASKA MUNICIPAL LEAGUE

ALASKAN LOCAL GOVERNMENT PRIMER

This primer has been published especially for those Alaskans who wish to know more about how Alaska's local governments work . As political subdivisions of the State, Alaska's municipalities appreciate all the time and effort provided by Legislators and the Administration in helping us operate our governments in a more effective and efficient manner.

Many of the decisions made by Legislators require a certain amount of knowledge about the workings of local government. It is important to understand the structure of municipal government in Alaska in order to be aware of what contributions they can and cannot make to our state. The delegates to the State of Alaska's Constitutional Convention of 1955-56 wanted to avoid overlapping local government jurisdictions. A guiding principle of the constitutional convention was that they did not want to force a particular form of government on any community or region of the state.

A system of local government was created that would be flexible enough to meet the desire for local control, as well as the need to realize economies of scale through regional organization. A major factor they considered was the diversity of economies and infrastructure. When Alaskans were considering statehood, many communities relied almost exclusively on a subsistence lifestyle. Entire regions of the state were without basic services or substantial cash economies while other parts of the state were developing resource industries that promised a robust economy.

Considering these differences, the constitution did not mandate the creation of incorporated local governments throughout the state, but did provide that the entire state be divided into boroughs based on, in part, natural geographic boundaries, economic viability, and common interests. The Alaska Statute that provides a framework for local government is Alaska State Statute, Title 29.

General Law local government derives its powers from laws enacted by the State legislature.

Alaska has two types of municipal government: organized cities and organized boroughs.

A city generally exercises its powers within an established boundary that normally encompass a single community, while a borough (intermediate-sized governments – larger than cities) provides services and exercises power on a regional basis. Under the state's constitution, a city is also part of the borough in which it is located.

All local governments have certain fundamental duties such as conducting elections and holding regular meetings of the governing body. Beyond that, the duties of municipalities in Alaska vary greatly based on their classification and whether cities are inside or outside organized boroughs.

CITIES

A city can be within an organized borough or within the unorganized borough. All cities are municipal corporations and political subdivisions of the State. Typically, cities do not include large geographical regions or unpopulated areas. Classifications of cities include:

- Home Rule cities – 400 or > permanent residents; legislative powers not prohibited by law or charter
- First Class cities – 400 or > permanent residents; state law defines powers, duties, functions
- Second Class cities – 25 or > permanent residents; state law defines powers, duties, functions

The powers and duties a city have are dependent on its classification (See Table A)

Table A
Powers and Duties of Cities

Power	Home Rule City	First Class City	Second Class City	References
Public Education	City in unorganized borough must provide service in accordance with AS 14. City not permitted to do so within organized boroughs	Same as Home Rule City	City not allowed to provide service under any circumstances	AS 29.35.260(b) AS 14.12.101 AS 14.12.025
Planning, Platting, Land Use Regulation	Cities in unorganized boroughs must exercise the powers. If in an unorganized borough, it may be permitted by borough to exercise the powers.	Same as for a Home Rule City, except power must be exercised in accordance with AS 29.40 (governance by assembly)	The City is not required to exercise powers, but may be permitted in the manner described for First Class Cities.	AS 29.35.260(c) AS 29.35.260(c)
Property Tax	City may tax up to 30 mills, except where a higher levy is necessary to avoid default on debt. Some home rule municipal charters require voter approval to authorize the levy of property taxes.	The City may tax up to 30 mills except where a higher levy is necessary to avoid default on debt. Voter approval is not required by statute, however, some general law municipal governments have more restrictive limitations imposed at the local level.	The City may tax up to 20 mills, except where a higher levy is required to avoid default. Voter approval is required.	AS 29.45.550 - AS 29.45.590

Source: DCCED

Table A
Powers and Duties of Cities

Power	Home Rule City	First Class City	Second Class City	References
Sales Tax	The rate of levy may be limited by charter. Requirements for voter approval may also be set by charter.	There is no limit on the rate of levy sales taxes; however, voter approval is required.	Same as for a First Class City.	AS 29.45.700
Other Powers	Possess all legislative powers not prohibited by law or charter	May exercise other powers not prohibited by law	May exercise other powers not prohibited by law	Art. X, S 11, AK Const., AS 29.35.250
City Council Composition	Determined by charter or ordinance	Six members selected at large, except the council may provide for election other than at-large	Seven members elected at large, except the council may provide for election other than at-large	AS 29.20.130
Election and Term of Mayor	Determined by charter or ordinance	Elected at large for a 3-year term, unless a different term not to exceed four years is provided by ordinance.	Elected from the City Council for a 1-year term, unless a longer term is provided by ordinance. Mayor is selected by council (or by voters upon adoption of ordinance)	AS 29.20.230 AS 29.20.240
Vote by Mayor	Determined by charter or ordinance	May vote to break a tie vote on the City Council	Votes on all matters	AS 29.20.250
Veto Power of Mayor	Determined by charter or ordinance, except veto is not permitted on ordinance prohibiting possession of alcohol	Has veto power with the same exception noted for Home Rule Cities	Has no veto power	AS 29.20.270
Power of Eminent Domain	Permitted by statute	Permitted by statute	Permitted, but requires voter approval	AS 29.35.030
Ability to Attain Home Rule Status	Already has home rule status	Voters may adopt Home Rule Charter	May not adopt Home Rule Charter without first reclassifying to a First Class City	AS 29.10.010

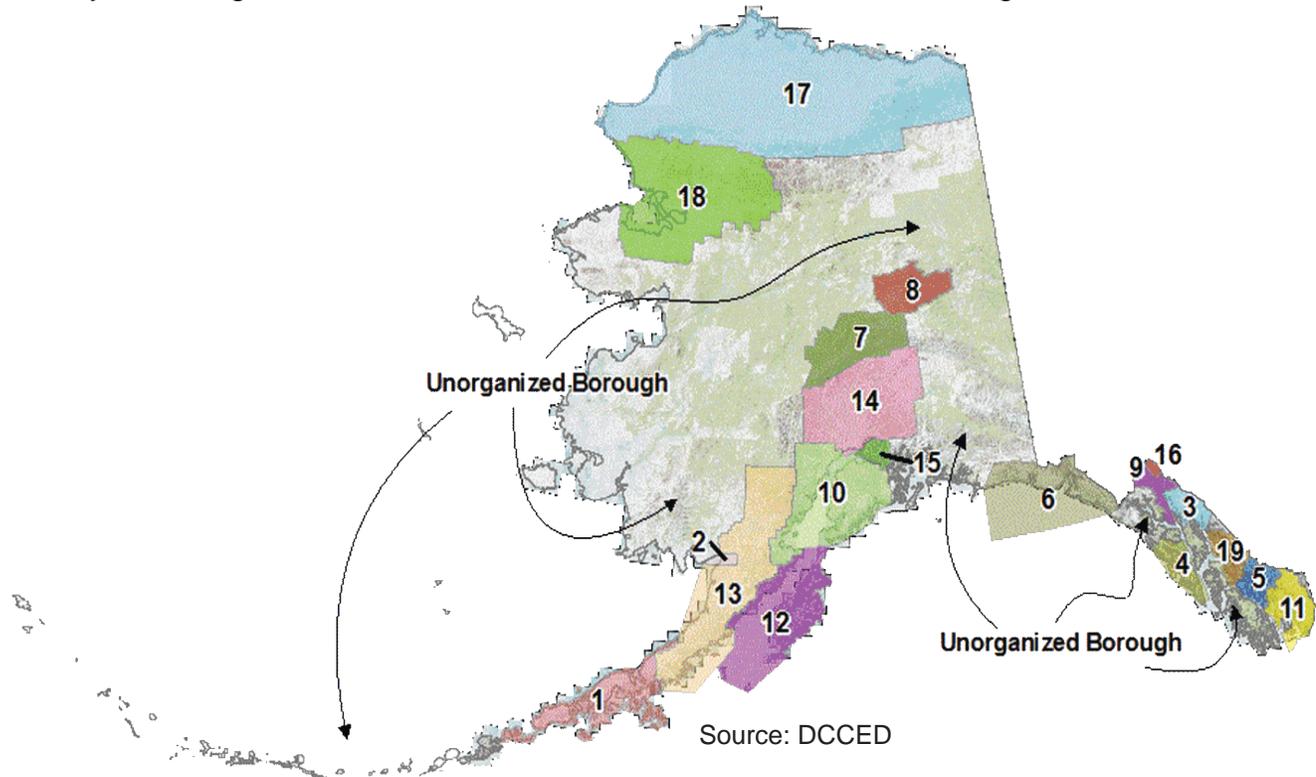
Source: DCCED

BOROUGHS

Organized boroughs, like cities, are municipal corporations and political subdivisions of the State of Alaska. The constitution requires the state be divided into boroughs, either organized or unorganized. A borough is supposed to consist of an area and population that has common interests.

Alaska has 18 organized boroughs and a single unorganized borough. The organized boroughs are:

- | | |
|-------------------------------|---------------------------------|
| 1. Aleutians East Borough | 7. Denali Borough |
| 2. Bristol Bay Borough | 8. Fairbanks North Star Borough |
| 3. City & Borough of Juneau | 9. Haines Borough |
| 4. City & Borough of Sitka | 10. Kenai Peninsula Borough |
| 5. City & Borough of Wrangell | 11. Ketchikan Gateway Borough |
| 6. City & Borough of Yakutat | 12. Kodiak Island Borough |



- | | |
|-------------------------------|------------------------------|
| 13. Lake & Peninsula Borough | 17. North Slope Borough |
| 14. Matanuska-Susitna Borough | 18. Northwest Arctic Borough |
| 15. Municipality of Anchorage | 19. Petersburg Borough |
| 16. Municipality of Skagway | |

There are four different classifications of organized boroughs:

- Unified Home Rule – may exercise all legislative powers not prohibited by law or charter
- Non-unified Home Rule
- First Class – may exercise any power not prohibited by law on non-area wide basis by adopting ordinances
- Second Class – must gain voter approval for authority to exercise many non-area wide powers

The Alaska Constitution established a framework for government that provided “**maximum local self-government and minimum local government units**”.

(See Table B for specific powers and duties of the organized boroughs.)

The unorganized borough is **not** a municipal corporation or political subdivision of the State of Alaska. This classification of borough was intended to serve as a means to decentralize state services and to foster local participation in administration within regions not ready or suited for organized borough status. It is important to note that for the Unorganized Borough, the Alaska Constitution **assigns the legislature all powers an assembly would have in an organized borough.**

An organized borough may provide services on three levels. These are: areawide (throughout the borough), non-areawide (that part of the borough outside of cities), and service areas (size and make-up vary).

The nineteen boroughs cover more than half of the state. Some of the populated areas of the unorganized borough may have a form of local government or service organization other than an incorporated municipality, such as a tribal council or non-profit community association.

All organized boroughs have three mandatory powers: education; planning and land use regulation; and property assessment and taxation.

In the unorganized borough, the State Legislature has oversight of services that would otherwise be provided by the organized borough assembly (e.g. education, planning and zoning). Education is delivered by the state through Regional Educational Attendance Areas (REAs).

Important Local Government Facts:

- ◆ The framework for local government in the State of Alaska is established in Article X of the Alaska Constitution and Title 29 of the Alaska Statutes.
- ◆ Alaska has 163 municipalities; 143 cities, 19 boroughs, and one reservation organized under federal law.
- ◆ In all, 97% of Alaskans live in an organized municipality.
- ◆ A city is governed by a City Council. A borough is governed by a Borough Assembly.
- ◆ Fifteen of the nineteen organized boroughs levy a property tax. Within organized boroughs, there are 12 cities that also levy an additional city property tax. Within the unorganized borough, only 9 cities levy a property tax.

Table B
Powers and Duties of Boroughs

Power	Unified Municipality & Home Rule Borough	First Class Borough	Second Class Borough
Public Education	The borough or unified municipality must provide the service areawide in accordance with AS 14.	Same as for a home rule borough	Same as for a home rule borough
Planning, Platting & Land Use Regulation	The borough or unified municipality must exercise the powers areawide, but not necessarily in accordance with AS 29.40	The borough must exercise the powers areawide; in accordance with AS 29.40; the borough may allow cities to assume such powers within their boundaries	Same as for a first class borough
Provide Transportation systems, water & air pollution control, animal regulation	Determined by charter or ordinance	May be exercised on an areawide, nonareawide or service area based by ordinance	May be exercised on an areawide or nonareawide basis by ordinance; approval from voters or property owners required for service area powers
License Day Care Facilities	Determined by charter or ordinance	May be exercised on an areawide, nonareawide or service area basis by ordinance	May be exercised on an areawide basis by ordinance; voter approval required for exercise on a nonareawide or service area basis
Regulate Fireworks, provide solid & septic waste disposal, housing rehabilitation, economic development, roads & trails, EMS communications, regulate motor vehicles and development projects	Determined by charter or ordinance	May be exercised areawide upon approval of areawide voters or by transfer of powers from all cities; may be exercised by ordinance on a nonareawide or service area basis	May be exercised areawide upon approval of areawide voters; or by transfer of powers from all cities; may be exercised by ordinance on a nonareawide basis; may be exercised on a service area basis with voter approval
Hazardous Substance Control	Determined by charter or ordinance	Same as above	Same as above

Source: DCCED

Table B
Powers and Duties of Boroughs

Power	Unified Municipality & Home Rule Borough	First Class Borough	Second Class Borough
Other Powers Not Prohibited	Determined by charter or ordinance	Same as above	May be exercised areawide upon approval of areawide voters; or by transfer of powers from all cities and approval of nonareawide voters; may be exercised nonareawide upon approval of non-areawide voters; may be exercised on a service area basis with voter approval
Property Tax	Limited to 30 mills except where a higher levy is necessary to avoid default on debt; voter approval to levy property taxes is required by some charters	Same as home rule except there is no charter. Still, some general law boroughs have more limited taxing authority established by local action	Same as for a first class borough
Sales Tax	The rate of levy may be limited by charter and voter approval to levy sales taxes may be required by charter	No limit exists on the rate of levy; however, voter approval is required to levy sales taxes	Same as for a first class borough
Assembly composition and apportionment	Flexible; determined according to AS 29.20.060	Same as for a home rule borough	Same as for a First class borough
Election and term of Mayor	Established by charter or ordinance AS 29.20.120	Elected at large for a 3-year term, unless a different term not to exceed 4 years is provided by ordinance	Same as for a First Class borough
Veto Power of the Mayor	Established by charter or ordinance	May vote to break a tie vote only if the borough has a manager form of government	Same as for a First Class borough
Ability to attain Home Rule status	Already has home rule status	Voters may adopt home rule charter	Same as for a First Class borough

Source: DCCED

Senior Citizen's Property Tax Exemption

Back in the early 1980s, the State required all municipalities to exempt the first \$150,000 value of primary homes belonging to seniors, from property tax, with the promise that the state would reimburse municipalities for that loss in their tax base. The exemption continued, but the promise of reimbursement quickly went away. With the increase in baby boomers, the senior citizen's property tax exemption is costing most of the larger boroughs much more money than they receive from the state in Revenue Sharing. Here are the figures from the last year with regards to that loss:

Municipality	Total Tax Amount Exempted	Municipal Revenue Sharing
Anchorage	\$27,956,935	\$14,642,219
Fairbanks	\$ 9,025,967	\$ 3,451,225
Juneau	\$ 2,257,950	\$ 2,034,988
Kenai	\$ 4,366,452	\$ 2,124,472
Ketchikan	\$ 990,352	\$ 625,356
Kodiak	\$ 854,924	\$ 699,804
Mat-Su	\$ 9,005,861	\$ 4,126,853

As you can see, this is becoming a losing battle. Most communities desire to do all possible to help seniors stay in their home. However, the current structure is across the board and gives the community no leverage to make the decisions that fit their financial needs and/or population make-up.

Important Local Government Facts:

- ◆ No property tax exemptions imposed by the State (such as the Senior Citizens and Disabled Veteran's Property Tax exemption) are reimbursed by the state, even though the state is directed to do so under statute(Title 29.45.030 (g)). Every time the Legislature imposes another tax exemption, it is put on the back of all other taxpayers.
- ◆ Municipal property tax rates must be the same throughout the municipality, excluding service areas, which have rates unique to their area. In other words, according to AS 29.45.090, more remote areas with fewer services cannot be taxed at a lower rate.
- ◆ Property owners cannot appeal the tax rate, but they may appeal the assessed value of their property.
- ◆ Municipalities employ approximately 34,000 Alaskans.
- ◆ Municipalities generate over \$1.5 billion in local revenues.
- ◆ Municipalities provide over \$2.8 billion in services.
- ◆ Municipalities contribute over 25% of direct education expenditures.
- ◆ Both real and personal property is taxable in Alaska according to AS 29.45.090. Some municipalities have chosen to exempt some or all categories of personal property.

Revenue Sharing

Revenue Sharing is the means with which the State of Alaska shares its resource wealth with local government. Revenue Sharing helps to ensure that all areas of the state have basic public services and reasonably equitable and stable local tax rates. Currently, the State relies on resource wealth to fund the majority of its governmental functions. The permanent fund is the means with which to share resource wealth with Alaska's citizens. Revenue Sharing is the means with which to share resource wealth with local governments in order to offset municipal taxes, needed to provide basic services.

Alaska has had a formal municipal Revenue Sharing program since 1969, well before the influence of oil. The proportion of the state budget currently used for revenue sharing is less than it was in 1971, despite great growth in the development and responsibilities of municipal governments. Some years ago, Revenue Sharing was zeroed out. It was felt that municipalities should make their own way. Municipalities can only make money through taxes or fees for service. Basic services were curtailed in a majority of municipalities throughout the state, as municipalities attempted to avoid imposing tax increases on their residents.

In 2007, the Alaska State Legislature reinstated the Community Revenue Sharing program. A set amount of money (\$60 million) is deposited in the Community Revenue Sharing account each year out of the oil tax progressivity fund. The fund currently holds \$180 million and each year, one-third (\$60 million) of that fund is distributed to municipalities based on a set formula. That money is not earmarked for anything specific. The Alaska Municipal League encourages communities to use that money to provide basic services, purchase fuel, purchase insurance and/or decrease taxes. This past session the Revenue Sharing deposit was decreased to \$52 million.

The Alaska Municipal League and its member municipalities appreciate and value the Revenue Sharing that the Legislature and the Governor have provided. The State of Alaska is only as healthy as its communities.

Revenue Sharing History

Fiscal Year	Amount	Fiscal Year	Amount
1985	\$141,656,800	2000	\$ 31,893,400
1986	\$140,939,000	2001	\$ 28,493,400
1987	\$113,737,600	2002	\$ 29,630,700
1988	\$ 96,857,800	2003	\$ 29,630,700
1989	\$ 96,857,800	2004	\$ 0
1990	\$ 91,094,000	2005	\$ 0(Received \$6,450,000 for Energy costs)
1991	\$ 87,450,200	2006	\$ 0(Received \$18,426,923 for PERS costs)
1992	\$ 84,995,000	2007	\$ 0(Received \$66,675,087 –PERS/Energy)
1993	\$ 78,195,400	2008	\$ 60,000,000
1994	\$ 72,721,800	2009	\$ 60,000,000
1995	\$ 62,613,500	2010	\$ 60,000,000
1996	\$ 58,230,700	2011	\$ 60,000,000 (Received extra \$20,000,000)
1997	\$ 53,572,300	2012	\$ 60,000,000 (Received extra \$25,000,000)
1998	\$ 50,358,000	2013	\$ 60,000,000
1999	\$ 47,840,100	2014	\$ 60,000,000

INCORPORATED CITIES

HOME RULE

Cordova
Fairbanks
Kenai
Ketchikan
Kodiak
Nenana
North Pole
Palmer
Seward
Valdez

FIRST CLASS

Barrow
Craig
Dillingham
Galena
Homer
Hoonah
Hydaburg
Kake
King Cove
Klawock
Nome
Pelican
Saint Mary's
Sand Point
Seldovia
Soldotna
Tanana
Unalaska
Wasilla

SECOND CLASS

Adak
Akhiok
Akiak
Akutan
Alakanuk
Aleknagik
Allakaket
Ambler
Anaktuvuk Pass
Anderson
Angoon
Aniak
Anvik
Atka
Atkasuk
Bethel
Bettles
Brevig Mission
Buckland
Cheforak
Chevak
Chignik
Chuathbaluk
Clark's Point
Coffman Cove
Cold Bay
Deering
Delta Junction
Diomedea
Eagle
Eek
Egegik
Ekwok
Elim
Emmonak
False Pass
Fort Yukon
Gambell
Golovin

SECOND CLASS

Goodnews Bay
Grayling
Gustavus
Holy Cross
Hooper Bay
Houston
Hughes
Huslia
Kachemak
Kaktovik
Kaltag
Kasaan
Kiana
Kivalina
Kobuk
Kotlik
Kotzebue
Koyuk
Koyukuk
Kupreanof
Kwethluk
Larsen Bay
Lower Kalskag
Manokotak
Marshall
McGrath
Mekoryuk
Mountain Village
Napakiak
Napaskiak
New Stuyahok
Newhalen
Nightmute
Nikolai
Nondalton
Noorvik
Nuiqsut
Nulato
Nunam Iqua

SECOND CLASS

Nunapitchuk
Old Harbor
Ouzinkie
Pilot Point
Pilot Station
Platinum
Point Hope
Port Alexander
Port Heiden
Port Lions
Quinhagak
Ruby
Russian Mission
Saint George
Saint Michael
Saint Paul
Savoonga
Saxman
Scammon Bay
Selawik
Shageluk
Shaktolik
Shishmaref
Shungnak
Stebbins
Teller
Tenakee Springs
Thorne Bay
Togiak
Toksook Bay
Unalakleet
Upper Kalskag
Wainwright
Wales
White Mountain
Whittier

ORGANIZED UNDER FEDERAL LAW

Metlakatla Indian Community

ORGANIZED BOROUGHS - UNIFIED MUNICIPALITIES

	<u>Classification</u>
Aleutians East Borough.....	Second Class
Municipality of Anchorage.....	Unified Home Rule
Bristol Bay Borough.....	Second Class
Denali Borough.....	Home Rule
Fairbanks North Star Borough.....	Second Class
Haines Borough.....	Home Rule
City & Borough of Juneau.....	Unified Home Rule
Kenai Peninsula Borough.....	Second Class
Ketchikan Gateway Borough.....	Second Class

	<u>Classification</u>
Kodiak Island Borough.....	Second Class
Lake & Peninsula Borough.....	Home Rule
Matanuska-Susitna Borough.....	Second Class
North Slope Borough.....	Home Rule
Northwest Arctic Borough.....	Home Rule
Petersburg Borough.....	Home Rule
City & Borough of Sitka.....	Unified Home Rule
Municipality of Skagway.....	First Class
City & Borough of Wrangell.....	Home Rule
City & Borough of Yakutat.....	Home Rule