

State of Alaska FY2002 Governor's Operating Budget

Department of Community & Economic Development
Municipal Revenue Sharing
Budget Request Unit

Municipal Revenue Sharing Budget Request Unit

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BRU Mission

To provide for a sharing of fish taxes collected outside municipal boundaries to municipalities that demonstrate they suffered significant effects from fisheries business activities.

To provide financial assistance to incorporated municipalities so that they may provide necessary public services for their citizens.

To share with affected local governments revenues earned from activities within the Tongass and Chugach National Forests to be used for schools and roads.

To compensate cities in the unorganized borough for lost revenues due to the location of federal lands within their respective areas.

To improve local governments' fiscal capacities and to assure no municipality suffers impoverishment of necessary public services, relative to other municipalities, because of the chance location of taxable wealth in the state.

BRU Services Provided

Under this BRU, the Community and Business Development Division administers six important revenue sharing programs for the financial support of Alaska's communities. These formula funded programs include both state and federal dollars and have proven highly beneficial to Alaska's communities in providing basic public services to their citizens. By consolidating the administrative responsibilities of these programs, the State is able to offer a high level of assistance to the participating communities in a very efficient manner.

BRU Goals and Strategies

Help Alaska local governments deal with significant impacts on community services and infrastructure arising from proximity to the fishing industry.

Distribute both state and federal financial assistance in an accurate, fair, and timely manner.

Improve the fiscal capacities of Alaska's local governments.

Key BRU Issues for FY2001 – 2002

Cuts in State Shared Revenues - Despite the drastic cuts made to these programs, the State Revenue Sharing and Safe Communities Programs continue to be important sources of funding for Alaska's local governments, particularly the small rural cities. For many of the rural cities, these funds still represent a significant portion of their operating budgets. In FY 86, these programs totaled \$140,939,000. In FY 01 these programs totaled \$28,493,400, an 80% decrease in annual funding not adjusted for inflation. The funding cuts have had a dramatic impact on Alaska's local governments and their residents. These impacts include:

Municipal Dissolution
Significant Reduction in Public Services and Public Health
Deteriorating Infrastructure
Increased Social Problems
Insurance Unavailability and Rate Increases
Increased IRS and ESC problems and levies

Decline in Urban/Rural Business Activity
Increased Local Taxes

Major BRU Accomplishments for FY2000

Distributed community financial assistance payments in an accurate, fair and timely manner.

Municipal Revenue Sharing
BRU Financial Summary by Component

All dollars in thousands

	FY2000 Actuals				FY2001 Authorized				FY2002 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
<u>Formula Expenditures</u>												
State Revenue Sharing	12,852.8	0.0	1,534.0	14,386.8	12,855.2	0.0	0.0	12,855.2	12,855.2	0.0	0.0	12,855.2
Municipal Assistance	15,638.2	0.0	1,866.0	17,504.2	15,638.2	0.0	0.0	15,638.2	15,638.2	0.0	0.0	15,638.2
National Program Receipts	0.0	0.0	0.0	0.0	0.0	14,000.0	0.0	14,000.0	0.0	16,000.0	0.0	16,000.0
Fisheries Business Tax	0.0	0.0	0.0	0.0	0.0	0.0	1,000.0	1,000.0	0.0	0.0	1,000.0	1,000.0
<u>Non-Formula Expenditures</u>												
None.												
Totals	28,491.0	0.0	3,400.0	31,891.0	28,493.4	14,000.0	1,000.0	43,493.4	28,493.4	16,000.0	1,000.0	45,493.4

Municipal Revenue Sharing

Proposed Changes in Levels of Service for FY2002

Congress has enacted legislation (HR 2389) that will increase and stabilize future national forest receipt funding. Starting in FY 02 and continuing for six years, the Department will receive an annual payment based on the average of the three highest payment years between FFY 86 - 99. It is estimated that the annual payment to the state will be between approximately \$9 to 10 million. At this time it appears the federal appropriation for the Payment in Lieu of Taxes Program will increase from the \$134 million funding level for FY 01 to \$200 million for FY 02. The division estimates that the Department's pass-through share for cities in the Unorganized Borough will increase in FY 02 to between approximately \$5 to 6 million.

Municipal Revenue Sharing

Summary of BRU Budget Changes by Component

From FY2001 Authorized to FY2002 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2001 Authorized	28,493.4	14,000.0	1,000.0	43,493.4
Proposed budget increases:				
-National Program Receipts	0.0	2,000.0	0.0	2,000.0
FY2002 Governor	28,493.4	16,000.0	1,000.0	45,493.4