

**RESOLUTION NO. 4902**

**A RESOLUTION REQUESTING THE ALASKA LEGISLATURE TO FUND  
THE RECAPITALIZATION OF THE COMMUNITY ASSISTANCE FUND**

**WHEREAS**, the FY20 budget approved by the Alaska State Legislature included recapitalization of the Community Assistance Fund; and

**WHEREAS**, the Governor's veto of the \$30 million to recapitalize the Community Assistance Fund directly affects the operations of local governments; and

**WHEREAS**, Community Assistance (formerly known as Community Revenue Sharing) represents a decades-long partnership between local governments and the State of Alaska; and

**WHEREAS**, for 100 Alaska communities, Community Assistance represents more than 20% of their budget, and for some communities it represents as much as 80% of their budget – budgets that deliver essential public services to Alaska residents; and

**WHEREAS**, Community Assistance has seen continued reductions over the years; if measured against 1985, with adjustment for inflation, the value of Community Assistance would be 984% greater than it currently is; and

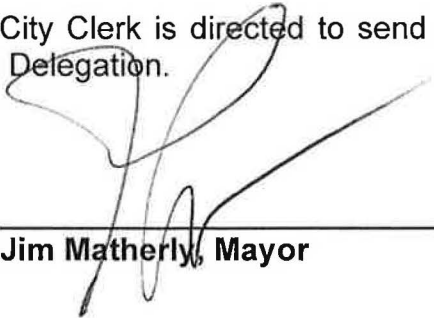
**WHEREAS**, when Community Assistance was zeroed out in the early 2000s, 14 local governments ceased day-to-day operations; and

**WHEREAS**, by not recapitalizing the fund, the payment to local governments will be reduced from \$30 million in FY20 to \$20 million in FY21; and

**WHEREAS**, it is estimated that the Community Assistance payment to the City of Fairbanks would be reduced from \$688,552 in FY20 to \$79,684 in FY21.

**NOW, THEREFORE, BE IT RESOLVED**, that the Fairbanks City Council encourages the Alaska Legislature to fully recapitalize the Community Assistance Fund.


**BE IT FURTHER RESOLVED** that the City Clerk is directed to send a copy of this Resolution to the Interior Alaska Legislative Delegation.


  
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**Jim Matherly, Mayor**

AYES: PASSED and APPROVED on the CONSENT AGENDA  
NAYS: None  
ABSENT: None  
APPROVED: February 10, 2020

ATTEST:

APPROVED AS TO FORM:

  
D. Danyielle Snider, CMC, City Clerk

  
Paul Ewers, City Attorney

## LFD Informational Paper 20-2: Community Assistance Program

### What is the Community Assistance program?

The Community Assistance program (AS 29.60.850-879) provides funding to municipalities, unincorporated communities, and Native village councils in Alaska to support local government activities. The program has existed in various forms since 1985.

### How does the program work?

All incorporated communities that provide services such as fire protection, water and sewer, public road maintenance, and solid waste management are eligible for Community Assistance payments. In addition, the Department of Commerce, Community and Economic Development designates an incorporated nonprofit entity or Native village council in other communities that can receive and spend payments. Unincorporated communities must have at least 25 residents to qualify.

### How much do communities receive?

Until 2017, the program was designed to distribute \$60 million total per year (although actual amounts varied). SB 210, passed in 2016, reduced the target distribution to \$30 million and amended the formula.

Community Type	Base Payment (for full distribution)
Borough	\$300,000
City	\$75,000 (1/4 base)
Unincorporated Outside Borough	\$25,000 (1/12 base)
Unincorporated Inside Borough	\$15,789 (1/19 base)

AS 29.60.855 provides a base amount for boroughs and unified municipalities, and other communities have a base that is a fraction of that base. See the table to the right. A unified municipality receives both the borough base and the city base payments.

#### Example calculations

Anchorage: \$300,000 (borough base) + \$75,000 (city base) + 295,365 residents \*  
\$14.16 per capita = \$4,557,777

Tok: \$25,000 (unincorporated outside borough base) + 1,234 residents \*  
\$14.16 per capita = \$42,475

After paying out the base payments, the remaining distribution goes to all communities on a per-capita basis. The department calculates the amount remaining after paying the bases, and divides that by the total state population. In FY20, that amount is about \$14 per resident.

### How is the Community Assistance program funded?

The total distribution each year equals one-third of the balance of the Community Assistance Fund on June 30 of the previous fiscal year. Per AS 29.60.850, the annual deposit into the fund may not exceed \$30 million or the amount necessary to bring the fund balance to \$90 million, whichever is greater. So if the program is fully funded, the legislature would deposit \$30 million into the fund each year and the balance of the fund on June 30 would be \$90 million. One-third of that balance would be \$30 million, so the distribution would be \$30 million. See the figure on the following page for an illustration of how this has worked in practice.

	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>
Starting Balance	\$180.0	\$180.0	\$172.0	\$114.7	\$90.0	\$90.0	\$90.0
<i>Distribution (1/3 of balance)</i>	\$60.0	\$60.0	\$57.3	\$38.2	\$30.0	\$30.0	\$30.0
<i>Additional Distribution</i>	\$ -	\$ -	\$ -	\$ -	\$8.0	\$4.0	\$ -
Total Distribution	\$60.0	\$60.0	\$57.3	\$38.2	\$38.0	\$34.0	\$30.0
Deposit to Fund	\$60.0	\$52.0	\$ -	\$13.6	\$30.0	\$30.0	\$ -
Ending Balance	\$180.0	\$172.0	\$114.7	\$90.0	\$90.0	\$90.0	\$60.0

AS 42.45.085 provides that the Power Cost Equalization Endowment (PCE) Fund may be used as a funding source for this program if it has sufficient earnings. Per that statute, the legislature may appropriate 70% of the prior closed fiscal year's "excess" earnings above the cost of the PCE program (meaning that the legislature may appropriate 70% of excess FY19 earnings in the FY21 budget, since the legislature is making the appropriation in FY20). Up to \$30 million of the remainder may be appropriated to the Community Assistance Fund. For example, FY19 earnings totaled \$74.1 million. After subtracting the PCE program's cost (\$33.1 million) and administrative expenses (\$0.8 million), \$41.0 million remains. 70% of \$41 million is \$28.7 million, so \$28.7 million is available from the PCE fund for Community Assistance.

**What will the distribution be in Fiscal Year 2021?**

The Governor vetoed a \$30 million capitalization of the fund in FY20 that would have brought the balance of the fund to \$90 million. That appropriation would have resulted in a \$30 million distribution in FY21. Unless the veto is overridden or a supplemental capitalization is made to the fund before June 30, 2020, the distribution in FY21 will be \$20 million.

**What is in the Governor's FY21 budget proposal for Community Assistance?**

The Governor is not proposing an FY20 supplemental appropriation. His budget appropriates \$28,731,500 to the Community Assistance Fund from the Power Cost Equalization Fund, which represents the statutory distribution from that fund. His budget does not include the additional UGF appropriation to reach a \$30 million total deposit.

Under the Governor's budget, the FY21 distribution would be \$20 million and the FY22 distribution would be \$22.9 million. See the table below.

	<b>FY21</b>	<b>FY22</b>
Starting Balance	\$60.0	\$68.7
Distribution (1/3 of balance)	\$20.0	\$22.9
Deposit to Fund	\$28.7	?
Ending Balance	\$68.7	?