

1.0 Executive Summary

Sheinberg Associates was hired by the State Department of Commerce, Community and Economic Development (DCCED) to conduct a Glacier Bay Chatham Borough (Figure 1) Economic Feasibility Assessment. The study area is slightly modified from that of the State's Request for Proposals to include all of Kupreanof Island west of Duncan Canal, per the strong testimony of Kake residents at a December 2006 Informational Meeting¹.

This is not a borough formation petition.

Funding for this contract was provided in response to resident interest. There is no intent by the State to force borough formation as a result of this study. This study is to provide information to residents of the region and DCCED; to facilitate dialogue about the study's findings within potentially affected communities and among the regions' residents; and to record resident's opinions.

To assess the economic feasibility of a Glacier Bay Chatham Borough a series of reasonable assumptions must be made about powers and services, staffing and expenditures on education and other matters, and types and rates of taxation. In preparing this assessment Sheinberg Associates made and documented realistic, but conservative, assumptions. This type of assumption would tend to underestimate revenues and overestimate expenditures. An apples-to-apples comparison of the fiscal effects of borough formation was conducted by using consistent financial data (FY 06, July 1, 2005 to June 30, 2006) and 2005 population data (unless noted otherwise). When reading this study remember that, if a borough forms, decisions about the type of borough, the boundary, powers and services, the apportionment option, and the type and levy of any taxes will be the result of public policy decisions made by the petitioners, the voters, and the elected leaders of the new borough.

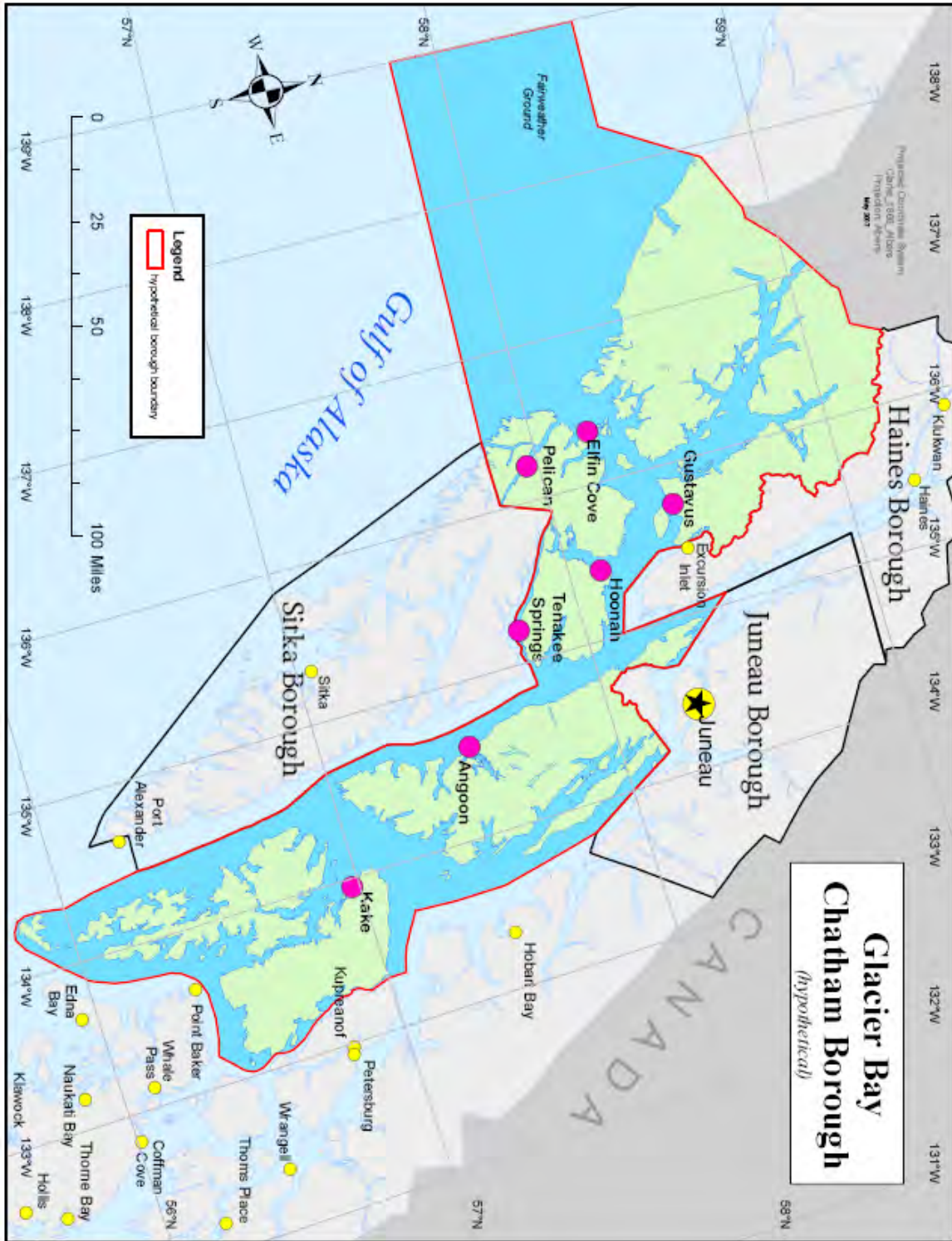
KEY FINDINGS

1. Reasonably Anticipated Borough Functions.

The three mandatory powers that all boroughs must exercise on an areawide basis (everywhere) are education, taxation, and planning. If a Glacier Bay Chatham borough formed these powers would transfer from existing cities and school districts to the borough. All communities have expressed interest in continuing to exercise planning, which can be done by the borough delegating and cities accepting planning and land use within city limits.

¹ This seemed to be the minimum acceptable change to this study's boundary; some offered written documentation arguing for a larger boundary to include all of Kupreanof Island and areas across Stephens Passage.

Figure 1



In addition, a Glacier Bay Chatham Borough should:

- A. Take a broad, “liberal construction” statutory view and consider planning to include economic development, watershed, coastal, recreation and similar topics. There would be little or no added costs and potential revenue to gain.
- B. Not exercise solid waste powers. Efficiencies of scale and operation appear possible for a regional municipal solid waste facility in Southeast, but to be successful it would have to be Southeast-wide not limited to a single borough or group of communities. However, there may be ‘local’ solid waste collaborations possible. Regional, or community to community dialogue and coordination could investigate the economics and logistics of creating a system for disposal of non-burnables for Elfin Cove and Tenakee Springs and regional recycling.
- C. Not take on the additional power of public health. There would be no additional revenue due to borough formation. The complexity is far beyond what a new borough should assume. However, borough staff can assist community public health by providing administrative and grant-writing support for community health boards and clinic staff, or by providing matching grants to for clinics without formally acquiring health powers.
- D. Not acquire police powers as there is strong opposition; opinion regarding fire and EMS service was not expressed. While there is no public support, it should be noted that savings for some services could be achieved through regional economies of scale, such as 911 dispatch service.
- E. Provide needed coordination and financial assistance to support public safety services without specifically acquiring these powers. Two ways where assistance would be beneficial are: 1) Making small grants available to fire, EMS and law enforcement operations within the borough as most need local fundraising activities to supplement State grants; and 2) Providing administrative support and coordination for fire and EMS volunteers and units, such as help with filling out grant forms, making requests for equipment supplies, completing administrative tasks, and coordinating training and coverage for communities whose fire or EMS members are unavailable.
- F. Not acquire docks and harbors powers initially as it would bring added costs and program complexity, unless there is significant interest on the part of some communities. If so a fiscal analysis should be conducted that reviews the services that could be provided to a defined service area, associated costs and likely revenue.

The findings above suggest a borough not acquire additional powers at this time, but points out several examples where borough staff could provide significant coordination, administrative assistance, and possibly provide grant support to communities for services. This would emphasize the need for well compensated professional borough staff.

2. Reasonably Anticipated Borough Expenses.

If a Glacier Bay Chatham Borough formed that initially only exercised the three mandatory powers of education, taxation, and planning (liberally interpreted and with delegation of local planning back to cities), reasonably anticipated expenses would be approximately \$2.40 million (Table A). This includes salaries and benefits for a borough manager, clerk, finance officer and planner/grant-writer, with assembly and mayor meeting stipends, and assembly, mayor and staff travel. The hypothetical \$2.40 million would be distributed with 13% going to salaries, 2% to travel, 1% to contracts, 4% to utilities & supplies, 43% for borough revenue sharing, and 37% to education (if in-kind contributions are counted 45% would go to education and 37% to revenue sharing).

Implementing borough revenue sharing, as well as determining the amount and its distribution would be borough and resident public policy decisions. Borough revenue sharing is included herein to show how it could work in response to the public comments that a borough must financially benefit communities and residents.

Borough expenditures assume two types of borough revenue sharing. First, several state or federal revenues that formerly went to cities but now would go to the borough, are passed-back to the communities so cities are 'held harmless' financially. This *includes* distributing to communities National Forest Receipt (NFR) revenues for roads and projects, PILT, and state fisheries business tax back to communities. It does *not include* pass back of NFR revenue earmarked for schools as the borough now provides this service. Second, the budget assumes \$30,000 per community in an annual capital grants program in order to further support communities. This also includes an annual pass-back to Elfin Cove of the equivalent of 1% of the sales tax collected from within an Elfin Cove service area (estm. at \$49,795). This is included in response to questions from Elfin Cove to show how a borough could capture revenue passing through their community and return a portion to the community.

3. Reasonably Anticipated State and Federal Revenue.

Fiscal Year (FY) 06 state and federal assistance to communities in the region totals \$1.68 million. If a Glacier Bay Chatham Borough had formed in FY 06 this would have increased to an estimated \$1.88 million, for a gain of \$270,429. This gain is primarily based on National Forest Receipt (NFR) payments for schools. NFR revenues were just reauthorized by Congress at current levels for one year; however longer term reauthorization and funding must be addressed in the next few months and is uncertain and possibly doubtful. If NFR revenues are eliminated the region would immediately lose an annual \$1.1 million (in FY 06 dollars) that supports schools, roads and other projects. This loss would have a dramatic and negative impact on the ability to meet both city and hypothetical borough expenses.

TABLE A - Reasonably Anticipated Borough Operating Expenditures

ANNUAL OPERATING EXPENDITURES		COST
Mayor and Assembly		\$28,800
Mayor, Assembly and Staff Travel		\$31,915
Clerk		\$55,000
Manager		\$89,500
Finance Officer		\$75,300
Planner/Grant Writer		\$64,100
Lobbyist		\$11,500
Legal Assistance		\$15,000
Planning Commission Travel		\$18,480
Telephone, Supplies, Copies		\$54,000
Utilities, etc.		\$32,000
Insurance		\$16,000
Contribution (cash) to Education (<i>does not include in-kind</i>)		\$900,000
Borough Revenue Sharing (pass back of state/federal funds)		\$751,237
Borough Revenue sharing - Capital grants & 1% Elfin pass back		\$259,795
	total	\$2,402,627
Transition Expenditures (years 1-3 cumulative totals)		
Purchase and install telecommunications		\$50,000
Purchase other equipment		\$25,000
Establish borough mapping/GIS		\$50,000
Legal assistance (including for schools)		\$100,000
Other assistance w/ transition (set up & enforcement of fish tax, training, school and other consultation, etc)		\$275,000
		\$500,000

4. Effect of Borough Formation on State and Federal Revenue to Cities.

If a borough formed, state fisheries business and landing tax, NFR and federal PILT revenue would entirely or partially go to the borough rather than communities (Table B). As noted in (3) above, the hypothetical borough budget assumes that through borough revenue sharing these revenues are passed-back to communities so that they are 'held harmless' financially by borough formation.

5. Reasonably Anticipated Ability of Borough to Generate Borough Taxes.

Economic activity in the Glacier Bay Chatham region is centered on tourism and commercial fishing.

There are several types of tourism-based businesses catering to large cruise ships, small cruise ships, yachts, fishing and hunting clientele, and those seeking other nature-based adventure and sightseeing experiences. Almost all of this activity is seasonal, taking place in the late spring through early fall. To meet these opportunities the region is home to:

- Approximately 20 lodges or lodge-like establishments catering to fishing, hunting and adventure seeking clients;
- One cruise ship destination with an Alaska Native cultural show, restaurant, fishing/seafood processing museum, multiple day-trip experiences and gift stores;
- A National Park with hotel rooms, camping, a restaurant, day boat sightseeing trips into park waters, kayak rentals, and access to many remote experiences;
- Many Bed and Breakfast and gift-store establishments throughout the region;
- Charter fishing businesses and fleet in each community; and

- Businesses offering varied guided or independent kayaking-hiking-photography and similar experiences.

In 2005 and 2006 an investigation of nature-based tourism for parts of northern southeast Alaska was conducted by the University of Alaska, Institute of Social and Economic Research (ISER)². This study found that \$10,397,200 in gross revenue was generated during 2005 from nature-based tourism activity in four communities from the Glacier Bay Chatham region: Elfin Cove, Hoonah, Pelican and Tenakee Springs.

The region is home to a multi-species commercial fishing industry, three large seafood processing plants (Hoonah, Kake and Pelican) and several seasonal fish buyers. Hoonah is working to acquire funding for Phase 2 of a 3-phase project to install a 150-ton boat haul out and work/storage area that will be a significant regional asset to the fishing fleet.

A review of the pounds of fish harvested commercially (all species) in 2004 from the waters within the Glacier Bay Chatham region multiplied by the average price paid by species in Southeast Alaska that year yields a gross value of approximately \$16,340,000 from the waters of the Glacier Bay region and \$23,150,000 from the waters of the Chatham region totaling \$39,480,000 from the Glacier Bay Chatham region. Values from the Fairweather Grounds and other fisheries in federal waters within the proposed borough boundary are approximately \$23,470,000; including the Fairweather Grounds would bring the regional total to \$62,950,000³.

There is minor commercial timber harvest activity in the region occurring primarily now on federal land (Kuiu and Kupreanof Islands) as the commercial timber harvest on private land is essentially complete until the resource grows back in several decades, although some pre-commercial thinning activities occur.

Each community has the typical commercial businesses that support their community's residents and the many summer tourists. These businesses include grocery stores, hardware stores, gift and video rental stores, gas stations and fuel distribution, bars and restaurants, taxis, and at least one small manufacturing business with a national customer base.

Most of this economic activity takes place on the limited private land base. Only a fraction of land in the region is not publicly owned and managed by the U.S. Forest Service, National Park Service or State of Alaska. The major private sector land owners are for-profit native corporations including the Sealaska Regional Native Corporation and four Alaskan Village Corporations - Huna Totem, Kootznoowoo, Kake Tribal, and Shee Atika.

² Dugan, Darcy; Fay, Ginny; Colt, Steve. *Nature-Based Tourism in Southeast Alaska: Results from 2005 and 2006 Field Study*. Institute of Social and Economic Research, University of Alaska Anchorage and Eco-Systems. October 31, 2006.

³ Data Sources: 2004 COAR data for all species but groundfish and herring, provided by ADF&G Comfish Division; groundfish and herring is fish ticket data provided by ADF&G Comfish division; halibut, sablefish and cod is 2004 NOAA Fisheries data provided by the Restricted Access Management division.

TABLE B - FY 06 State and Federal Revenue Snapshot - Current Status and if Glacier Bay Chatham Borough Formed

	2005 POP	FY 06 ACMP	FY 05 Liquor	FY 06 NFR Roads**	FY 06 NFR Schools	FY 06 NFR Projects**	FY 06 PILT**	FY 06 Shared Fisheries Business Tax	FY 05 Fishery Resource Landing Tax	FY 05 DOR Fish business tax**	FY 05 Electric Coop	State and Federal Revenue Totals to Local Govt**	State Aid for Education
CURRENT													
HOONAH	861	\$6,000	\$2,500	\$27,849	\$254,925	\$54,584	\$86,775	\$2,900	\$0	\$192,396	\$1,212	\$629,142	\$1,635,362
PELICAN	115	\$6,000	\$0	\$4,016	\$19,839	\$0	\$12,175	\$6,847	\$296	\$14,835	\$0	\$64,008	\$380,892
GUSTAVUS	459	\$0	\$0	\$97,654	N/A	\$18,850	\$48,805	\$2,722	\$0	\$0	\$0	\$168,031	
TENAKEE S.	98	\$0	\$0	\$9,128	N/A	\$0	\$10,834	\$2,543	\$0	\$16	\$0	\$22,521	
ELFIN C.	29	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
KAKE	598	\$0	\$1,500	\$42,905	\$210,458	\$48,907	\$60,122	\$8,717	\$0	\$6,260	\$630	\$379,499	\$1,084,135
ANGOON	497	\$0	\$0	\$28,076	N/A	\$0	\$49,630	\$2,726	\$0	\$0	\$442	\$80,874	
CHATHAM REAA					\$228,838	\$44,173						\$273,011	\$1,746,732
Total	2657	\$12,000	\$4,000	\$209,628	\$714,060	\$166,514	\$268,341	\$26,456	\$296	\$213,507	\$2,284	\$1,617,086	\$4,847,121
IF BOROUGH FORMS													
HOONAH	861	\$0	\$2,500	\$0	\$0	\$0	\$0	\$2,588	\$0	\$96,198	\$1,212	\$102,498	
PELICAN	115	\$0		\$0	\$0	\$0	\$0	\$6,847	\$296	\$7,418		\$14,561	
GUSTAVUS	459	\$0		\$0	\$0	\$0	\$0	\$2,409	\$0	\$0		\$2,409	
TENAKEE S.	98	\$0		\$0	\$0	\$0	\$0	\$2,232	\$0	\$8		\$2,240	
ELFIN C.	29	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0	
KAKE	598	\$0	\$1,500	\$0	\$0	\$0	\$0	\$8,717	\$0	\$3,130	\$630	\$13,977	
ANGOON	497	\$0		\$0	\$0	\$0	\$0	\$2,413	\$0	\$0	\$442	\$2,855	
BOROUGH	74	\$14,500	\$0	\$0	\$1,148,822	\$202,733	\$260,750	\$2,231	\$0	\$119,939	\$0	\$1,748,975	
Total	2731	\$14,500	\$4,000	\$0	\$1,148,822	\$202,733	\$260,750	\$27,437	\$296	\$226,693	\$2,284	\$1,887,515	\$5,700,519
DIFF.		\$2,500	\$0	-\$209,628	\$434,762	\$36,219	-\$7,591	\$981	\$0	\$13,186	\$0	\$270,429	\$853,398

** Local Government Totals assume no borough revenue sharing pass-back to cities.

For consistent treatment the FY 06 budgets in this economic feasibility analysis include:
 FY 05 shared state tax revenue (DPOR fisheries business, fisheries landing, electric coop, liquor license) payments.
 FY 06 state shared fish tax revenue (DCCED).
 FY 06 PILT payments.
 FY 06 NFR payments.
 FY 06 ACMP is regular payment only, does not include special project funds
 Chatham REAA payment to schools is 79% of Chatham Total revenue as 79% of pupils would transfer.

Sources: Alaska Department of Commerce, Community and Economic Development; Alaska Department of Education and Early Development; Alaska Department of Revenue

Collectively these corporations own over 100,000 acres surface and subsurface estate in the region.

This contract requires an assessment of revenue a property tax could generate. Two different methods to estimate property values from this region were used. One method yields a 2004 estimated full and true value (FTV) for the Glacier Bay Chatham region of \$114,662,593; the other yields a 2006 property value of \$22,347,575 for areas outside of cities, and \$190,487,200 for all property in the Glacier Bay Chatham region.

The region's economic base could generate taxable revenue to support reasonably anticipated borough expenses, with three important cautions.

1. First, despite the economic base described, the population in this region has declined 419 people or 13% between 2000 and 2006. If the Glacier Bay Chatham region was a borough in 2000 it would have had 15.6% of its population living in poverty. This would have tied the Yakutat Borough rate and been exceeded only by three existing boroughs, all at the high end of poverty statistics (by contrast in 2000, 5.90% of Juneau was in poverty).
2. Second, a significant portion of the revenue generated from tourism and other businesses goes to residents who are seasonal or live outside the State. The revenue totals can give a false sense of the relative prosperity of the region. In the winter seasonal people leave, it is dark, transportation decreases, bad weather can set in and the economy slows significantly. Winter can be cash poor for year round residents and communities. This makes year round residents and cities nervous and cautious about the idea of added taxes, despite what the 'numbers' may seem to show.
3. Third, some lodge owners outside of cities are reportedly willing to "pay their fair share" but urge caution so that taxation does not "kill the goose that lays golden egg." Some years, particularly those that are wetter or affected by unforeseen circumstances such as 911 or regional transportation service changes⁴, can be tough for tourism businesses that depend on independent travelers, as most in this region do. Business owners worry that paying taxes during slow years with smaller economic margins could jeopardize their, and also a borough's, balanced budget.

6. Borough Tax Options.

This economic base could generate sales and bed, excise, or property taxes, if desired by residents. The revenue that 1% or 1 mill (.001) taxes on this region's economic base could generate is documented on Table C. If a borough forms, the type of tax, where it will be levied (areawide, service areas, non-areawide), and rate must be documented in a borough formation petition, and is subject to approval by the voters as part of the vote to form the borough.

⁴ For example, in summer 2006 no private ferry service operated between Gustavus and Juneau, reducing the number of independent visitors to Gustavus.

TABLE C - Glacier Bay Chatham Borough Tax Options and Estimated Revenue

		Estimated Annual Revenue, Glacier Bay Chatham Region <i>(Based On 2006 Data Unless Noted)</i>
Type of Tax		
Sales and Bed Tax		
1% non-areawide sales and bed tax		\$60,462
1% areawide sales and bed tax		\$364,042
Excise Tax <i>(the two taxes below could alternatively be levied as sales and use taxes)</i>		
1% excise tax on value of commercial fish harvested, based on <u>location of water</u> where fish harvested <i>(based on 2004 harvest and price data)</i>		\$394,800 ⁵
\$10 per container tax on charter and sport caught fish (like Sitka) <i>(based on 2005 harvest data)</i>		\$70,360 ⁶
Property Tax		
1 mill non-areawide property tax		\$22,348
1 mill areawide property tax		\$190,487
<p>DEFINITIONS: Areawide taxes are levied everywhere in the borough. Service area taxes are levied only within defined service areas and revenue generated is generally dedicated to that service area. Non-areawide taxes are levied in all area outside of city boundaries.</p> <p><i>Sources: US Census; Value of Southeast Alaska Nature Tourism, ISER study; personal communication with Steve Van Sant, State Assessor, Jim Corak, Sitka Assessor; review of City of Pelican tax rolls and various business websites; ADF&G commercial and charter fish harvest. Assessments and revenues by Sheinberg Associates.</i></p>		

7. Hypothetical Borough Operating Budget.

After a three year transition is completed (when one-time expenses and revenues occur, as documented on the Year 1, 2 and 3 columns on Table D), reasonably anticipated borough expenses would be \$2.40 million, revenues would be \$2.57 million (including \$758,542 from borough taxes of 1% sales/bed and 1% on commercial fish), yielding a \$171,891 net surplus.

FY 2006 data is used unless noted because this is the most complete information set available. The budget does not account for inflation and is held constant through time. Over time revenues and expenditures will certainly vary from what is depicted on Table D, but the data shows trends and presents an accurate picture of a Glacier Bay Chatham Borough budget under current conditions, or if National Forest Receipts (NFR) are eliminated. If NFR are eliminated (column on right, Table D) even with funding cutbacks another 1% sales/bed tax or fish tax would be needed to balance a borough budget.

⁵ If the Fairweather Grounds were able to be included a 1% tax would generate \$628,500. Legally though boroughs are subdivisions of the State, and State waters can extend no farther than three miles. However, when fishing results are reported to the State for determination of State Fisheries Business Tax payments, the Department of Revenue uses the Alaska Fisheries Processing Location Code Maps and Directory and at least a portion of the Fairweather Grounds is in reporting area 2500 which extends all the way in to Cape Spencer.

⁶ Estimates of revenue a container tax could generate are based upon 2005 data from ADF&G Sportfish Division on the number of angler days fished and number of salmon, halibut, rockfish and other fish harvested by sport and charter fishers from waters within the Glacier Bay Chatham region. Only charter data was used for the tax estimate.

Table D – Sample Glacier Bay Chatham Borough Budget (FY 06 dollars)

	Year 1	Year 2	Year 3	Year 4 (Transition Over)	Year 4 (if no NFR)
EXPENDITURES					
Mayor & Assembly Compensation	\$28,800	\$28,800	\$28,800	\$28,800	\$14,400
Travel: Mayor, Assembly, Manager, Staff	\$31,915	\$31,915	\$31,915	\$31,915	\$23,936
Borough Manager (salary, benefits)	\$89,500	\$89,500	\$89,500	\$89,500	\$89,500
Borough Clerk	\$55,000	\$55,000	\$55,000	\$55,000	\$41,250
Borough Finance Officer	\$75,300	\$75,300	\$75,300	\$75,300	\$75,300
Borough Planner/Grant-Writer	\$64,100	\$64,100	\$64,100	\$64,100	\$32,050
Legal Assistance	\$0	\$0	\$0	\$15,000	\$11,250
Lobbyist	\$11,500	\$11,500	\$11,500	\$11,500	\$11,500
Planning Commission travel	\$18,480	\$18,480	\$18,480	\$18,480	\$13,860
Phone, internet, supplies, copies, etc.	\$54,000	\$54,000	\$54,000	\$54,000	\$54,000
Building Utilities, Fuel	\$16,000	\$16,000	\$16,000	\$16,000	\$16,000
Insurance	\$32,000	\$32,000	\$32,000	\$32,000	\$32,000
Borough Revenue Sharing- Pass back NFR Roads & Projects, PILT & Fisheries Business Tax to communities.)	\$665,834	\$687,184	\$708,535	\$751,237	\$375,095
Borough Revenue Sharing - Borough Capital Project grants & 1% back to Elfin	\$259,795	\$259,795	\$259,795	\$259,795	\$0
Local Effort (cash) for Education	\$617,432	\$700,000	\$800,000	\$900,000	\$762,000
<i>in kind Education (NOT COUNTED IN TOTALS)</i>	\$332,418	\$342,391	\$352,662	\$363,242	\$363,242
TRANSITION EXPENDITURES					
Purchase/install video-telecommunications.	\$50,000				
Map/GIS, equipment purchase	\$50,000	\$50,000			
Legal assistance for transition	\$50,000	\$30,000	\$20,000		
Other (enforcement if fish tax, schools, etc)	\$100,000	\$100,000	\$50,000		
TOTAL EXPENDITURES	\$2,269,656	\$2,303,574	\$2,314,925	\$2,402,627	\$1,552,141
REVENUE					
Major State and Federal					
NFR Roads	\$0	\$0	\$0	\$0	\$0
NFR Schools	1,148,822	1,148,822	1,148,822	1,148,822	\$0
NFR Projects	\$202,733	\$202,733	\$202,733	\$202,733	\$0
ACMP	\$14,500	\$14,500	\$14,500	\$14,500	\$14,500
State shared fish tax	\$2,231	\$2,231	\$2,231	\$2,231	\$2,231
Boro formation grant (SB 234)	\$300,000	\$200,000	\$100,000	\$0	\$0
PILT	\$260,750	\$260,750	\$260,750	\$260,750	\$260,750
Fish business tax	\$34,537	\$55,887	\$77,238	\$119,939	\$119,939
Energy Grant or SRS	\$67,000	\$67,000	\$67,000	\$67,000	\$67,000
<i>subtotal state and federal</i>	<i>\$2,030,573</i>	<i>\$1,951,923</i>	<i>\$1,873,274</i>	<i>\$1,815,975</i>	<i>\$464,420</i>
Local**					
1% borough fish tax	\$394,500	\$394,500	\$394,500	\$394,500	\$394,500
1% sales and bed tax	\$364,042	\$364,042	\$364,042	\$364,042	\$364,042
TOTAL REVENUE	\$2,789,115	\$2,710,465	\$2,631,816	\$2,574,517	\$1,222,962
NET	\$569,254	\$456,686	\$366,686	\$171,891	(-\$329,179)
<p>** It is up to residents to determine which tax type and rates they would levy. Because residents and communities do not support property tax, this sample budget uses a combination of fish tax and sales/bed tax. Table 14 shows revenue from these and other options. Other options that would yield a balanced budget with a surplus include 2% sales and bed tax only, or a 2% fish tax only. NOTE: Year 4 budget is after all transition expenses and revenues are completed. Focus on Year 4 Budget for long-term snapshot. Surplus from 1st three years could be out into borough savings account or used for other projects/expenses. The last column shows that if National Forest Receipts is eliminated, borough would need to add an extra 1% of sales/bed tax or 1% fish tax to balance budget.</p>					

8. Personal Income and Poverty Levels

Readily available income and poverty data is of limited use. U.S. census data is over seven years old and not reliable for rapidly changing factors such as income and poverty. More recent Bureau of Economic Analysis (BEA) data is of limited value because it aggregates census areas.

If there had been a Glacier Bay Chatham Borough in 2000 it would have had an estimated 491 persons, or 15.6% living in poverty. Angoon had a high 27.90% living in poverty in 2000. Compared to the rest of the state, in 2000 this borough would have had a relatively large number of persons living in poverty.

9. Need For and Availability of Employable Persons to Serve The Borough

Paid borough jobs would be for skilled personnel with college degrees or higher (manager, finance, planner), elected Assembly members do not need any particular qualifications beyond willingness and time to serve. There could be some obstacles to finding people to fill these paid positions in the small communities in this region. In addition to the labor pool in the hypothetical borough communities, the Juneau labor pool would certainly serve this area. Additional professional level borough with good compensation could create opportunities for young people with college degrees to come back home.

Similar to income and poverty data, sources of recent employment data at the community level are a challenge to obtain. Readily available employment data is either from the U.S. census and is over seven years old or is from the Bureau of Economic Analysis (BEA) or Alaska Department of Labor who both aggregate census areas.

U.S. Census data details the employment status of all communities in the Glacier Bay Chatham region in 2000. At that time unemployment ranged from a low of 7.7% at Game Creek to a high of 24.90% in Kake. A significant number of adults over 16, between 34 and 63% of all communities, were not seeking work.

10. State Education Aid to Borough.

There are potentially significant revenue gains for education if a Glacier Bay Chatham school district forms. If a Glacier Bay Chatham school district had formed in FY06 the region would have gained an estimated \$853,398 in State funding for education. (State education aid to the region would increase from \$4,847,121 to \$5,700,519.) See Table E. This estimated increase would be primarily due to applying the highest current district cost factor in the state funding formula, district-wide, per Alaska Department of Education and Early Development recommendations. However, if a lower cost factor ended up being assigned revenue gains could significantly diminish.

11. Overall Operating Education Revenue to Borough.

Overall operating (local, state, federal) revenue for education would increase from \$7,369,227 to a minimum of \$7,758,555 if a Glacier Bay Chatham borough formed. The cap or maximum local contribution from the Glacier Bay Chatham borough to support education would be \$1,931,965. This is \$902,290 higher than the combined cap for the Hoonah, Kake and Pelican school districts. See Table F.

TABLE E - FY 2006 School District - State Education Aid Funding

	CHATHAM*	HOONAH	PELICAN	KAKE	CURRENT REGIONAL TOTALS - STATE FUNDING	BOROUGH SCHOOL DISTRICT - STATE FUNDING	DIFFERENCE
Basic Need	\$2,042,221	\$1,832,819	\$301,535	\$1,253,853	\$5,430,428	\$6,405,719	\$975,291
Local Effort (LE)		\$122,834	\$52,820	\$74,734	\$250,388	\$458,650	\$208,262
Deductible 874	\$302,132	\$80,585		\$99,062	\$481,779	\$267,386	(\$214,393)
Quality Schools	\$6,643	\$5,962	\$981	\$4,078	\$17,664	\$20,836	\$3,172
State Aid	\$1,746,732	\$1,635,362	\$249,696	\$1,084,135	\$4,715,925	\$5,700,519	\$984,594
Funding Floor			\$131,196		\$131,196		(\$131,196)
Total State Funding	\$1,746,732	\$1,635,362	\$380,892	\$1,084,135	\$4,847,121	\$5,700,519	\$853,398

* Only includes that portion of Chatham that would become part of this School District.
 Source: Alaska Department of Education and Early Development, Division of Education Support Services

TABLE F - FY 2006 Current and Hypothetical Glacier Bay Chatham School District Education Revenue

A. EDUCATION REVENUE	B. CURRENT SCHOOL DISTRICTS (HOONAH, KAKE, PELICAN AND PART OF CHATHAM)	C. HYPOTHETICAL GLACIER BAY BOROUGH SCHOOL DISTRICT (IF ONLY LE IS CONTRIBUTED LOCALLY)	D. HYPOTHETICAL GLACIER BAY BOROUGH SCHOOL DISTRICT (IF LE+ALC IS CONTRIBUTED LOCALLY)
Total State Education Support	\$4,847,121	\$5,700,519	\$5,700,519
Local Contribution	\$922,720	\$458,650	\$1,689,941
Total 874 (federal impact aid)	\$1,599,386	\$1,599,386	\$1,599,386
Total Revenue	\$7,369,227	\$7,758,555	\$8,989,846
Remaining \$ to Cap.	\$106,955	\$1,473,315	\$242,024
Total Max. Revenue	\$7,476,182	\$9,231,870	\$9,231,870

Source: Alaska Department of Education and Early Development, Division of Education Support Services, as modified by Sheinberg Associates to show total education revenue if new borough gave only required LE in year 1 (column C, and, to reflect an ALC for the district that is the same percentage as the current ALC contribution (column D).

12. Special and Grant Revenue to Schools.

Special revenue and grant funding accounted for more than 30% of the Chatham REAA and Hoonah school districts total FY 05 funding. Some of these special funds are awarded based in part on the number of pupils below the poverty limit, or special demographics such as the number of Alaskan Native students in the district. The ethnicity of the current and hypothetical borough school district’s pupils was analyzed and would be similar so presumably special and grant revenues would not be at risk.

13. Public Employees Retirement System (PERS)/Teacher’s Retirement System (TRS)

The 2007 Alaska Legislature considered several proposals to address the unfunded PERS/TRS liability issue. Senate Bill (SB)125 was considered to fix the problems in the defined contribution program and allocate payment of the unfunded liabilities for the PERS

and TRS program between the State and the other participating governmental entities. However it did not pass and is awaiting final action. Given that SB 125 did not pass, the legislature adopted the concepts and funding contained within it for one year. It is likely that the legislature will pass the bill in its 2008 session, which would institute the plan over the long term.

With the changes to the PERS/TRS system that occurred in 2007 and are likely to be institutionalized in 2008:

- A) If a new borough were to form combining the existing four school districts, the borough would not take on the PERS liabilities of the existing school districts. Rather, the borough would pay the contribution rate of 22% (or somewhat less depending how the Pelican situation - the only area school district with less than 22% in FY08 - is resolved). The borough school district would be in the same situation as all other school districts across Alaska.
- B) The unfunded PERS liabilities for the current school districts would be relevant only in regard to whether the borough school district has a 22% contribution rate or somewhat less.

14. Voting Options

There was a high level of interest in determining whether every community could be guaranteed an elected seat on a Borough Assembly (and School Board). This is possible if the entire borough is one election district where all residents vote for all Assembly and School Board seats. But, within that one election district, there can be residency areas established, one for each community (and surrounding territory so that the entire borough is within a residency district). These residency areas do not have to be population based. There could be one residency area for each community. (See Appendix A, Sonosky, Chambers, Sachse, Miller & Munson, LLP legal memo on apportionment, pgs 10,11.)

15. Location of Borough and School District Offices.

A decision on the location of Glacier Bay Chatham Borough and School District Offices would be made based on factors such as community population and number of students; geography, transportation links and the ability to travel within the borough; location of existing or need to construct new offices; and politics and a sense of equity within the borough. It would be up to residents to make these decisions as part of preparing a borough formation petition (and charter if a home rule borough is chosen).

16. Borough Land Entitlement.

A Glacier Bay Chatham Borough municipal land entitlement would be approximately 629 acres of state land. This would be a very small entitlement compared to the acreage other boroughs received, which for the 13 boroughs listed in AS 29.65.101 ranged from 2,800 to 355,210 acres with an average of 77,547 acres of municipal entitlement land per borough.

17. Public Opinion.

The contract asks that a finding be made on, “The Reasonably Predictable Level of Commitment and Interest of the Population in Sustaining a Borough Government.” Verbal and written comments received during the study on the interest in sustaining a borough government can be characterized as follows. (Community mayors or chairpersons approved these characterizations.)

- Angoon – Commentators and the City of Angoon generally do not support forming a borough government; however, are very concerned that Juneau is looking at the possibility of extending its boundaries toward the northwestern and northeastern shores of Admiralty Island. As a consequence of this and the interest of some of communities in the region, the City and its residents are interested in further dialogue and study about borough government.
- Elfin Cove – Neither commentators nor the Community of Elfin Cove Non Profit Corporation are supportive of the 'proposed' borough structure. Residents are skeptical, but want more information. We are in favor of joining with other communities to solve regional issues and to create regional opportunities. Residents are interested in mechanisms (including governmental) that would allow them to capture a percentage of the revenue moving through the community in the summer to support local improvements.
- Gustavus – Neither commentators nor the City of Gustavus support forming a borough government.
- Hoonah – Commentators were mixed, mostly in support of forming a borough government. The City of Hoonah supports forming a borough government.
- Kake – Commentators and the City of Kake support forming a borough government.
- Pelican – Commentators were mixed, the City of Pelican is interested in further dialogue and study about borough government and is inclined to support it.
- Tenakee Springs – Commentators were mixed, the City of Tenakee Springs is interested in further dialogue and study about borough government and might consider supporting it.

At the May 3rd regional meeting all community representatives expressed interest in increased regional dialogue among their communities to address regional issues and create regional opportunities.

18. Public Comment.

There were several opportunities for public involvement and comment during the project. As a result, there are 207 individual residents, land and business owners on the project mailing list because they either attended a meeting, submitted a comment, or asked to be included.

Comments made at the March-April public meetings; sent in by email, letter or comment form; or made at the May 3rd regional meeting were recorded. Comments were recorded and then separated by issue. A single letter submitted from an individual or one verbal comment during a meeting typically covered several issues. Breaking comments down by issue allows a comprehensive review of the nature of the opinions and range of ideas on each issue. After all comments were segregated by issue, a total of 527 individual comments were documented during this project's public process. All comments can be viewed in Appendix C, aggregated by topic.

Main points mentioned in some of the larger categories of comments are now reviewed.

Apportionment

Comments cite the importance of every community having an elected seat on the borough assembly, thus providing an equal voice for each community on regional decisions.

In response to direct questioning at the May 3rd regional meeting Hoonah and Kake (as the two largest communities in the Glacier Bay Chatham region) both felt the apportionment option where every community, including their own, got one seat on a borough assembly was acceptable. This seems acceptable because decisions about matters within their own communities would still be handled by their city councils and be local decisions; whereas the borough and the assembly would be dealing with regional issues only where it is appropriate for every community to have an equal say.

Borough Formation

The predominance of comments (80%) urges that the area not form a borough or expresses negative sentiment about boroughs and being in a borough. About 20% of all comments on this issue either mention that their community has mixed opinions, or cite perceived benefits like increased school funding and ability to achieve some economies of scale with regard to schools, that being in a borough will promote the region working together and strengthen its voice, and that both Kake and Hoonah are interested in going forward with borough formation.

Borough Boundary or Composition

Comments offer various alternatives to the Glacier Bay Chatham Borough boundary including that the borough attempt to include Excursion Inlet, Greens Creek or the outer coast of Chichagof from Lisianski Strait south to Dry Pass; that single community boroughs be formed; that there is conflict within Southeast about proposed borough boundaries; that either the Glacier Bay region and Chatham region form separate boroughs, or that Pelican, Elfin Cove and Gustavus consider forming a separate borough.

Community Impact

Several comments raise questions about the impact of borough formation on individual communities.

Community Values or Strengths

Comments talk about the values, strengths and uniqueness of individual communities and discuss how these attributes must be maintained and respected, or, would make it incompatible to be in a borough with other communities.

Loss of autonomy

Here commentators mention the fear of being in a borough with unequal sized communities and how this will inevitably lead to smaller communities losing their voices and being dominated and overruled by larger communities.

Extra layer of government

Comments discuss that neither this area nor the individual communities within it need another layer of government. What kind of administrative efficiency does a borough scenario suggest? Existing individual city governments alone or working together are sufficient enough to administer to local community, and regional, needs.

Economy

These comments: A) Identify a need to strengthen individual community and the region's economy and the need to create more jobs; B) Point out problems with the datedness of available poverty and unemployment data; C) Offer comments on individual aspects of the economy such as commercial fishing; or D) cite examples of the challenge and hardship of maintaining a tourism business in rural Alaska, particularly those that depend on independent tourists.

Land Use

These comments generally question how forming a borough would affect the ability to influence land use and development, and whether a borough planning commission could be influenced by outside interests.

Public Safety

The vast majority of comments are strongly against a borough providing increased public safety or police in communities. A small minority of those commenting wished to see increased service. However, all comments were about law enforcement; none addressed fire or EMS service.

Revenue (including borough revenue sharing)

Comments regarding revenue were about mainly about National Forest Receipts (NFR) and a concern over the potential loss of NFR revenue, the negative impact this would have on sustaining a borough, and that because this is likely it is not appropriate to consider a borough budget that includes NFR revenue. Other comments mention that many factors affecting state and federal revenue are external, making borough revenue predictions uncertain. Some comments identified attributes about individual economic sectors or noted that their

community is struggling for revenue and jobs. Comments about borough revenue sharing were skeptical that it would be maintained for the long term; it is feared that larger communities would move to discontinue the program or reduce revenues to small communities if the borough budget got tight.

School Funding, Programs and Jobs

With school age populations declining throughout the region many comments focus on recent program and service losses in their schools. Several comments suggest ways other than forming a borough that residents in the unorganized borough (outside of 1st class cities) could make a 4-mill equivalent contribution to education (since this is a cause behind the pressure to form boroughs). Several comments note no objection to paying something to support education.

Commentators suggest a positive side of possible consolidation of school administrative jobs is that this will release some funds for teachers and direct student support; a negative side is that loss of even a single year-round good wage job in the small communities in this region has an immediate and spin-off negative impact to the economy. Every job counts in small towns.

The Alaska EED forecasted increase to regional school funding if a borough forms is noted, though there is skepticism that this would actually occur.

Socio-cultural

Comments on this issue almost exclusively discuss socio-cultural or economic differences among communities in the region, and cite this as a reason why a Glacier Bay Chatham borough would not work and could not meet State review standards.

Taxes

There are more comments about borough taxes than any other issue. Communities and residents of the region are almost unanimous in their opposition to a property tax. The main reasons cited are:

- Some residents have quite limited income which makes paying property tax unaffordable and could cause residents to lose their major asset, their land and home.
- Some residents own very large lots and properties as part of a rural and homestead-type lifestyle. Paying property tax on such large lots would be unaffordable as many of these residents live a subsistence and low-cash lifestyle.
- Lodge, B&B and commercial properties would likely have the highest assessments and owe the largest amount of property tax. These business owners in rural areas already face extraordinarily high fuel, freight and electricity costs as well as the vagrancies of independent-tourist based travel. A large property tax could be the ‘straw that breaks the camel’s back’ for these businesses.
- Hoonah, Angoon and Kake have properties in federal “restricted status” that are exempt from paying property tax and this is perceived as unfair. [Research, however, shows that only about 5% of residential properties in Hoonah are in restricted status.

Assuming the same is true for Angoon and Kake, this is a very small percent of the total residential property in the region and these communities.] Others questioned whether residents in Tlingit Haida Regional Housing Authority (THREA) housing must pay property taxes if the homes are not fully owned by the resident. [THREA pays the property tax until the house title is transferred; THREA is not exempt from property tax.]

- Native Corporations are the largest private landowners in the region and accordingly worry about a property tax. It should be noted though that ANCSA land is exempt from municipal taxation unless acres are leased or developed, and then only the portion actively being used is subject to taxation and only for the duration of the commercial activity.

The only reason cited to consider a property tax is to capture revenue from seasonal and 2nd home owners in communities.

If a borough formed, taxes on sales, commercial fishing (based on location of waters) and the charter fleet catch are more favored than property tax. Several comments on the difficulty and costs of enforcing tax reporting and collection were noted.

Several comments note that no type of borough tax is supported.

Working Together

Comments, particularly from the May 3rd regional meeting, note the benefit of the communities in the region working together. As community representatives spoke about their community issues and concerns on May 3rd, representatives seemed to realize that their small, rural, isolated towns have more in common than initially thought. While recognizing their commonalities, most noted that forming a borough was not required to have more regional communication and to work together more frequently.