

## 3.0 Economic Feasibility Assessment

### 3.1 Reasonably Anticipated Functions of the Borough

#### 3.1.1 Current City Powers

The major powers that communities in the Glacier Bay Chatham region exercise are listed below (per Alaska Statute Title 29). If a borough forms, education, planning and taxation services would transfer from cities to the borough (although planning would likely be delegated back to the cities).

**Table 1 - Powers Now Exercised By Communities**

	Angoon	Elfin Cove	Gustavus	Hoonah	Kake	Pelican	Tenakee Springs
Education				X	X	X	
Planning	X			X	X	X	X
Taxation	X		X	X	X	X	X
Police/Public Safety	X			X	X		
Fire/EMS	X	X	X	X	X	X	X
Public Works (Roads, Streets, Buildings)	X	X	X	X	X	X	X
Docks, Harbors, Airport	X		X	X	X	X	X
Landfill/ Solid Waste	X		X	X	X	X	
Parks and Recreation	X		X	X	X	X	X
Water, Sewer	X			X	X	X	
Electric		X					X
Oil, Fuel		X					X

#### 3.1.2 Mandatory Borough Powers

There are two types of municipal governments in Alaska – home rule and general law (1<sup>st</sup> or 2<sup>nd</sup> class). General law cities and boroughs have legislative powers conferred by law, primarily by Title 29 of the Alaska Statutes. Home rule cities and boroughs prepare charters to establish their fundamental rules of operation and have all legislative powers not prohibited by law or its charter. The latter thus has more flexibility.

The three mandatory powers that all boroughs must exercise on an areawide basis (everywhere) are education, planning and taxation (although a home rule borough has flexibility in how planning is exercised).

#### ***A. Education***

Section 4.4 of this report is devoted to analyzing the fiscal effects and implications of establishing a borough school district. Education would be the predominant service and single biggest expense of the borough.

According to the Alaska Department of Education and Early Development (EED) there are potential significant revenue gains for education if a Glacier Bay Chatham Borough School District forms. The EED estimates that if a Glacier Bay Chatham Borough had existed in FY06 the area would have received an additional \$853,398 in State education entitlement aid compared to current funding. State aid would increase from the combined total that the Hoonah, Kake, Pelican and part of Chatham school districts got in FY 06 of \$4,847,121 to \$5,700,519. However, this increase is dependent on use of the district cost factor that EED recommends. If a lower district cost factor is used the forecasted additional state aid could decrease to a negligible level.

The required (minimum) local contribution that 1<sup>st</sup> class cities and boroughs must make to support education in FY 06 is the equivalent of four mills (.004) of the estimated full and true value of property in the (city or) borough in 2004. For a Glacier Bay Chatham borough this is estimated to be \$458,650<sup>9</sup>. In FY 06, Hoonah, Kake and Pelican's collective local contribution was \$617,432 in cash and approximately \$330,000 as in-kind support to region schools. A Glacier Bay Chatham Borough would need to contribute an amount from the required minimum of \$458,650, to a maximum (the "local cap") of \$1,931,965, to support education.

## ***B. Planning***

Angoon, Hoonah, Kake, Pelican and Tenakee Springs currently exercise planning powers per Alaska Title 29. Gustavus and Elfin Cove do community planning as well, but have not officially taken on these duties. There is little 'regular' funding to support planning in the region. There is no paid planner position in any city in the region. Angoon, Hoonah, Kake, Pelican and Tenakee Springs have planning commissions; the Kake City Council sits as the planning commission. Hoonah and Pelican have new Coastal Management Plans. Angoon, Pelican, Hoonah and Kake all have comprehensive plans though they are becoming dated. Pelican published a Waterfront Plan in 2004. Gustavus published a Strategic (Comprehensive) Plan in 2005. Elfin Cove conducted a community opinion survey with Alaska DCCED assistance in 2006 and will soon begin an economic development plan. When a major plan such as those just listed is prepared, it is typically funded by a grant secured for that purpose. Planning for CIP projects, grants, economic development and recreation enhancements is typically done by the city manager or mayor with the assistance of volunteer committees.

Every community in the Glacier Bay Chatham region has expressed interest in continuing to exercise planning within its city limits. A borough can delegate planning and land use to a city be exercised within city limits. If the borough is home rule, the charter may be able to more permanently establish that city(s) exercise planning within their boundaries (so it could not be changed by a vote of the Assembly).

Approximately \$52,000 in revenue earmarked for planning was received in the region in FY 06, primarily from the Alaska Coastal Management Program or Alaska Mini-Grant funding. Approximately \$26,000 total was spent on planning by Hoonah, Pelican and Angoon in FY 06 and \$30,000 by Elfin Cove. Region-wide this translates to a \$20 per capita expenditure for

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<sup>9</sup> Sheinberg Associates has estimated 2006 full and true value of property to be closer to \$190,000,000, for which the required minimum .004 mill equivalent contribution would be \$763,000.

planning, somewhat less than is typical in the state. In 2003, the state Local Boundary Commission (LBC) published a study evaluating, “Unorganized Areas of Alaska that meet Borough Incorporation Standards. In this report it states that, “38 municipal governments in Alaska list planning or land use regulation expenses in their annual [FY 01] audits or financial statements. On a per capita basis the reported expenditure ranged from \$1 per resident (Bristol Bay Borough and City of Klawock) to \$399 per resident (North Slope Borough), with a median expenditure of \$23.50 per resident and an average expenditure for planning and land use regulation of \$29 per resident. If a Glacier Bay Chatham Borough spent \$29 per resident it would total \$79,170.

The hypothetical Glacier Bay Chatham Borough budget assumes there would be a full time borough planner/grant writer with an annual salary and benefits package of \$64,100. The borough planner, with the assistance of a planning commission, would prepare a borough Comprehensive Plan, establish a rudimentary land use regulation system (in effect outside of cities if planning and land use regulation has been delegated) and be available to provide technical assistance to city staff. It is assumed that a very simple borough land use regulation system would be established because there is little non-public land in the region and cities want to exercise planning and land use regulation within their boundaries.

The borough should seek grant funds or use borough transition money to support preparing a Comprehensive Plan and establishing a borough map system. A planning commission would be appointed by the Assembly to represent communities and territory in the borough. The hypothetical borough budget assumes planning commissioners do not receive salary compensation, but travel support is included.

### ***C. Taxation***

It is a borough responsibility to collect all taxes, both borough and city. City taxes would remain unchanged, but the borough would collect them on behalf of the cities and must distribute 100% of the funds to the city within which the tax was collected [AS 29.35.170 (b)]. This would relieve some administrative tasks from cities<sup>10</sup>. The type of taxes and rates that each city currently levies are listed on Table 2.

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<sup>10</sup> Boroughs can also form service areas that include unorganized areas (such as Elfin Cove) and levy a tax within the service area that is collected from and can only be used in that service area. The hypothetical borough budget (see sections 3.2 and Tables 7 and 15) assumes a service area is formed around Elfin Cove and that the borough’s 1% sales tax collected from the Elfin Cove service area is returned to Elfin Cove to support local projects. All other communities, as cities, have the ability and do levy their own local sales tax.

**Table 2 - 2006 City Taxes**

Municipality	Type Of Municipality	2005 Population	Property Tax	Sales Tax	Special Tax
Angoon	2 <sup>nd</sup> Class City	497	No	3%	3% bed tax
Elfin Cove	unincorporated	29	No	No	No
Gustavus	2 <sup>nd</sup> Class City	473	No	2%	4% bed tax
Hoonah	1 <sup>st</sup> Class City	861	No	5%	No
Kake	1 <sup>st</sup> Class City	598	No	5%	No
Pelican	1 <sup>st</sup> Class City	115	6 mill	4%	10% bed tax
Tenakee Springs	2 <sup>nd</sup> Class City	98	No	2%	6% bed tax

NOTES: 82 Municipalities (reporting) levy a General Sales Tax – Rates range from 1% to 7%.  
 100 Municipalities (reporting) levy a General Sales Tax, Special Tax (bed tax, fish tax, etc.) or a combination of the two. 38 Municipalities (cities & boroughs) levy a property tax. 12 Boroughs & 13 cities within boroughs, levy a property tax. 13 Cities in the Unorganized Borough levy a property tax. 39 Municipalities did not provide a report this year

Sources: Alaska DOL population estimates; Alaska Taxable 2006, Alaska DCCED; FY 06 final City budgets; personal communication with city finance officers or city clerks, Sheinberg Associates

Residents of the region asked how the State Department of Labor and Workforce Development (ADOL) population estimates are derived. The ADOL resident population estimates include Armed Forces in Alaska and exclude seasonal populations. The estimates are prepared anew each year, and rely on a formula that uses Alaska Permanent Fund Dividend data, vital statistics, and survey information as the primary indicators of population change. Although estimates are identified as for July 1, the figures represent annual average resident population for the year rather than the population on that date. Detailed information on the methodology for the ADOL estimation of the population of Alaska places during 2000-2010, including the formula and data used, can be found at <http://almis.labor.state.ak.us/?PAGEID=67&SUBID=172>

**FINDINGS**

1. If a borough forms, education, planning and taxation services would transfer from cities to the borough (although planning would likely be delegated back to the cities).

**3.1.3 Optional Borough Powers**

A borough can exercise other powers on either an *areawide* basis (everywhere); in *service areas* (service areas can be in or out of cities, or both, whatever makes sense given the service to be provided); or on a *non-areawide* basis (that part of the borough *outside* of all cities). Depending on the type of borough (home rule or 1<sup>st</sup>/2<sup>nd</sup> class) the Assembly makes decisions about adding powers and services by local ordinance or by a vote of its residents.

Beyond the three mandatory powers that all boroughs must exercise, this study investigates the possibility of a Glacier Bay Chatham Borough providing the additional services of economic development, watershed, coastal, recreation planning; solid waste; public health; police, fire and EMS; and transportation (docks and harbors).

When a borough provides additional services it is usually associated with additional costs. This study investigates:

- Would there likely be any economies of scale or efficiencies in service provision that could be achieved.
- Would there likely be any additional revenue available for the service;
- What the added costs of providing the service would likely be; and
- Would there likely be non-fiscal benefits.

### ***A. Economic Development, Watershed, Coastal, Recreation Planning***

In Alaska a borough or city Comprehensive Plan must at a minimum include a compilation of policy statements, goals, standards, and maps for guiding the physical, social, and economic development, both private and public, of the first or second class borough<sup>11</sup>, and may include, but is not limited to, the following:

- (1) Statements of policies, goals, and standards;
- (2) A land use plan;
- (3) A community facilities plan;
- (4) A transportation plan; and
- (5) Recommendations for implementation of the comprehensive plan. [AS 29.40.030].

Given these requirements it is easy to see that comprehensive planning can include economic development, watershed, coastal and recreation issues and similar topics. Planning and economic development considerations are also typically part of preparing a community Capital Improvement Program (CIP).

AS 29.35.400 states that a, “liberal construction shall be given to all powers and functions of a municipality conferred by this [title 29] title.” Since the borough will already exercise planning on a regional basis with the assistance of a full time planner, there seems little to lose and funding to potentially gain by taking the broad, “liberal construction” view and considering planning to include economic development, watershed, coastal, recreation and similar topics. The more topics, including economic development, that are under the borough’s planning “umbrella” the more types of funding and grants for which the borough could be eligible. There are no mandatory requirements for what these services require. However, caution should be exercised when pursuing grants to ensure that reporting and performance requirements are not overly burdensome nor should a borough, under the umbrella of planning, take on more responsibilities than resident’s desire.

### ***FINDINGS:***

1. A hypothetical Glacier Bay Chatham borough should 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. Efficiencies could be achieved if a borough planner/grant writer provides support to cities within the borough.

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<sup>11</sup> A home rule borough can state in its charter how it will exercise planning, platting and land use regulation; it is not bound to this list.

**B. Solid Waste**

In the Glacier Bay Chatham region the city’s FY 06 budgets collectively list a total of \$141,900 collected in solid waste and landfill fees and \$116,125 in expenditures. This equates to an average of \$52 per capita in revenue from the hypothetical borough and \$43 per capita in expenditures.

Table 3 documents current recycling and solid waste handling programs in the region which include uncontrolled open dumping, controlled open burning, composting, landfilling, hazmat collection and some recycling. Table 3 also lists responses to a Southeast Conference survey about interest in a regional municipal solid waste facility.

**Table 3 - Current Solid Waste Disposal Methods**

Community	Solid Waste and Recycling Facilities and Programs
<b>Angoon</b>	The City of Angoon currently collects and disposes of solid waste at an open Class 3 landfill approximately two miles from town center. Recycling in the community consists of a scrap steel pickup yearly. While interested in participating in a region-wide program if available, Angoon officials were concerned about transportation costs from the small community.
<b>Elfin Cove</b>	Elfin Cove does not have a collection system. Elfin Cove residents’ burn solid waste individually at the community burn area.
<b>Gustavus</b>	The City of Gustavus operates a Class 3 landfill where waste is segregated into combustibles, recyclables, and compost material. There is no municipal collection. It is a labor intensive operation. Community interested in regional plan if it doesn’t raise costs.
<b>Hoonah</b>	The City of Hoonah collects refuse and hauls it to a Class 3 landfill where it is open burned then buried. A burn box is under construction (spring 2007). There is occasional hazmat and metal collection/recycling. Hoonah did not respond to the Southeast Conference survey.
<b>Kake</b>	The City of Kake provides refuse collection, recycling and hazardous waste disposal and operates a Class 3 landfill. Regarding interest in a regional facility, the City deferred to Kake Tribal which is interested in operating an incinerator at Point Macartney. Kwaan Waste and Power, LLC., plans to utilize pyrogasification technology to turn garbage into power, and is interested in hosting a Regional Municipal Solid Waste Facility.
<b>Pelican</b>	The City of Pelican provides garbage collection services, recycling, and incinerates the refuse at a Class 3 landfill. They use crushed glass for cover. The city built a burn box in 2005.
<b>Tenakee Springs</b>	The City of Tenakee Springs does not have solid waste service. Residents’ burn solid waste on public tidelands. There is some interest if a regional site is developed.
Sources: 1) March 2007 draft <i>Municipal Solid Waste Disposal Alternatives, Southeast Alaska: Developing Regional Solutions</i> , Smith, Bayliss, LeReche for Southeast Conference; 2) interviews with city officials, Sheinberg Associates; 3) Alaska DCCED DCA online Community Database.	

Southeast Conference is actively investigating regional solid waste options, sparked partly by May 2006 passage of Solid Waste Authority legislation. Southeast Conference issued a Municipal Solid Waste Disposal Alternatives study for Southeast Alaska in March 2007<sup>12</sup>. The information and conclusions herein are based in part on that report.

<sup>12</sup> Southeast Conference. *Municipal Solid Waste Disposal Alternatives, Southeast Alaska: Developing Regional Solutions*. March 2007. Smith, Bayliss, LeReshe Inc and Southeast Strategies

There are four general systems for solid waste disposal:

1. Shipping South
2. Conventional Landfill or Balefill
3. Waste To Energy (WTE) by Incineration or through conversion to Ethanol
4. Composting

If a regional solid waste facility is constructed, a Material Recovery Facility (MRF) should also be built. There are no operating MRFs in Alaska, and Alaska probably ranks last in recycling in the United States. Remoteness of locations combined with small population centers and high transportation costs all contribute to the rank. Southeast Alaska's regional solid waste options include:

1. Continue to close landfills and ship municipal solid waste to the Lower-48
2. Develop multiple community local landfills
3. Develop one or more regional, state-of-the art Regional Municipal Solid Waste Facilities (RMSWF) consisting of Waste to Energy conversion, balefilling, composting, or conventional landfilling, based on the outcome of more detailed analysis through the Regional Authority

The March 2007 Southeast Conference report analyzes development of a RMSWF because as current landfills close it will be expensive for individual communities to consider new landfills and land is scarce. Several communities in Southeast Alaska reportedly already considered developing new landfills and decided to ship wastes to the Lower 48. The likelihood of new landfills being economically feasible in individual communities is becoming increasingly remote. Developing a RMSWF will create economies of scale as well as jobs and, depending upon the location of the facility, might be able to develop a source of affordable electricity through waste-to-energy conversion.

The cost of a regional facility with a recycling center would be \$10-30 million and depends on many variables (volume and technologies utilized). This price tag does not assume the cost of purchasing land.

Ideally, the RMSWF should save communities money in both the short-term and the long term. The 2004 average cost per ton to ship waste from Southeast Alaska to the Lower 48 and to pay disposal fees is \$102/ton, with ranges from \$70/ton to about \$200/ton. The largest component of this cost is freight, where savings are gained if shorter haul distances are realized. The Southeast Conference report concludes that the construction and operation of a cost saving RMSWF in Southeast Alaska is possible with the infusion of grant funding for initial capital improvements and equipment. Preliminary cost estimates for a conventional balefill are a total cost of \$88/ton which includes transportation, processing and future cell construction.

There may be other more 'local' solid waste collaborations possible. For example, Elfin Cove residents comment that at one time they back-hauled recyclables on a volunteer's fishing vessel. Tenakee Springs has no solid waste disposal program yet is relatively close to Angoon which has a landfill. Elfin Cove has no solid waste program yet is relatively close to Pelican which has a landfill. Freight, barges and fishing vessels traveling Icy Strait waters transit close to Hoonah

and Gustavus, both of which have landfills while Gustavus additionally has a well developed recycling and composting program.

Regional, or community to community, dialogue and coordination could further investigate the economics and logistics of such options. To investigate the feasibility of any particular option one would begin by creating a spreadsheet that considered an assumed monthly volume of, for example, recyclables; how much individuals collectively pay now to dispose of these products; what transportation costs to, for example Gustavus, would be under different methods; add in disposal fees at Gustavus; and see what the costs on balance would be. Other factors could be externalities that do not have associated direct costs like reducing the regional waste stream going into the environment.

## ***FINDINGS***

1. There is not likely to be additional operating revenue for solid waste disposal with a regional facility. However, in the future a regional facility could become a lower cost or more comprehensive or more environmentally sound solid waste disposal option than in-city disposal options.
2. Efficiencies of scale and operation appear possible for a regional municipal solid waste facility (RMSWF) in Southeast Alaska. Reasonable transportation costs would have to be a key component. However, to be successful it would have to be Southeast-wide, not limited to a single borough or group of communities. Kake Tribal Corporation has proposed to construct a regional waste to energy facility near Kake. A borough could help coordinate discussions and decisions about participating in a future Southeast Alaska RMSWF *without* acquiring solid waste powers. Cities can also do this independently.
3. The cities in the hypothetical borough collectively spent \$43 per capita for solid waste and landfill services in FY 06. The per ton costs are not known so this can not be directly compared to a regional solid waste facility's forecasted \$88/ton fees.
4. 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. Public Health***

This section of the report examines the potential impact of forming a Glacier Bay Chatham Borough on health care services within the communities that would be in the borough. Borough health powers are optional. Currently, nine boroughs exercise health services of some type. Most exercise this power by owning a hospital or clinic and providing regular or occasional general fund support, but contracting out management. Anchorage and the North Slope Borough exercise more hands-on provision of health services as funding permits.

This section describes the components of community health care, discusses alternatives available for financing and supporting that care, and analyzes the impact of borough formation.

As part of its efforts to improve health care in rural Alaska, the Denali Commission has published guidelines for primary care in rural Alaska.<sup>13</sup> These guidelines, which are based on the size and location of a community, identify the following types of care that should be present in communities which have characteristics similar to those of communities in the Glacier Bay Chatham region:

1. A resident provider - health aid or mid level practitioner - depending on population of the community.
2. Basic emergency medical services (discussed in the next section of this study).
3. A community clinic.

Table 4 inventories the services that are currently available in the region’s communities and shows a significant range. Hoonah, Angoon, Pelican and Kake all have health clinics with full time practitioners, either health aides or mid level practitioners (nurse practitioners or physician assistants). Gustavus has a clinic but currently has no on-site provider. Tenakee has an older clinic building but no provider while Elfin Cove lacks both a clinic and a provider. All the communities have emergency medical services and all are visited by public health nurses.

**Table 4 - Community Health Services (February 2006)**

Community	Full-Time Practitioner	Operational Clinic Building	Emergency Medical Services	Public Health Nurse Visits
Angoon	YES	YES	YES	YES
Elfin Cove	NO	NO	YES	YES
Gustavus	NO	YES	YES	YES
Hoonah	YES	YES	YES	YES
Kake	YES	YES	YES	YES
Pelican	YES	YES	YES	YES
Tenakee	NO	NO	YES	YES

Sources: (1) Directory of Alaska Health Care Sites, Volume 4, February 2006, Health Planning and Systems Development, Department of Health and Social Services, State of Alaska. (2) State of Alaska, Public Health Nursing Section. (3) Southeast Region Emergency Medical Services.

**Primary Health Care.** Sustaining health care services in small, rural Alaska communities is very difficult. Even though the services are essential, the volume of service is very low. This low volume translates into inadequate revenue to fund clinic operations if the price for services is to be affordable. Consequently, it is almost inevitable that rural health clinics need ongoing financial help to survive.

One source of ongoing funding is grants made to communities through Section 330 of the Public Health Services Act. These funds are awarded to community centers to provide primary health care, dental and mental health services. These centers must be governed by a community board, the majority of which are users of the health center. In some cases, these centers are established to provide care in more than just their immediate area. Several of the communities within this

<sup>13</sup> Denali Commission, “Alaska Rural Primary Care Facility Assessment Project, Final Report, Volume 1”, October 2000.

region benefit from a section 330 grants awarded to the SouthEast Alaska Regional Health Consortium (SEARHC). Receiving a 330 grant also entitles the community clinic access to primary care resources such as help in recruiting and training staff and purchasing clinic supplies at discounts.

The other primary source of support for community health services in rural Alaska are the tribal health corporations. In the area of this region, most tribal health services are provided by SEARHC, however, in Hoonah, services are provided through the Hoonah Indian Association. Services provided through tribal programs include paying for staff, recruiting and training staff, maintaining clinics and providing many additional health care services ranging from specialty clinics to hospital care.

The common feature of community clinics supported by either a 330 grant or a tribal health program is that they are part of a support network. Although provided in different ways, both systems subsidize ongoing operations, help with recruiting and training of staff and provide technical assistance in clinic management.

Representatives of the Division of Public Health who help communities apply for Section 330 grants do not believe that the formation of a borough would necessarily improve a community's chance for receiving a grant. Historically, 330 grants have been community based and are dependent upon community members demonstrating support through a representative volunteer Board of Directors. These grants typically do not go to units of government.

Funding through the tribal health providers is also not dependent on municipal government. Tribal services are provided to beneficiaries of the Indian Health Service based on health need and are not based on whether the individual lives within the boundary of a municipality organized under state law.

Consequently, borough formation does not provide additional revenue for communities relying on these two primary funding sources.

A borough could offer other beneficial assistance at relatively little additional cost. Administrative support for grant-writing and for community health boards and clinic staff would have a positive effect upon the delivery of primary health care. Assistance which would stabilize revenues, fix or upgrade existing clinics would also be of benefit. For example, the Aleutians East borough exercises health powers not so it can be a primary health provider but in order to apply for grants and provide matching funds to community or tribal organizations that enable building or maintaining community health clinics. Administrative support would not cost anything 'extra' if provided by a borough manager, clerk or planner/grant writer whose salary is already accounted for in the borough budget. The mechanism to assist with clinic buildings would be organizing the borough budget to make capital grants available to its communities.

**Public Health Nursing.** All of the communities within the Glacier Bay Chatham region are served by itinerant public health nurses. The frequency and length of visits depend on the size of the village and the availability of other health care in the community. Public health nurses perform a range of functions depending upon the other health care available in the community.

If there is a functioning community clinic, the nurse will focus more on overall community health issues. If there is no ongoing health care in the community the nurse will focus on personal care such as immunizations.

Public health nursing services would not be significantly affected by borough formation unless the borough was to take on health powers and begin to provide these services. If this were the case, the State and the borough would negotiate the specific services each would provide.

## ***FINDINGS***

1. The two primary sources of money and support for community clinics, section 330 grants and tribal health programs, are not related to borough formation. There would be no additional state or federal revenue to support public health due to borough formation. Additionally, public health nursing services would continue as now if a borough formed.
2. The complexity of providing public health services is beyond what a new borough should assume.
3. A borough 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. These services could likely be provided by a borough and its staff *without* formally acquiring health powers.

### ***D. Police, Fire and EMS***

The Division of Alaska State Troopers is charged with statewide law enforcement, prevention of crime, pursuit and apprehension of offenders, service of civil and criminal process, prisoner transportation, central communications, and search and rescue. The Alaska State Troopers are assisted in fulfilling these duties by the municipal police forces in Angoon, Hoonah and Kake. Elfin Cove, Gustavus, Pelican and Tenakee Springs rely on the Alaska State Troopers for public safety service.

Municipal Fire Departments register with the Alaska State Fire Marshal's Office, whose mission is to prevent the loss of life and property from fire and explosion. The Southeast Fire Training Office, located in Juneau, Alaska, provides training and response preparedness services to firefighters and emergency responders throughout the state, but primarily in Southeast. All of the communities in the Glacier Bay Chatham region have registered fire departments to respond to emergencies. Hoonah has a paid fire chief and paid multi-service officers (fire, police, EMS); Gustavus has a part time paid administrative assistant; the remaining forces are all volunteer. The State's Project Code Red classifies four fire departments in the region as Level I Isolated Villages: Angoon, Elfin Cove, Kake, and Tenakee Springs; and three as Level II Isolated Towns or Sub-Regional Communities: Gustavus, Hoonah, and Pelican.

An essential feature of community health care is a sufficiently trained and equipped emergency medical service (EMS) response unit. In this region, as in most of rural Alaska, these are volunteer units attached to the community's public safety operation. All the communities within the region have emergency medical services (EMS) comprised of trained staff with appropriate

equipment. The State of Alaska promotes EMS by providing mini grants to EMS units to help them purchase disposable supplies. Additionally, the state provides training opportunities for EMS personnel. Grants to EMS units are also available for the purchase of more expensive and longer lasting equipment. However, the source of this money is a federal grant that may not be renewed in the future, likely putting more pressure on local resources to purchase this equipment.

In Angoon, Hoonah and Kake the combined FY 06 community expenditures for law enforcement service was \$543,638. This does not include the Angoon VPSO salary, which is provided by the State Department of Public Safety through a related non-profit. Regional fire and EMS expenditures in FY06 totaled \$340,703, including about \$23,000 for fire hall upgrades.

Table 5 lists the region’s law enforcement, firefighting and EMS forces.

Considerations for Borough Provision of these Services

Law enforcement, fire and EMS are services a borough can provide for the communities and territory within it if desired. Doing so relieves communities of primary responsibility for providing these services as they become borough functions. In rural boroughs that exercise police, fire and EMS powers, full service is typically provided only within designated service areas and reduced or no service is provided areawide. Service areas are usually either limited to areas along the road system or are areas that first responders feel they can reliably respond to in typical weather conditions within 30-60 minutes.

Some economic and other factors to consider when determining whether to include public safety services among those that a borough, rather than individual communities, provides are whether:

- The communities and residents are interested;
- Any economies of scale and thus costs savings could be achieved;
- The level of service provided could be enhanced;
- Any additional revenue would be available;
- The cost to residents of the region (especially compared to current costs); and
- How the local share of the costs (taxes and fees) would be distributed.

These factors are considered in this section for the Glacier Bay Chatham region.

**Table 5 - Community Police, Fire and EMS Forces**

Community	Paid Staff , Volunteers**, 911 system, Other
<b>Angoon</b>	<ul style="list-style-type: none"> <li>• 1 Village Public Safety Officer (VPSO) paid through State</li> <li>• 26 volunteer firefighters</li> <li>• 13 volunteer EMS</li> <li>• 20 volunteer SAR</li> <li>• No 911 dispatcher, 911 calls routed to VPSO radio or Troopers</li> </ul>
<b>Elfin Cove</b>	<ul style="list-style-type: none"> <li>• Rely on Alaska State Troopers for law enforcement</li> <li>• 1 volunteer EMS</li> <li>• 8 volunteer firefighters</li> <li>• No 911 service or dispatcher (residents know how to use town’s emergency fire alarm)</li> </ul>

<b>Community</b>	<b>Paid Staff , Volunteers**, 911 system, Other</b>
<b>Gustavus</b>	<ul style="list-style-type: none"> <li>• Rely on Alaska State Troopers for law enforcement</li> <li>• 1PT fire hall paid admin position</li> <li>• 21 volunteer firefighters</li> <li>• 7 volunteer EMS</li> <li>• 1 911 dispatch volunteer, calls routed to radio to provide 24/7 service.</li> <li>• GB Natl Park also has 24/7 dispatch</li> </ul>
<b>Hoonah</b>	<ul style="list-style-type: none"> <li>• Paid Police and Fire Chief positions</li> <li>• 4 multi-service officers (police, fire and EMS) paid positions</li> <li>• 3 FT, 2PT 911 paid dispatchers provide 24/7 coverage</li> <li>• Approx.11 volunteer firefighters and 10 volunteer EMS</li> </ul>
<b>Kake</b>	<ul style="list-style-type: none"> <li>• 2 FT officers (goal is 3FT certified officers)</li> <li>• 18 volunteer firefighters</li> <li>• 9 volunteer EMS</li> <li>• No 911 dispatch, 911 calls routed to radio phone that rings to officer in charge</li> </ul>
<b>Pelican</b>	<ul style="list-style-type: none"> <li>• Rely on Alaska State Troopers for law enforcement</li> <li>• 10 volunteer firefighters</li> <li>• 5 volunteer EMS</li> <li>• No 911 dispatcher, 911 calls routed to fire chief or other EMS trained personnel radios.</li> </ul>
<b>Tenakee</b>	<ul style="list-style-type: none"> <li>• Rely on Alaska State Troopers for law enforcement</li> <li>• 6 volunteer firefighters</li> <li>• No EMS (5 with certifications not current)</li> <li>• No 911 service or dispatcher</li> <li>• New Firefighting/SAR Vessel summer 2007</li> </ul>
<p><b>** NOTES:</b> 1) This is a snapshot in time, the numbers of volunteers often changes.  2) Often an individual trained as a firefighter is ALSO trained as an EMS responder; thus the numbers of volunteers in each community can not be summed to derive a unique count of trained community volunteers. 3) Data sources are interviews with first responders or city officials in each community.</p>	

The vast majority of public comments on the draft study were strongly against a borough providing increased public safety or police in communities (Appendix C). A small minority of those commenting wished to see increased service. However, all comments were about law enforcement; none addressed fire or EMS services.

Some economies of scale could likely be achieved through borough public safety. For example, assuming that transition funding or a capital grant was used to install radio repeaters, the three fulltime and two part time 911 dispatch staff in Hoonah could become borough public safety staff and provide 24/7 emergency coverage for the entire Glacier Bay Chatham region, including the fishing grounds. Since all other community's dispatch personnel are volunteers and two communities do not have 911 service, this could both relieve volunteers of some responsibility and provide 911 dispatch coverage to the whole region. This would be more efficient per person served. Since all residents and natural resource users in the area would be served, some portion of a borough tax collected could be dedicated to help pay for this service and thus relieve individual communities of this cost.

Enhanced administrative support and coordination could benefit public safety and EMS operations. As seen on Table 5, fire and EMS units in these communities are almost all voluntary. Examples of potential assistance include borough staff filling out grant forms, making requests for equipment supplies and completing similar tasks. Assistance coordinating training and coverage for communities whose EMS members are unavailable is also mentioned

(by State EMS officials) as potentially beneficial. This type of administrative support would not cost anything 'extra' if a borough manager, clerk or planner/grant writer provided the services as the salary for these borough personnel is already accounted for. Borough staff could also provide administrative support to individual community police, fire or EMS units without having to acquire public safety powers, simply as part of general administrative support.

Other services a borough public safety department can provide if desired are an office in every community, public safety computers networked throughout the borough, vehicles, the option of rotating first responders among communities, and the ability to more readily assist each other during an emergency. Rescuers from Gustavus and Hoonah can assist each other more quickly than responders coming from Juneau; likewise for Elfin Cove and Pelican; Tenakee and Angoon; Angoon and Kake and so on.

State financial support to community police, fire or EMS units would probably not be significantly affected by borough formation. There do not appear to be any additional state or federal public safety revenues available simply because an area has formed a borough.

State EMS officials note that any EMS unit must use local fundraising activities to supplement State grants. If a Glacier Bay Chatham Borough were to make small grants available, it could speed up the purchase of needed equipment or supplies and relieve this fundraising burden from the community fire and EMS units.

As noted before, FY 06 combined regional expenditures for law enforcement services were \$543,638, and combined regional fire and EMS expenditures in FY06 totaled \$340,703. Assessing overall revenue and expenditure changes if a borough were to acquire some regional public safety functions is challenging because reduced expenditures would accrue to individual cities whereas new costs would accrue to the borough. Presumably state and federal revenue would stay approximately constant, though the budgets that some of this revenue runs through might shift from cities to a borough. Some portion of local fees and tax support would also shift from cities to the borough. Without a clearer idea of what public safety and EMS services a borough would provide (and at this time public comments do not favor providing public safety), it is difficult to assess the costs and tax or fee implications. It should be expected that added service to the region would result in added fees or increase the amount of borough (tax) revenue needed to balance the budget.

## ***FINDINGS***

1. A borough should 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 operating budget efficiencies and regional savings could be achieved for some services such as 911 dispatch coverage.
2. No new state or federal revenues for police, fire or EMS service would likely result solely due to borough formation.

3. A borough could provide needed coordination and financial assistance to support public safety services without specifically acquiring these powers. Two ways where assistance would be beneficial are: A) 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 B) 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.

### ***E. Transportation***

Municipalities have authority by Title 29 to create transportation authorities to provide for ports or transportation related commerce. For the purposes of this study it is assumed that transportation refers to docks and harbors.

Alaska DOT&PF has been systematically getting out of owning and maintaining docks and harbors for a number of years. Typically DOT&PF will provide funding to a community to accomplish harbor or dock improvements contingent upon the city taking ownership. Docks and harbors are in varied condition through the Glacier Bay Chatham region; some are in excellent condition, others lack facilities altogether, and still others are in need of maintenance and upgrades for which the community is struggling to fund.

All communities have docks and every community in the region except Gustavus has at least one harbor. Table 6 lists harbor and dock assets in the region, though it is dated.

A borough can assist with docks and harbors on an areawide or service area basis. Service areas would mean, for example, if four communities wanted assistance the borough would form a service area for docks and harbors that encompassed these four communities. Then, the borough and a borough harbormaster could provide operations, maintenance and administrative services as well as collect dock and harbor user and moorage fees in these communities. Docks and harbor fees as well as other revenue needed from these communities would go toward borough dock and harbor services. An annual wage and benefit package for a fulltime borough harbormaster would be approximately \$55,000; travel would be in addition. The communities in the region collectively spent approximately \$221,443 in FY 06 on docks and harbor personnel and services (Appendix B).

If the borough did take on service area or areawide docks and harbor powers it could be expected that the state would want the borough to acquire or at least assume operations and maintenance for facilities at Funter Bay and Elfin Cove. There currently are no moorage or user fees levied at these facilities; this could therefore provide a new revenue source for the borough to support provision of harbor and dock services.

Even without acquiring docks and harbors powers a borough could support lobbying for capital project funding for harbors and docks for communities in the region.

**Table 6 - Community Docks and Harbors**

<b>Community and Facility</b>	<b>Owner</b>	<b>Capacity/Size (from 1995 source)</b>
<b>Angoon Dock</b>	State. No current management agreement with City.	26'x46' Dock
<b>Angoon Harbor</b>	State. No current management agreement with City.	Capacity:78 16'x 72' Grid 10' x 146' float; 10'x 157' float; 9' x 352' float
<b>Elfin Cove Inner Harbor</b>	State	Capacity: 47 10'x187.5' Float; 10'x292.75' Float; 6'x337.5' Float
<b>Elfin Cove Outer Harbor</b>	State	Capacity: 18 10'x212.5' Float
<b>Funter Bay Harbor</b>	State	Capacity: 8 24'x36' Seaplane Float; 10'x100' Float
<b>Funter Bay Refuge Float</b>	State	Capacity: 8 10'x150' Float
<b>Gustavus Dock &amp; Float</b>	State. Currently redesigning this facility	Capacity: 7 48'x 58' Dock; 9'x100' Float; 9'x31.5' Gangway Float
<b>Hoonah City Float</b>	City	Capacity: 59 10'x484' Float; 10'x75' Float; 6'x100' Float 20'x72' Grid
<b>Hoonah Harbor</b>	City	Capacity: 220 8'x472' Main Float; 8'x408' Float; 8'x416' Float; 8'x448' Float; 8'x520' Float Boat launch
<b>Kake Dock and Float</b>	State. No current management agreement with City.	Capacity: 7 32'x67' Dock; 16'x72' Grid; 10'x25' Float; 10'x137.5' Float; 24'x 36' Seaplane Float
<b>Kake Portage Cove Harbor</b>	City	Capacity: 119 20' x 80' Grid; Seaplane Float 8'x425' Main Float; 8'x456' Float; 12'x506' Floating Breakwater
<b>Pelican Harbor</b>	City	Capacity: 92 New Seaplane Float installed (2005/2006) two 16' x 72' grids; two 18' x 57' grids; 10'x406' Main Float; 10'x300' Main Float; 10'x214' Float; 10'x300' Float; 10'x300' Float; 10'x250' Float; 10'x254' Float
<b>Tenakee Springs Harbor</b>	State. State has management agreement with city for maintenance and operation.	Capacity: 56 16' x 51' Grid; 10'x191' Main Float; 8'x224' Main Float; 10'x137' Float; 10'x287' Float; 10'x203' Float; 8'x144' Float; 20'x380' Floating Breakwater New float at harbor and float plane dock (2005/2006).
Sources: (1) 1995 Alaska Harbors Directory, Alaska Department of Transportation and Public Facilities; (2) Personnel communication M. Lukshin, ADOT&PF and city officials, Sheinberg Associates		

**FINDING**

1. A Glacier Bay Chatham Borough should 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 more detailed fiscal analysis should be conducted that reviews the services that could be provided to a defined service area, associated costs and likely revenue.

**3.2 Reasonably Anticipated Expenses of the Borough (including assumptions)**

The reasonably anticipated expenses of a Glacier Bay Chatham Borough, based on the services it would provide as analyzed in the previous section, are now presented. In the previous section several instances are highlighted where borough staff could provide significant coordination, administrative assistance, and possibly provide grant support to communities for services, without acquiring additional borough powers. This would emphasize the need for well compensated professional borough staff.

The assumptions and dollar amount for each expense are outlined below, and summarized on Table 7. This information should be considered in conjunction with the hypothetical borough operating budget in Section 3.5.

**Elected officials compensation**.....\$28,800

It is assumed that a borough mayor and seven assembly members are elected, and each receives a stipend of \$300/ month, or \$3,600 /year, for their service.

In FY 06 City Council expenditures in this region ranged from \$0 to over \$35,000 (not including travel); the average is \$25,000 annually. In 2006, the annual salary/benefit/ stipend package for Mayors in 5-8 cities or boroughs in Alaska with populations from 663 to 3,620 ranged from \$0 to \$12,000/year with an average of \$8,684. For Council or Assembly members from eight communities with similar populations, it ranged from \$0 to \$2,400 year with an average of \$1,443 for Assembly or Council members.

**Elected officials (and some staff) travel** .....\$31,915

It is assumed that there is one assembly meeting per month, and that the mayor and all assembly members (but one) travel to nine assembly meetings. (It is assumed the location of meetings rotates so the assembly member not traveling also rotates.) It is assumed that three meetings are conducted by video or teleconference.

Depending upon where each Assembly member’s home is and where the meeting is, travel cost will vary. For budget purposes it is assumed that each meeting requires one over night at \$120, 1.5 days per diem at \$30 per day, and airfare is assumed to cost an average of \$220 each per meeting (some will be higher, some lower). It is assumed that the borough manager also goes to each meeting and this travel is included here. This budget also assumes seven more trips per year for either the mayor, manager or other staff to conduct borough business or attend training at the rate above, plus, one \$1500 trip to DC.

**Borough staff compensation**.....\$283,900

This budget assumes there are four full time borough staff receiving competitive salary and benefits in order to attract well qualified personnel: a clerk (\$55,000), manager (\$89,500), finance officer (\$75,300), and planner/grant writer (\$64,100). However, depending upon how the borough is set up, its philosophy, the level of services it provides, and whether it is a strong mayor or strong manager form of government, it would be possible to have fewer staff or make some positions part time.

**Planning Commissioners compensation and travel**.....\$18,480

This borough budget assumes seven planning commissioners serve without compensation, but are compensated for travel. The budget assumes they meet six times per year (in a different location each time) and that the borough planner/grant writer also travels to each meeting.

**Contracts**.....\$26,500

This borough budget assumes there is contracted legal assistance (\$15,000) and lobbying with one trip to DC (\$11,500).

**Telephone, copier, supplies, etc** .....\$54,000

This budget item includes estimated monthly use fees for video conferencing system as determined by provider, and other typical fees.

**Utilities** .....\$32,000

This budget item averages the FY06 utility and related costs for four communities in the region in city buildings. This assumes the borough would pay utility fees for its offices in its own or a rented building space.

**Insurance** .....\$16,000

This budget item averages the FY06 insurance costs for four communities in the region. Most likely insurance expenses will be less than this as the borough will not own assets that require insurance like cities do. To be conservative though (and thus overestimate rather than underestimate expenses) this average cost is inserted.

**Contribution to support Education**..... \$458,650 to \$1,931,965, budget assumes \$900,000

The required (minimum) local contribution that the borough must make to support education would (in FY 06) be an estimated \$458,650. (In FY 06, Hoonah, Kake and Pelican’s collective local cash contribution to support education was \$617,432.) In FY 06, a Glacier Bay Chatham Borough would need to make a local contribution of \$458,650 and could give up to (the local cap) of \$1,931,965 to support education. The hypothetical borough budget shows \$900,000 cash to schools.

**Borough Revenue Sharing** .....\$963,828

The Glacier Bay Chatham Borough budget assumes that two types of borough revenue sharing are established. Implementing borough revenue sharing, as well as determining the amount and its distribution would be borough and resident public policy decisions. It is included herein to show how it could work in response to the public comments that a borough must financially benefit communities and residents.

**A. Pass back of state/federal funds to cities**.....\$753,828

The budget assumes that through borough revenue sharing several state or federal revenues that formerly went to cities but now would go to the borough, are passed-back to the communities. This will help ensure cities are ‘held harmless’ financially by borough formation. This *includes* distributing to communities NFR revenues for roads and projects, PILT, and state fisheries business tax. It does not include pass back of NFR revenue earmarked for schools as the borough now provides this service. The borough budget shows distribution of the FY 06 dollar amount of these revenues. (Because the amount of these revenues shifts each year, a borough will have to either establish its own formula for distributing these revenues on a long term basis, or calculate what each community would have received for each fiscal year as if it was still in the unorganized borough.)

**B. Capital grants program** .....\$259,795

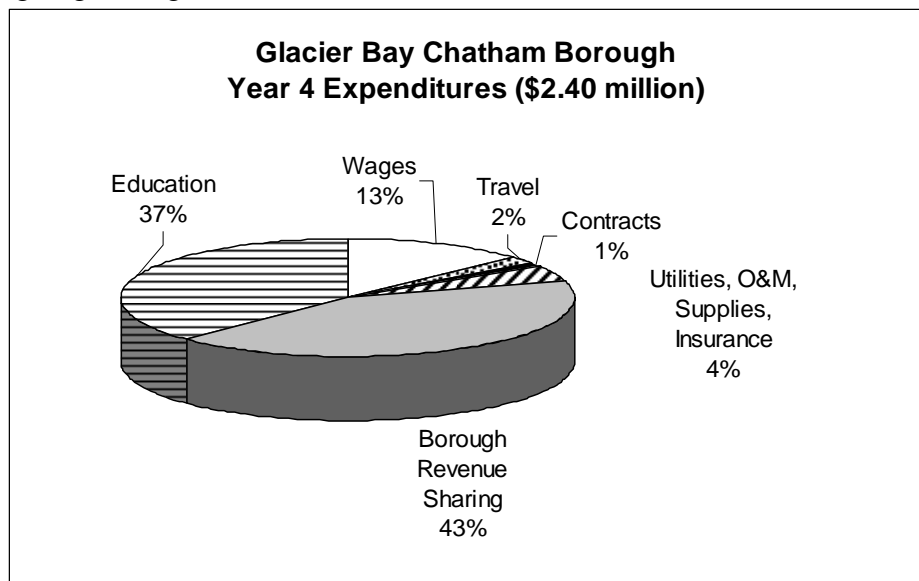
In order to further support its communities, this borough budget assumes the borough provides each community with a capital grant of \$30,000 annually. In addition, this includes annual pass-back to Elfin Cove of the equivalent of 1% of the sales tax collected from within an Elfin Cove service area (estm at \$49,795). This is included in response to questions by Elfin Cove to show how a borough could capture revenue passing through their community and distribute it back.

**Cumulative Transition Expenses (year 1-3 expenses added)**.....\$500,000

Purchase and install telecommunications .....	\$50,000
Establish borough map/GIS system .....	\$50,000
Purchase computers, other equipment .....	\$50,000
Legal assistance (including for schools).....	\$100,000
Other assistance w/ transition (set up & enforcement of fish tax, other)....	\$250,000

These annual operating expenditures would total \$2,402,627 (excludes transition costs). The expenses above show 13% going to wages, 2% to travel, 1% to contracts, 4% to utilities & supplies, 43% for borough revenue sharing/community support, and 37% to education (if in-kind contributions are included 45% would go to education).

It is important to recognize that the expenditures outlined above and shown on Table 7 assume that future revenues are somewhat comparable



to today. If National Forest Receipt (NFR) revenues are eliminated, the region would immediately lose an annual \$1.1 million (in FY 06 dollars) that support schools, roads and other projects. This loss would have a dramatic and negative impact on the ability to meet city and hypothetical borough expenses. Immediate coping mechanisms for a borough could be to reduce personnel to three-quarter or half time employment, reduce all travel by one-quarter, and reduce local support of schools to the minimum required. These cut-backs are reflected in the hypothetical borough operating budget in Section 3.5, in the column labels “Year 4 if no NFR”.

**Table 7 - Reasonably Anticipated Borough Operating Expenses**  
(assuming revenues comparable to today continue)

<b>Annual Operating Expenditures</b>	<b>Cost</b>
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	\$259,795
total	<b>\$2,402,627</b>
<b>Transition Expenditures (years 1-3 cumulative totals)</b>	
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
	<b>\$500,000</b>

### **3.3 Reasonably Anticipated Borough Revenue - State and Federal Financial Assistance**

Like cities, boroughs are eligible for state and federal revenue. If a borough forms some state and federal revenues are unaffected, others no longer go to cities but instead to boroughs, and still others are split between these two types of governments. In this section of the study: (1) Major state and federal revenues are described; (2) The effect borough formation would have on city, borough and the region’s state and federal revenue is presented (Table 9); and (3) The effect of a borough revenue sharing program to ‘hold cities harmless’ by borough formation is reviewed.

## ***FINDINGS***

1. Current 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.
2. If a borough forms, individual community's state and federal revenue totals will decline because state fisheries business and landing tax, and federal NFR and PILT revenue would entirely or partially go to the borough rather than communities.
3. The far-right column on Table 9 also shows state education aid revenue to borough schools; this is reviewed in more detail in the education part of this report (Section 4.4). It shows that if a Glacier Bay Chatham Borough formed in FY 06 state aid for education would increase from the combined total that the Hoonah, Kake, Pelican and part of Chatham school districts got in FY 06 of \$4,847,121 to \$5,700,519.

### **3.3.1 Major State and Federal Revenues**

#### ***A. National Forest Receipts***

The objective of the National Forest Receipts (NFR) program is to allocate a share of national forest income to eligible municipalities for public schools, public roads, and other select projects, and to eligible regional educational attendance areas (REAAs) for public schools and select projects. Until 2000, the amount of revenue a community was eligible for was tied to the income earned from activities within the national forest, however the federal Secure Rural School and Community Self Determination Act of 2000 severed this direct link to the amount of timber harvested each year. Instead, it establishes an allocation based on the three highest years of timber harvest activities. As a result, during 2002 to 2007, there was approximately \$8.9 million annually for Tongass Forest communities and schools. Compared to year 2000 levels, this roughly tripled the Forest Receipt revenues that Tongass communities received.

The Secure Rural Schools and Community Self-Determination Act of 2000 expired in September 2006. The final FY06 allocations were dispersed on January 18, 2007. A one-year extension was part of the 110<sup>th</sup> Congress Supplemental Appropriations Act which was adopted by the Senate and House during the week of May 21<sup>st</sup> in a form that President Bush will approve. Long-term funding and reauthorization to extend the program another six years will have to be taken up and acted upon in next few months; this is currently uncertain and questionable. If not reauthorized, funding will revert to the 'old' formula tied to income earned from activities in the Tongass National Forest, which would mean an approximate 85% reduction in funds distributed to communities and schools compared to the last several years.

Under the current system, payments to boroughs are based on the amount of national forest acreage within the borough boundaries (estimated using USFS data at approximately 2,349,760 acres within the Glacier Bay Chatham Borough boundary) in proportion to the entire acreage of

the national forest. This differs from the formula to determine payments to cities in the unorganized borough and REAAs, which are made on the basis of school enrollments, and for roads, according to the number of state and locally maintained miles.

After borough formation, National Forest Receipt payments for schools go to the borough rather than to cities, for roads are eliminated, and for projects remains with cities. The sample borough budget suggests that the borough retain NFR school funding as it will be needed to fund the Glacier Bay Borough School District, and use other borough revenue to ‘make-up’ NFR road funding and pass this back to cities so they are held harmless financially by borough formation.

### ***B. 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.

This report and budget suggest that a Glacier Bay Chatham Borough “pass back” this revenue to its cities through borough revenue sharing so that they are not harmed financially by borough formation. The Glacier Bay Chatham Borough would receive a \$260,753 PILT payment (FY 2006), which is a decrease of \$7,591 over the sum of the payments to cities within the Borough.

### ***C. State Shared Fisheries Business Taxes***

The State collects a fish tax based on the price paid to fisherman at the point of processing. This tax is collected from fish processors in State waters (out to three miles) and on land. Revenues from the tax are shared with communities impacted by the fishing industry. The amount of shared revenues the borough will receive from the State fish tax depends upon the amount of fish processed within borough boundaries. The Department of Revenue determines where fish are processed, based on information it receives from processors.

State Department of Revenue (DOR) Fisheries Business Tax. If fish processing occurs within the boundaries of municipalities, half the State Fisheries Business Tax revenue generated stays with the State and the remaining half is shared with those municipalities at the following rates:

- Cities in the unorganized borough - 100%
- Cities in a borough - 50%
- Boroughs in the area outside of cities - 100%
- Boroughs in the area inside of cities - 50%

If Glacier Bay Chatham Borough forms, the amount paid to Hoonah, Pelican and Tenakee Springs will be reduced 10% each year for five years, with the difference going to the borough.

However, to prepare an economically feasible budget that addresses the articulated concern that communities in the borough not be harmed financially by borough formation, the Glacier Bay Chatham Borough budget established borough revenue sharing to pass-back the changed

fisheries business tax allocation between the borough and cities, as discussed above, to Hoonah, Pelican and Kake. This policy would result in no net change to the business fish tax revenue received by cities.

Following borough formation there will be additional revenue captured by the region from processing that occurs outside incorporated city boundaries, but within the borough. The State DOR estimates revenue from processors operating outside city boundaries will bring in an additional \$13,186 to the borough (FY 2005).

**State Shared “Extraterritorial” Fisheries Tax.** Half of the total revenue collected by the State from either floating processors operating in State waters or shore-based processors not within any city or borough boundary, is given to DCCED to distribute to impacted municipalities through its Shared “Extraterritorial” Fisheries Tax program. Funds given to DCCED are allocated to 19 Fisheries Management Areas (FMA). The percent going to each FMA depends upon the total pounds of fish and shellfish processed in that FMA (regardless of whether it was processed within or outside of municipal boundaries).

Forming Glacier Bay Chatham Borough reduces the total amount going into this statewide fund as processing in the region will now be occurring within a borough boundary. So, each community gets slightly less (in FY 06 about \$1,250 total less to the six cities in the borough), but the borough also now gets a share. Together, the Glacier Bay Chatham region’s revenue from this source will increase by \$981, from \$26,456 to \$27,437, as a result of borough formation.

#### ***C. Alaska Coastal Management Program***

Hoonah and Pelican participate in the Alaska Coastal Management Program (ACMP) and receive ACMP funding each year. A local match is required to receive these funds. If residents decide to pursue borough-wide coastal management planning, the cities of Hoonah and Pelican can either integrate their plans into a larger borough coastal plan or become Areas Meriting Special Attention (AMSAs) within the borough. Assuming that the borough pursues coastal management planning and funding, the Glacier Bay Chatham Borough budget shows this revenue going to the borough, rather than Hoonah and Pelican. The amount typically funded to small boroughs now is \$14,500. In addition, special project funding is sometimes available through this program, and extra funding will likely be available as the borough develops its own coastal plan.

#### ***D. State Education Foundation Aid***

Section 4.4 on Education discusses education revenues in detail. Borough formation will result in an increase in State education aid funding of \$853,398 to the region. These revenues are passed directly through to the school district.

#### ***E. State Revenue Sharing***

The theoretical Borough Budget does not include State Revenue Sharing as it was not funded in FY 2006, the year this budget is based upon.

The 2007 Alaska legislature took action toward reauthorizing long-term funding for State Revenue Sharing (Senate Bill 72). It passed the Senate but in the last few hours of the session an agreement could not be reached by the House Finance Committee and did not pass. It is expected that more work toward long-term funding for this program will occur next session (January 2008).

The 2007 Alaska legislature linked its consideration of the municipal energy assistance (MEA) program, state revenues sharing and PERS. As the session came to a close a one year authorization of \$48.7 million for the MEA program from the general fund, “to assist municipalities and unincorporated communities defray increased energy and other costs.” This funding will be available to spend for any public purpose in FY 08. The formula for fund distribution results in significant payments for smaller, rural cities and unincorporated communities. The formula used provides for a "base payment" of \$250,000 for boroughs, \$75,000 for cities, and \$25,000 for unincorporated communities in the unorganized borough. Money available after paying the "base payments" is then distributed on a per capita basis. This is the first time unincorporated communities in the unorganized borough have received revenue sharing payments since FY 04. Table 8 shows FY 2008 payment.

**Table 8 - FY 08 (and FY 07) Municipal Energy Assistance Program Funding**

	<b>FY 2008 Funding</b>	<b>FY 2007 Funding</b>
<b>Angoon</b>	\$97,644	\$43,326
<b>Elfin Cove</b>	\$26,326	\$0
<b>Gustavus</b>	\$95,718	\$40,103
<b>Hoonah</b>	\$113,945	\$38,901
<b>Kake</b>	\$100,180	\$51,893
<b>Pelican</b>	\$79,980	\$32,343
<b>Tenakee Springs</b>	\$80,121	\$40,000
<i>Source: DCCED, Bill Rolfzen</i>		

***F. 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.

**3.3.2 Effect of Borough Formation on State and Federal Revenue**

Table 9 shows FY 06 state and federal revenue to local governments in the region, and how this would change in FY 06 if a Glacier Bay Chatham Borough forms.

**TABLE 9 - 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
<b>CURRENT</b>													
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
<b>Total</b>	<b>2657</b>	<b>\$12,000</b>	<b>\$4,000</b>	<b>\$209,628</b>	<b>\$714,060</b>	<b>\$166,514</b>	<b>\$268,341</b>	<b>\$26,456</b>	<b>\$296</b>	<b>\$213,507</b>	<b>\$2,284</b>	<b>\$1,617,086</b>	<b>\$4,847,121</b>
<b>IF BOROUGH FORMS</b>													
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	
<b>Total</b>	<b>2731</b>	<b>\$14,500</b>	<b>\$4,000</b>	<b>\$0</b>	<b>\$1,148,822</b>	<b>\$202,733</b>	<b>\$260,750</b>	<b>\$27,437</b>	<b>\$296</b>	<b>\$226,693</b>	<b>\$2,284</b>	<b>\$1,887,515</b>	<b>\$5,700,519</b>
<b>DIFF.</b>		<b>\$2,500</b>	<b>\$0</b>	<b>-\$209,628</b>	<b>\$434,762</b>	<b>\$36,219</b>	<b>-\$7,591</b>	<b>\$981</b>	<b>\$0</b>	<b>\$13,186</b>	<b>\$0</b>	<b>\$270,429</b>	<b>\$853,398</b>

\*\* 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

Table 10 shows an example of the impact that borough revenue sharing could have to communities. The type of revenue sharing, amounts, formulas for distribution, commitment to it, and more would be a public policy decision to be determined by borough petitioners, residents, and assembly members. The example in Table 10 includes:

- A. Pass-back to cities of NFR Road and Project funds, federal PILT, and (former) city share of State fisheries tax;
- B. \$30,000 to each community as Borough Capital Project grant; and
- C. Equivalent of estimated 1% sales tax collected from Elfin Cove, to Elfin Cove.

**Table 10 - Impact of a Borough Revenue Sharing Program on Communities (an example)**

FY 06 State and Federal Revenue Totals to communities			
<b>CURRENT</b>			
HOONAH	\$629,142		
PELICAN	\$64,008		
GUSTAVUS	\$168,031		
TENAKEE S.	\$22,521		
ELFIN C.	\$0		
KAKE	\$379,499		
ANGOON	\$80,874		
CHATHAM REAA	\$273,011		
<b>Total</b>	<b>\$1,617,086</b>		
<b>IF BOROUGH FORMS</b>			
	FY 06 State and Federal Revenue Totals to communities	FY 06 Borough Revenue Sharing to communities	FY 06 State, Federal and Borough Revenue Totals to communities
HOONAH	\$102,498	\$295,406	\$397,904
PELICAN	\$14,561	\$53,609	\$68,170
GUSTAVUS	\$2,409	\$195,309	\$197,718
TENAKEE S.	\$2,240	\$49,970	\$52,210
ELFIN C.	\$0	\$79,795	\$79,795
KAKE	\$13,977	\$185,064	\$199,041
ANGOON	\$2,855	\$107,706	\$110,561
BOROUGH	\$1,748,975		
<b>Total</b>	<b>\$1,887,515</b>		

**FINDING**

1. If a borough forms, individual community's state and federal revenue totals will decline because state fisheries business and landing tax, and federal NFR and PILT revenue would entirely or partially go to the borough rather than communities. However, if the borough institutes borough revenue sharing (Tables 10 and 15), these revenues are passed-back to the communities so that they are 'held harmless' financially by borough formation. This *includes* distributing NFR revenues for roads and projects back to communities, but the borough keeps NFR receipts earmarked for schools.

### 3.4 Reasonably Anticipated Ability of Borough to Generate and Collect Local Revenue

Many factors influence the ability to generate and collect local revenue. Those evaluated in this section are: (1) Existing tax and fee revenue generated within the region; and (2) The area's economic base and the taxable revenue this base could generate. Additional factors evaluated in other report sections are personal income and level of poverty (Section 3.6) and percentage of unemployment, percentage of adults not working, and regional employment trends (Section 3.7).

#### 3.4.1 Current Local Tax and Fee Revenue

Local per capita tax revenue generated by each community in the Glacier Bay Chatham region in FY 06 ranged from \$0 to \$909 with the region's average at \$429 per capita (Table 11). For comparison, local per capita tax revenues generated in Alaska in FY 06 ranged from a high of \$9,787<sup>14</sup> to a low of \$9, with a statewide average of \$1,414.

**Table 11 - FY 06 Tax Revenue by Community in Glacier Bay Chatham Region**

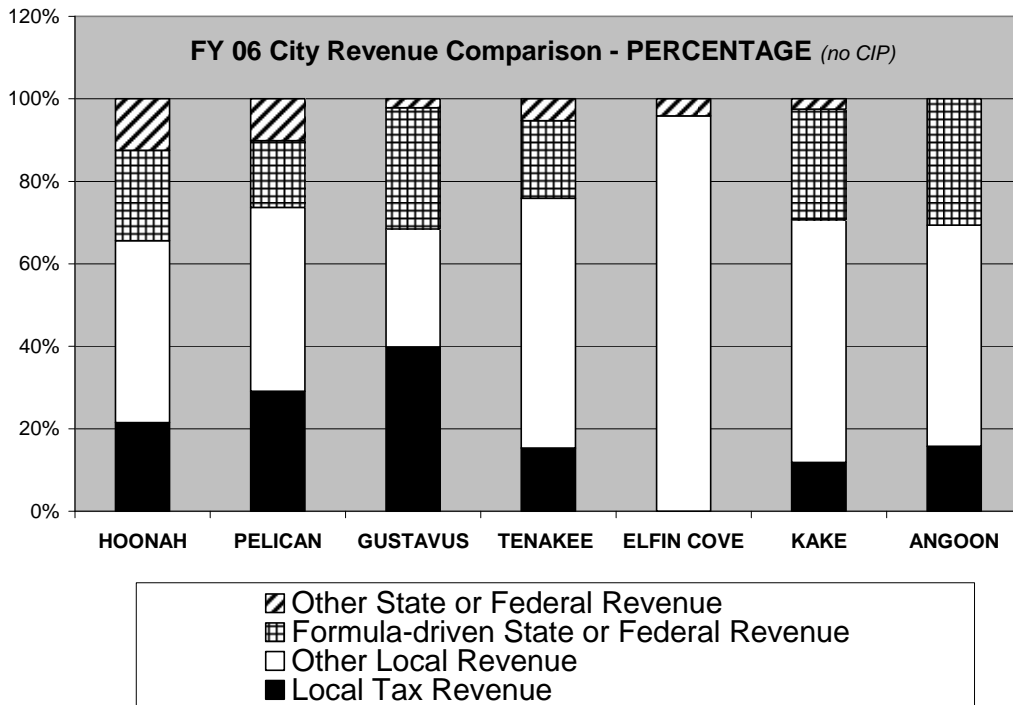
	Sales Tax Revenue	Bed Tax Revenue	Property Tax Revenue	Total by community	Total per Capita*
<b>ELFIN COVE</b>	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>GUSTAVUS</b>	\$187,735	\$40,000	\$0	\$227,735	<b>\$496</b>
<b>HOONAH</b>	\$611,252	\$0	\$0	\$611,252	<b>\$710</b>
<b>PELICAN</b>	\$42,024	\$4,537	\$58,002	\$104,563	<b>\$909</b>
<b>TENAKEE SPRINGS</b>	\$13,093	\$5,215		\$18,308	<b>\$187</b>
<i>subtotal</i>	<i>\$854,102</i>	<i>\$49,752</i>	<i>\$58,002</i>	<i>\$961,858</i>	
<b>ANGOON</b>	\$40,518	\$1,181		\$41,699	<b>\$84</b>
<b>KAKE</b>	\$167,354	\$0		\$167,354	<b>\$280</b>
<i>subtotal</i>	<i>\$207,872</i>	<i>\$1,181</i>	<i>\$0</i>	<i>\$209,053</i>	
<b>REGIONAL TOTALS</b>	<b>1,061,976</b>	<b>\$50,933</b>	<b>\$58,002</b>	<b>\$1,170,911</b>	<b>\$429</b>

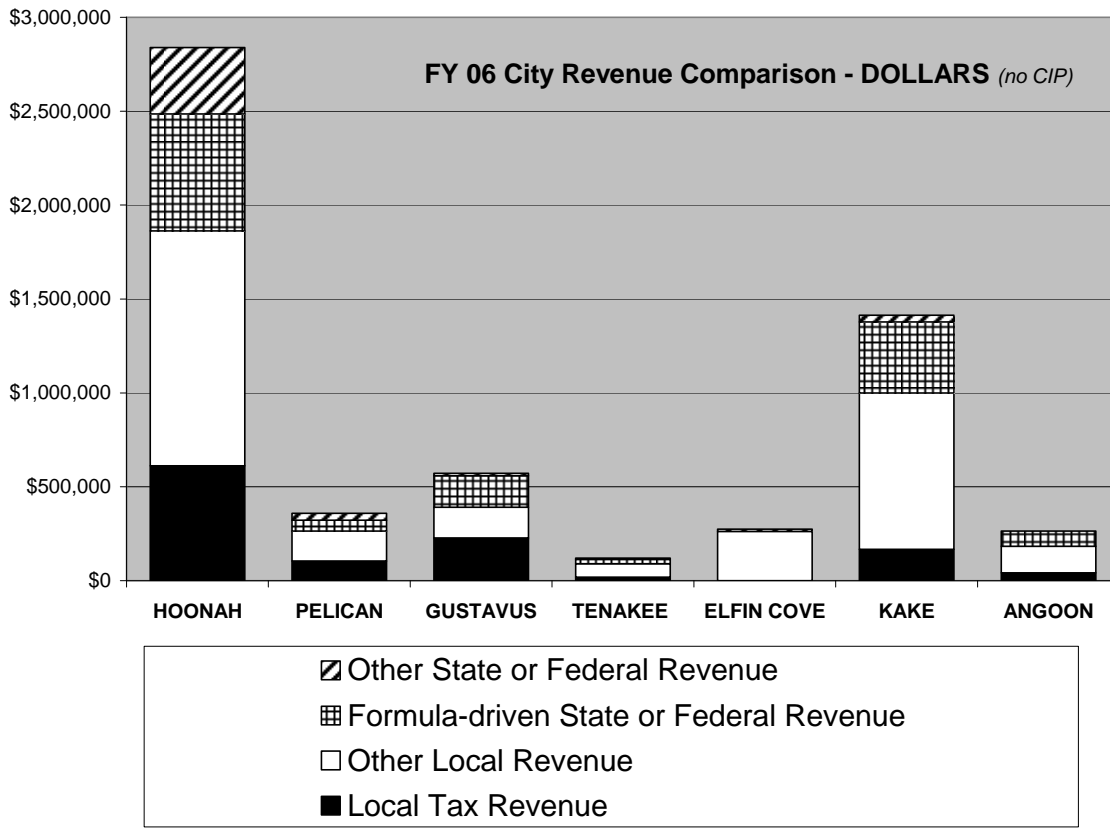
In addition to tax revenue, local fees (user fees, rentals, sales and other charges) accrue significant revenue for cities to directly support services residents receive. Table 12 and the two graphs that follow show that in FY 06 it is local fees that, both dollar and percentage-wise, bring in the most revenue for communities. (See Appendix B for data, methods, assumptions and challenges of comparing city budgets.)

<sup>14</sup> Excluding North Slope Borough, which generated \$28,789 all from property tax levied primarily on oil and gas assets.

**Table 12 - FY 06 Revenue Snapshot**

	<b>Tax Revenue</b>	<b>Other Local Revenue</b> <i>(user fees, interfund transfers, rentals, sales, liquor etc)</i>	<b>Total Locally Generated Revenue</b>	<b>State and Federal</b> <i>(shared &amp; formula-driven revenue)</i>	<b>All State and Federal Revenue</b>	<b>Total City Revenue</b> <i>(excluding capital projects)</i>
<b>HOONAH</b>	\$611,252	\$1,250,899	\$1,862,151	\$623,142	\$977,441	\$2,839,592
<b>PELICAN</b>	\$104,563	\$159,946	\$264,509	\$58,008	\$94,475	\$358,984
<b>GUSTAVUS</b>	\$227,735	\$163,265	\$298,265	\$168,031	\$180,281	\$478,546
<b>TENAKEE</b>	\$18,308	\$72,418	\$90,726	\$22,521	\$28,821	\$119,547
<b>ELFIN COVE</b>	\$0	\$262,341	\$262,341	\$0	\$11,251	\$273,592
<i>subtotal</i>	\$961,858	\$1,908,869	\$2,777,992	\$871,701	\$1,292,268	\$4,070,260
<b>KAKE</b>	\$167,354	\$831,803	\$999,157	\$379,499	\$414,770	\$1,413,927
<b>ANGOON</b>	\$41,699	\$141,619	\$183,318	\$80,874	\$80,874	\$264,192
<i>subtotal</i>	\$209,053	\$973,422	\$1,182,475	\$460,374	\$495,644	\$1,678,119
<b>TOTAL</b>	<b>\$1,170,911</b>	<b>\$2,882,291</b>	<b>\$3,960,467</b>	<b>\$1,332,075</b>	<b>\$1,787,913</b>	<b>\$5,748,379</b>





### 3.4.2 Regional Economic Base and Ability to Generate Borough Taxes

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

Tourism. 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)<sup>15</sup>. Table 13 below and the graph following, excerpted from this study, shows \$10,397,200 in gross revenue during 2005 from nature-based tourism activity in four communities from the Glacier Bay Chatham region: Elfin Cove, Hoonah, Pelican and Tenakee Springs.

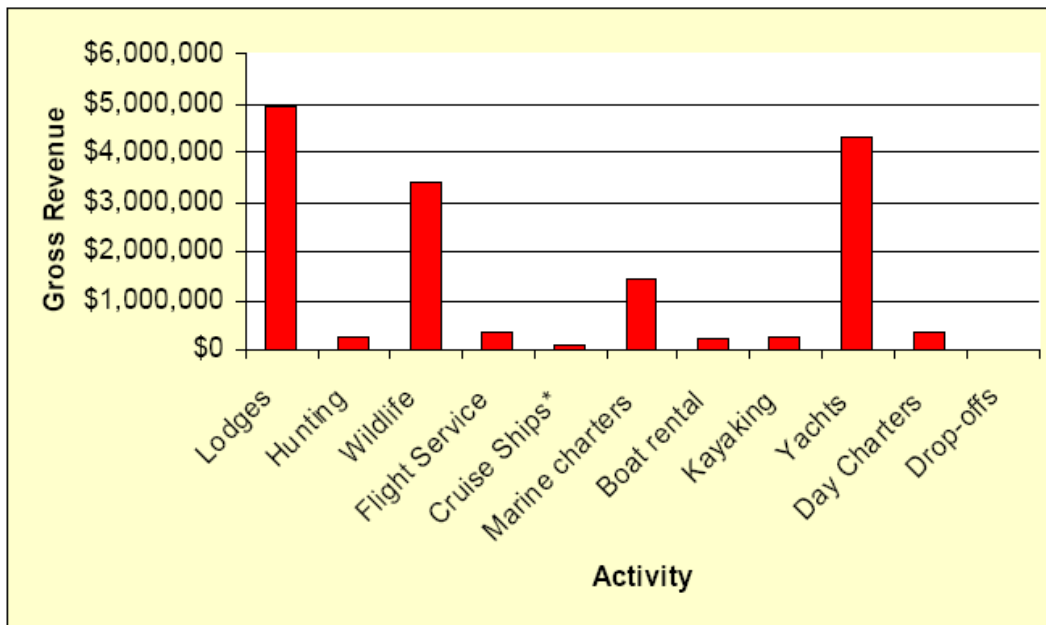
**Table 13**  
**Estimated revenue and visitor numbers by community from nature-based tourism activities on Chichagof Island, Summer 2005**

<b>Community/Activity</b>	<b>Revenue</b>	<b>Visitors</b>
<b>Elfin Cove</b>		
Lodges	\$4,889,500	1,528
Small Cruise Ships*	\$90,000	3,000
<b>Subtotal</b>	<b>\$4,979,500</b>	<b>4,528</b>
<b>Hoonah</b>		
Marine charters/Fishing lodge	\$840,320	1,060
Hunting	\$252,000	20
Sightseeing/Wildlife	\$3,360,350	33,610
<b>Subtotal</b>	<b>\$4,452,670</b>	<b>34,690</b>
<b>Juneau</b>		
Flight	\$268,230	--
Boat rental	\$209,000	72
Guided Kayaking	\$259,280	283
Charter Yachts	\$4,059,450	1,105
<b>Subtotal</b>	<b>\$4,795,960</b>	<b>1,460</b>
<b>Pelican</b>		
Day Charters	\$396,900	300
Charters/Lodging & Lodging only	\$396,000	350
Drop-offs	\$17,130	90
<b>Subtotal</b>	<b>\$810,030</b>	<b>740</b>
<b>Sitka</b>		
Marine Charters/Kayaks	\$19,930	40
Flight Service	\$92,390	360
Multi-night	\$240,930	100
<b>Subtotal</b>	<b>\$353,250</b>	<b>500</b>
<b>Tenakee</b>		
Marine Charters	\$155,000	100
<b>Estimated Total</b>	<b>\$15,546,410</b>	<b>42,018</b>
*The small cruise ship industry is centered on northern Southeast Alaska in part due to the scenic beauty of Chichagof Island. As a result, these numbers are underestimates of economic activity attributable to small cruise ships.		
** Flight service companies provided only very rough estimates of passengers. Revenues were estimated based on numbers provided by businesses receiving clients from flight service companies that did not include transportation in their tour prices. These are likely underestimates.		
Sources: Company interviews and websites, summer 2005.		

Source: *Nature Based Tourism in Southeast Alaska: Results from 2005 and 2006 Field Study*, pg 6.

<sup>15</sup> Dugan, Darcy; Fay, Ginny, and Colt, Steve, *Nature Based Tourism in Southeast Alaska: Results from 2005 and 2006 Field Study*. University of Alaska Anchorage, Institute of Social and Economic Research. October 2006

**Estimated revenue by activity from  
nature-based tourism activities on Chichagof Island, Summer 2005**



Note: Small cruise ship revenue is based only on shore activities and expenditures by passengers in Elfin Cove.

Source: *Nature Based Tourism in Southeast Alaska: Results from 2005 and 2006 Field Study*, pg 7.

Commercial fishing and seafood processing. 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 this would bring the regional total to \$62,950,000<sup>16</sup>.

Timber Harvest. 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.

<sup>16</sup> 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.

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

#### Property Value.

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 technique was based upon estimated Full and True Value (FTV) of all property calculated by the State in 2001 and updated for some areas in 2004. Those areas not calculated by the State in 2004 were estimated by applying a formula proportional to the growth rate of nearby or similar areas. This yielded a 2004 FTV estimate for the Glacier Bay Chatham region of \$114,662,593. This is the number supplied to the State Department of Education and Early Development (EED) for its school aid calculations and includes estimated FTV that EED uses for Hoonah, Kake, and Pelican.

The other technique developed an assessed value of residential property in the region based on 2000 U.S. Census data on the number of total dwelling units, their occupancy status, and median price of housing in each community and in the unorganized borough that would be part of the Glacier Bay Chatham borough. For commercial and industrial valuation a conservative number of lodges and major commercial properties were identified and an average assessed value assigned based on interviews with the Alaska State assessor and three assessors active in Southeast Alaska. This method yielded a 2006 estimate of the property value of \$22,347,575 for areas outside of cities, and \$190,487,200 for all property in the Glacier Bay Chatham region. This study's estimates for property tax revenue use these numbers.

### ***FINDINGS***

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

- C) 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 changes<sup>17</sup>, 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.

### 3.4.3 Borough Tax Options

This section first describes type of taxes that municipalities (cities or boroughs) in Alaska may levy. Next, an assessment of the taxes this region’s economic base could generate is presented.

#### ***A. Types of Municipal Taxes***

##### Sales and Use Taxes

Alaska Statutes 29.45.650-710 authorizes the levy of sales and use taxes at the municipal level. The statutes give broad authority to municipalities to levy taxes on sales, rents and services provided within the municipality. In 2005, the sales tax laws changed to allow a borough to exempt any source from the borough sales tax if it is taxed by a city within the borough. This allows a borough to assure that an item in the city costs the consumer no more than it would cost in the borough. This tends to “level” the playing field when purchasing certain items in both the city and the borough.

There are only a couple of limitations placed upon municipalities in regards to levying a sales tax. Orbital space facilities are exempt from the levy of sales tax and alcohol may not be taxed unless other items are similarly taxed. Also, a municipality may not levy a sales tax on a construction contract awarded to a contractor or subcontractor that has been awarded by a state agency or on a subcontract awarded in connection with a project funded under the construction contract. Other exemptions may be granted on by a local ordinance.

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<sup>17</sup> Fr example, in summer 2006 no private ferry service operated between Gustavus and Juneau, reducing the number of independent visitors to Gustavus.

A general law municipality which levies a sales tax may also levy a use tax on the storage, use or consumption of tangible personal property; however, the use tax rate must be equal to the rate of the sales tax and may only be levied on buyers. These limitations do not apply to home rule municipalities. There are no limits, by statute, on the rate of levy for sales or use taxes for either type of municipality; however, if interest is charged on sales taxes if not paid, the interest may not exceed 15%

### Excise Taxes

Under the liberal construction of local government powers required by Section 1 of Article X of the Alaska Constitution, municipal governments have broad taxing powers which are not specifically enumerated in state law. An Alaska Attorney General's opinion issued on April 29, 1986, concluded that a first class borough would have the legal authority to levy severance taxes within its municipal boundaries. At the present time, two boroughs, the Denali Borough and the Kodiak Island Borough, levy severance taxes against the activity of harvesting or extracting natural resources within their jurisdictions. And the Lake and Peninsula Borough has in its code, a section that authorizes a severance tax on resources. Severance taxes are a type of excise tax. An excise tax is a tax on the performance of an act, in this case, the severing of natural resources from the place in which they are located. Although there has not been an Attorney General's opinion specifically on the subject of municipal excise taxation, under the same reasoning relied upon in the 1986 opinion, it appears logical to assume that other types of excise taxes other than severance taxes could be levied.

There have been few municipalities which have enacted a form of excise tax. Some have enacted a tax on the enjoyment of certain privileges and occupations, which appears to fall in line with the broad taxing powers.

### Property Taxes

With certain limitations, all cities, boroughs and unified municipalities in the State of Alaska may chose to levy a property tax. Property taxation is not mandatory or even generally practiced in the State. Of the 16 organized boroughs and unified municipalities, only 12 levy a property tax; and, of the 146 home rule, first and second class cities, only 13, which are located outside boroughs, and 13 located within organized boroughs, levy a property tax. If a municipality chooses to levy a property tax, it may only do so on property that is "taxable".

What property is taxable? All real and personal property is taxable unless it is exempted from property taxation. Required exemptions from municipal property taxation are specified in AS 29.45.030. Examples of property exempted from property taxation are household furniture and personal effects of members of a household, natural resources in place, and property used exclusively for nonprofit religious, charitable, cemetery, hospital, or educational purposes. Property owned by Alaska Native Claims Settlement Act (ANCSA) Native corporations is also exempt from municipal property tax unless the property is leased or developed. In addition to these exemptions from property taxation, AS 43.56 provides for certain exemptions of oil and gas production and pipeline property, including oil and gas reserves in place.

Section 29.45.050 of the Alaska Statutes provides for optional exemptions and exclusions from local property taxation which the taxing authority may choose to exempt or exclude typically by ordinance. Some optional exemptions and exclusions, however, do require approval of the voters. Two examples of optional exemptions are the exemption of any or all categories of personal property and the exemption of up to \$20,000 of value of a residence, which is sometimes referred to as a “homestead exemption.” All taxable real and personal property within a municipality is included in its full value determination, which is a key element in the calculation of state aid to schools and municipal assistance and revenue sharing.

**B. Revenue from Borough Taxes**

The revenues that 1% or 1 mill (.001) taxes on this region’s economic base could generate are documented on Table 14. 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.

**Table 14 – Glacier Bay Chatham Borough Tax Options and Estimated Revenue**

Type of Tax	Estimated Annual Revenue, Glacier Bay Chatham Region <i>(based on 2006 data unless noted)</i>
<b>Sales and Bed Tax</b>	
1% non-areawide sales and bed tax	\$60,462
1% areawide sales and bed tax	\$364,042
<b>Excise Tax</b> <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 location of water where fish harvested <i>(based on 2004 harvest and price data)</i>	\$394,800 <sup>18</sup>
\$10 per container tax on charter and sport caught fish (like Sitka) <i>(based on 2005 harvest data)</i>	\$70,360 <sup>19</sup>
<b>Property Tax</b>	
1 mill non-areawide property tax	\$22,348
1 mill areawide property tax	\$190,487
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. <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&amp;G commercial and charter fish harvest. Assessments and revenues by Sheinberg Associates.</i>	

<sup>18</sup> If the Fairweather Grounds was 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. ADF&G groundfish, salmon & shellfish statistical area maps clearly show the three mile areas by use of different location codes inside or beyond the three mile limit. 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.

<sup>19</sup> 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.

### 3.5 Borough Operating Budget

Reasonably anticipated borough expenditures, the assumptions these expenditures are based upon, anticipated state and federal revenue, and local revenue via optional borough taxes have all been reviewed in previous sections of this study. The section aggregates this data into a sample borough budget. FY 2006 data is used unless noted otherwise because this is the most complete information set available. The data in Table 15 does not account for inflation and is held constant through time<sup>20</sup>. Over time revenues and expenditures will certainly vary from what is depicted on Table 15, 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.

There are five columns with data on Table 15. Columns that depict Year 1-3 data are transition years. During this time period there are one time revenues (borough formation grant) and one time expenditures for equipment, training and set-up of other borough systems and processes. The reader should thus focus on the data in Year 4, after all transition revenues and expenses are completed. There are two Year 4 columns, one assumes state and federal revenues have stayed approximately the same, the other assumes that NFR revenue to the region has been eliminated.

After a three year transition is completed, 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.

The farthest right column on Table 15 (Year 4, no NFR) shows that if NFR is eliminated even with funding cutbacks another 1% sales/bed tax or fish tax would be needed to balance the borough budget.

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<sup>20</sup> Another approach would be to add 2.5-3% annually to expenses and borough revenue and assume that state and federal revenue would do the same. This would generate approximately the same results, just with larger numbers.

**Table 15 – Sample Glacier Bay Chatham Borough Budget (FY 06 dollars)**

	Year 1	Year 2	Year 3	Year 4 (Transition Over)	Year 4 (if no NFR)
<b>EXPENDITURES</b>					
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% 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
<b>TRANSITION EXPENDITURES</b>					
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		
<b>TOTAL EXPENDITURES</b>	<b>\$2,269,656</b>	<b>\$2,303,574</b>	<b>\$2,314,925</b>	<b>\$2,402,627</b>	<b>\$1,552,141</b>
<b>REVENUE</b>					
<b>Major State and Federal</b>					
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>
<b>Local**</b>					
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
<b>TOTAL REVENUE</b>	<b>\$2,789,115</b>	<b>\$2,710,465</b>	<b>\$2,631,816</b>	<b>\$2,574,517</b>	<b>\$1,222,962</b>
<b>NET</b>	<b>\$569,254</b>	<b>\$456,686</b>	<b>\$366,686</b>	<b>\$171,891</b>	<b>(-\$329,179)</b>
<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.</p> <p>NOTE: Year 4 budget is after all transition expenses and revenues are completed. <b>Focus on Year 4 Budget for long-term snapshot.</b> 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>					

### **3.6 The Personal Income and Level of Poverty of Residents of the Borough**

Many factors influence the ability to generate and collect local revenue. Personal income and level of poverty from this region are evaluated in this section. Additional factors are considered in other parts of this report include existing tax and fee revenue generated within the area and the region's economic base (including taxable property) and taxable revenue this could generate (Section 3.4) and percentage of unemployment, percentage of adults not working, and regional employment trends (Section 3.7).

#### **3.6.1 Sources and Methods**

Available data from the US Census, US Bureau of Economic Analysis (BEA) and Alaska Department of Labor and Workforce Development (ADOL) were reviewed. Unfortunately there is no consistent data set for income, employment or poverty at the community level since the 2000 US Census, data that is already seven years old. The American Community Survey is the US Census's new program to obtain more regular data than in decade increments, but it is not being conducted in Southeast Alaskan communities. There is more recent census area level data from the ADOL and BEA, but census area data lumps Skagway and Klukwan with Hoonah, Pelican, Gustavus, Game Creek, Elfin Cove, Angoon and Tenakee Springs (the Skagway-Hoonah-Angoon census area); and lumps Kake with Wrangell, Petersburg and Kupreanof (the Wrangell-Petersburg census area). And, the sample size can be quite limited upon which census area level generalizations are being made. Nonetheless, some recent BEA data is presented by census areas for 2004.

#### **3.6.2 Personal Income**

In 2000, the U.S. Census listed the median household income for communities in the region, which ranged from a low of \$29,861 (Angoon) to a high of \$51,875 (Cube Cove, which no longer has residents) and \$48,750 (Pelican). Every community except Pelican and Cube Cove had a median household income lower than that of its census area and lower than neighboring Juneau.

**Table 16 - Per Capita, Median Household and Median Family Income, Year 2000**

	Pop	Per Capita Income	Median Household Income	Median Family Income
Angoon	572	\$11,357	\$29,861	\$31,429
Elfin Cove	32	\$15,089	\$33,750	\$33,750
Game Creek	35	\$11,221	\$30,833	\$19,688
Hoonah	861	\$16,097	\$39,028	\$45,125
Cube Cove	72	\$27,920	\$51,875	\$72,708
Gustavus	429	\$21,089	\$34,766	\$51,786
Pelican	163	\$29,347	\$48,750	\$57,083
Tenakee Springs	104	\$20,483	\$33,125	\$41,250
Kake	710	\$17,411	\$39,643	\$42,857
Skagway Hoonah Angoon Census Area	3,436	\$19,974	\$40,879	\$47,946
Wrangell-Petersburg Census Area	6,684	\$23,494	\$46,434	\$54,046
City and Borough of Juneau	30,711	\$26,719	\$62,034	\$70,284

Source: US Census

Table 17 reviews personal income sources for the two census areas that include communities in the Glacier Bay Chatham Region. U.S. Census income data is total income from all sources, including but not limited to wage and salary employment, self employed income and business proprietors income, SSI benefits, retirement benefits, interest, dividends etc.

In 2000, U.S. Census data shows that 13-14% of households had some retirement income and 25 or 36% had self employment income. The latter suggests that someone in over a quarter of the region's households was self employed for part or all of the year.

**Table 17 - Select Sources of Personal Income, Year 2000**

	Skagway-Hoonah-Angoon Census Area, Alaska		Wrangell-Petersburg Census Area, Alaska	
Households: Total	1369		2605	
Households: With self-employment income	343	25%	938	36%
Households: With interest; dividends; or net rental income	1016	74%	1916	74%
Households: With Social Security income	242	18%	503	19%
Households: With Supplemental Security Income (SSI)	48	4%	87	3%
Households: With public assistance income	108	8%	212	8%
Households: With retirement income	182	13%	373	14%
Households: With other types of income	404	30%	590	23%

Source: 2000 US Census

More recent estimates of personal income are available from the BEA on the census area level (Table 18). However, BEA uses different methodology than the U.S. Census survey to compute its estimates, which is obvious when comparing 2000 U.S. Census per capita income data and 2002 BEA data. BEA per capita personal income data for 2002 is significantly higher than the U.S. Census 2000 data. The BEA shows an increase from 2002 to 2004 in all three of the region's census areas. It is interesting that this occurs despite the loss of 224 persons from the Skagway-Hoonah-Angoon census area from 2002-2004, the loss of 188 persons from the Wrangell-Petersburg census area, and a gain of 145 persons in Juneau during this time period.

In 2004, the BEA ranked the per capita personal income of the 27 boroughs or census areas in Alaska. Bristol Bay Borough ranks 1<sup>st</sup> with a 2004 per capita income of \$43,720 while the Wade Hampton census area ranks last with a per capita income of \$15,003. The Skagway-Hoonah-Angoon census area ranks 10<sup>th</sup> while the Wrangell-Petersburg census area ranks 12<sup>th</sup>. Thus, according to the BEA, the census areas within which the Glacier Bay Chatham region communities sit are relatively well off in the state.

**Table 18 - Per Capita Personal Income**

		2002	2003	2004
<i>source</i>	<i>US Census</i>	<i>BEA</i>	<i>BEA</i>	<i>BEA</i>
<b>Angoon</b>	\$11,357			
<b>Elfin Cove</b>	\$15,089			
<b>Game Creek</b>	\$11,221			
<b>Hoonah</b>	\$16,097			
<b>Cube Cove</b>	\$27,920			
<b>Gustavus</b>	\$21,089			
<b>Pelican</b>	\$29,347			
<b>Tenakee Springs</b>	\$20,483			
<b>Kake</b>	\$17,411			
<b>Skagway Hoonah Angoon Census Area</b>	\$19,974	31,490	33,521	32,478
<b>Wrangell-Petersburg Census Area</b>	\$23,494	30,128	31,416	31,550
<b>City and Borough of Juneau</b>	\$26,719	34,741	35,478	36,074

*Source: BEA, Regional Economic Accounts, Table CA1-3. Footnotes 1. Per capita personal income was computed using Census Bureau midyear population estimates. 2. Percent change calculated from unrounded data. 3. The personal income level shown for the United States is derived as the sum of the county estimates. It differs from the estimate of personal income in the national income and product accounts (NIPAs) because of differences in coverage, in the methodologies used to prepare the estimates, and in the timing of the availability of source data.*

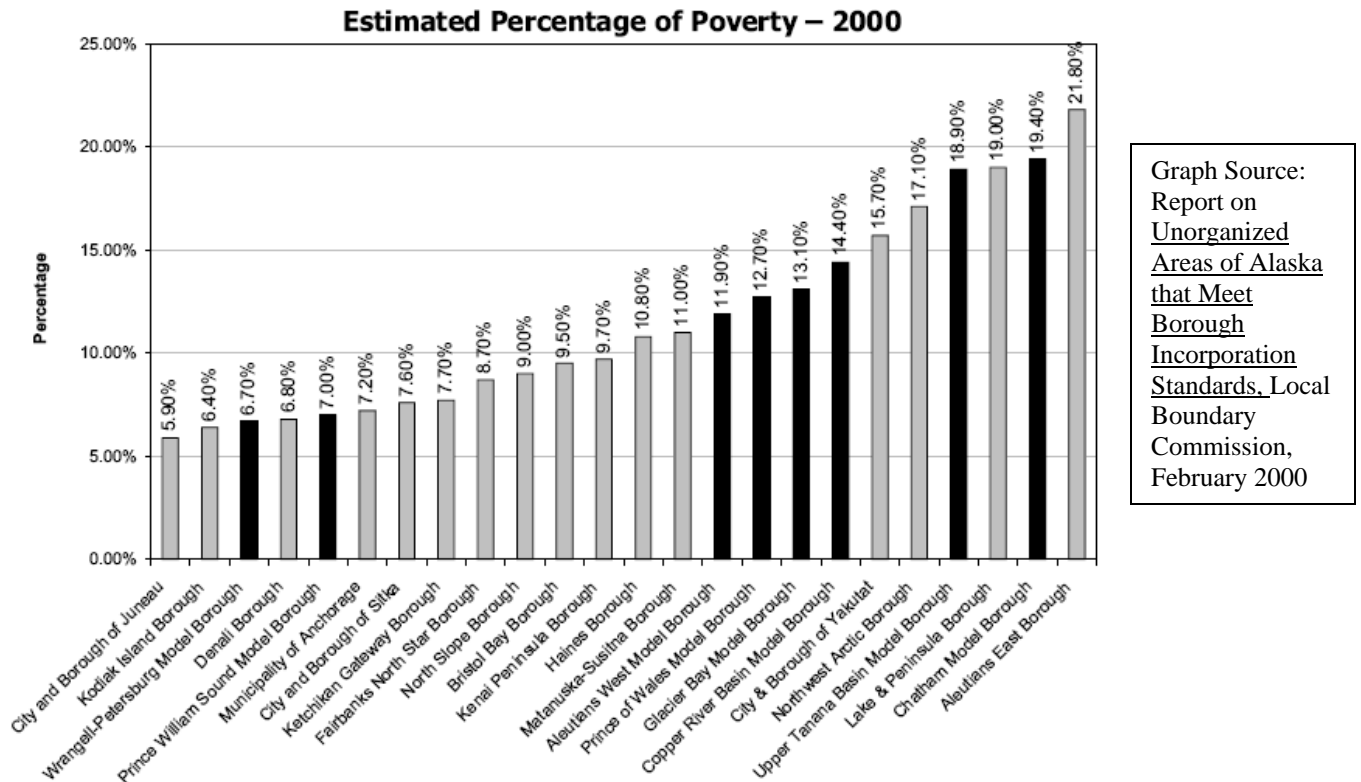
### 3.6.3 Level of Poverty

The percent of persons living in poverty in 2000 (U.S. Census) for communities in the Glacier Bay Chatham region ranged from 0.00% (Game Creek, Cube Cove) to 27.90% (Angoon) (see Table 19). 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. If the Glacier Bay Chatham Borough's percentage of people living in poverty in 2000 was inserted onto the graph on the following page from a 2003 Local Boundary Commission Report it would be virtually tied with one borough and have a smaller percentage of people living in poverty than three existing boroughs. Compared to the rest of the state, these areas would be on the "high side" for percentage of persons living in poverty.

**Table 19 - Year 2000 Poverty Data**

Municipality or Area	Population	Persons in Poverty	Percent in Poverty
Angoon	572	160	27.90%
Elfin Cove	32	2	5.60%
Game Creek	35	0	0.00%
Hoonah	861	147	16.60%
Cube Cove	72	0	0.00%
Gustavus	429	62	14.60%
Pelican	163	7	4.70%
Tenakee Springs	104	10	11.80%
Kake	710	103	14.60%
Skagway Hoonah Angoon Census Area	3,436		12.80%
Wrangell-Petersburg Census Area	6,684		7.90%
City And Borough Of Juneau	30,711		6.00%
<b>Hypothetical Glacier Bay Chatham Borough</b>	3149	491	15.6%

Sources: 2000 US Census, Hypothetical Borough levels calculated by Sheinberg Associates



## **FINDINGS**

1. 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.
2. In 2004, the BEA ranked the per capita personal income of the 27 boroughs or census areas in Alaska. Bristol Bay Borough ranks 1<sup>st</sup> with a 2004 per capita income of \$43,720 while the Wade Hampton census area ranks last with a per capita income of \$15,003. The Skagway-Hoonah-Angoon census area ranks 10<sup>th</sup> while the Wrangell-Petersburg census area ranks 12<sup>th</sup>. Thus, according to the BEA, the census areas within which the Glacier Bay Chatham region communities sit were relatively well off in 2004 compared to the rest of the State. Cautions are that the Skagway-Hoonah-Angoon census area also includes Klukwan and relatively wealthy Skagway; and the Wrangell-Petersburg census area includes Wrangell, Petersburg and Kupreanof in addition to Kake.
3. 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 percent living in poverty in 2000. Compared to the rest of the state, this borough would have had a relatively large percentage of persons living in poverty.

### **3.7 The Need for and Availability of Employable Skilled and Unskilled Persons to Serve the Borough**

#### **3.7.1 Percentage of Unemployment, Percentage of Adults not Working, and Regional Employment Trends**

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 over seven years old or from the Bureau of Economic Analysis (BEA) or Alaska Department of Labor and Workforce development (ADOL) aggregates census areas.

U.S. Census data (Table 20) details the employment status of all communities in the Glacier Bay Chatham region in 2000. Highlighted in gray are rows depicting unemployment data, which at that time 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. This can be another community indicator of long term unemployment. In all communities except Elfin Cove and Game Creek most were employed in a management or professional occupation; in Elfin Cove and Game Creek service occupations ranked first.

Employment by industry was more diversified. In Angoon and Kake the largest industry was “Education, Health and Social Services”. In Hoonah it was tie for largest employment by industry between this and “Agriculture, Forestry, Fishing, Hunting and Mining.” In 2000, Gustavus’ main industry was “Arts, Entertainment, Recreation, Accommodations and Food

Service” while in Pelican it was “Construction.” In Tenakee Springs most were employed in “Public Administration.”

Unfortunately, all the data above is over seven years old.

Year 2004 data from BEA is only available for census areas (Table 21). This data shows that 58% of all wages and salaries in the Skagway-Hoonah-Angoon census area, and 60% from the Wrangell-Petersburg census area are from proprietor’s income (business owners, self-employed, fisherman, etc.) This is in marked contrast to Juneau where only 10% is from proprietor income. The largest industry employers in 2004 in the Skagway-Hoonah-Angoon census area are local government and retail trade. In the Wrangell-Petersburg census area the largest employers are local government and manufacturing.

### 3.7.2 Borough Employment

Paid borough jobs would be for skilled personnel with college degrees or higher (manager, finance, planner, clerk). Elected Assembly members do not need any special qualifications beyond willingness and time to serve. There can be some obstacles to finding people to fill paid and elected positions in small communities in remote Southeast Alaska. However, there is a good track record with borough clerk and managers staying around for several years in cities in the region. In addition to its own labor pool, the Juneau labor pool would certainly serve this borough. Professional borough employment with good compensation could create opportunities for young people with college degrees to come back home.

**Table 20 - Employment and Unemployment Data, Year 2000**

	Angoon	Elfin Cove	Game Creek	Hoonah	Gustavus	Pelican	Tenakee Springs	Kake	Juneau
<b>Employment</b>									
Total Potential Work Force (Age 16+)	394	27	26	656	348	127	70	491	23342
Total Employment	197	10	12	317	190	83	44	248	16688
Civilian Employment	195	10	12	317	190	81	44	248	16537
Military Employment	2	0	0	0	0	2	0	0	151
Civilian Unemployed (And Seeking Work)	29	3	1	82	31	7	7	82	935
Percent Unemployed	13.00%	23.10%	7.70%	20.50%	14.00%	8.00%	13.70%	24.90%	5.40%
Adults Not in Labor Force (Not Seeking Work)	168	14	13	257	127	37	19	161	5719
Percent of All 16+ Not Working (Unemployed + Not Seeking)	50.00%	63.00%	53.80%	51.70%	45.40%	34.70%	37.10%	49.50%	28.50%
Private Wage & Salary Workers	99	3	12	177	66	44	18	149	8558
Self-Employed Workers (in own not incorporated business)	9	3	0	37	45	24	5	15	1350
Government Workers (City, Borough, State, Federal)	87	4	0	103	75	13	21	79	6587
Unpaid Family Workers	0	0	0	0	4	0	0	5	42
<b>Employment by Occupation</b>									
Management, Professional & Related	65	0	0	84	62	24	16	73	6993
Service	36	5	5	42	20	12	7	41	2222
Sales & Office	33	2	4	52	38	7	9	50	4430
Farming, Fishing & Forestry	10	3	3	45	9	22	5	21	304
Construction, Extraction & Maintenance	27	0	0	35	45	2	3	30	1425
Production, Transportation & Material Moving	24	0	0	59	16	14	4	33	1163
<b>Employment by Industry</b>									
Agriculture, Forestry, Fishing & Hunting, Mining	10	3	3	75	7	21	5	34	854
Construction	14	0	0	10	23	2	2	34	1035
Manufacturing	3	0	0	36	7	25	0	10	199
Wholesale Trade	0	0	0	2	0	0	0	0	174
Retail Trade	22	0	2	20	7	3	5	22	1689
Transportation, Warehousing & Utilities	10	5	0	42	19	7	8	19	1072
Information	0	0	0	0	2	0	0	0	417
Finance, Insurance, Real Estate, Rental & Leasing	10	0	0	6	2	0	0	3	723
Professional, Scientific, Management, Admin. & Waste Mgmt	2	0	0	6	10	2	4	0	1339
Education, Health & Social Services	77	0	0	74	26	16	4	57	3383
Arts, Entertainment, Recreation, Accom. & Food Services	30	2	4	15	60	0	2	17	1162
Other Services (Except Public Admin)	1	0	3	2	10	0	3	20	755
Public Administration	16	0	0	29	17	5	11	32	3735

Source: US Census

**Table 21 - 2004 Total Full-Time and Part-Time Employment by Industry**

		Skagway- Hoonah- Angoon Census Area	Wrangell- Petersburg Census Area	City and Borough of Juneau
		Number of Jobs		
<b>Total employment</b>		<b>2537</b>	<b>4391</b>	<b>20142</b>
<b>Wage and salary employment</b>		<b>1483 (58%)</b>	<b>2642 (60%)</b>	<b>18042 (90%)</b>
<b>Proprietors employment</b>		<b>1054 (42%)</b>	<b>1749 (40%)</b>	<b>2100 (10%)</b>
Farm proprietors employment		0	0	25
Nonfarm proprietors employment 2/		1054	1749	2075
Farm employment		0	0	29
Nonfarm employment		2537	4391	20113
<b>Private employment</b>		<b>1952</b>	<b>3406</b>	<b>12403</b>
Forestry, fishing, related activities, and other 3/		(D)	(D)	(D)
Mining		12	(D)	(D)
Utilities		(D)	(D)	(D)
Construction		(D)	177	997
Manufacturing		90	500	296
Wholesale trade		(D)	(D)	(D)
Retail trade		421	475	2219
Transportation and warehousing		153	118	943
Information		24	64	317
Finance and insurance		(D)	82	341
Real estate and rental and leasing		(D)	166	554
Professional and technical services		53	(D)	719
Management of companies and enterprises		0	(D)	(D)
Administrative and waste services		(D)	106	(D)
Educational services		84	(L)	102
Health care and social assistance		63	192	1983
Arts, entertainment, and recreation		153	81	529
Accommodation and food services		341	221	1263
Other services, except public administration		104	222	774
<b>Government and government enterprises</b>		<b>585</b>	<b>985</b>	<b>7710</b>
Federal, civilian		151	209	939
Military		22	76	436
State and local		412	700	6335
State government		25	70	4219
Local government		387	630	2116

Source: BEA, *Regional Economic Accounts, Table CA25N*

Footnotes for Table CA25 (NAICS)

1. The estimates of employment for 2001-2004 are based on the 2002 North American Industry Classification System (NAICS).
  2. Excludes limited partners.
  3. "Other" consists of the number of jobs held by U.S. residents employed by international organizations and foreign embassies and consulates in the United States.
- E The estimate shown here constitutes the major portion of the true estimate.
  - (D) Not shown to avoid disclosure of confidential information, but the estimates for this item are included in the totals.
  - (L) Less than 10 jobs, but the estimates for this item are included in the totals.
  - (N) Data not available for this year.

### 3.8 Education and School District Waivers

Under AS 14.17.520(a), if a school district spends less than 70% of its school operating budget on instructional components, then it must obtain a waiver from the Alaska EED. All school districts within the hypothetical Glacier Bay Chatham Borough needed a waiver for the current and last six fiscal years.

Among the four school districts that would be part of a borough school system the percent of each district's operating budget spent on instruction has ranged between 55% and 67% over the last seven years (Table 22). The table shows the percentage of the school district's operating budget that was spent on instructional components. Statewide, about half the school districts spend at least 70% on instruction and about half spend less than 70%.

The average percent spent on instruction for each district over this seven year period (FY01-07) is 66% for Chatham REAA, 62% for Kake, 60% for Hoonah and 59% for Pelican. All four school districts are consistently in the bottom third of statewide totals for percent spent on instructional components; however, Chatham REAA consistently spends more percentage-wise than the three city school districts.

FY 05 was reviewed in detail to consider specifically why waivers were needed. Table 23 shows that a good part of the reason is likely high operations and maintenance (O&M) expenditures. Pelican was in the top 10% of all districts percentage-wise for spending on O&M (25% of its operations budget) in FY 05 while Hoonah spent 22% and Kake 19%. By contrast, Galena and Sitka school districts each spent 11% of their operating budgets on O&M (the lowest in the state) followed by Aleutians REAA at 12%.

**Table 22 - Percent of School Operating Budget Spent on Instruction**

*NOTE: Waivers granted if instructional spending is less than 70% of total.*

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
<i>source:</i>	<i>Audit</i>	<i>Audit</i>	<i>Audit</i>	<i>Audit</i>	<i>Audit</i>	<i>Budget</i>	<i>Budget</i>
<b>Chatham REAA School District</b>	66%	67%	66%	66%	66%	65%	66%
<b>Hoonah School District</b>	64%	65%	59%	60%	58%	53%	60%
<b>Kake School District</b>	63%	64%	62%	64%	60%	59%	61%
<b>Pelican School District</b>	60%	55%	60%	64%	55%	56%	60%
<b>SUMMARY OF PERCENTAGES BY CATEGORY</b>							
<b>Districts below 60%</b>	3	3	2	3	4	4	1
<b>Districts between [60% - 65%]</b>	4	3	8	14	8	5	9
<b>Districts between [65% - 70%]</b>	10	20	17	13	18	23	14
<b>Districts at 70% and above</b>	36	27	26	23	23	21	29
<b>Total number school districts</b>	53	53	53	53	53	53	53
<i>Source: Alaska EED</i>							

**Table 23 – School District Expenditures on Instructional Components and Other  
INSTRUCTIONAL COMPONENTS OF OPERATING BUDGET (FY 05)**

<b>School District</b>	<b>Instruction</b>	<b>Special Education Instruction</b>	<b>Special Education Support</b>	<b>Support Services Students</b>	<b>Support Services Instruction</b>	<b>School Admin.</b>	<b>Sub-Total</b>
<b>HOONAH</b>	36%	13%	0%	2%	2%	4%	58%
<b>KAKE</b>	44%	8%	0%	3%	0%	4%	60%
<b>PELICAN</b>	32%	8%	3%	0%	7%	6%	55%
<b>CHATHAM</b>	56%	6%	0%	3%	0%	1%	66%
<b>OTHER EXPENDITURES (FY 05)</b>							
	<b>School Admin. Support</b>	<b>District Admin.</b>	<b>Dist. Admin. Support</b>	<b>Operations &amp; Maint.</b>	<b>Student Activities</b>	<b>Community Services</b>	<b>Debt Service</b>
<b>HOONAH</b>	2%	7%	4%	22%	4%	4%	<b>0%</b>
<b>KAKE</b>	3%	6%	7%	19%	5%	0%	<b>0%</b>
<b>PELICAN</b>	8%	5%	7%	25%	0%	0%	<b>0%</b>
<b>CHATHAM</b>	0%	7%	9%	17%	1%	0%	<b>0%</b>

***FINDINGS***

1. All school districts that would become part of the Glacier Bay Chatham School District, including the Chatham School District received a waiver for FY 2001 through the current year, to the requirement that at least 70% of the school operating budget be spent on the instruction. High operations and maintenance costs seem a source for the need for waivers.