LFD Informational Paper 21 - 1: Community Assistance Program
A Legislative Finance Division/Legislative Research Collaboration

The Community Assistance Program (AS 29.60.850-879) provides funding to municipalities, unincorporated communities, and Alaska Native village councils in the state to support local government activities. The program and its predecessors have existed in various forms since 1969.

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

To seek Community Assistance payments, communities must apply to the Department of Commerce, Community, and Economic Development, which administers the program. The regulations governing the application and selection process, including determination of the most qualified entity to receive and spend community assistance funds in a given location, are codified at 3 AAC 180.010-900.

Structure of current program: 2008-present

The Community Assistance Program, established under AS 29.60.850-879, was codified in 2008 by the Alaska State Legislature as the Community Revenue Sharing Program in Ch 12 SLA 2008 (SB 72). The formula used to calculate the amount available for Community Assistance payments, along with the size of the payments, stemmed from legislative deliberations that included input from the administration of Governor Sarah Palin, according to committee minutes.

The program and its formula subsequently underwent statutory changes. The legislative reasoning and intent behind changing the formula in 2013 and 2016 may be gathered from the respective committee minutes and related documents for Ch 10 SLA 2013 and Ch 44 SLA 2016. Prior to 2017, the program was designed to distribute $60 million total per year, although actual amounts varied. The legislation that passed in 2016, SB 210, reduced the target distribution to $30 million and amended the formula to increase the base payments.

AS 29.60.855 provides a base amount for boroughs and unified municipalities. The base for other communities is a fraction of that for boroughs and unified municipalities. *See Figure 1 for the various community type base payments.* A unified municipality receives both the borough base and city base payments.

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

After making the base payments, the program's remaining distribution goes to all communities on a per-capita basis. Specifically, the Department of Commerce, Community, and Economic Development calculates the remaining amount and divides it by the total state population. In FY20, that amount was about $14 per resident.

Figure 2 - Community Revenue Sharing/Assistance Distributions, FY09 - FY21
(in millions)
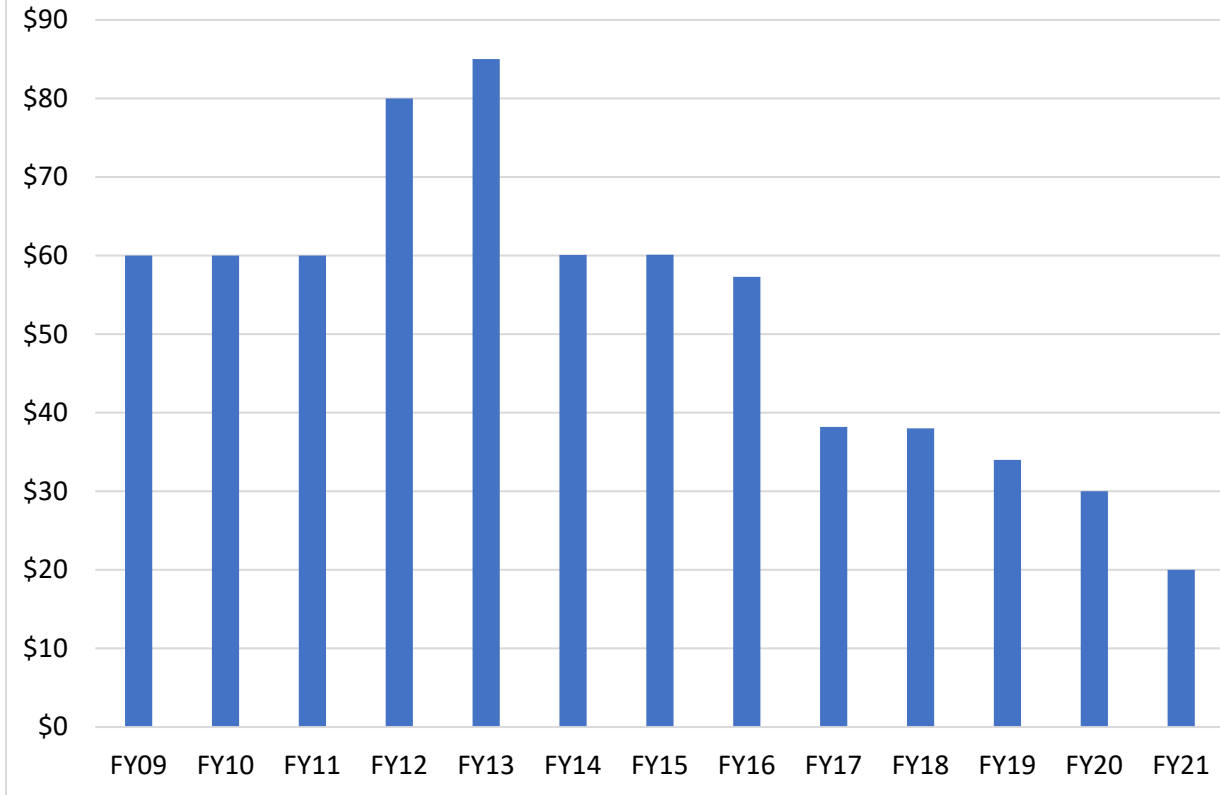
The total distribution each year equals one-third of the balance of the Community Assistance Fund on June 30 of the previous fiscal year. Under AS 29.60.850, the annual deposit into the fund may not exceed $30 million or the amount necessary to bring the fund balance to $90 million, whichever is greater. So, for a year in which the program was fully funded, the legislature would deposit $30 million into the fund each year, and the balance of the fund on June 30 of that year would be $90 million. One-third of the balance for distribution would then be $30 million, so the distribution would be $30 million. *See Figure 3 for an illustration of how this has worked in practice.*

Figure 3 – Historical Community Assistance Fund Tracking								
	FY14	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**
Starting Balance	$180.0	$180.0	$172.0	$114.7	$90.0	$90.0	$90.0	60.0
Distribution (1/3 of balance)	$ 60.0	$ 60.0	$ 57.3	$ 38.2	$30.0	$30.0	$30.0	$20.0
Additional Distribution	$ -	$ -	$ -	$ -	$8.0	$ 4.0	$ -	$ -
Total Distribution	$ 60.0	$60.0	$57.3	$38.2	$38.0	$34.0	$30.0	$20.0
Deposit to Fund	$60.0	$52.0	$ -	$13.6	$30.0	$30.0	$ -	$28.7
Ending Balance	$180.0	$172.0	$114.7	$ 90.0	$90.0	$90.0	$60.0	$68.7

History of predecessors: 1969-2008

When the legislature established the Community Assistance Program in 2008, it reinstated, in effect, a version of the Municipal Assistance Program, which Governor Frank Murkowski discontinued in 2003. The primary predecessors of the Community Assistance Program were the State Revenue Sharing Program and the Municipal Assistance Program.

The State Revenue Sharing Program was originally established in 1969 by the legislature (Ch 95 SLA 1969). Codified at AS 43.18, this program was intended to do the following:

- Improve the allocation of state funds by sharing them with local governments—on the premise that local governments tend to be more attuned to the needs of the public and, accordingly, are better able to respond to citizens and provide public goods and services that align with local needs and preferences;
- Encourage local governments to provide adequate levels of public services;
- Inject a measure of budget planning and stability into local governments;
- Stabilize or reduce local property tax rates; and
- Alleviate any fiscal setbacks facing local governments.

As originally structured, State Revenue Sharing was exclusively a categorical aid program. Local governments applied for entitlements under each of five categories of municipal services (police, fire protection, air or water pollution, land use planning and road maintenance), and the Legislature made annual appropriations to fund the program.

From 1969 State Revenue Sharing grew quickly, increasing to 12 categories when the original structure was repealed in 1980. The legislature replaced it with the Municipal Assistance Program, which laid further groundwork for what is today known as the Community Assistance Program.

For more detailed analysis of the impacts of freezing Community Assistance payments, furnished in the context of a sweeping introduction to various forms of revenue sharing in Alaska and other states, you may wish to review "Revenue Sharing in Alaska," a 2005 report by Legislative Research Services.

Included as Attachment A in that report is an earlier report from 1987, titled, "History of Municipal Assistance and Revenue Sharing," which provides additional historical information regarding the predecessors of the Community Assistance Program.

Looking at FY21 and FY22

The Alaska Municipal League recently observed that, "Since 1985, Community Assistance payments have declined from $141 million to $30 million. We know that when this important program was temporarily eliminated in the early 2000s, 14 communities discontinued municipal operations; 18 others faced significant financial problems; and 46 more were at risk." The Alaska Municipal League, which offers related resources including its Community Assistance Primer, advocates for recapitalization of the Community Assistance Fund.

In FY20, the Governor vetoed a $30 million capitalization of the fund in FY20 (Sec. 11, Ch 2 SSSLA 2019) that would have brought the balance of the fund to $90 million. That appropriation, which would have resulted in a $30 million distribution in FY21, will instead be approximately $20 million, which is enough for the base payments but only minimal per capita payments. The FY21 deposit to the fund was $28.7 million from the Power Cost Equalization (PCE) fund, bringing the balance of the fund to $68.7 million. The result is a distribution of approximately $23 million to communities in FY22 unless an additional capitalization of the fund occurs for FY21. *See Figure 4.*

Figure 4 - PCE Fund Projection		
	FY21	**FY22**
Starting Balance	$60.0	$68.7
Distribution (1/3 of balance)	$20.0	$22.9
Deposit to Fund	$28.7	?
Ending Balance	$68.7	?

Near-term funding options

Under AS 42.45.085, the PCE fund may be used as a funding source for this program if it has sufficient earnings. The statute allows the legislature to appropriate 70% of the prior closed fiscal year's "excess" earnings above the cost of the PCE program—that is, the legislature may appropriate 70% of excess FY20 earnings in the FY22 budget, since the legislature is making the appropriation in FY20. Up to $30 million of the remainder may be appropriated to the Community Assistance Fund. *See Figure 5 for a projection of PCE amounts available for this purpose.*

For example, FY20 PCE earnings totaled $48.3 million. After subtracting the PCE program's cost ($30.6) and administrative expenses ($0.8 million), $17.7 million remains. 70% of $17.7 million is approximately $12.4 million, so that amount is available from the PCE fund for capitalization into the Community Assistance Fund. If that amount is deposited into the Community Assistance Fund in FY22 and nothing else was appropriated to the Fund, it would yield a $19.5 million distribution in FY23.

The legislature may still choose to use unrestricted general funds to make additional deposits to the Community Assistance Fund. If the Community Assistance Fund were recapitalized with $30 million from the PCE fund and other sources (e.g. Unrestricted General Funds) in FY22, the FY23 Community Assistance distribution would be approximately $25.3 million. It would take a $44.3 million appropriation in FY22 to reach the $90 million Community Assistance Program cap for a $30 million distribution to communities in FY23.

Figure 5 – PCE Distribution to Community Assistance Fund			
	FY19	**FY20**	**FY21***
PCE Earnings (millions)	$74.1	$48.3	$69.5
PCE Program Costs	($33.9)	($33.2)	($33.2)
Total Remaining Earnings	$41.0	$15.1	$39.2
70% of Excess Earnings Available for Allocation to Community Assistance Fund	**$28.7** (available for FY21 CAP appropriation)	**$12.4** (available for FY22 CAP appropriation)	**$27.5** (estimated available for FY23 CAP appropriation)
*FY21 earnings are projected based on a 6.58% earnings rate; FY21 overhead costs are based on prior year actuals.			