SENATE BILL NO. 248

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - SECOND SESSION

BY THE SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE BY REQUEST OF THE ADVISORY COMMISSION ON LOCAL GOVERNMENT

Introduced: 1/23/06
Referred: Community and Regional Affairs, Finance

A BILL

FOR AN ACT ENTITLED

"An Act relating to administrative boroughs; relating to municipal school districts; relating to standards for incorporation of boroughs and unified municipalities; eliminating obsolete provisions relating to a third class borough and making technical changes to statutes relating to regional educational attendance areas; and relating to new borough grants for certain newly incorporated boroughs and unified municipalities."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

Section 1. AS 14.08.011(a) is amended to read:

(a) It is the purpose of this chapter to provide for public education in the
administrative boroughs, unorganized boroughs, and the military reservations in the state.

Section 2. AS 14.08.031(a) is amended to read:

(a) The Department of Commerce, Community, and Economic Development
in consultation with the Department of Education and Early Development and local communities shall divide the administrative boroughs and the unorganized borough into educational service areas using the boundaries or sub-boundaries of the regional corporations established under the Alaska Native Claims Settlement Act, unless by referendum a community votes to merge with another community contiguous to it but within the boundaries or sub-boundaries of another regional corporation.

* Sec. 3. AS 14.08.031(b) is amended to read:

(b) An educational service area established in the administrative boroughs and the unorganized borough under (a) of this section constitutes a regional educational attendance area. As far as practicable, each regional educational attendance area shall contain an integrated socio-economic, linguistically and culturally homogeneous area. In the formation of the regional educational attendance areas, consideration shall be given to the transportation and communication network to facilitate the administration of education and communication between communities that comprise the area. Whenever possible, municipalities, other governmental or regional corporate entities, drainage basins, and other identifiable geographic features shall be used in describing the boundaries of the regional school attendance areas.

* Sec. 4. AS 14.08.071(a) is amended to read:

(a) In each regional educational attendance area [IN THE UNORGANIZED BOROUGH], the lieutenant governor, within not less than 60, nor more than 90 days after the establishment of the regional educational attendance area, shall provide for the election of a regional school board.

* Sec. 5. AS 14.08.071(b) is amended to read:

(b) Except for the first election of regional school board members under (a) of this section, elections shall be held annually on the first Tuesday in October. Elections shall be supervised by the director of elections in the office of the lieutenant governor, but shall be administered within administrative boroughs and second class cities as part of the regular municipal election. The lieutenant governor shall adopt regulations for the conduct of the election of regional school board members comparable, as far as practicable, to those prescribed for election of school board members under AS 14.12 and AS 29.20.300 except that the majority election requirements of AS 29.26.060 do
not apply to, nor may the regulations require runoff elections for, the first election of regional school board members under (a) of this section or, if a school board by resolution so requests, to subsequent elections in the regional educational attendance area served by that school board.

* Sec. 6. AS 14.12.010 is amended to read:

Sec. 14.12.010. Districts of state public school system. Except as provided in AS 14.12.025 and subject to AS 14.14.120, the [THE] districts of the state public school system are as follows:

(1) each home rule and first class city in an administrative borough or in the unorganized borough is a city school district;

(2) except for an administrative borough, each organized borough is a borough school district;

(3) each [THE AREA OUTSIDE ORGANIZED BOROUGHS AND OUTSIDE HOME RULE AND FIRST CLASS CITIES IS DIVIDED INTO] regional educational attendance area established under AS 14.08.031 is a school district that has jurisdiction outside city school districts within its boundaries [AREAS].

* Sec. 7. AS 14.12.110 is amended to read:

Sec. 14.12.110. Single body as assembly and school board. Notwithstanding the provisions of this chapter or other law, a single body may serve as both the assembly and school board [IN THE MANNER PROVIDED FOR THIRD CLASS BOROUGHS UNDER AS 29.20.300(b),] if

(1) an ordinance for that purpose is approved by the assembly and ratified by a referendum of a majority of the qualified borough voters voting on the question at a regular or special election; and

(2) the public school population within the borough is 500 pupils or less.

* Sec. 8. AS 14.60.010(7) is amended to read:

(7) "regional educational attendance area" means an educational service area in an administrative borough or the unorganized borough that [WHICH] may or may not include a military reservation, and that contains one or more public schools of grade levels K-12 or any portion of those grade levels that are
to be operated under the management and control of a single regional school board;

* Sec. 9. AS 23.40.250(8) is amended to read:

(8) "regional educational attendance area" means an educational service area in an administrative borough or the unorganized borough that may or may not include a military reservation, and that contains one or more public schools of grade levels K - 12 or any portion of those grade levels that are to be operated under the management and control of a single regional school board;

* Sec. 10. AS 29.04.030 is amended to read:

Sec. 29.04.030. Classes of general law. General law municipalities are of five classes:

(1) first class boroughs;
(2) second class boroughs;
(3) administrative [THIRD CLASS] boroughs;
(4) first class cities;
(5) second class cities.

* Sec. 11. AS 29.04.060(a) is amended to read:

(a) An administrative [A THIRD CLASS] borough may reclassify as a first or second class borough in the manner provided by AS 29.04.040 [AS 29.35.320 - 29.35.330] for the reclassification of cities [ADDITION OF AN AREAWIDE POWER BY A FIRST OR SECOND CLASS BOROUGH], except the petition or proposal requests reclassification of an administrative borough instead of requesting reclassification of a city. [ADDITION OF A POWER. AT THE TIME OF VOTING ON RECLASSIFICATION OF A THIRD CLASS BOROUGH TO FIRST OR SECOND CLASS STATUS, VOTERS SHALL VOTE ALSO ON WHETHER THE BOROUGH SHALL, ON RECLASSIFICATION, RETAIN A COMBINED ASSEMBLY AND SCHOOL BOARD OR ELECT A SEPARATE ASSEMBLY AND BOARD AS OTHERWISE PROVIDED FOR FIRST AND SECOND CLASS BOROUGHS.]

* Sec. 12. AS 29.04.060(c) is amended to read:

(c) If [A SEPARATE ASSEMBLY AND SCHOOL BOARD ARE APPROVED AT] the reclassification is approved [ELECTION], a school board shall
be elected in conformity with AS 14.12.030 - 14.12.100 at the next regular election, if it occurs within 90 days after [OF] the date of the reclassification election, or [OTHERWISE] at a special election within 90 days after [OF] the date of the reclassification election. Expiration dates of terms of school board members elected at a special election must coincide with the date of the regular election. [UNTIL A BOARD IS ELECTED AND QUALIFIED, THE ASSEMBLY CONTINUES TO SERVE AS THE BOARD.]

* Sec. 13. AS 29.05.031(a) is amended to read:

    (a) An area that meets the following standards may incorporate as a home rule, first class, [OR] second class, or administrative borough, or as a unified municipality:

        (1) the population of the area is interrelated and integrated as to its social, cultural, and economic activities, and is large and stable enough to support borough government;

        (2) the boundaries of the proposed borough or unified municipality encompass a natural region that promotes service delivery on an efficient and cost-effective basis, conform generally to natural geography, and include all areas necessary for full development of municipal services;

        (3) the economy of the area includes the human and financial resources capable of providing municipal services; evaluation of an area's economy includes land use, property values, total economic base, total personal income, resource and commercial development, anticipated functions, expenses, and income of the proposed borough or unified municipality;

        (4) land, water, and air transportation facilities allow the communication and exchange necessary for the development of integrated borough government.

* Sec. 14. AS 29.05.031 is amended by adding a new subsection to read:

    (c) In setting boundaries of a proposed borough or unified municipality, consideration shall be given to existing administrative or corporate boundaries and to drainage basins or other regional geographic features.

* Sec. 15. AS 29.05.060 is amended to read:
Sec. 29.05.060. Petition. Municipal incorporation is proposed by filing a petition with the department. The petition must include the following information about the proposed municipality:

(1) class;
(2) name;
(3) boundaries;
(4) maps, documents, and other information required by the department;
(5) composition and apportionment of the governing body;
(6) a proposed operating budget for the municipality projecting sources of income and items of expenditure through the first full fiscal year of operation;
(7) for a borough or unified municipality, based on the number who voted in the respective areas in the last general election, the signature and resident address of 15 percent of the voters in
- (A) home rule and first class cities in the area of the proposed borough or unified municipality; and
- (B) the area of the proposed borough or unified municipality outside home rule and first class cities;
(8) for a first class borough or unified municipality, a designation of areawide powers to be exercised;
(9) for a second class or administrative borough, a designation of areawide and nonareawide powers to be exercised;
(10) for a first class, second class, or home rule city, a designation of the powers to be exercised;
(11) for a first class or home rule city, based on the number who voted in the area in the last general election, the signatures and resident addresses of 50 voters in the proposed city or of 15 percent of the voters in the proposed city, whichever is greater;
(12) for a second class city, based on the number who voted in the area in the last general election, the signatures and resident addresses of 25 voters in the proposed city or of 15 percent of the voters in the proposed city, whichever is greater;
(13) for a home rule city, home rule borough, or unified municipality a proposed home rule charter.

* Sec. 16. AS 29.05.110(c) is amended to read:

(c) Areawide borough powers included in an incorporation petition are considered to be part of the incorporation question. In an election for the incorporation of a second class borough or an administrative borough, each nonareawide power to be exercised is placed separately on the ballot. Adoption of a nonareawide power requires a majority of the votes cast on the question, and the vote is limited to the qualified voters who are registered to vote in the proposed borough but outside all cities in the proposed borough.

* Sec. 17. AS 29.05.130 is amended by adding a new subsection to read:

(c) This section does not apply to a regional educational attendance area in a newly incorporated administrative borough.

* Sec. 18. AS 29.05.140(f) is amended to read:

(f) This section does not apply to a regional educational attendance area in an administrative borough. Otherwise, this section applies to home rule and general law municipalities.

* Sec. 19. AS 29.05.190(a) is amended to read:

(a) For the purpose of defraying the cost of transition to borough government and to provide for interim governmental operations, each borough or unified municipality incorporated after December 31, 1985, is entitled to organization grants as follows:

(1) [$300,000] for the municipality's first full or partial fiscal year - $250,000 for an administrative borough or $300,000 for a borough of another class or for a unified municipality;

(2) [$200,000] for the municipality's second fiscal year - $250,000 for an administrative borough or $200,000 for a borough of another class or for a unified municipality; and

(3) [$100,000] for the municipality's third fiscal year - $250,000 for an administrative borough or $100,000 for a borough of another class or for a unified municipality.
* Sec. 20. AS 29.05.190(c) is amended to read:
   (c) This [EXCEPT AS PROVIDED IN (d) OF THIS SECTION, THIS] section does not apply to a borough incorporated by consolidation or to a unified municipality that occupies the area formerly occupied by a borough.

* Sec. 21. AS 29.05 is amended by adding a new section to read:

Sec. 29.05.205. New borough grants. (a) For the purpose of providing for financial stability, each borough or unified municipality incorporated during the period that begins on the effective date of this Act and ends four years after the effective date of this Act is entitled to a new borough grant in addition to organization grants under AS 29.05.190. The amount of the new borough grant for a borough or unified municipality that is entitled to at least 15,000 acres of general grant land under AS 29.65.030 is $12,500,000. Otherwise, the amount of the new borough grant is $15,000,000.

(b) New borough grant money may only be used for investments by the municipality that receives it. The municipality may use realized income from the investments for any of its municipal purposes.

(c) This section does not apply to a borough incorporated by consolidation or to a unified municipality that occupies the area formerly occupied by a borough.

(d) The department may adopt regulations to implement this section. The department shall disburse new borough grant money within 30 days after it is appropriated and available for the purpose. Before August 31 of each fiscal year, the department shall submit a report to the office of management and budget identifying
   (1) each borough or unified municipality expected to qualify to receive a new borough grant during the next fiscal year;
   (2) the amount of money needed to fund expected new borough grants;
   and
   (3) the amount of money needed to fund any remaining unpaid new borough grant amounts from prior fiscal year entitlements.

* Sec. 22. AS 29.06.090(a) is amended to read:
   (a) Two or more municipalities may merge or consolidate to form a single general law or home rule municipality, except an administrative [A THIRD CLASS]
* Sec. 23. AS 29.06.190(a) is amended to read:

(a) A borough and all cities in the borough may unite to form a single unit of home rule government by complying with AS 29.06.190 - 29.06.410. **However, an administrative borough may unite with cities only on approval of the local boundary commission under the procedure provided by AS 29.04.040(a) and (b) for the reclassification of cities, except the petition or proposal requests unification rather than requesting reclassification.**

* Sec. 24. AS 29.06.470(a) is amended to read:

(a) Except as provided in (b) of this section, voters of a municipality may petition for dissolution when the municipality is free of debt, or, if in debt, each of its creditors is satisfied with a method of repayment and

(1) the municipality no longer meets the minimum standards prescribed for incorporation by AS 29.05 [, OR FORMER AS 29.18.030 IF IT IS A THIRD CLASS BOROUGH];

(2) the municipality ceases to use each of its mandatory powers; or

(3) the dissolution petition filed under AS 29.06.460 is signed by a number of voters of the municipality proposed to be dissolved greater than 50 percent of the number of votes cast in the last regular election in that municipality.

* Sec. 25. AS 29.10.010(a) is amended to read:

(a) A general law borough or first class city may adopt a charter for its own government. **However, an administrative borough may adopt a charter only on approval of the local boundary commission under the procedure provided by AS 29.04.040(a) and (b) for the reclassification of cities, except the petition or proposal requests unification rather than requesting reclassification.**

* Sec. 26. AS 29.10.080(b) is amended to read:

(b) **[AT THE TIME OF VOTING ON THE PROPOSED CHARTER IN A THIRD CLASS BOROUGH, VOTERS SHALL VOTE ALSO ON WHETHER THE BOROUGH SHALL, ON ADOPTION OF THE CHARTER, RETAIN A COMBINED ASSEMBLY AND SCHOOL BOARD OR ELECT A SEPARATE ASSEMBLY AND BOARD AS OTHERWISE PROVIDED FOR HOME RULE**
BOROUGHS. IF A COMBINED ASSEMBLY AND SCHOOL BOARD ARE APPROVED AT THE CHARTER ELECTION, THE ASSEMBLY SERVING AT THE TIME OF THE ELECTION CONTINUES TO SERVE AS THE ASSEMBLY AND BOARD ON VOTER APPROVAL OF THE CHARTER AND UNTIL TERMS OF ASSEMBLY MEMBERS EXPIRE AS PROVIDED BEFORE ADOPTION OF THE CHARTER.] If a charter is [SEPARATE BOARD AND ASSEMBLY ARE] approved at the charter election in an administrative borough, a school board shall be elected in conformity with AS 14.12.030 - 14.12.100 at the next regular election, if it occurs within 90 days after [OF] the date of the charter election, or [OTHERWISE] at a special election within 90 days after [OF] the date of the charter election. Expiration dates of terms of school board members elected at a special election shall coincide with the date of the regular election. [UNTIL A BOARD IS ELECTED AND QUALIFIED, THE ASSEMBLY CONTINUES TO SERVE AS THE BOARD.]

* Sec. 27. AS 29.20.300(a) is amended to read:

(a) Each municipal school district has a school board. Members [EXCEPT AS PROVIDED IN (b) OF THIS SECTION, MEMBERS] of a school board are elected at the regular election for three-year terms and until their successors take office. Members are elected at large unless a different method of election has been approved by the voters in a regular election.

* Sec. 28. AS 29.25.010(a) is amended to read:

(a) In addition to other actions that this title requires to be by ordinance, the governing body of a municipality shall use ordinances to

(1) establish, alter, or abolish municipal departments;

(2) provide for a fine or other penalty, or establish rules or regulations for violation of which a fine or other penalty is imposed;

(3) provide for the levying of taxes;

(4) make appropriations, including supplemental appropriations or transfer of appropriations.

(5) grant, renew, or extend a franchise;

(6) adopt, modify, or repeal the comprehensive plan, land use and subdivision regulations, building and housing codes, and the official map;
(7) approve the transfer of a power from a city to an administrative borough or a first or second class borough;  
(8) designate the borough seat;  
(9) provide for the retention or sale of tax-foreclosed property;  
(10) exempt contractors from compliance with general requirements relating to payment and performance bonds in the construction or repair of municipal public works projects within the limitations set out in AS 36.25.025; this paragraph applies to home rule and general law municipalities.

* Sec. 29. AS 29.35.150 is amended to read:

Sec. 29.35.150. Scope of areawide powers. Except as otherwise provided, a [A] borough shall exercise the powers as specified and in the manner specified in AS 29.35.150 - 29.35.180 on an areawide basis.

* Sec. 30. AS 29.35.160(a) is amended to read:

(a) An administrative borough is not a school district and may not exercise education powers. Each home rule, first class, and second class borough and unified municipality constitutes a borough school district and establishes, maintains, and operates a system of public schools on an areawide basis as provided in AS 14.14.060. A military reservation in a borough is not part of the borough school district until the military mission is terminated or until inclusion in the borough school district is approved by the Department of Education and Early Development. However, operation of the military reservation schools by the borough school district may be required by the Department of Education and Early Development under AS 14.14.110. If the military mission of a military reservation terminates or continued management and control by a regional educational attendance area is disapproved by the Department of Education and Early Development, operation, management, and control of schools on the military reservation transfers to the borough school district in which the military reservation is located.

* Sec. 31. AS 29.35.170 is amended to read:

Sec. 29.35.170. Assessment and collection of taxes. (a) A first class or second class borough shall assess and collect property, sales, and use taxes that are levied in its boundaries, subject to AS 29.45. An administrative borough may assess...
and collect sales and use taxes that are levied in its boundaries, subject to
AS 29.45, but may not levy other types of taxes.

(b) Taxes levied by a city in a home rule, first class, or second class
borough shall be collected by the borough and returned in full to the levying city.
Sales and use taxes levied by a city in an administrative borough that levies
a sales and use tax shall be collected by the borough and returned in full
to the levying city. This subsection applies to home rule and general law
municipalities.

* Sec. 32. AS 29.35.180(a) is amended to read:

(a) A first or second class borough shall provide for planning, platting, and
land use regulation in accordance with AS 29.40. An administrative borough shall
provide for planning, platting, and land use regulation in accordance with
AS 29.40 outside of cities within its boundaries that, on the day before the date of
incorporation of the administrative borough, were providing for planning,
platting, and land use regulation under AS 29.35.260(c).

* Sec. 33. AS 29.35.220(a) is amended to read:

(a) An administrative borough may borrow money and
issue negotiable or nonnegotiable bonds or other evidences of indebtedness as
provided by AS 29.47.

* Sec. 34. AS 29.35.220(b) is amended to read:

(b) Areawide exercise of a power not otherwise prohibited by law by an
administrative borough [a third class borough] is [not] authorized if the power was acquired upon incorporation under AS 29.05.110(c)
or is acquired in accordance with AS 29.35.300.

* Sec. 35. AS 29.35.220(d) is amended to read:

(d) An administrative borough [a third class borough other than
education and tax assessment and collection] may acquire any
nonareawide power not otherwise prohibited by law if [EXCEPT] the power was
acquired upon incorporation under AS 29.05.110(c) or is acquired under
AS 29.35.300 [MAY ONLY BE EXERCISED WITHIN A SERVICE AREA].

* Sec. 36. AS 29.35.220(e) is amended to read:
(e) **An administrative** [A THIRD CLASS] borough may by ordinance exercise the power necessary to contain, clean up, or prevent a release or threatened release of oil or a hazardous substance, and exercise a power granted to a municipality under AS 46.04, AS 46.08, or AS 46.09, but the power authorized by this subsection may be exercised only on a nonareawide basis. The borough shall exercise its authority under this subsection in a manner that is consistent with a regional master plan prepared by the Department of Environmental Conservation under AS 46.04.210.

* Sec. 37. AS 29.35.220 is amended by adding a new subsection to read:

(f) An administrative borough may by ordinance provide for economic development outside of cities within its boundaries that, on the day before the effective date of the incorporation of the administrative borough, were providing for economic development. A city may transfer its power to provide for economic development or the borough may acquire the power to provide for economic development on an areawide basis under AS 29.35.300.

* Sec. 38. AS 29.35.250(c) is amended to read:

(c) **Unless the city was not exercising the power on the day before the date the borough was incorporated or the borough acquires the power under AS 29.35.300,**

(1) a [A] home rule city in **an administrative** [A THIRD CLASS] borough shall provide for planning, platting, and land use regulation as provided by AS 29.35.180(b) for home rule boroughs;

(2) a [A] first class city in **an administrative** [A THIRD CLASS] borough shall provide for planning, platting, and land use regulation as provided by AS 29.35.180(a) for first and second class boroughs; **and**

(3) a [A] second class city in **an administrative** [A THIRD CLASS] borough may provide for planning, platting, and land use regulation as provided by AS 29.35.180(a) for first and second class boroughs.

* Sec. 39. AS 29.35.250 is amended by adding a new subsection to read:

(e) Except as provided in AS 14.12.025 and subject to AS 14.14.120, a home rule or first class city in an administrative borough is a city school district and shall establish, operate, and maintain a system of public schools as provided by
AS 29.35.160 for unified municipalities and home rule, first class, and second class
boroughs. A second class city in an administrative borough is not a school district and
may not establish a system of public schools.

* Sec. 40. AS 29.35.260(b) is amended to read:

(b) Except as provided in AS 14.12.025 and subject to AS 14.14.120, a [A]
home rule or first class city outside a borough is a city school district and shall
establish, operate, and maintain a system of public schools as provided by
AS 29.35.160 for boroughs. A second class city outside a borough is not a school
district and may not establish a system of public schools.

* Sec. 41. AS 29.35.300(b) is amended to read:

(b) A second class or administrative borough acquires an additional power
by transfer of the power by a city or by holding an election on the question. For
acquisition of an areawide power, the election shall be held areawide. For acquisition
of a nonareawide power, the election shall be held nonareawide. An administrative
borough may not acquire the power to provide for education.

* Sec. 42. AS 29.35.310 is amended to read:

Sec. 29.35.310. Transfer by city. (a) A city in a first or second class borough
may transfer to the borough in which it is located any of its powers or functions,
subject to the approval of the assembly. A city in an administrative borough may
transfer to the borough in which it is located any of its powers or functions, other
than education, subject to the approval of the assembly.

(b) A [FIRST OR SECOND CLASS] borough shall exercise all powers
transferred to it by a city.

* Sec. 43. AS 29.35.320(a) is amended to read:

(a) An election on the question of adding an areawide power in a first class
borough or of adding an areawide or nonareawide power in a second class borough or
an administrative borough may be initiated in two ways:

(1) a number of voters equal to 15 percent of the number of votes cast
at the preceding regular election in the area, either areawide or nonareawide, in which
the election is to be held may file a petition with the borough clerk; or

(2) the assembly may propose the acquisition of the power.
*Sec. 44.* AS 29.35.320(c) is amended to read:

(c) The borough clerk shall certify whether a petition filed under (a) [OR (b)] of this section contains the required number of signatures.

*Sec. 45.* AS 29.35.330(c) is amended to read:

(c) A vote on the question of adding an areawide power in a first or second class borough or in an administrative borough shall be tabulated in two separate classifications. One shall consist of all votes cast in all cities located in the borough. The other shall consist of all votes cast in the borough area outside all cities. If the majority of the votes cast in each classification is favorable, the borough shall assume the added power within 30 days after certification of the election results.

*Sec. 46.* AS 29.35.330(d) is amended to read:

(d) If a majority of the votes cast on the question of adding a nonareawide power in a second class borough or an administrative borough [A POWER TO BE EXERCISED IN A SERVICE AREA IN A THIRD CLASS BOROUGH] is favorable, the borough shall assume the added power within 30 days after certification of the election results.

*Sec. 47.* AS 29.35.340(a) is amended to read:

(a) On acquisition of an areawide power, the first or second class borough or administrative borough succeeds to all of the rights, powers, and duties of any city or service area with respect to that power. The borough succeeds to claims, franchises, and other contractual obligations, liability for bonded and all other indebtedness, and to all of the right, title, and interest in the real and personal property held by a city or service area for the exercise of the power.

*Sec. 48.* AS 29.35.340(c) is amended to read:

(c) On acquisition of an additional areawide power, the first or second class borough or administrative borough, in consultation with the city or service area personnel, shall arrange for an orderly and equitable transfer of rights, assets, liabilities, powers, duties, and other matters related to acquisition of the areawide powers.

*Sec. 49.* AS 29.35.470(b) is amended to read:

(b) Except in an administrative borough, the [THE] assembly may by
ordinance establish, alter, and abolish differential tax zones within a service area to provide and levy property taxes for a different level of services than that provided generally in the service area. Taxes levied within a differential tax zone that exceed the amount that would have otherwise been levied may only be used for the services provided in that zone.

* Sec. 50. AS 29.35.490(a) is amended to read:

(a) A second class borough or an administrative borough may exercise in a service area any power granted a first class city by law or a nonareawide power that may be exercised by a first class borough if

(1) the exercise of the power is approved by a majority of the voters residing in the service area; or

(2) all owners of real property in the service area consent in writing to the exercise of the power if no voters reside in the service area.

* Sec. 51. AS 29.35.490(c) is amended to read:

(c) A second [OR THIRD] class borough or an administrative borough may establish a service area that includes only vacant, unappropriated, and unreserved land owned by the borough. A second [OR THIRD] class borough or an administrative borough may establish a service area, with the concurrence of the commissioner of natural resources, that includes only vacant, unappropriated, and unreserved land owned by the state and classified for disposal to individuals. By ordinance a second [OR THIRD] class borough or an administrative borough may provide the services in a service area established under this subsection necessary to develop state or municipal land as required by the planning, platting, and land use regulations of the borough.

* Sec. 52. AS 29.40.010(a) is amended to read:

(a) A first or second class borough shall provide for planning, platting, and land use regulation on an areawide basis. An administrative borough shall provide for planning, platting, and land use regulation outside of cities within its boundaries that, on the day before the date of incorporation of the administrative borough, were providing for planning, platting, and land use regulation under AS 29.35.260(c).
*Sec. 53.* AS 29.40.020(a) is amended to read:

(a) Each [FIRST AND SECOND CLASS] borough shall establish a planning commission consisting of five residents unless a greater number is required by ordinance. **In each first and second class borough,** [COMMISSION] membership shall be apportioned so that the number of members from home rule and first class cities reflects the proportion of borough population residing in home rule and first class cities located in the borough. **In each administrative borough, commission membership shall be apportioned so that the number of members from cities that do not exercise the power of land use regulation reflects the proportion of borough population residing in those cities.** A member shall be appointed by the borough mayor for a term of three years subject to confirmation by the assembly, except that a member from a [HOME RULE OR FIRST CLASS] city shall be selected from a list of recommendations submitted by the council. Members first appointed shall draw lots for one, two, and three year terms. Appointments to fill vacancies are for the unexpired term. The compensation and expenses of the planning commission and its staff are paid as directed by the assembly.

*Sec. 54.* AS 29.40.030(a) is amended to read:

(a) The comprehensive plan is 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, 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.

*Sec. 55.* AS 29.45.010(a) is amended to read:

(a) A unified municipality may levy a property tax. A **home rule, first class,** or second class borough may levy

(1) an areawide property tax for areawide functions;
(2) a nonareawide property tax for functions limited to the area outside
citizens;

(3) a property tax in a service area for functions limited to the service area.

* Sec. 56. AS 30.13.150 is amended to read:

Sec. 30.13.150. Succession. Whenever a borough [OF THE FIRST OR SECOND CLASS] or a home rule municipality is created with an area coterminous with or inclusive of the area of an authority, the authority shall be integrated into the borough or home rule municipality within one year [after] [OF] incorporation. On integration, the borough or home rule municipality succeeds to all the rights, powers, duties, assets, and liabilities of the authority, except that any indebtedness of an authority does not constitute a general obligation of the borough or home rule municipality payable from taxes levied by the borough or home rule municipality. The borough or home rule municipality may not levy any taxes to pay the indebtedness.

* Sec. 57. AS 38.05.037(a) is amended to read:

(a) In areas of the state outside [FIRST, SECOND, OR THIRD CLASS] boroughs where there is [not a city] [NO MUNICIPALITY] with [A] zoning power, the division of lands shall exercise the zoning power by adopting zoning regulations.

* Sec. 58. AS 41.15.180(a) is amended to read:

(a) When the commissioner of commerce, community, and economic development receives national forest income under 16 U.S.C. 500, the commissioner shall immediately pay to each organized borough in which national forest land is located a share of the income from that forest; an organized borough's share of income from a national forest shall be proportional to the area of the national forest located within its boundaries. This subsection does not apply to administrative boroughs.

* Sec. 59. AS 41.15.180(b) is amended to read:

(b) There is created as a separate account in the general fund the unorganized borough national forest receipts fund. The fund consists of national forest income received by the Department of Commerce, Community, and Economic Development under 16 U.S.C. 500 for the percentage of a national forest located within the unorganized borough or within an administrative borough. Seventy-five percent of the fund shall be allocated for public schools and 25 percent for public roads.
* Sec. 60. AS 41.15.180(c) is amended to read:

  (c) From the percentage of the unorganized borough national forest receipts
  fund allocated to the public schools under (b) of this section, the commissioner shall
  pay a share of the income from the public schools allocation of the fund to (1) each
  home rule or first class city that is a school district and is located within the
  unorganized borough or within an administrative borough and within a national
  forest or within 20 miles of a national forest; and (2) each regional educational
  attendance area that has a school located within the unorganized borough or within an
  administrative borough and within a national forest or within 20 miles of a national
  forest[, A SHARE OF THE INCOME FROM THE PUBLIC SCHOOLS
  ALLOCATION OF THE FUND]. A home rule city, first class city, or regional
  educational attendance area's share shall be calculated as the proportion of the number
  of children in average daily membership of the city school district or regional
  educational attendance area compared to the total number of children in average daily
  membership in city school districts located within the unorganized borough or within
  an administrative borough and within the national forest or within 20 miles of the
  national forest and in regional educational attendance areas that have a school located
  within the unorganized borough or within an administrative borough and within the
  national forest or within 20 miles of the national forest.

* Sec. 61. AS 41.15.180(d) is amended to read:

  (d) From the percentage of the unorganized borough national forest receipts
  fund allocated to public roads under (b) of this section, the commissioner shall pay
  [TO EACH]

  (1) to each administrative borough that exercises road powers and
  is within a national forest or within 20 miles of a national forest, and to each
  home rule city, first class city, or second class city that exercises road powers, that is
  located within the unorganized borough or within an administrative borough and is
  within a national forest or within 20 miles of a national forest, a share of the income
  from the roads allocation of the fund; a municipality's [HOME RULE CITY, FIRST
  CLASS CITY, OR SECOND CLASS CITY'S] share shall be calculated as the
  proportion of the number of road miles within municipal boundaries over which the
municipality [COMMUNITY] exercises road powers plus the number of state road miles maintained by the municipality under agreement with the state compared to the total number of road miles maintained by state or local governments in the unorganized borough or in an administrative borough and within the national forest or within 20 miles of the national forest;

(2) to each municipality organized under federal law as an Indian reserve that existed before the enactment of 43 U.S.C. 1618(a) and is continued in existence under that subsection and that has formed a community development corporation under AS 29.60.365, that exercises road powers and that is located within the unorganized borough or in an administrative borough and within the national forest or within 20 miles of the national forest a share of the income from the roads allocation of the fund; the share due a municipality organized under federal law that exercises road powers shall be calculated as the proportion of the number of road miles within municipal boundaries over which the community exercises road powers plus the number of state road miles maintained by the municipality under agreement with the state compared to the total number of road miles maintained by state or local governments in the unorganized borough or in an administrative borough and within the national forest or within 20 miles of the national forest; however, the commissioner may pay income from national forest receipts under this paragraph only after the corporation has delivered a written waiver of sovereign immunity from legal action by the state to recover all or a portion of the money distributed under this section.

* Sec. 62. AS 41.15.180(f) is amended to read:

(f) For the purpose of making distributions from the fund, the commissioner of commerce, community, and economic development shall consult with the commissioner of education and early development, for purposes of determining the number of children in average daily membership in the public schools affected by this section, and the commissioner of transportation and public facilities, to determine the total number of road miles in the unorganized borough or in an administrative borough affected by this section.

* Sec. 63. AS 41.15.180(h) is amended to read:
(h) For purposes of this section, if a portion of an administrative borough or of a home rule city, first class city, or second class city, or municipality organized under federal law in the unorganized borough is located within the national forest or within 20 miles of a national forest or if a regional educational attendance area has a school located within the national forest or within 20 miles of the national forest, the entire administrative borough, home rule city, first class city, or second class city, regional educational attendance area, or municipality organized under federal law is considered to be within the national forest.

* Sec. 64. AS 41.15.180(j) is amended to read:

(j) That portion of the unorganized borough national forest receipts fund remaining in the account unobligated and unexpended on June 30 of a fiscal year shall be deposited into the unrestricted portion of the general fund and shall be used to offset expenses of the general fund for school and road maintenance in the affected areas of the unorganized borough or of an administrative borough for which direct distribution of funds has not been made.

* Sec. 65. AS 43.75.130(a) is amended to read:

(a) Except as provided in (d) of this section, the commissioner shall pay

(1) to each unified municipality, to each administrative borough, and to each city located in the unorganized borough, 50 percent of the amount of tax revenue collected in the municipality from taxes levied under this chapter;

(2) to each city located within a borough, 25 percent of the amount of tax revenue collected in the city from taxes levied under this chapter; and

(3) to each home rule, first class, or second class borough

(A) 50 percent of the amount of tax revenue collected in the area of the borough outside cities from taxes levied under this chapter; and

(B) 25 percent of the amount of tax revenue collected in cities located within the borough from taxes levied under this chapter.

* Sec. 66. AS 43.75.130(d) is amended to read:

(d) Notwithstanding the provisions of (a)(2) and (a)(3)(B) of this section, the commissioner shall pay

(1) to each city that is located in a borough incorporated after June 16,
1987, the following percentages of the tax revenue collected in the city from taxes
levied under this chapter:

(A) 45 percent of the taxes collected during the calendar year in
which the borough is incorporated;

(B) 40 percent of the taxes collected during the first calendar
year after the calendar year in which the borough is incorporated;

(C) 35 percent of the taxes collected during the second calendar
year after the calendar year in which the borough is incorporated; and

(D) 30 percent of the taxes collected during the third calendar
year after the calendar year in which the borough is incorporated; and

(2) to each home rule, first class, or second class
borough that is
incorporated after June 16, 1987, the following percentages of the tax revenue
collected in the cities located within the borough from taxes levied under this chapter:

(A) 5 percent of the taxes collected during the calendar year in
which the borough is incorporated;

(B) 10 percent of the taxes collected during the first calendar
year after the calendar year in which the borough is incorporated;

(C) 15 percent of the taxes collected during the second calendar
year after the calendar year in which the borough is incorporated; and

(D) 20 percent of the taxes collected during the third calendar
year after the calendar year in which the borough is incorporated.

* Sec. 67. AS 46.14.400(a) is amended to read:

(a) With the approval of the department, a municipality may establish and
administer within its jurisdiction a local air quality control program that operates in
lieu of and is consistent with all or part of the department's air quality program as
established under this chapter. A first or second class borough or an administrative
borough may administer an air quality control program approved by the department
under this subsection on an areawide basis and is not subject to the restrictions for
acquiring additional areawide powers specified in AS 29.35.300 - 29.35.350. [A
THIRD CLASS BOROUGH MAY ADMINISTER A LOCAL AIR QUALITY
CONTROL PROGRAM APPROVED BY THE DEPARTMENT UNDER THIS
SUBSECTION ONLY IN A SERVICE AREA FORMED UNDER AS 29.35.490(b) OR (c).]

* Sec. 68. AS 29.04.060(b); AS 29.05.031(b), 29.05.190(d); AS 29.20.300(b); AS 29.35.220(c), 29.35.300(c), 29.35.320(b), 29.35.330(b), and 29.35.490(b) are repealed.