

**CITY COUNCIL – BOROUGH ASSEMBLY  
JOINT WORK SESSION AGENDA**

Tuesday, April 9, 2013  
Assembly Chambers  
6:30 p.m.  
(Borough Chairing)

*Joint work sessions are informal meetings of the Borough Assembly and City Council where elected officials discuss issues that affect both Borough and City governments and residents. Although additional items not listed on the joint work session agenda are sometimes discussed when introduced by elected officials, staff, or members of the public, no formal action is taken at joint work sessions and items that require formal action are placed on a regular Borough Assembly and/or City Council meeting agenda. Public comments at work sessions are NOT considered part of the official record. Public comments intended for the “official record” should be made at a regular Borough Assembly or City Council meeting.*

Public Comments (limited to 3 minutes each)

Agenda Items

- 1. Nonprofit Community Foundation Concept – Dennis McMillian, President and CEO, The Foraker Group..... 1
- 2. Fisheries Update..... No Backup
- 3. Military Facility Zones.....20

ITEM #1

theforakergroup

Report on the Alaska Nonprofit Economy

Executive Summary January 2011



This report is the second in a series that describes the significant impact of the charitable nonprofit sector in Alaska's economy. The first was published in 2007. The reports are presented by The Foraker Group and compiled by the University of Alaska Anchorage Institute of Social and Economic Research.

## Introduction

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Alaska is a better place to live because of its nonprofit sector, whose organizations pursue a broad range of missions contributing to the health and well being of everyone who lives, works and visits here. The significant impact of Alaska's nonprofit sector can be seen in all parts of Alaska's economy - in our local communities, across our diverse regions, throughout the state. It is essential that Alaska's residents, policy makers, business and community leaders understand the nonprofit sector's economic impact on the people who call Alaska "home." This report will assist with that understanding.

- DENNIS G. MCMILLIAN  
*President and CEO*  
*The Foraker Group*

*The full version of this  
report is available at  
[www.forakergroup.org](http://www.forakergroup.org)*



3 PAGE

# Nonprofit Sustainability

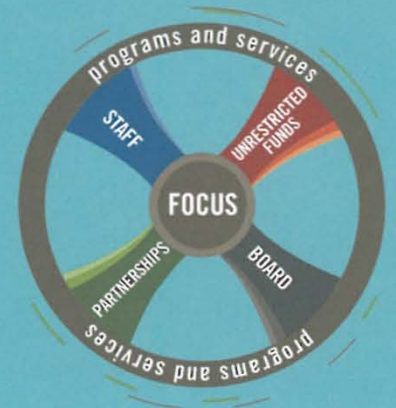
For some time, now, we have encouraged Alaska nonprofits to seriously consider their sustainability. Now more than ever, sustainable nonprofits are the ones with the best opportunity to succeed.

Through our research and work with nonprofits, we have articulated the elements that are important in maintaining a sustainable organization. **The Foraker Group Nonprofit Sustainability Model**® - depicted in this diagram - guides our own organizational behavior and provides the very foundation of our work with the sector.

**Focus** is the “hub” of sustainability - knowing who you are and where you’re going are critical to long-term success. Without focus and the discipline to follow a plan, organizations have a difficult time achieving their missions.

Focus is supported by the “spokes” of **unrestricted funds** both income and reserves to carry out the organization’s mission; **board/staff balance** where the board and CEO share power, trust and respect; and **partnerships** where organizations make best use of resources.

When all the spokes in this flywheel work in balance, organizations can proceed on the journey of sustainability and more effectively deliver programs and services.



Achieving positive change in the sector requires Foraker to stay strong, nimble and relevant. As we learn from our own practice of sustainability, we seek to help others, too. We don’t prescribe an organization’s course but help leaders ask the right questions so they can chart their own journey. Then, just as with a flywheel, momentum in the sector grows, more organizations join in, change continues, and ultimately we reach our long-term goal:

*A sustainable nonprofit sector that is strategic and economically viable, that serves the needs of Alaska communities and that advocates for its own future.*

*Reviewing the data with this model in mind, we found two elements of sustainability that are out-of-balance - human resources (staff/board) and unrestricted funds. We don’t have enough people to lead, and our organizations do not have enough unrestricted funds to perform on their mission.*

## Key Findings

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The Alaska Nonprofit Economy Report: 2010 is the second in a series of comprehensive examinations of the impact of the nonprofit sector on Alaska's economy. The first was published in 2007. Both studies were commissioned by The Foraker Group and developed with the Institute of Social and Economic Research (ISER) at the University of Alaska Anchorage.

This executive summary represents the highlights of our findings, which were analyzed by both Foraker and ISER. The report focuses on the charitable portion of the nonprofit sector, as well as employment and economic impact of the sector overall.

For the most part, the data for the current report is based on 2007 information, the most recent year for which complete statistics are available. The previous report, published in 2007, covered data from 2003 and 2004. Comparisons between the two reports are made when we believe it is useful for readers.

*The nonprofit sector is a significant part of Alaska's economy.*

*The key findings support the conclusion that the sector represents a major part of the state's economy:*

- Total nonprofit expenditures as reported here show an increase from those reported in 2007.
- The percentage of the state's workforce employed by Alaska nonprofits also increased.
- Charitable giving grew. However, optimism over that growth needs to be tempered because data was gathered before the economic recession began in 2008.

*While it is clear from this report that the nonprofit sector has a significant impact on the state's economy, there is reason for some concern that the sector may be growing less resilient:*

- The number of nonprofit organizations operating in Alaska has grown significantly since the 2007 report, placing a strain on the sector's already-taxed infrastructure to support all of them.
- The sector's dependence on government grants has dropped. However, it remains high compared to the rest of the country.
- Corporate and foundation giving continue to be disproportionately high compared to the national average.



## Alaska's Nonprofit Sector: Its Size and Composition

*The nonprofit sector in Alaska is comprised of non-governmental organizations commonly referred to as "501c" federally recognized nonprofit corporations. These entities are exempt from corporate income tax and enjoy a variety of other tax benefits. As was noted in the 2007 ISER report, Alaska's nonprofit sector remains large and diverse and continues to grow.*

### Sector growth

The number of nonprofit organizations operating in Alaska as reported in 2010 has grown by close to 17% in just three years, now totaling 7,027 compared to 6,000 as reported in 2007. Using data from the 2010 Census, which sets Alaska's population at 710,000, one nonprofit exists for every 100 Alaskans. That compares to the 2007 ISER study, which found one nonprofit for every 110 Alaskans. Looking at this from another perspective, one nonprofit exists for every 70 Alaska adults who are legally able to serve on a nonprofit board.

With such a large number of nonprofits in a state with a small and widely disbursed population, the obvious challenge is finding enough people who are both interested and qualified to serve on boards and work as staff. This presents significant challenges to maintaining sustainable organizations.

Registered charitable nonprofits operate in virtually every Alaska community. However, the vast majority of them - nearly 75% - are found in Alaska's urban centers of Anchorage, Fairbanks, Juneau, Matanuska-Susitna Valley and the Kenai Peninsula. Within the urban areas, most organizations are located in Anchorage and Fairbanks, with many of those operating statewide.

The remaining 25% are located in Alaska's rural areas, with approximately 15% in remote rural areas. While the actual number of nonprofits in Alaska's remote rural regions is small, they have a significant impact on local economies, accounting for as much as 50% or more of spending and employment in their area.

### Sector composition

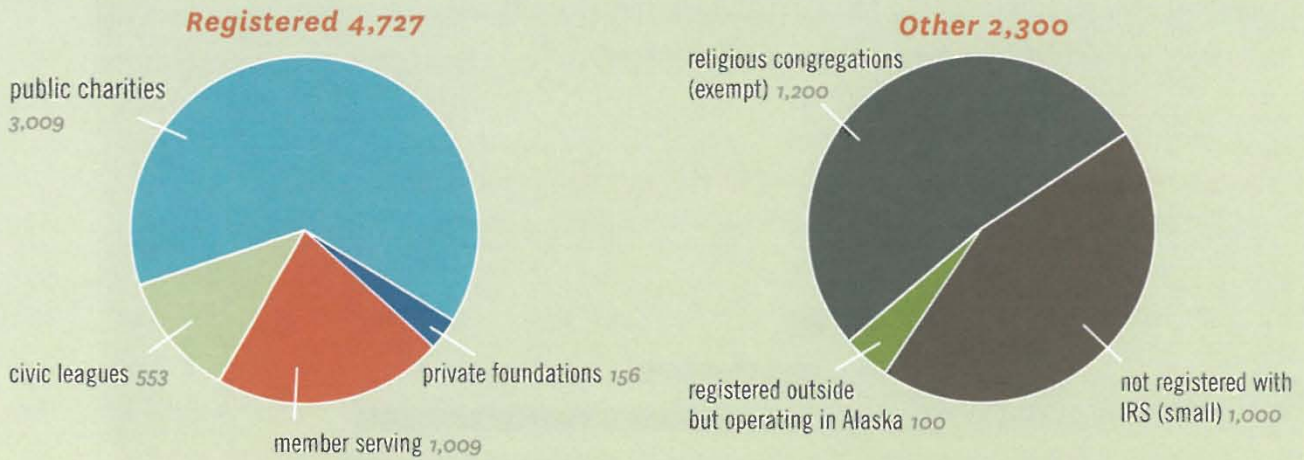
In the current report, Alaska reached a total of 7,027 nonprofits operating in the state when three additional factors are considered:

1. One hundred significantly large nonprofits are registered in other states, but operate in Alaska. They are represented in the total count.
2. Approximately 1,000 additional organizations are not required to register with the IRS because they have annual revenues less than \$25,000. They, too, are included in the total count.
3. Another 600 of Alaska's approximately 1,200 religious organizations are included - the other 600 have legally chosen not to register and are not part of this report.

However, not all 7,027 organizations are part of the analyses included in these pages. Like the 2007 report, this one focuses on the registered nonprofits operating in Alaska, including those larger organizations registered in other states but maintaining operations here like Providence Hospital. The report excludes all religious congregations, but not "faith-based" social service organizations like Catholic Social Services. It also excludes nonprofits that are too small to be registered with the IRS.



### Number of Alaska nonprofits in 2010 - registered compared to other



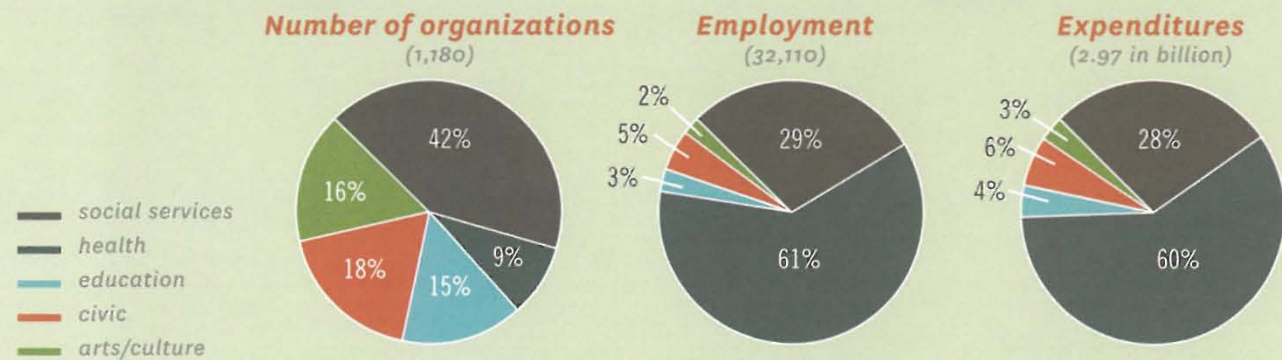
Source: Count of registered nonprofits from National Center for Charitable Statistics website, 8/17/10. Count of other estimated by ISER.

As an indication of the sector's growth, one only has to look at the increase in registered nonprofits in Alaska. In 2004, 4,765 Alaska organizations were registered with the IRS compared to 5,327 in 2007 - that's an increase of 10% in three years. More notable, however, is the total number of nonprofits operating in Alaska - 7,027, or a 33% increase. Alaska's nonprofit sector has grown along with the national nonprofit sector, which over the last ten years has increased from a little over 1.2 million to 1.5 million - more than a 35% increase. According to the

Urban Institute, the nation's nonprofit sector continues to grow faster than the business and government sectors. That is clearly the case in Alaska as well.

Total employment for Alaska public charities was 32,000. Although small in number, health nonprofits employ the most people and have the highest expenditures.

### Composition of Alaska public charities



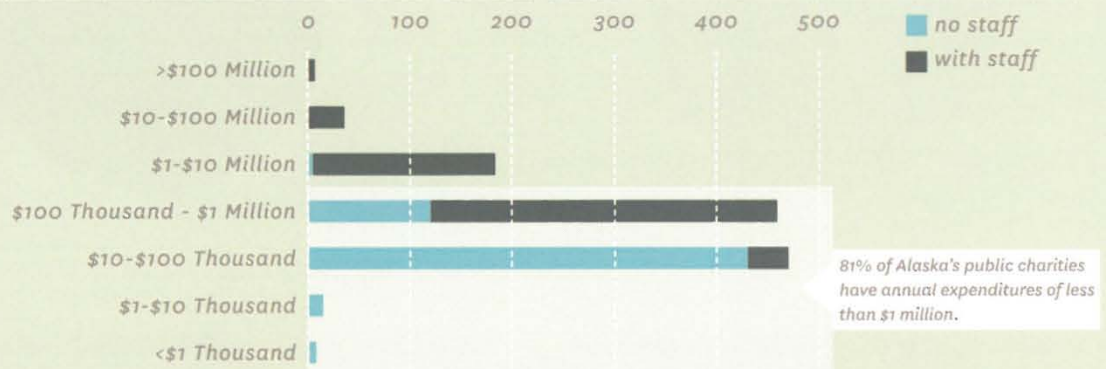
Source: National Center for Charitable Statistics data files.

## Alaska's Nonprofit Sector: Its Size and Composition *continued*

### Organizational expenditures and staffing

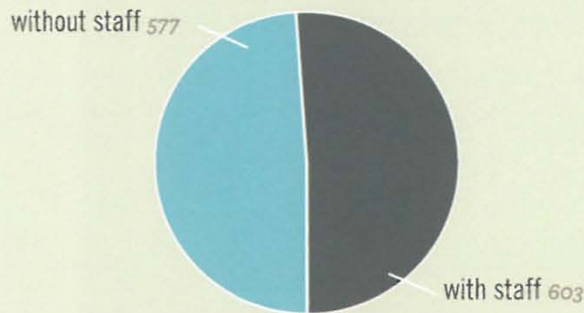
The majority of Alaska public charities are small, with budgets of less than \$1 million. Nearly half have budgets under \$100,000. This breakdown has changed little since the 2007 report.

### The relationship between Alaska public charity staff and expenditures

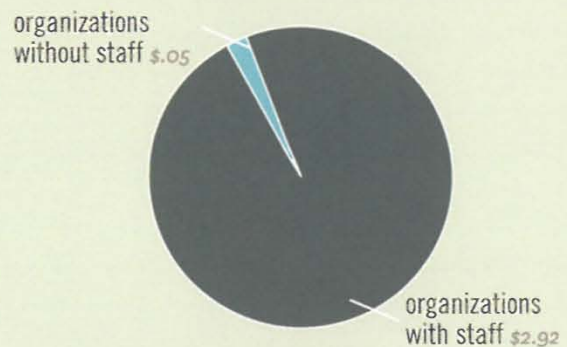


Source: National Center for Charitable Statistics data files.

### Number of organizations (1,180)



### Expenditures in billions



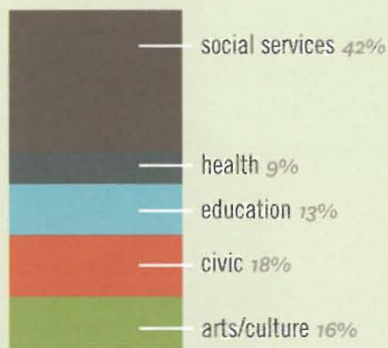
*The lack of staff is a key factor threatening nonprofit sustainability. The vast majority of Alaska's smaller nonprofits have no staff - relying only on volunteers for momentum and institutional knowledge.*



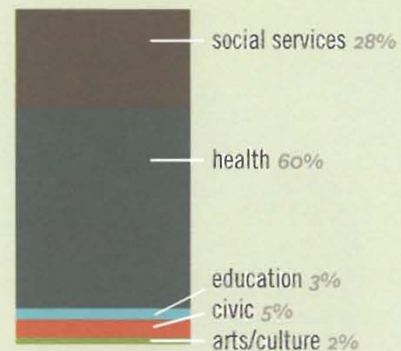
### Public charity composition by type and staff

- social services
- health
- education
- civic
- arts/culture

**Number of organizations**



**Employment**



Source: National Center for Charitable Statistics data files.

Public charities operating with staff account for roughly 98% of all expenditures. The four largest nonprofits operating in Alaska (Providence Health and Services Alaska, Alaska Native Health Consortium, Yukon-Kuskokwim Health Corporation and Banner Health/Fairbanks Memorial Hospital-Denali Center) account for over 37% of total nonprofit expenditures at close to \$1.1 billion.

The top ten largest public charities are hospitals and comprehensive healthcare providers that serve primarily Alaska Native communities – 6 out of 10 are Alaska Native health and human services nonprofits.

Taken together, Alaska's 501c3 public charities accounted for nearly \$3 billion in annual expenditures (out of a total of \$4.5 billion), though public charities without staff account for a very small share (2%) of those expenditures.

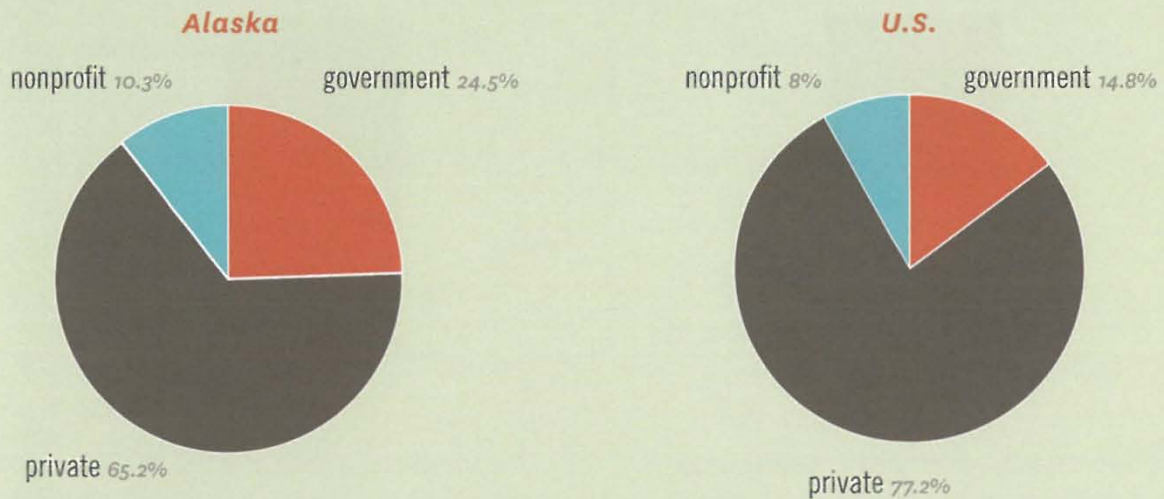
*Viewing this data through a sustainability lens, it's notable that Alaska has a high number of arts and culture organizations with an extremely small number of staff, while we find a small number of health organizations with a large number of staff.*

## Alaska's Nonprofit Sector: Its Size and Composition *continued*

### Employment impact

The nonprofit sector in Alaska is a major employer and the proportion of nonprofit employees as part of the total Alaska workforce remained relatively stable between the 2007 and 2010 reports. The 2007 report noted the dynamic and consistent growth of the sector, with a high percentage of Alaskans working in nonprofits compared to the rest of the country. That trend has not changed.

### Civilian employment in 2009



Source: US Department of Commerce, American Community Survey 2009, Table B4206.

When viewed by regions - urban, rural, and remote rural - the percentage of workers in the sector climbs, reaching roughly 12% in remote rural Alaska and as high as 50% of all employment in some communities.

In 2007, public charities employed 32,110 workers, or close to 90% of total employment in the sector. The number was just over 27,000 in 2004. The biggest growth took place within public charities, which overall saw a 14% growth. Within that category, each sub-sector performed quite differently.

- Education organizations increased by 13%.
- Health related organizations increased by 20%.
- Arts/culture organizations increased by 15%.
- Civic organizations increased by 14%.
- Human services organizations increased by 5%.

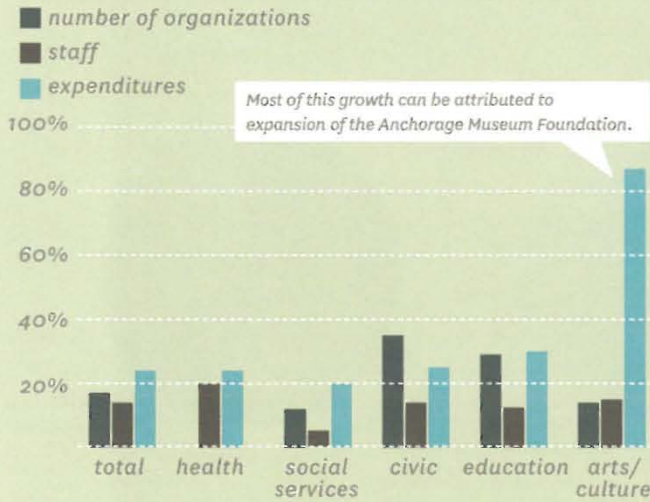
Nonprofit workers are most prevalent in the health and human services sub-sectors, with over 60% employed by higher wage health organizations, and 30% in human services. The next sub-sectors in line are much smaller in both job numbers and payroll impacts.

Member serving 501c3 and 501c4 organizations employed less than 10% of the total nonprofit workforce.

The largest nonprofit organizations are among the largest overall employers in the state, and that percentage is increasing. In 1994, 14 public charities existed among the 100 largest private employers - that number increased to 19 in 2005 and included two large utility cooperatives. In 2009, the number of nonprofits on the list of the top 100 employers had grown to 22.



### Alaska public charity growth - 2003-2007



Source: National Center for Charitable Statistics data files.  
 Note: Number of health organizations unavailable in the past study.

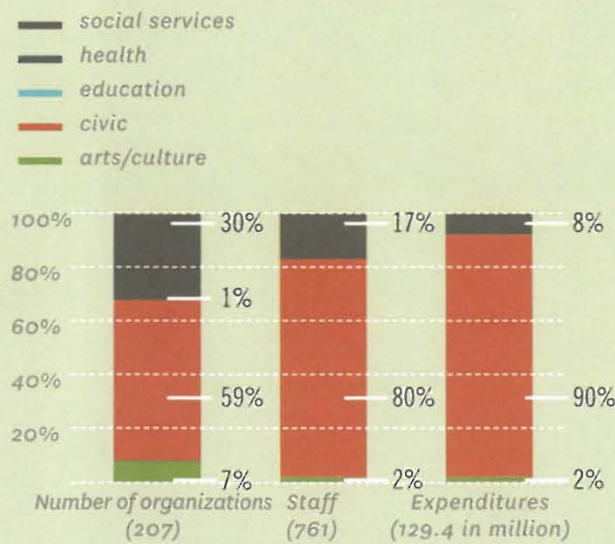
Overall, changes occurred between the 2007 and 2010 reports in number of organizations, staff and expenditures:

- Civic organizations saw significant growth - 30% in three years.
- Education organizations also increased - at just below 30%
- Arts/culture and social services experienced the smallest growth in number of organizations - both at approximately 10%.

### Alaska's civic leagues and social welfare organizations

There were 207 reporting civic league and social welfare organizations in Alaska in 2007, with combined expenditures of \$129 million. This compares to 2004 when there were 168 reporting organizations, with combined expenditures of nearly \$103 million.

### Civic leagues and social welfare organizations - 501c4



Source: National Center for Charitable Statistics data files.

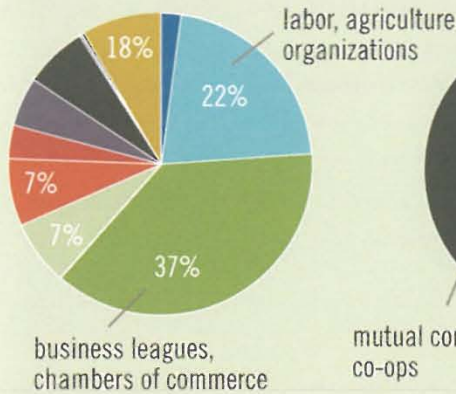
Revenues of civic league and social welfare nonprofits, such as Lions Clubs, Rotary, and Veterans of Foreign Wars, are most likely to come from program services and government fees and contracts (55%). Contributions, gifts and grants account for only 6% of revenue.

*In Alaska, nonprofit jobs continue to grow - from 7% of the total workforce in 1990 to more than 10% in 2009.*

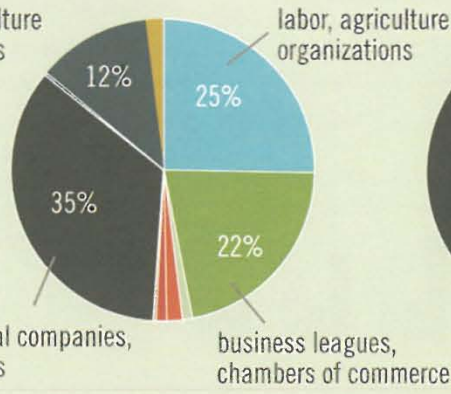
## Alaska's Nonprofit Sector: Its Size and Composition *continued*

### Member serving nonprofits

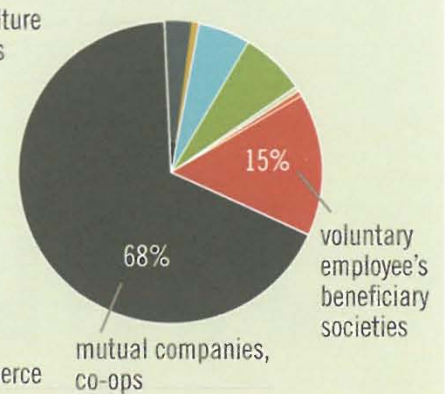
**Number of organizations**



**Employment**



**Expenditures**



- 12 Title-holding companies, 5 staff, \$3.1m in expenditures
- 106 Labor, agriculture organizations, 653 staff, \$70.1m in expenditures
- 184 Business leagues, chambers of commerce, 559 staff, \$88.8m in expenditures
- 33 Social and recreational clubs, 32 staff, \$5m in expenditures
- 36 Fraternal beneficiary societies, 42 staff, \$8.5m in expenditures
- 18 Voluntary employee's beneficiary societies, 27 staff, \$193.4m in expenditures
- 26 Domestic fraternal beneficiary societies, 10 staff, \$2.5m in expenditures
- 32 Mutual companies, co-ops, 900 staff, \$860.7m in expenditures
- 1 Cemetery company, 8 staff, \$.5m in expenditures
- 1 State-chartered credit union, 309 staff, \$36.7m in expenditures
- 1 Supplemental unemployment benefit trusts, 0 staff, \$.1m in expenditures
- 40 Post or organizations of war veterans, 45 staff, \$7.1m in expenditures

Member-serving nonprofits generated expenditures of \$1.3 billion in 2007 in the sector— representing the second largest category of expenditures. These organizations fall into a number of different categories. The largest – utility cooperatives (electric and telephone) – account for more than \$850 million of the total. This is a significant increase (nearly 40%) over 2004 expenditures of \$516 million.



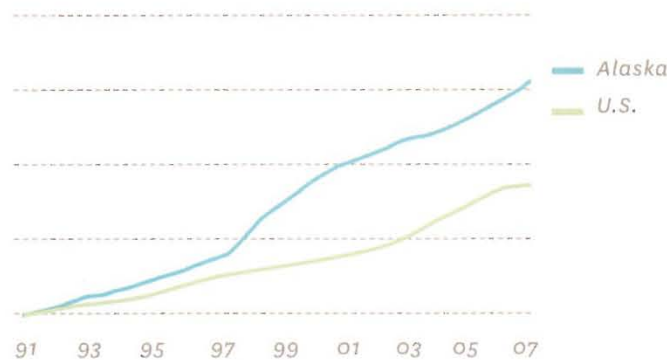


## Nonprofit Finances and Economic Impact

### Nonprofit revenue

The nonprofit sector has a notable impact on Alaska's economy as demonstrated by overall nonprofit expenditures including payroll and assets.

### Public charity revenues index of growth 1991=1



Source: National Center for Charitable Statistics website 10/21/10.

The trend toward the growth of nonprofit revenue continued in Alaska between the 2007 and 2010 studies. Revenues for Alaska's service-providing nonprofits (excluding revenues of foundations and other funding intermediaries which flow through to service providers) were slightly over \$4.6 billion in 2007, an increase of close to 25% over the \$3.5 billion in revenue reported in the 2007 study.

Of that number, public charities accounted for most of it, at just more than \$3.1 billion. That compares to \$2.5 billion in 2004 – a 20% increase.

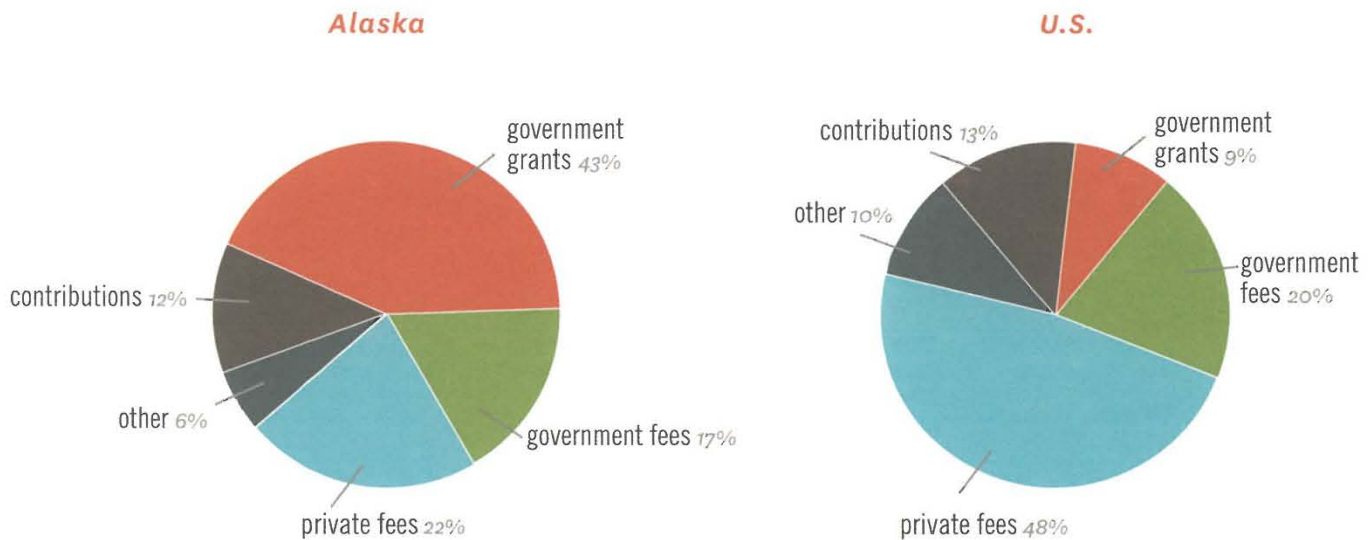
Of the \$3.1 billion in revenue for public charities in 2007, the vast majority comes from three sources, listed by their proportion of the total:

1. Earned income, including fees, contracts and charges for services
2. Government grants
3. Individual, corporate and foundation contributions

## Nonprofit Finances and Economic Impact *continued*

### Public charity composition of revenues

The breakdown for all sources of revenue is shown in these graphs - with a comparison between Alaska and the U.S.



Source: National Center for Charitable Statistics core files, *Giving USA 2008*, Urban Institute, *Profiles of Individual Charitable Contributions by State 2008* and *Nonprofit Sector in Brief*, and ISER estimate.

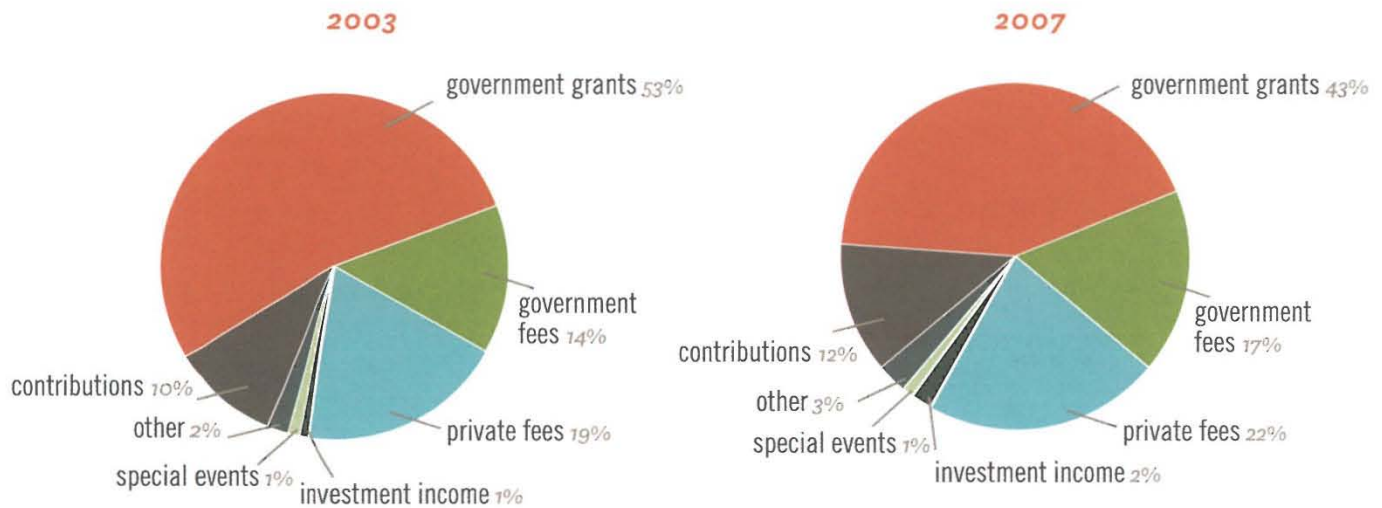
Alaska public charities depend much more heavily on federal government funding than charities in the rest of the nation. Of the total federal support for Alaska nonprofits, the 43% that comes from grants will prove most challenging. Grant funding is not reliable, which is especially troubling for the sector when one considers the lower level of revenue Alaska nonprofits generate from earned sources compared to the rest of the country.

Alaska is on par with the U.S. in generating contributed revenue for nonprofits. However, this is only because Alaska nonprofits receive an overly large proportion from corporate gifts, masking our deficiency in raising individual charitable income.

*Revenues of Alaska's public charities were just over \$3.1 billion in 2007 - a 20% increase from 2004.*



Alaska public charities composition of revenues



Source: National Center for Charitable Statistics core files, Urban Institute, Profiles of Individual Charitable Contributions by State 2004 and 2008 and Nonprofit Sector in Brief and ISER estimate.

Comparing the Alaska findings from 2007 to 2010, public charities have improved the percentage of revenue they derive from sustainable sources:

- Contributed income went from 10% to 12%.
- Government fees, such as Medicaid, grew from 14% to 17%.
- Private fees (non-government fee-for-service) grew from 19% to 22%.

*Philanthropic giving grew – but if adjusted for one-time capital campaigns, it grew less than 20% over three years.*

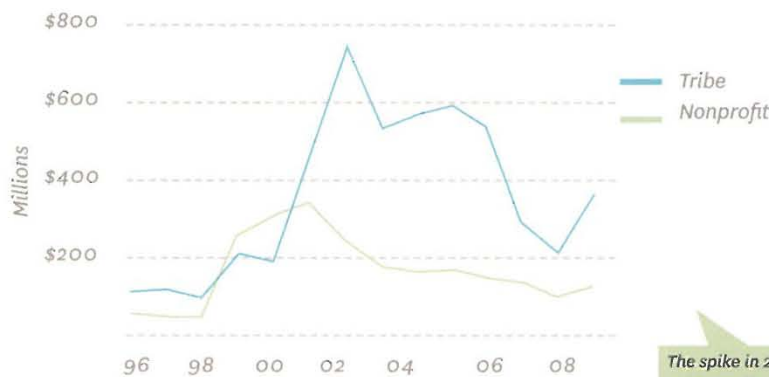
*Corporate and foundation giving continue to be disproportionately high compared to the national average.*

## Nonprofit Finances and Economic Impact *continued*

### Federal grants

Direct federal grants to the sector are large and significant. However, the trend is down in recent years – broken only by an increase attributable to federal stimulus funds in 2009. Federal involvement excludes payments for services such as Medicaid. The graph below describes the relationship between federal dollars going to both the nonprofit sector and Alaska tribal organizations.

### Federal grants to nonprofits in Alaska



Source: US Department of Commerce, Federal Assistance Data System.

The spike in 2009 can be attributed to a one-time infusion of stimulus funds and should not be considered an upward trend.

The number of federal dollars coming to Alaska nonprofits is significant, exceeding the amount per capita to other states. However, this trend has created a sector that lacks sufficient diversity in its streams of income.

Emerging trends in the country's political make-up, with an emphasis on budget cutting, likely foretell reduced federal support in the future. As a result, nonprofits must broaden their base of support – cultivating more diverse and sustainable sources of revenue.

*While Alaska nonprofits rely less on government grants – shifting from 53% of total revenue in 2003 to 43% in 2007 – this is still disproportionately out of line compared to the rest of the country.*



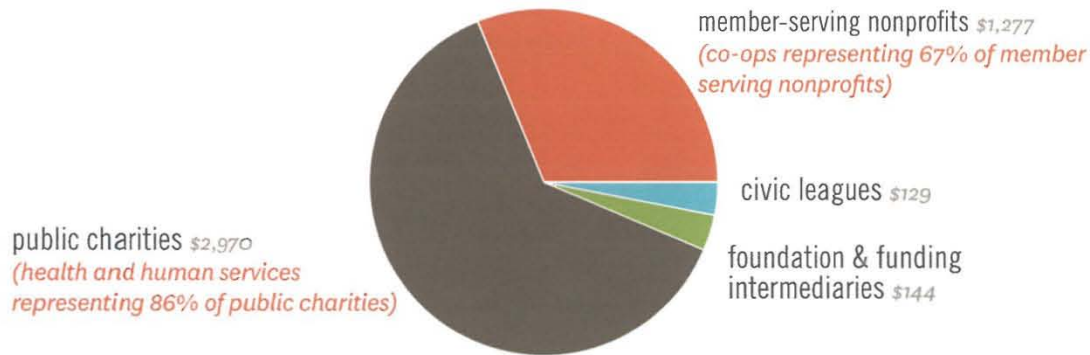
### Nonprofit expenditures

Overall, nonprofit expenditures were \$4.5 billion in 2007, compared to \$3.4 billion in 2004 – an increase of almost 25%. The \$4.5 billion figure is roughly in line with total revenues of \$4.8 billion.

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### Expenditures of nonprofits operating in Alaska in 2007 (in millions)

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Source: National Center for Charitable Statistics Core files.

The close to \$3 billion spent by public charities in 2007 compares to \$2.4 billion in 2004 – almost a 20% increase in three years. Below is a breakdown of the increases by sub-sector:

- Health – 24%
- Social services – 20%
- Civic organizations – 25%
- Education – 30%
- Arts/culture – 87%

*Total expenditures for all the state's 501c organizations grew to \$4.5 billion – a 25% increase – making the sector a significant contributor to the state's economy.*

## Nonprofit Finances and Economic Impact *continued*

### Foundation and funding intermediaries - 501c3

	funding intermediary	foundations	total
number of organizations	142	102	244
assets	\$766	\$800	\$1,566
contributions	\$82	\$37	\$119
total revenues	\$133	\$122	\$255
expenditures	\$102	\$42	\$144
staff	280	256	536

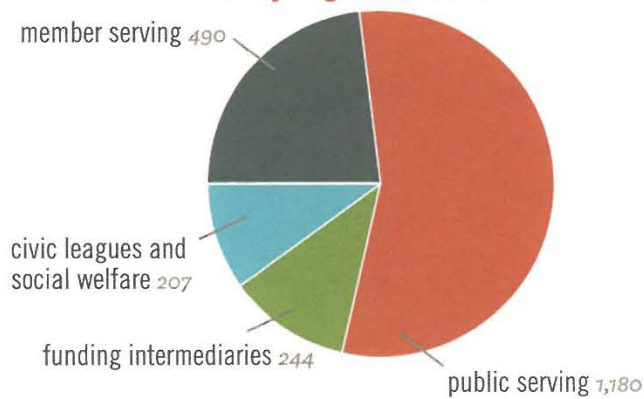
Source: National Center for Charitable Statistics Core files.

In 2004, total expenditures by foundations and other funding intermediaries were nearly \$60 million. In 2007, that figure was \$144 million. As in 2004, Rasmuson Foundation is the largest in contributions at \$22 million, given primarily to Alaska nonprofits.

While this study did not determine whether all foundation and funding intermediary expenditures remained in Alaska, the mission for each of these organizations is to support Alaska organizations.

### Nonprofit assets

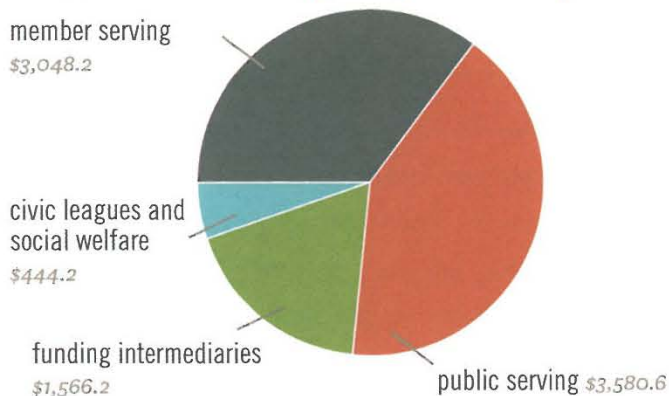
#### Number of organizations



Nonprofit assets increased from \$6.1 billion in 2004 to \$8.6 billion in 2007 – most held by 501c3 charitable nonprofits.

With almost 50 more funding intermediaries reporting in 2007 compared to 2004, the assets represented by these organizations grew substantially. Reporting funders include family foundations such as the Rasmuson Foundation, corporate foundations such as the CIRI Foundation and federated funders such as United Way. Total assets for funding intermediaries grew from \$535 million in 2004 to \$1,566 million in 2007. The largest – Rasmuson Foundation – reported assets in 2007 of more than \$600 million.

#### Assets at the end of year (in millions)





## Directions for the Future

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The data that emerges from this report, coupled with Foraker's work in the sector, help to surface three inter-related trends for Alaska's nonprofits - each of these present serious implications for the sector.

The first trend is the "*funding crisis*." The current funding mix for Alaska nonprofits is not sustainable. We must transform revenue streams - and fast! Alaska nonprofits must grow individual philanthropy and learn how to earn income. We have too little time to do each well, but we must try.

The second trend is the "*crash of the herd*." We have too many nonprofits for our "eco-system" or population. While the funding crisis could exacerbate this trend, the real culprit is a scarcity of the right people to serve on the boards and staffs of all 7,000 organizations. Even if we can adjust to the funding crisis, we can do little to avert the scarcity of people.

The third trend is a need to "*restructure*" how we do business. Because of the first two trends, as well as other societal and technological changes, nonprofit organizations will need to find more adaptable business models. Merger, consolidation, integration and cooperation are no longer nice thoughts. Enlightened leaders will seize this opportunity and begin discussions on what structure could work for them in the 21st Century. Others with a wait-and-see attitude will find they have few choices. Most will either go out of business or find themselves merged into another nonprofit, not of their choosing.

These trends comprise our best guess at the future. For organizations to survive them, they must start planning now for their long-term sustainability. We function in a new reality. No one knows what the future will hold, but those who are willing to take risks and prepare for the inevitable changes will find comfort in knowing that they did all they could to thrive.

*At Foraker, we see three major trends facing the sector. If these trends aren't recognized, they will devastate some nonprofits and will most certainly touch all organizations.*

- DENNIS G. MCMILLIAN  
President and CEO  
The Foraker Group



theforakergroup

*Standing Beside Alaska's Nonprofits*

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[www.forakergroup.org](http://www.forakergroup.org)





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## Bud Cassidy

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**From:** Pierre, McHugh (MVA) <mchugh.pierre@alaska.gov>  
**Sent:** Monday, March 25, 2013 10:03 AM  
**To:** Bud Cassidy  
**Subject:** RE: Military Facility Zones HB 316am S

Bud, I apologize for the delay in my email.

We are currently working with the Department of Law to finalize regulations so we can issue MFZs.

As a jump-start to the process, you can state working with your Mayor and borough assembly to craft a resolution that answers all of the questions in the law.

Our intent is to approve any reasonable request, and this law was drafted with Kodiak in mind.

As soon as the regs are final, I will send you a copy.

Thank you for your interest.

## McHugh Pierre

Deputy Commissioner  
Department of Military and Veterans Affairs  
907-465-5645 – Juneau office

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**From:** Bud Cassidy [<mailto:bcassidy@kodiakak.us>]  
**Sent:** Wednesday, March 20, 2013 4:37 PM  
**To:** Pierre, McHugh (MVA)  
**Subject:** Military Facility Zones HB 316am S

Deputy Commission McHugh

Good Afternoon.

The Kodiak Island Borough Mayor and Members of the Borough Assembly met with Admiral Ostebo of the U.S. Coast Guard while in Juneau. We had a great discussion about the future of the Coast Guard in Kodiak and about its growth in the state and specifically the Arctic. Though the recent focus is the Arctic, Kodiak with its existing USGC infrastructure has strong growth potential. In discussing this growth, we were made aware of some the short comings of the community. One of those items is affordable housing. The Admiral, the Borough Mayor and Assembly discussed how that could be resolved through the newly enacted legislation that creates the Military Facility Zone Act came up.

I am trying to find out more information about this law and its implementation and if it in fact it has any bearing on our desire to keep a strong Coast Guard presence on Kodiak.

Any help is appreciated. I can be contacted at 486-9302.

Thanks,

Bud Cassidy  
Borough Manager





# LAWS OF ALASKA

## 2012

**Source**

HB 316 am S

**Chapter No.**

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**AN ACT**

Relating to military facility zones in the state; relating to the development of housing in military facility zones; relating to the financing of projects in military facility zones; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1





**AN ACT**

1 Relating to military facility zones in the state; relating to the development of housing in  
2 military facility zones; relating to the financing of projects in military facility zones; and  
3 providing for an effective date.

4

5 \* **Section 1.** AS 26 is amended by adding a new chapter to read:

6

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**Chapter 30. Military Facility Zones.**

7

8 **Sec. 26.30.005. Military facility zones.** The Department of Military and  
9 Veterans' Affairs may establish military facility zones in this state in accordance with  
10 this chapter.

11

12 **Sec. 26.30.010. Application for a military facility zone.** (a) The adjutant  
13 general may accept applications for designation of a military facility zone or  
14 expansion of a military facility zone. The adjutant general shall by regulation specify  
the content of, and submission requirements for, the application.

14

(b) The chief executive officer or governing body of a municipality may apply

1 for an area to be designated as a military facility zone or for expansion of an existing  
2 military facility zone as follows:

3 (1) a municipality may apply for an area within its boundaries;

4 (2) a borough may apply on behalf of a city located in the borough, for  
5 an area within the boundaries of the city only with the prior consent of the city;

6 (3) two or more municipalities may jointly apply for an area within the  
7 common boundaries of the municipalities.

8 (c) The application must contain the information and be submitted in the form  
9 and manner required by the adjutant general and must provide

10 (1) a statement that the applicant has examined the feasibility of  
11 creating industry, development, and educational or training opportunities for  
12 employers and employees of business entities located or to be located in the proposed  
13 military facility zone; and

14 (2) approval of the application by ordinance of the governing body of  
15 the applicant, except that, for an area in the unorganized borough that is not in a  
16 municipality, the approval must be by law.

17 (d) On receiving an application under this section or an application for  
18 expansion under AS 26.30.040, the adjutant general shall give notice of the application  
19 to the following:

20 (1) the legislature;

21 (2) the commissioner of commerce, community, and economic  
22 development;

23 (3) the executive director of the Alaska Industrial Development and  
24 Export Authority;

25 (4) the executive director of the Alaska Housing Finance Corporation;

26 (5) the public; the notice under this paragraph shall be made by posting  
27 on the Alaska Online Public Notice System (AS 44.62.175).

28 (e) The adjutant general shall solicit comments on the application. Notice of  
29 the solicitation shall be placed on the Alaska Online Public Notice System  
30 (AS 44.62.175).

31 **Sec. 26.30.020. Criteria for designation as a military facility zone; priority**

1           **considerations.** (a) The adjutant general may designate an area as a military facility  
2 zone only if the area in the state

- 3                           (1) is in close proximity to a facility;  
4                           (2) directly supports the military application of a facility;  
5                           (3) is zoned for industrial or economic development, residential use,  
6 and workforce training or education beneficial to the facility; and  
7                           (4) is in an area with inadequate infrastructure to support the continued  
8 or expanded operations of the facility.

9           (b) The adjutant general may give priority consideration to an area for  
10 designation as a military facility zone if the area is of strategic importance to the  
11 economic development interests of the municipality.

12           (c) The adjutant general shall consider the following factors before  
13 designating an area as a military facility zone:

14                           (1) whether the proposed military facility zone designation is  
15 consistent with the comprehensive plan of the municipality;

16                           (2) whether it is feasible to develop sites within the proposed zone for  
17 purposes of industrial or economic development, residential use, and workforce  
18 training or education beneficial to the facility;

19                           (3) whether the municipality has targeted the area for revitalization in a  
20 plan or ordinance;

21                           (4) the relationship between the area and a military facility subject to  
22 realignment or closure under 10 U.S.C. 2687, as amended, or a successor statute or the  
23 effect of the realignment or closure on the area;

24                           (5) the availability, cost, and condition of existing business and  
25 educational facilities to support the military facility or facility of a civilian agency;

26                           (6) the difference between the median annual income of residents of  
27 the area and the median annual income of residents of the state and region, and the  
28 number of residents who receive public assistance;

29                           (7) the number of residents of the area who receive unemployment,  
30 and the ability of the municipality to improve social and economic conditions of the  
31 area;



1 (8) the need for financing for small businesses that would improve  
2 social and economic conditions in the area;

3 (9) any plans or financial commitments of municipalities to improve  
4 the area;

5 (10) any plans or financial commitments of private entities to improve  
6 the area;

7 (11) the municipality's participation in economic development  
8 activities, including proposals for public or private development;

9 (12) support from community or business organizations in the area;

10 (13) the availability of workforce readiness programs, including  
11 workforce recruiting and training support or educational research and curriculum  
12 support in the area;

13 (14) the availability or plans for the creation of workforce housing  
14 options for residents of the area; and

15 (15) the fiscal effect on the state if the area were to be designated a  
16 military facility zone.

17 **Sec. 26.30.030. Designation of military facility zones.** (a) Within 60 days  
18 after receiving an application under AS 26.30.010 submitted in compliance with this  
19 chapter, after considering comments under AS 26.30.010(e), the adjutant general may  
20 designate a military facility zone. The adjutant general shall specify the location and  
21 boundaries of the military facility zone.

22 (b) The designation of an area as a military facility zone is effective for 20  
23 years, beginning on the date the adjutant general designates the area as a military  
24 facility zone.

25 (c) Unless the area of the municipality exceeds 500 square miles, only two  
26 military facility zones may be in effect in a municipality at one time.

27 (d) The decision of the adjutant general on an application to designate a  
28 military facility zone is a final administrative order subject to appeal to the superior  
29 court for review in the manner provided under AS 44.62.560.

30 **Sec. 26.30.040. Expansion of a military facility zone.** (a) Within 60 days  
31 after receiving an application for expansion of a zone submitted by a municipality in

1 compliance with AS 26.30.010, the adjutant general may expand the zone, if the  
2 applicant demonstrates that the expanded area meets the requirements of  
3 AS 26.30.020.

4 (b) The adjutant general may grant up to two applications for expansion of a  
5 military facility zone in each calendar year for an area that

6 (1) meets the requirements of AS 26.30.020; and

7 (2) has strategic importance to the economic development of the  
8 municipality.

9 (c) The limit in AS 26.30.030(c) does not apply to an expansion of a military  
10 facility zone that does not exceed 50 percent of the area of the existing zone or to an  
11 expansion of a zone under (b) of this section.

12 **Sec. 26.30.050. Military facility zone authorities.** (a) If a military facility  
13 zone is within the boundaries of only one municipality, the municipality may create a  
14 military facility zone authority for the zone.

15 (b) If a military facility zone includes areas within the boundaries of more  
16 than one municipality, the municipalities may, by agreement, create a military facility  
17 zone authority for the zone.

18 **Sec. 26.30.060. Benefits in military facility zones.** (a) A municipality in  
19 which a military facility zone is located or a military facility zone authority for a  
20 military facility zone may receive

21 (1) financing for one or more projects in the military facility zone from  
22 the Alaska Industrial Development and Export Authority or the Alaska Housing  
23 Finance Corporation;

24 (2) funding for one or more projects from any other available source of  
25 federal, state, or local public or private funding, credit, or guarantee programs.

26 (b) A municipality in which a military facility zone is located, a military  
27 facility zone authority for a military facility zone, or a business entity located in a zone  
28 may receive priority consideration for financial assistance for projects or operations in  
29 the zone from the Department of Military and Veterans' Affairs and from any other  
30 appropriate state program, if available under the law establishing the program.

31 **Sec. 26.30.070. Regulations.** The adjutant general may adopt regulations

1 under AS 44.62 to carry out the provisions of this chapter, including specifying criteria  
2 and procedures for applications, approvals, and the monitoring of eligibility under this  
3 chapter.

4 **Sec. 26.30.900. Definitions.** In this chapter, unless the context otherwise  
5 requires,

6 (1) "adjutant general" means the principal executive officer of the  
7 Department of Military and Veterans' Affairs appointed under AS 26.05.160;

8 (2) "area" means a geographic area described by a closed perimeter  
9 boundary within one or more municipalities in the state;

10 (3) "facility" means a facility of

11 (A) an Alaska military or civilian agency serving a subdivision  
12 of the Alaska National Guard, the United States Army, the United States Navy,  
13 the United States Marine Corps, the United States Air Force, or the United  
14 States Coast Guard, including reserve units of those entities;

15 (B) the National Aeronautics and Space Administration; or

16 (C) a public corporation within the Department of Military and  
17 Veterans' Affairs;

18 (4) "military facility zone" means an area that

19 (A) meets the requirements of AS 26.30.020; and

20 (B) is designated as a military facility zone by the adjutant  
21 general under AS 26.30.030;

22 (5) "military facility zone authority" means a public corporation  
23 established by one or more municipalities to administer a military facility zone located  
24 in the municipalities in the state;

25 (6) "zone" means a military facility zone.

26 \* **Sec. 2.** AS 44.62.175(a) is amended to read:

27 (a) The lieutenant governor shall develop and supervise the Alaska Online  
28 Public Notice System, to be maintained on the state's site on the Internet. The  
29 lieutenant governor shall prescribe the form of notices posted on the system by state  
30 agencies. The Alaska Online Public Notice System must include

31 (1) notices of proposed actions given under AS 44.62.190(a);



1 (2) notices of state agency meetings required under AS 44.62.310(e),  
2 even if the meeting has been held;

3 (3) notices of solicitations to bid issued under AS 36.30.130;

4 (4) notices of state agency requests for proposals issued under  
5 AS 18.55.255, 18.55.320; AS 36.30.210; AS 37.05.316; AS 38.05.120; and  
6 AS 43.40.010;

7 (5) executive orders and administrative orders issued by the governor;

8 (6) written delegations of authority made by the governor or the head  
9 of a principal department under AS 44.17.010;

10 (7) the text or a summary of the text of a regulation or order of repeal  
11 of a regulation for which notice is given under AS 44.62.190(a), including an  
12 emergency regulation or repeal regardless of whether it has taken effect;

13 (8) notices required by AS 44.62.245(b) regarding an amended version  
14 of a document or other material incorporated by reference in a regulation;

15 (9) a summary of the text of recently issued formal opinions and  
16 memoranda of advice of the attorney general;

17 (10) a list of vacancies on boards, commissions, and other bodies  
18 whose members are appointed by the governor; [AND]

19 (11) in accordance with AS 39.52.240(h), advisory opinions of the  
20 attorney general; **and**

21 **(12) notices required by AS 26.30.010(d) and (e) regarding**  
22 **applications for military facility zones.**

23 \* **Sec. 3.** AS 44.88.900(9) is amended to read:

24 (9) "project" means

25 (A) a plant or facility used or intended for use in connection  
26 with making, processing, preparing, transporting, or producing in any manner,  
27 goods, products, or substances of any kind or nature or in connection with  
28 developing or utilizing a natural resource, or extracting, smelting, transporting,  
29 converting, assembling, or producing in any manner, minerals, raw materials,  
30 chemicals, compounds, alloys, fibers, commodities and materials, products, or  
31 substances of any kind or nature;

1 (B) a plant or facility used or intended for use in connection  
2 with a business enterprise;

3 (C) commercial activity by a business enterprise;

4 (D) a plant or facility demonstrating technological advances of  
5 new methods and procedures and prototype commercial applications for the  
6 exploration, development, production, transportation, conversion, and use of  
7 energy resources;

8 (E) infrastructure for a new tourism destination facility or for  
9 the expansion of a tourism destination facility; in this subparagraph, "tourism  
10 destination facility" does not include a hotel or other overnight lodging facility;

11 (F) a plant or facility, other than a plant or facility described in  
12 (D) of this paragraph, for the generation, transmission, development,  
13 transportation, conversion, or use of energy resources;

14 (G) a plant or facility that enhances, provides for, or promotes  
15 economic development with respect to transportation, communications,  
16 community public purposes, technical innovations, prototype commercial  
17 applications of intellectual property, or research;

18 (H) a plant or facility used or intended for use as a federal  
19 facility, including a United States military, national guard, or coast guard  
20 facility;

21 **(I) infrastructure for an area that is designated as a**  
22 **military facility zone under AS 26.30;**

23 \* **Sec. 4.** The uncodified law of the State of Alaska is amended by adding a new section to  
24 read:

25 TRANSITION: REGULATIONS. The Department of Military and Veterans' Affairs  
26 may immediately adopt regulations necessary to implement the changes made by this Act.  
27 The regulations take effect under AS 44.62 (Administrative Procedure Act), but not before  
28 July 1, 2012.

29 \* **Sec. 5.** Section 4 of this Act takes effect immediately under AS 01.10.070(c).

30 \* **Sec. 6.** Except as provided in sec. 5 of this Act, this Act takes effect July 1, 2012.