

LFD Informational Paper 20-2: Community Assistance Program

What is the Community Assistance program?

The Community Assistance program (AS 29.60.850-879) provides funding to municipalities, unincorporated communities, and Native village councils in Alaska to support local government activities. The program has existed in various forms since 1985.

How does the program work?

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

How much do communities receive?

Until 2017, the program was designed to distribute \$60 million total per year (although actual amounts varied). SB 210, passed in 2016, reduced the target distribution to \$30 million and amended the formula.

AS 29.60.855 provides a base amount for boroughs and unified municipalities, and other communities have a base that is a fraction of that base. See the table to the right. A unified municipality receives both the borough base and the city base payments.

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

Example calculations

Anchorage: \$300,000 (borough base) + \$75,000 (city base) + 295,365 residents * \$14.16 per capita = \$4,557,777

Tok: \$25,000 (unincorporated outside borough base) + 1,234 residents * \$14.16 per capita = \$42,475

After paying out the base payments, the remaining distribution goes to all communities on a per-capita basis. The department calculates the amount remaining after paying the bases, and divides that by the total state population. In FY20, that amount is about \$14 per resident.

How is the Community Assistance program funded?

The total distribution each year equals one-third of the balance of the Community Assistance Fund on June 30 of the previous fiscal year. Per AS 29.60.850, the annual deposit into the fund may not exceed \$30 million or the amount necessary to bring the fund balance to \$90 million, whichever is greater. So if the program is fully funded, the legislature would deposit \$30 million into the fund each year and the balance of the fund on June 30 would be \$90 million. One-third of that balance would be \$30 million, so the distribution would be \$30 million. See the figure on the following page for an illustration of how this has worked in practice.

	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Starting Balance	\$180.0	\$180.0	\$172.0	\$114.7	\$90.0	\$ 90.0	\$ 90.0
<i>Distribution (1/3 of balance)</i>	\$ 60.0	\$ 60.0	\$ 57.3	\$ 38.2	\$30.0	\$30.0	\$ 30.0
<i>Additional Distribution</i>	\$ -	\$ -	\$ -	\$ -	\$8.0	\$ 4.0	\$ -
Total Distribution	\$ 60.0	\$60.0	\$57.3	\$38.2	\$38.0	\$34.0	\$30.0
Deposit to Fund	\$60.0	\$52.0	\$ -	\$13.6	\$30.0	\$30.0	\$ -
Ending Balance	\$180.0	\$172.0	\$114.7	\$ 90.0	\$90.0	\$90.0	\$60.0

AS 42.45.085 provides that the Power Cost Equalization Endowment (PCE) Fund may be used as a funding source for this program if it has sufficient earnings. Per that statute, the legislature may appropriate 70% of the prior closed fiscal year's "excess" earnings above the cost of the PCE program (meaning that the legislature may appropriate 70% of excess FY19 earnings in the FY21 budget, since the legislature is making the appropriation in FY20). Up to \$30 million of the remainder may be appropriated to the Community Assistance Fund. For example, FY19 earnings totaled \$74.1 million. After subtracting the PCE program's cost (\$33.1 million) and administrative expenses (\$0.8 million), \$41.0 million remains. 70% of \$41 million is \$28.7 million, so \$28.7 million is available from the PCE fund for Community Assistance.

What will the distribution be in Fiscal Year 2021?

The Governor vetoed a \$30 million capitalization of the fund in FY20 that would have brought the balance of the fund to \$90 million. That appropriation would have resulted in a \$30 million distribution in FY21. Unless the veto is overridden or a supplemental capitalization is made to the fund before June 30, 2020, the distribution in FY21 will be \$20 million.

What is in the Governor's FY21 budget proposal for Community Assistance?

The Governor is not proposing an FY20 supplemental appropriation. His budget appropriates \$28,731,500 to the Community Assistance Fund from the Power Cost Equalization Fund, which represents the statutory distribution from that fund. His budget does not include the additional UGF appropriation to reach a \$30 million total deposit.

Under the Governor's budget, the FY21 distribution would be \$20 million and the FY22 distribution would be \$22.9 million. See the table below.

	FY21	FY22
Starting Balance	\$60.0	\$68.7
Distribution (1/3 of balance)	\$20.0	\$22.9
Deposit to Fund	\$28.7	?
Ending Balance	\$68.7	?