

# Community Assistance Program

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## 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. In FY23, the base payments totaled about \$19.9 million.

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) + 289,697 residents \* \$23.67 per capita = \$7,233,142

Tok: \$25,000 (unincorporated outside borough base) + 1,187 residents \* \$23.67 per capita = \$55,530

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 FY23, that amount was about \$24 per resident.

## How is the Community Assistance program funded?

The Community Assistance Program is funded by deposits into the Community Assistance Fund (Fund)

either by legislative appropriation and/or by earnings from the Power Cost Equalization (PCE) Endowment Fund (see below for further information on how PCE earnings can be used to capitalize the Fund). The total distribution each year equals one-third of the balance of the 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. For the program to be fully funded, the legislature would need to make a deposit into the Fund each year for the balance of the fund to be \$90 million by June 30. 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.

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
<b>Starting Balance</b>	\$180.0	\$172.0	\$114.7	\$90.0	\$90.0	\$90.0	\$60.0	\$68.7	\$90.0
<i>Distribution (1/3 of balance)</i>	\$ 60.0	\$ 57.3	\$ 38.2	\$30.0	\$30.0	\$30.0	\$20.0	\$22.9	\$30.0
<i>Additional Distribution</i>	\$ -	\$ -	\$ -	\$8.0	\$ 4.0	\$ -	\$ -	\$7.1*	\$ -
<b>Total Distribution</b>	\$60.0	\$57.3	\$38.2	\$38.0	\$34.0	\$30.0	\$20.0	\$30.0	\$30.0
Deposit to Fund	\$52.0	\$ -	\$13.6	\$30.0	\$30.0	\$ -	\$28.7	\$31.8	\$30.0
<b>Ending Balance</b>	\$172.0	\$114.7	\$ 90.0	\$90.0	\$90.0	\$60.0	\$68.7	\$90.0	\$90.0

\*The additional distribution appropriated in FY22 was distributed along with the FY23 distribution.

### What will the distribution be in FY23 and FY24?

The Governor vetoed a \$21.3 million FY21 supplemental capitalization of the fund (Sec. 26, Ch. 1 SSSLA 2021) that would have brought the balance of the fund to \$90 million and vetoed the FY22 deposit from \$30.0 million to \$12.4 million. That would have resulted in a distribution of \$22.9 million in FY22 and \$19.5 million in FY23. The legislature appropriated two supplementals in FY22: an additional \$7.1 million payment to bring the total payment in FY22 to \$30.0 million, and a supplemental deposit of \$31.8 million in FY22 to bring the year-end fund balance back to \$90.0 million. In FY23, the legislature appropriated the full \$30.0 million deposit to the fund. This will result in distributions of \$30.0 million in FY22-24.

The Governor's FY24 budget does not make a deposit in FY24, which would result in an ending balance of \$60.0 million. 1/3 of that is \$20.0 million, so the FY25 distribution would be \$20.0 million, enough to pay the base payments with minimal per capita funds.

	FY22	FY23	FY24 Gov
Starting Balance	\$68.7	\$90.0	\$90.0
<i>Distribution (1/3 of balance)</i>	\$22.9	\$30.0	\$30.0
<i>Supplemental Distribution</i>	\$7.1	\$0.0	\$0.0
Total Distribution	\$30.0	\$30.0	\$30.0
Deposits to Fund	\$31.8	\$30.0	\$0.0
Ending Balance	\$90.0	\$90.0	\$60.0

### How is the Power Cost Equalization Endowment (PCE) Fund used to fund the Community Assistance program?

AS 42.45.085 provides that the 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 FY22 earnings in the FY24 budget, since the legislature is making the appropriation in FY23). Up to \$30 million of the remainder may be appropriated to the Community Assistance Fund. In FY22, PCE Fund earnings were negative, leaving no funds available for appropriation into the Community Assistance Fund. Statutorily, that means that any deposits into the Community Assistance Fund in FY24 should be from the general fund.