



# Condition of Communities

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House Finance \* March 24, 2021

## The Basics

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165 cities and boroughs out of 224 communities

- 19 boroughs – 11 Home Rule; 1 First Class; 7 Second Class
- 145 cities – 11 Home Rule; 18 First Class
- 1 organized under federal law - Metlakatla

Home Rule – may do anything not prohibited by law

General Law – may only do those things allowed by law

All boroughs – education, planning/platting, and taxation

Serve 825,000 Alaskans

Employ 7,700 Alaskans, or 20,000 combined with schools (3,400 loss)

Tax Revenue: FY18 \$1.83B to FY19 \$1.86B

Revenues: FY19 \$2.55B to FY20 \$2.57B

Expenses: FY19 \$2.54B to FY20 \$2.63B

### State/Local Revenues (\$10.5B):

- 48.2% Federal
- 20.8% Investments
- **Local Governments**
- 19.7% Petroleum
- 11.4% Other revenue

## Local Government: Revenues

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FY19 revenue was \$2.5 billion

Property Tax: 15 of the 19 boroughs, and 21 cities, with total revenue - \$1.46 billion

- Of this, local Governments collect State Property Tax of \$256M

Sales Tax: 95 cities and 9 boroughs have a sales tax, with total revenue - \$260 million

Additional Taxes and Fees: Tobacco, raw fish, car rental, alcohol, and bed = \$146 million

State and Federal transfers approximately 20% of local government budgets

- Federal Payment in Lieu of Taxes (PILT -\$31M) and Secure Rural Schools (SRS)
- Community Assistance
- Intergovernmental transfers and Grants

Revenue is less the State's mandatory exemptions

- Mandatory Senior Citizen and Disabled Veteran Property Tax Exemption
  - Applications increased from 27k in 2010 to 47k in 2020
  - Exempted taxes over that period have gone from \$49M to \$95M in that same period

## Local Government: Expenditures

In FY19, the total expenditures by local governments in Alaska was \$2.5 billion

- Contributed \$130 million into PERS – 5% of total expenditures
- Carry \$4.2 billion in bond debt

Contributed \$486 million as local education contribution – 20% of total expenses

- Municipalities contribute over 25% of State's overall obligation to public education
- Required local contribution - \$256 million in 2018
- + \$230 million beyond what is required

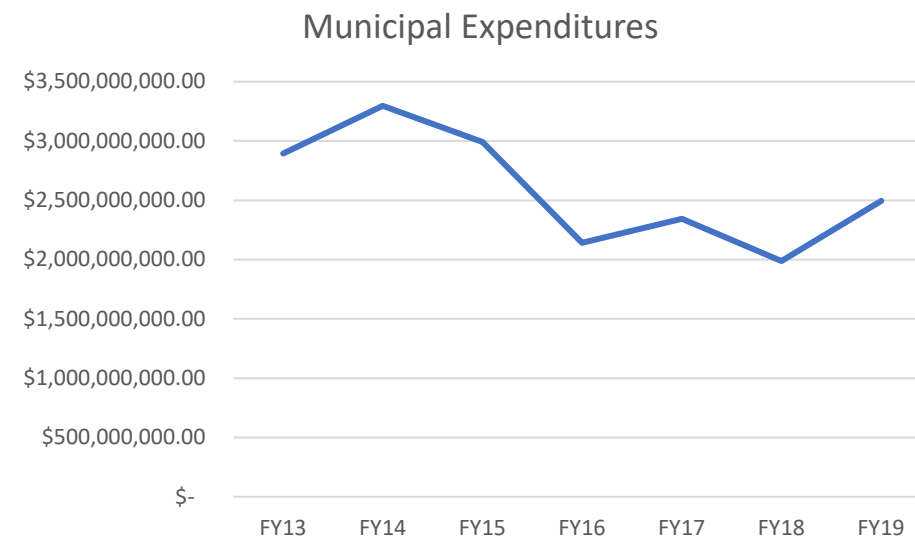
Public safety - 40 with combined budgets of \$75 million more than DPS

Quality of Life – pools, libraries, rec and youth centers, parks

- Livable communities, stem outmigration

Public Facilities, Works and Transportation Infrastructure

- Water and sewer
- Landfills
- Roads and transit
- Ports and harbors



## State Budget and Municipal Implications

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Local governments with greatest economic activity experience the brunt of cuts and cost-shifting

- The Governor's proposed FY20 budget included cuts, clawbacks, and cost-shifting of nearly \$900M → \$850M of that fell on just 20 local governments

Many local governments depend on base levels of support

- Direct cuts like Community Assistance reduce the capacity of local governments
- Reductions to things like public radio and TV, or the ferry system, impact communities

Most reductions that impact local governments do not reduce the size of State government, they eliminate the State's support for partners that are fundamental to quality of life and economic health

Unfunded mandates, cost-shifting, or reductions that result in resident expectations shifting local, all push local governments toward few options –

- Increased or new taxes
- Reduction in the provision of services
- Reduced capital investments and maintenance
- Eliminate programs and staff

## Veto Review – FY20 and FY21

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### Health and Social Services

- 38 of 240 vetoes affected public health programs, including behavioral and mental health

### Local Governments and Schools

- 38 vetoes applied to local governments, schools and the university system

### Courts, Fish/Game Management, Transportation

- 24 vetoes were directed at limiting the capacity of courts or justice system
- 29 vetoes applied to management of fish and game in the state, or environmental monitoring
- 17 vetoes fell on DOT programs, specifically to either AMHS or rural road/airport maintenance

Many FY21 vetoes were made thinking CARES Act funds could be applied in their place, which we know now is not the case. Local governments had to make these up on their own.

- School Bond Debt Reimbursement
- Community Assistance recapitalization
- K-12 Education
- Municipal port/harbor reimbursement, and matching grants

Bottom line: vetoes resulted in local governments less-prepared to weather COVID and economic crisis

## State Budget Priorities

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### Review of:

- School Bond Debt Reimbursement
- Community Assistance
- Alaska Marine Highway System
- PERS
- Education
- Jails and Public Safety
- Inflation-proofing
- Stabilizing State budget
- Infrastructure deficit
  - School construction and major maintenance
  - Transportation, ports and harbors
  - Water and sewer

“By retaining ownership of resource rights, the state acknowledged it would be the exclusive recipient of potential revenue generating tools. As a result, the responsibility for many government functions lies with the state rather than the cities and boroughs.”

OMB, 2017

## School Bond Debt Reimbursement

- 18 cities and boroughs who carried this debt in FY20
  - Wrangell, Unalaska and Hoonah dropped off since then
- 8 of 16 remaining have only eight years left
- In FY26, debt reimbursed reduces by about half, to about \$48M
- Total debt **\$800,000,000**.
- Debt reimbursement was a useful tool to address State's obligation

**Table 12 Total Funding Summary by Program**

Program	Construction City/Borough	Construction REAA	Maintenance City/Borough	Maintenance REAA
Grant	\$72,248,713	\$508,770,457	\$58,061,217	\$71,227,664
Debt	\$428,634,935	\$0	\$293,887,007	\$0
<b>Totals</b>	<b>\$500,883,648</b>	<b>\$508,770,457</b>	<b>\$351,948,224</b>	<b>\$71,227,664</b>

“One observed outcome of [the moratorium] is an increase in applications vying for legislative funding on the school construction and major maintenance grant lists. The department recommends that this funding effort be a responsive and responsible combination of federal, state, and local contributions over all funding mechanisms.” DEED, 2021

Municipality	Senior Exemption	School Bond Debt	%/TaxRev
Aleutians East Borough		\$ 334,287.00	7.38%
City & Borough of Juneau	\$ 3,330,041.00	\$ 2,809,335.00	5.70%
City & Borough of Sitka	\$ 519,905.00	\$ 799,866.00	6.24%
City & Borough of Wrangell	\$ 341,829.00	\$ -	6.35%
City & Borough of Yakutat	\$ 40,602.00		2.18%
City of Cordova	\$ 244,297.00	\$ 476,858.00	12.28%
City of Craig	\$ 44,807.00		1.83%
City of Dillingham	\$ 154,085.00	\$ 372,288.00	8.77%
City of Nenana	\$ 14,685.00		4.34%
City of Nome	\$ 217,883.00	\$ 79,453.00	3.12%
City of Pelican	\$ 6,668.00		5.54%
City of Unalaska	\$ 42,231.00		0.19%
City of Valdez	\$ 503,481.00	\$ 840,724.00	2.98%
City of Whittier	\$ 3,416.00		0.21%
Fairbanks North Star Borough	\$ 16,647,136.00	\$ 3,946,753.00	18.68%
Haines Borough	\$ 331,312.00	\$ 450,380.00	11.64%
Kenai Peninsula Borough	\$ 7,294,292.00	\$ 1,277,544.00	9.58%
Ketchikan Gateway Borough	\$ 1,475,195.00	\$ 687,089.00	10.61%
Kodiak Island Borough	\$ 1,435,339.00	\$ 2,730,061.00	2.23%
Lake and Peninsula Borough		\$ 482,667.00	24.17%
Matanuska-Susitna Borough	\$ 16,182,950.00	\$ 8,864,523.00	15.17%
Municipality of Anchorage	\$ 41,195,607.00	\$ 16,278,647.00	9.17%
Municipality of Skagway	\$ 63,391.00		0.58%
North Slope Borough	\$ 242,972.00	\$ 37,565.00	0.07%
Northwest Arctic Borough		\$ 1,072,138.00	4.83%
Petersburg Borough	\$ 522,510.00	\$ 231,805.00	10.98%



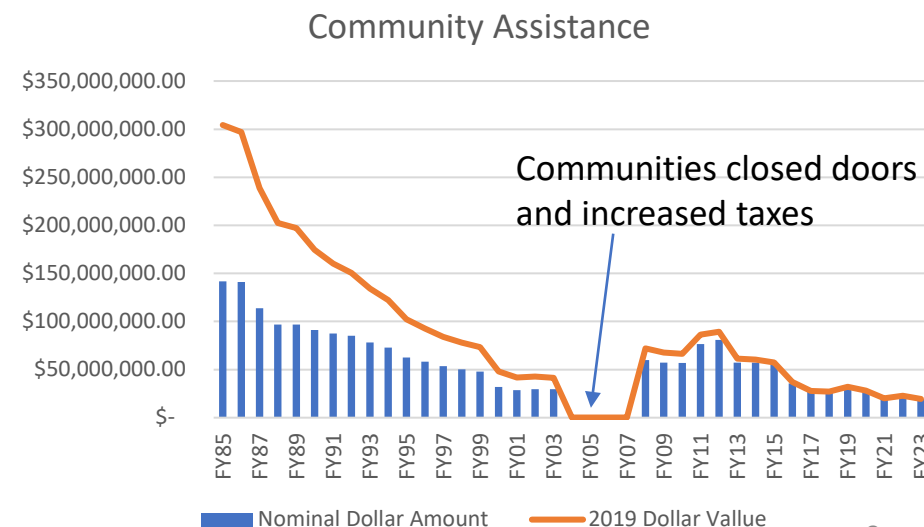
# Community Assistance

Background: In place since 1968, this is a cooperative agreement in place to resource local governments so that they may provide essential services on behalf of the State.



Table 1  
The Categorical State Revenue Sharing Program FY 70 and FY 80

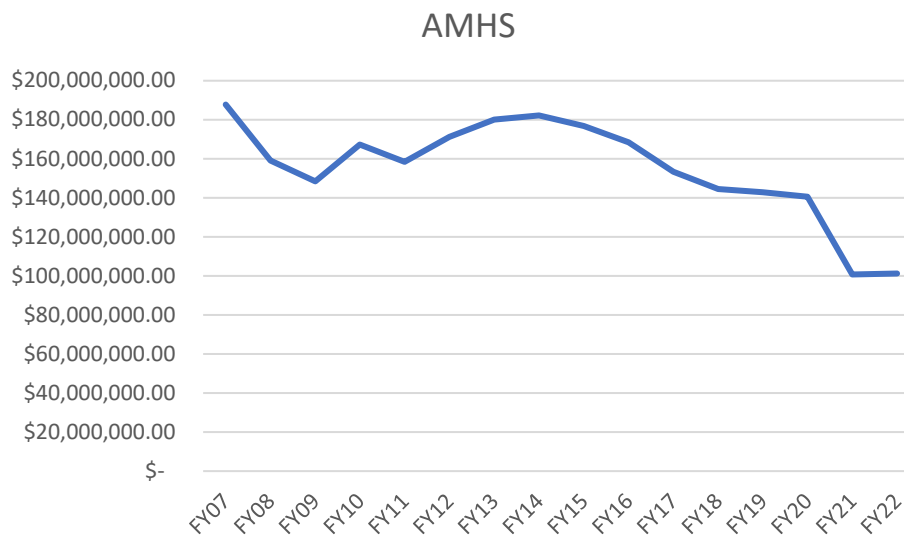
Public Service Category	1970	1980
1) Police Protection per capita	\$5.00	\$12.00
Military per capita*		6.00
2) Fire Protection per capita	2.50	7.50
3) Air or Water Pollution per capita	1.00	2.00
4) Land Use Planning per capita	1.00	2.00
5) Parks and Recreation per capita	NA	5.00
Military per capita		1.25
6) Transportation Facilities per capita	NA	5.00
Military per capita		2.50
7) Road Maintenance per mile	1,000	1,500
8) Ice Roads per mile	NA	900
9) Health Services per capita	NA	2.00
10) Hospitals per facility > 25 beds	NA	75,000
< 10 beds		25,000
per bed		1,000
11) Health Facilities per bed	NA	1,000
per facility		4,000
12) Hospital Construction Aid per bed	NA	2,500**
Total Revenue Sharing Appropriation	\$ 2 million	\$26.9 million



## Why invest in AMHS?

### 33 AMHS port communities

- 119,170 residents
- 2,275 employees
- \$332 million in taxes
- \$584 million budgets
- Tax as % of budget = 56%
- \$73 million to education
- 20 have police powers (60%)
- 25 are PERS employers (75%)
- 15 receive \$3.7 million in PCE
- \$720 million in Bond debt
- \$24 million in fisheries taxes



### 106 cities served only by air

- 62,795 residents
- 1,064 employees
- \$54 million in taxes
- \$137 million budgets
- Tax as % of budget = 39%
- \$6.5 million to education
- 43 have police powers (40%)
- 34 are PERS employers (32%)
- 94 receive \$16.3 million in PCE
- \$25 million in Bond debt
- \$4.2 million in fisheries taxes

### Benefit

Chart 14. Top 10 Alaska Communities Visited by Non-Resident AMHS Passengers, 2011



658,959  
Alaskans

Chart ES-2. Number of AMHS Trips Booked by Community of Residence, Top 10, 2014



## PERS: Actuarial Determined Contribution Rate

Total rate is 30.11%

- Pension Benefits is 20.89% = Normal cost of 2.58% / Past service rate of 18.31%
- Healthcare Benefits is 3.12% - No past service rate
- DCR is 6.10%

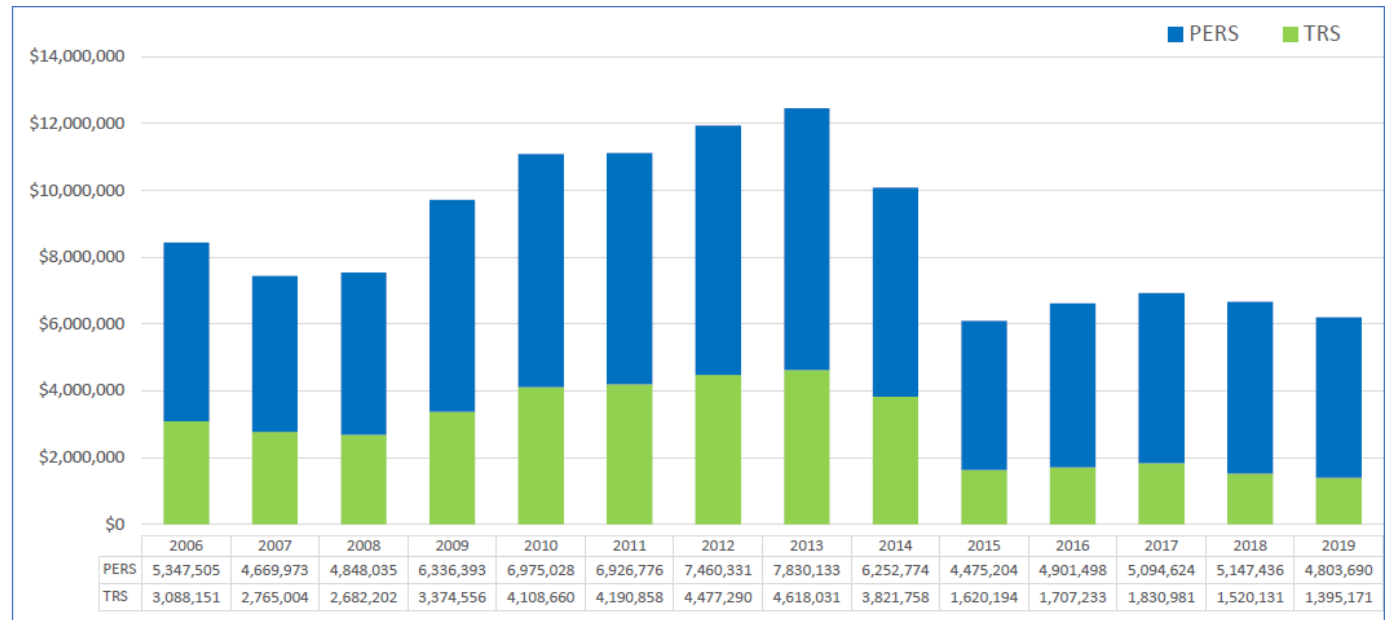
FY19 \$592M Municipal Payroll

- PERS is \$132 million w/ 22% cap
- \$50M more at full rate

64 municipal employers = 18% of PERS

15k PERS/TRS DB employees

29k PERS/TRS DC employees



## Keeping up with Education

Appears to keep up with inflation, but reality is:

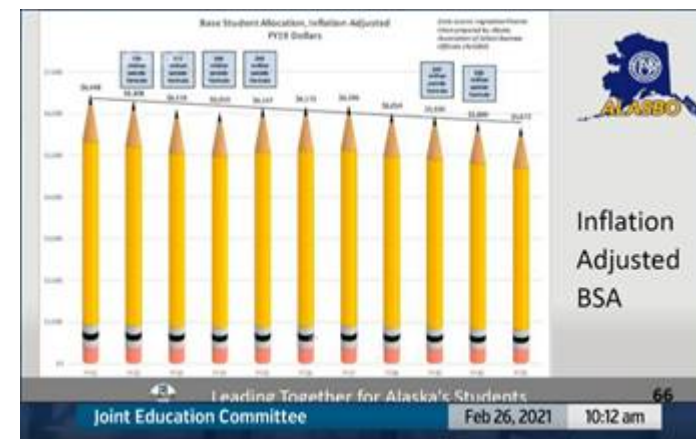
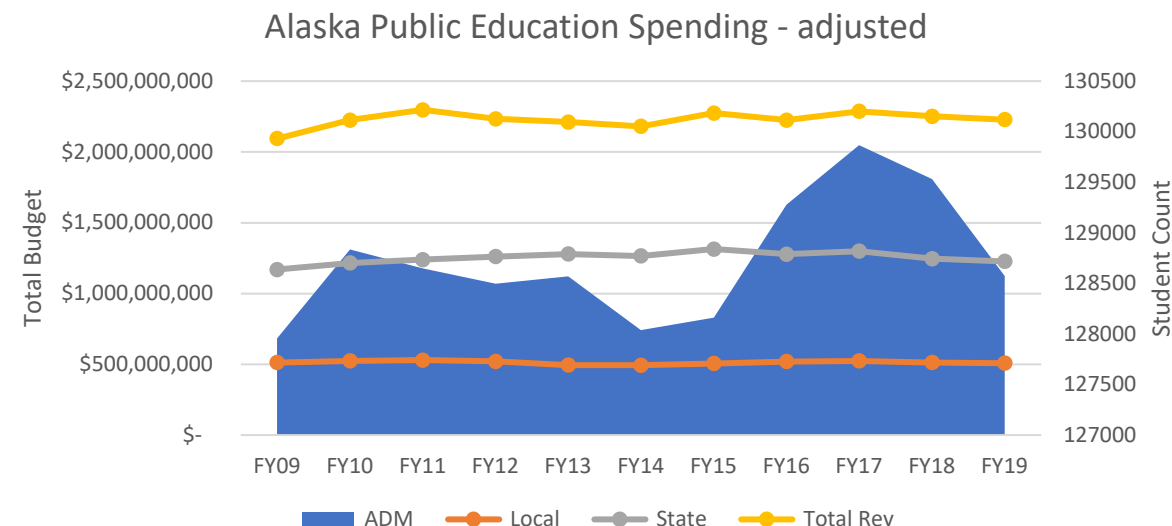
- Adjustments for ADM
- Fails to adjust for increased costs of health or retirement

Schools asked to do more with less

Avoiding litigation:

- Kasayulie – rural inadequacy
- Moore - adequacy
- Mat Su – operations v. instruction
- Ketchikan – public education clause

*Wheelock (2017) argues that the Public Education Clause has not been challenged, and that “a claim that the state has the responsibility to fund public education at a minimally constitutionally adequate level could succeed” (p. 125).*



## Community and Regional Jails

15 local governments provide community and regional jails on behalf of the State's criminal justice system

Essentially State holding cells for pre-trial services.

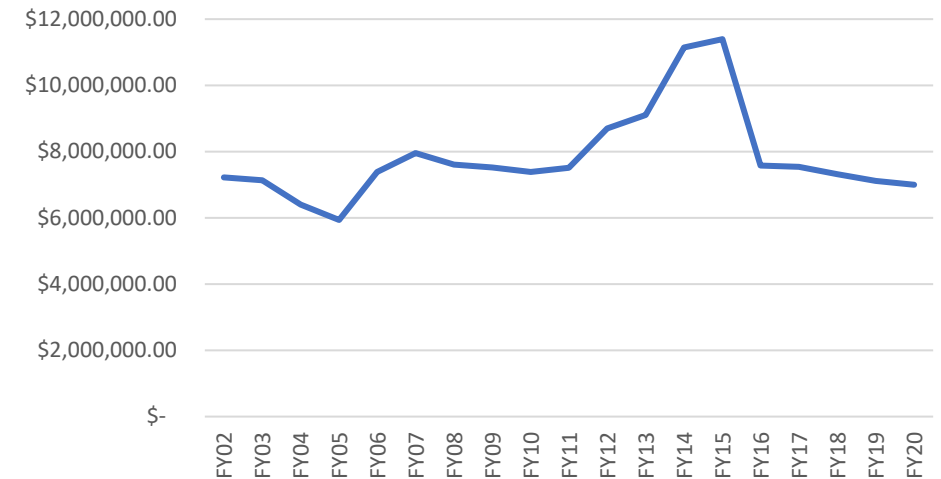
- Would require increases to DOC and DPS budgets if not provided

State funding has been static for the last six years; pre-2002 levels of State investment.

In many cases, State funding is only 50% of the full cost of managing the jail on the State's behalf, and in all cases does not cover full costs.

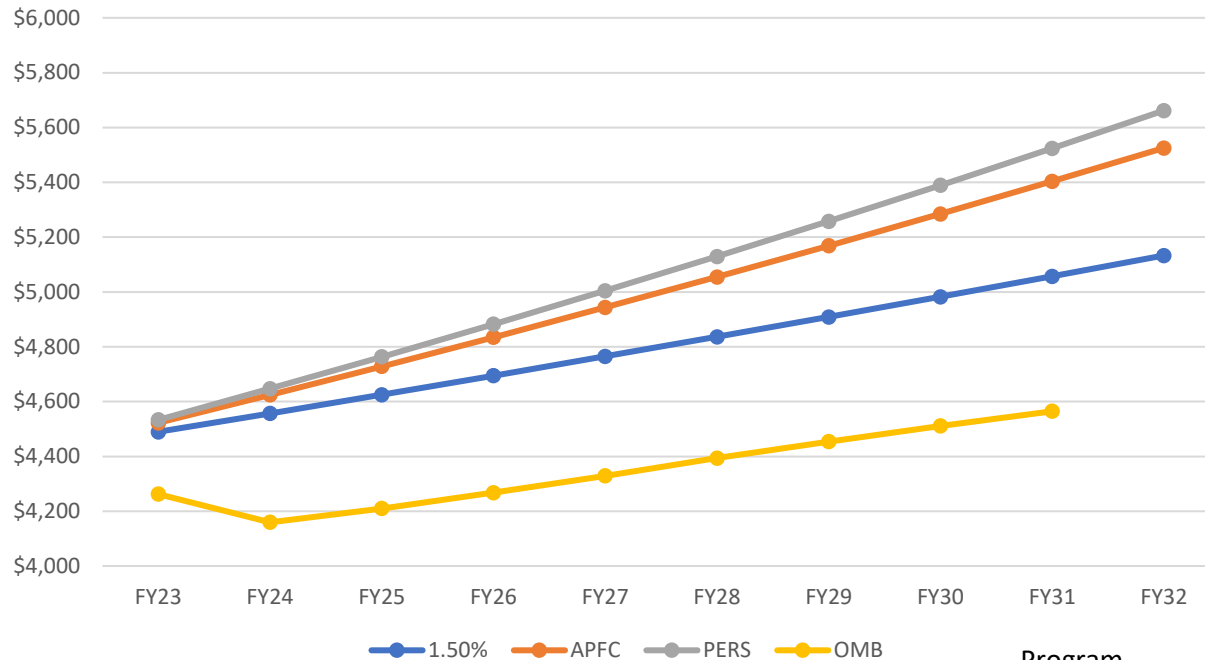
- Haines receives \$247k for \$500k in expenses
- Kodiak receives \$1.1M for \$1.4M in expenses
- Petersburg receives \$173k for \$393k in expenses
- Seward receives \$368k for \$685k in expenses
- Dillingham receives \$555k for \$674k in expenses

Community and Regional Jails - State Funding



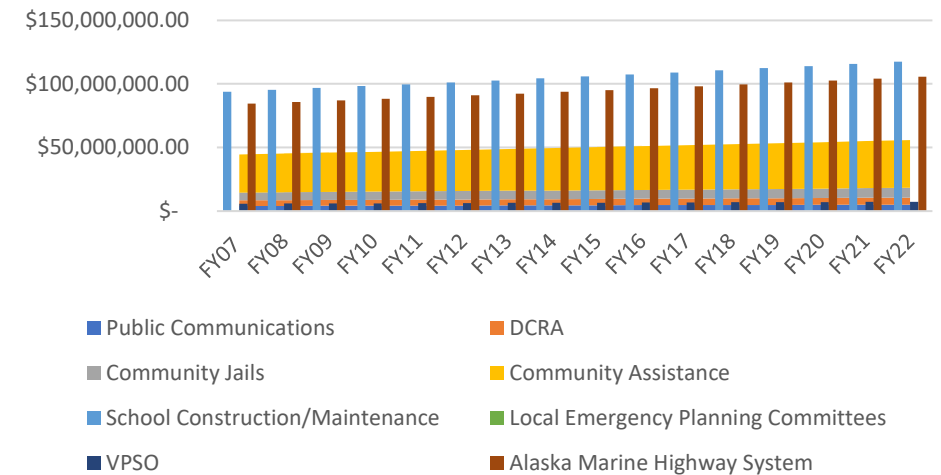
## How should we look forward?

Inflation Expenditures 10 Year Budget



*The Constitutional amendment for a spending cap passed in 1982, with a budget then of \$3.2 billion. The budget should have increased between then and 2017 – adjusted for inflation and population growth – to be \$12.9 billion. That would have been 26% above the 2017 budget [during those years of high spending]. OMB, 2017*

Inflation-Adjusted Programs



Program	FY07	FY22 – infl. adjusted	FY22 - proposed
Public Communications	\$ 4,098,500.00	\$ 5,124,076.13	\$ -
DCRA	\$ 4,407,200.00	\$ 5,510,022.76	\$ 4,076,800.00
Community Jails	\$ 6,115,400.00	\$ 7,645,669.18	\$ 7,000,000.00
Community Assistance	\$ 30,000,000.00	\$ 37,506,962.00	\$ 22,894,200.00
School Construction/Maintenance	\$ 93,935,000.00	\$ 117,440,549.18	\$ -
Local Emergency Planning Committees	\$ 300,000.00	\$ 375,069.62	\$ -
Alaska Marine Highway System	\$ 84,503,000.00	\$ 105,648,360.33	\$ 51,618,300.00

## Stabilizing State Budget

• Community Assistance	\$32 million
• Community and regional jails	\$3 million
• Public television and radio	\$1.5 million
• Alaska Marine Highway System	\$10 million
• DMV offices	\$.5 million
• School funding	\$30 million
• School construction and major maintenance	\$350 million
• School Bond Debt Reimbursement	\$45 million
• Port and Harbor Debt Reimbursement	\$4.5 million
• Harbor facility matching grants	\$14 million
• Local Emergency Planning Committee	\$.5 million
• Mandatory Exemption Reimbursement	\$95 million
• DCRA increase	\$1 million
• Law misdemeanor prosecution	\$1.5 million
• Road and rural airport maintenance	\$10 million
• VPO grants	\$10 million

Proposed FY22 Budget is not a baseline  
= \$608.5 million more

Help local governments prepare for crisis  
management, post-COVID planning

Increased capacity and competency of  
Local Government Specialists

Local governments need funding  
for travel and training, insurance,  
payroll, housing, equipment



## Addressing an Infrastructure Deficit

How do we plan for a \$21.9 billion list of infrastructure needs, in terms of time and resourcing?

• School construction and major maintenance	\$2.3 billion (\$17 million or .07%)
• Water and Wastewater – rural	\$1.6 billion (\$86 million or 5%)
• Water and Wastewater – urban	\$1.6 billion (\$0)
• Local capital needs	\$4 billion (\$10 million or .02%)
• Port and Harbor needs	\$389 million (\$14 million or 3.5%)
• State deferred maintenance	\$2.7 billion (\$50 million or 1.8%)
• STIP	\$5 billion (\$1 billion or 20%)
• Broadband	\$2 billion (\$10 million or 0.5%)
• Jails	\$500 million (\$0)

Need: Develop a planning and prioritization process

- Set a timeline: 5 or 6 years to address, similar to schools and STIP
- Identify sufficient funding levels using debt, leveraged match, and other necessary revenue



## School Construction and Major Maintenance Grants

- Average \$ funded = 14%
- 30 of 221 construction projects, or 13.5%
- 88 of 1,145 maintenance projects, or 7.6%

1,008 schools - 429 older than 40 years old; 461 original  
757 municipal owned/maintained schools

- FY22 School Construction = \$162M
  - REAAs \$145M    Municipal \$17M
- FY22 Major Maintenance = \$187M
  - Municipal \$119M    REAAs \$68M
- Compare to FY15 Maintenance List
  - Municipal \$72M    REAAs \$98M
- FY22 Proposed Budget = \$0
- FY22 Six-year plan = \$1.3B    FY22 Need: \$500M
  - If calculated on average request = \$2.8B since FY11
  - 16 Districts did not submit any project needs

Fiscal Year/List	Number of Projects	Total Eligible State Share	Number of Projects Funded	Amount Funded
FY2011 Construction	35	\$411,643,149	3	\$128,500,000
FY2011 Maintenance	130	\$272,421,065	8	\$24,786,959
FY2012 Construction	32	\$313,999,772	3	\$61,910,901*
FY2012 Maintenance	117	\$275,132,938	15	\$25,854,691
FY2013 Construction	27	\$276,691,304	2	\$60,973,515
FY2013 Maintenance	120	\$267,017,375	13	\$17,979,185
FY2014 Construction	24	\$284,133,432	3	\$60,619,572
FY2014 Maintenance	111	\$253,682,082	13	\$22,991,057*
FY2015 Construction	17	\$274,150,436	2	\$43,279,791
FY2015 Maintenance	102	\$183,505,181	0	\$0
FY2016 Construction	18	\$230,920,120	1	\$43,237,400
FY2016 Maintenance	102	\$172,195,526	4	\$2,623,689*
FY2017 Construction	17	\$206,267,345	4	\$73,735,471
FY2017 Maintenance	98	\$181,570,096	0	\$0
FY2018 Construction	15	\$123,294,419	3	\$46,305,477^
FY2018 Maintenance	107	\$164,887,094	16	\$0*
FY2019 Construction	11	\$179,214,343	7	\$42,527,459
FY2019 Maintenance	84	\$142,892,281	17	\$27,653,300*
FY2020 Construction	11	\$190,353,374	2	\$20,082,467*
FY2020 Maintenance	72	\$112,247,626	1	\$7,365,723
FY2021 Construction	14	\$142,797,809	0	\$0
FY2021 Maintenance	102	\$148,986,253	1	\$34,277*

Industry standards indicate that 2% of building value is needed, annually, to meet capital renewal needs of existing buildings... and suggest an additional 1% of replacement value... for deferred maintenance. At \$9.4 billion, the annual amount for Alaska would be \$283 million. The average annual funding over 11 years is \$69.5 million, state and local share, through the grant program. Through debt reimbursement, another \$65.7 million annually in project value is added for a total annual amount of \$135.2 million – helpful, but only 48% of the forecasted need. DEED, 2021

## Municipal Roads - Transportation

### Roads and Airports

- 5,500 road miles = DOT road miles
- Municipal transportation budgets = \$190 million
- Annual Need = \$154-308 million maintenance
- Projects in boroughs: STIP \$2.8 billion (\$4k/capita)
- Projects unorganized: STIP \$1.9 billion (\$47k/capita)
- Six municipal airports, with local maintenance of many State airports

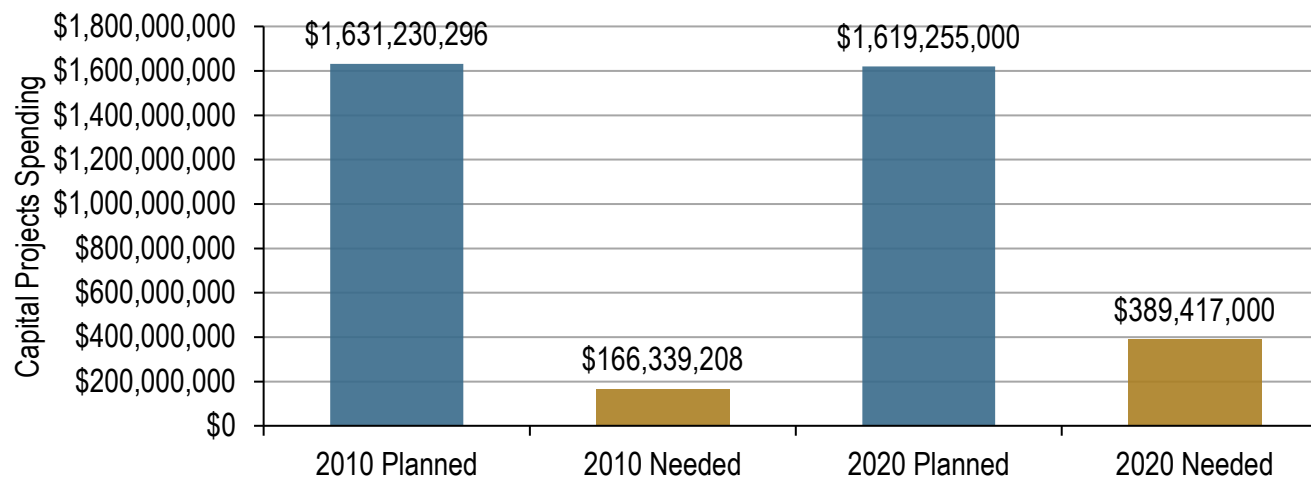
<b>TIDSR/ HB528 Municipal Projects</b>	<b>Vetoed FY21</b>	<b>DebtFY20</b>
Mat-Su –port/road upgrade	\$710,563	\$4,972,002
Aleutians East – False Pass harbor	\$168,001	\$2,867,653
City of Valdez - harbor	\$207,500	\$2,730,534
Aleutians East – Akutan harbors	\$212,748	\$3,604,242
FNSB – Eielson AFB schools	\$337,674	\$4,737,896
Unalaska – harbor improvements	\$366,695	\$6,624,136

Reimbursement not included in Governor's proposed FY22 Budget.

### Ports and Harbors

- 133 Public Ports and Harbors
  - Local governments own 117 of those
- 82 municipal facilities transferred by DOT&PF
- Ports and Harbor Matching Grants (2007-2019)
  - Requested: 98    Awarded: 45
  - \$199,273,401.50 (of \$398,546,803)
  - Total harbor grants awarded - \$84,529,551.00
- AMHS terminals (STIP): \$68.25 million
  - No other port and harbor improvements

Total Need 2010: \$595 million



## Municipal Water and Sewer

SRF from 1989-2019 - a total of 275 projects that were advanced,

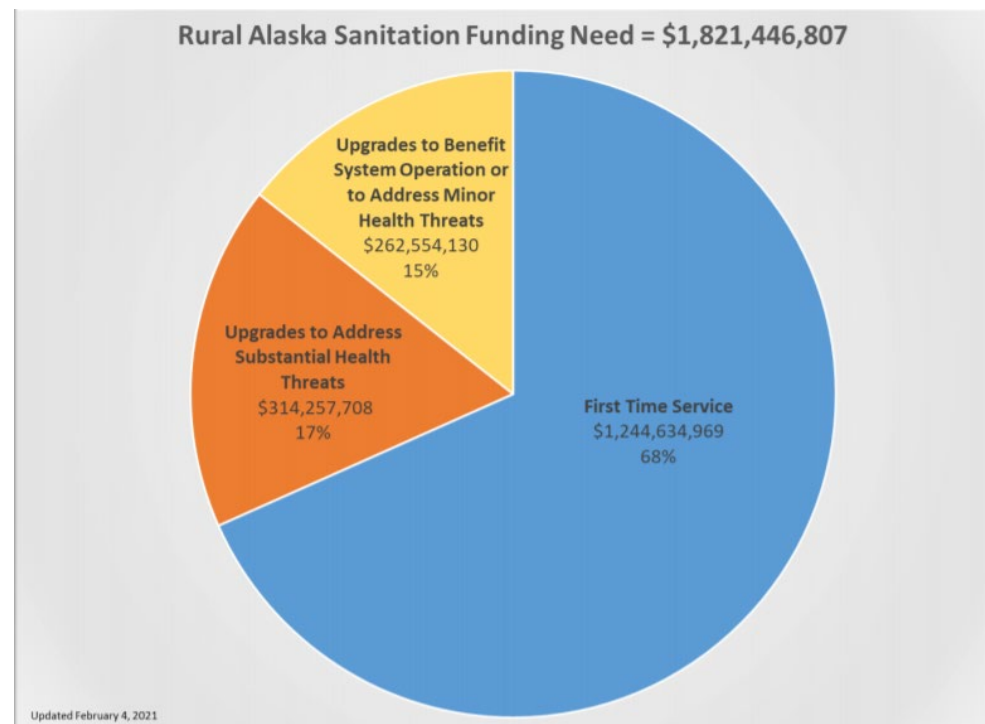
- 30 applied for from cities within the Unorganized Borough for a total of \$34,301,207
- 245 projects (89% of all projects) advanced by cities within organized boroughs or by boroughs themselves account for \$504,349,476 (93% of the total funding).

VSW from 2015-2020 - 259 projects have been funded, including a total of \$80,202,219 of State funding, the 25% match for federal funds of \$224,584,607.

- Of that, 206 projects within the Unorganized Borough accounted for \$61,740,725 of State funding, or 77% of the total State expenditure.

The loan program required nearly the same amount of State funding as the grant program: \$61,471,546 from 2015-2019 compared to the VSW's \$61,740,725 from 2015-2020.

- SRF funds are not free, repaid to the State over time at 1.5% interest



## Continuity of Operations

- COVID Response
  - Public health emergency
  - Economic crisis
- CARES Act
  - Restricted federal relief
- American Rescue Plan
  - Latest round of federal relief

Goal:

- Stabilize Government → Economic Recovery

**“We’re hosed.”**

**Anonymous Mayor**

## COVID's Impacts

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In response to the pandemic and impacts of vetoes, local governments have maintained fiscal stability and:

- Implemented furloughs or reduced staff hours
  - Increased or added new taxes
  - Accessed grant programs or took out loans
  - Spending down of emergency reserves
  - Adjusted prior year appropriations.
- Eliminated or reduced programs or services
  - Waived fees or other normal charges
  - Reduced capital budget
  - Eliminated travel and training

At the same time, the Governor asked of local governments appropriate local level actions in response to the pandemic. This meant that instead of statewide orders, local governments were charged with implementing public health mitigation strategies in response to CDC and DHSS guidance. This included:

- Emergency operations centers and incident commanders in place
- Metrics for evaluating risk levels and responses
- Public health mitigation measure
- Economic support mechanisms

157 cities and boroughs have applied for and received at least their 1<sup>st</sup> disbursement of CARES Act funds

- 25 communities have not requested CARES Act funds - only 8 of those are municipal
- \$16.5M of \$568M not yet disbursed, or 3% of all funds
- 88% of all funds reported spent by original deadline of 12/30/2020; 91% last month
  - Many delayed attributing expenditures when the extension occurred
- \$552 million has been distributed!

### Expenditures:

- |                    |        |               |       |
|--------------------|--------|---------------|-------|
| • Payroll          | \$197M | Public Health | \$68M |
| • Economic Support | \$232M | Other         | \$18M |

The CARES Act CRF came with restrictions, and provided extensive but not always clear guidance along the way:

1. Public safety, emergency operations payroll presumed as allowable expenditure, and schools
2. Economic assistance clearly allowable, and dozens of grant programs established
3. Public health and actions taken to that effect was allowable

## COVID's Impacts

Local governments have experienced the pandemic differently, but all have felt an impact. The real differences are 1) lost revenue, and 2) implementation of public health actions.

Adak –lost taxes and fees

Anchorage – lost taxes and fees

Anderson – 60% decline due to lost tourism

Aniak – did not bill city customers for three months

Brevig Mission – closed bingo and pull tabs resulting in lost staff

Chevak – closed bingo and pull tabs resulting in staff reductions

Coffman Cove – reduced moorage fees

Cordova – revenues declined

Craig – sales tax down 20%, bed tax down 50%; employee furloughs

Denali Borough – lost taxes and fees

Dillingham – forgiving interest and penalties on taxes, utility fees

Fort Yukon – lost revenue due to gaming; staff reductions

Grayling – 30% reduction in revenue

Holy Cross – bingo and pull-tab closures resulted in employee layoffs

Hughes – reduction resulted in staff and hour reductions

Huslia – down 8% leading to reduction to public services

Juneau – lost taxes and fees

Kake – losses of 35-45%; staff reductions

Kenai Peninsula Borough – lost taxes

Ketchikan Gateway - lost revenues

Marshall – furloughs and reduced hours

Metlakatla – lost fees

Petersburg – lost taxes and fees

Platinum – decrease in revenues

Sand Point – lost taxes and fees

Saxman – reducing staff

Seward – lost taxes

Shaktoolik – 2-5% drop in sales tax

Skagway – lost taxes and fees

Soldotna – stayed the same

St. Michael – lost taxes and fees

Unalakleet – loss of taxes and fees

Whittier – loss of taxes and fees



## American Rescue Plan

- \$1.02 billion to State of Alaska
- \$112.2 million to State of Alaska – infrastructure/capital
- \$45 million to Anchorage (CDBG metropolitan)
- \$43.5 million to all other cities - DCCED
- \$141.8 million to boroughs and census areas
- \$358 million to school districts – DEED
- \$400 million to tribes; \$1.7 million each
- \$152 million for emergency rental assistance - AHFC
- \$43 million to LIHEAP - DHSS
- \$74 million to CCDBG and Childcare Stabilization Grants - DCCED
- \$11 million to Anchorage and \$3.7 million to Fairbanks for transit
- \$2.74 million for rural transit – DOT&PF

### Allowable Expenses

- Respond to the COVID-19 emergency and address its economic effects, including through aid to households, small businesses, nonprofits, and industries such as tourism and hospitality.
- Provide premium pay to essential employees or grants to their employers.
- Provide government services affected by a revenue reduction resulting from COVID-19.
- Make investments in water, sewer and broadband infrastructure.

- **Stabilize governments**
- **Find savings**
- **Targeted relief**
- **Capital investments**
- **Partner for benefits**



## Federal Relief –

Local governments have not been made whole:

- (Lost revenues + vetoes + additional expenses) – (CARES Act + American Rescue Plan) = +/-
- CARES Act restrictions limited benefits to local governments; increased benefit to communities
- Resident/business expectations may be for continued support w/ little capacity at local level

Disproportionally impacted communities (and sectors – fishing/tourism): ARP funding/less the revenue shortfall

Adak: \$71,908, with **\$901,000**

Denali Borough: \$203,350, with **\$4-7 million**

Haines Borough: \$245,338, with **\$4,068,000**

Hoonah: \$183,589, with **\$2,700,000**

Juneau: \$6,416,092, with **\$10,000,000**

Ketchikan: \$859,001, with **\$7,000,000**

Ketchikan Gateway Borough: \$1.4M, with **\$6.2M**

Petersburg: \$316,710, with **\$500,000**

Sand Point: \$289,928, with **\$1,500,000**

Skagway: \$114,717, with **\$5,000,000**

Whittier: \$52,796, with **\$1,500,000**

Wrangell: \$502,066, with **\$1,000,000**

Yakutat: \$56,146, with **\$1,000,000**

These impacted governments are faced with budget decisions that include laying off staff, reducing services, delaying capital projects, spending down reserves, and otherwise addressing revenues. That leaves them in a poor position to support residents and businesses during a dramatic economic decline; it may result in outmigration. The State of Alaska may consider additional support for communities in this position.

## A Case for Revenue

The need is too great - federal relief doesn't address adjusted baseline, underfunding, infrastructure

- Underfunded Priorities
  - Public safety, education, community assistance, health
  - Pensions and debt, unfunded mandates
- Economic Recovery and Growth
  - Reducing transaction costs and outmigration
  - Communities and sectors disproportionately impacted
- Infrastructure Deficit
  - Water/sewer, local CIP, deferred maintenance, roads, ports
  - Obligations like school construction and major maintenance

### Little Fires Everywhere

- Match for bulk fuel tanks, powers systems
- DHSS - SEMT
- DOT - Rural Transit
- DEC – spill response, health inspectors
- DEED – maintenance increase

Action necessary this year for implementation in future fiscal years

# Eight Stars of Gold



**Fulfill  
Constitutional, debt,  
and statutory  
obligations**



**Implement a  
broad-based tax and  
other revenue  
measures**



**Ensure sustainable  
draw from the  
Permanent  
Fund**



**Make appropriate  
changes to the  
Dividend formula**



**Address the  
infrastructure deficit**



**Leverage partnerships to  
achieve goals**



**Provide targeted  
economic relief**



**Adopt a reasonable  
spending cap**



# Strengthening Alaska's Local Governments

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