

CITY OF UNALASKA
43 Raven Way - P.O. Box 610
Unalaska, Alaska 99685
Tel (907) 581-1251 FAX (907) 581-1417



March 31, 2019

Representative Foster, Co-Chair
Representative Wilson, Co-Chair
House Finance Committee

The City of Unalaska is adamantly opposed to Governor Dunleavy's proposal to repeal the school bond debt reimbursement. The Governor has repeatedly promised to restore "trust in government." It is disingenuous that one of his first steps toward doing so is by breaking a promise the State made to those voters and to those local governments.

The promise made to voters was that the State would pick up 60-70% of the school bond debt and those taxpayers would pay for the rest. While there's a provision in the agreement that this is subject to appropriation, it is the general understanding that the State would honor its obligation. The impact to just the City of Unalaska is nearly \$1.0 million dollars, this is a hard hit to our small community.

Balancing the State's budget on the backs of local governments does not restore trust in government. In fact, taxpayers and voters will clearly feel like their trust has been violated. Local governments are incredibly diverse and the State shifting almost a billion dollars their way will be met with differing approaches and impacts across the state. In many cases, this cost shifting will be devastating to our children and our communities.

Local governments have responsibility for the budgets that they deliver to taxpayers. For the municipalities with school bond debt, which this year will be \$100 million, those budgets will be negatively impacted. Not only is the Governor proposing that today's bond debt can't be paid, but an entire repeal of that obligation will shift all most a billion dollars to local taxpayers without truly reducing the foot print of State Government, only cost shifting.

Alaska residents and municipalities made their decision to support schools in good faith, faith that has been broken. The message to Alaska voters and to taxpayers is that the State cannot be a trusted partner. One thing is for sure, taxpayers will be less likely to approve increased taxes for bond debt in the future.

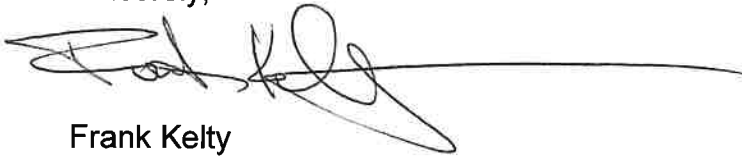
While options to address this vary, they are limited by voter approved tax caps, available cash reserves or tax bases, and participation in State pension programs. In some municipalities, where there isn't a property tax, and the State preempts collection of fisheries taxes that they depend on, there are few alternatives. What happens when the outcomes of the budget reductions are that residents leave, and the tax base is

further deteriorated? There are many consequences associated with this appalling proposal

Further, the repeal of school bond debt reimbursement is not singular; municipalities face multiple impacts from the Governor's proposals. The combination of cuts and cost-shifting makes dealing with any single issue that much more challenging.

The State must not renege on its promises. A commitment to school bond debt reimbursement should be honored just like any good faith agreements. If we are to restore trust in government, then following through on promises – especially when it comes to schools – must be at the top of the list.

Sincerely,

A handwritten signature in black ink, appearing to read 'Frank Kelty', followed by a long horizontal line extending to the right.

Frank Kelty
Mayor