

House Finance Committee

Public Testimony

HB 234 – FY20 Supplemental

Emails received to

HouseFinance@akleg.gov

Feb. 17, 2020

Supplemental Budget Testimony – 2/14

AML is very appreciative of the work done thus far by House Finance, and the diligence of the subcommittee process.

Our members are also following the development of the Supplemental Budget, and thank the Governor for what's included in the proposal.

Members have identified, however, three items not in the Supplemental, but that we think should be.

Community Assistance

It was just in 2016 that local governments saw their Community Assistance reduced by 50%, in response to the State's fiscal condition. In many ways, local governments have done their part. The veto of \$30 million to recapitalize the Community Assistance Fund in FY20 has resulted in an FY21 payment that is reduced by another 30%.

Reductions to the Municipality of Anchorage, for instance, will mean a 91% reduction from last year. For many communities it represents a sizeable portion of their overall revenue. For example, for the community of Kwethluk, population 814, the estimated cut of \$11,475 represents 66% of their FY18 tax revenue. There are few options for making up the difference.

The following represents reductions by region:

- | | |
|-------------------------------|-------------|
| • North | \$144,712 |
| • Northwest | \$258,868 |
| • West | \$324,762 |
| • Interior | \$1,657,463 |
| • Aleutians/Bristol Bay | \$411,786 |
| • Mat Su | \$1,765,563 |
| • Anchorage | \$4,138,615 |
| • Kenai | \$1,244,860 |
| • Kodiak/Prince William Sound | \$291,024 |
| • Southeast | \$1,066,486 |

The cuts will lead to an erosion of critical public services – from public safety to education – and potentially the need to increase local taxes in those communities with the capacity to do so.

By reinstating the recapitalization to make the Community Assistance Fund “whole” this Supplemental Budget will contribute to community capacity to deliver services that the State would otherwise need to.

School Bond Debt Reimbursement

I was here last year when a Committee member stated that a “debt is a debt.” Unfortunately, that statement was made about a topic taken up immediately after discussing school bond debt reimbursement, and for school bond debt reimbursement a debt was not a debt. That’s not the reality for the 19 local governments and school districts impacted by the reduction to reimbursement of 50%.

We have local governments spending from maintenance funds, school districts shifting funds from their operations, and local property taxes increasing. For municipalities, there is no ability to avoid the debt, and their increased share when the State chooses not to reimburse for their portion.

During a period where the FY21 proposed budget allocates no funding to school construction and major maintenance, when over the last ten years the State has only funded the project priority list an average of 16%, and when there remains a moratorium on school bond debt reimbursement, it has to be asked how the State is meeting its Constitutional obligation to provide public education.

AML members have overwhelmingly voted in support of the State’s full reimbursement of this program, and request that this body include in the Supplemental Budget 100% of the State’s obligation.

Alaska Marine Highway System

AML members passed resolutions in November that 1) call for short term action to address service gaps and 2) for long term solutions. The Supplemental Budget currently includes a request for funding to address Department budget shortfalls, but doesn’t contribute to addressing current operational deficiencies.



ONE SEALASKA PLAZA, SUITE 200 • JUNEAU, ALASKA 99801
TEL (907) 586-1325 • FAX (907) 463-5480 • WWW.AKML.ORG

Member of the National League of Cities and the National Association of Counties

The current condition of the Alaska Marine Highway System is not only a health and safety matter it is threatening the economic and social fabric of Alaska communities. Stores remain unstocked, hospital visits are postponed or canceled, visitors and residents are stranded, and businesses face a fishing and tourist season unable to meet the demands of either. This, very simply, can't go on.

The Alaska Municipal League has conferred with AMHS communities to better determine next steps, and we're working to supply the Legislature with information relevant both to the Supplemental and Operating budgets, but also to next steps. Together, we want to contribute to the solutions on hand.

Between now and the summer schedule, the majority of these communities will not see service, just as they have not these last few months. Some have tried to organize self-funded charters, both for passengers but mainly for freight. Many are considering this anew in preparation for a summer season that determines their residents' livelihoods.

While we're encouraged of the House Finance Transportation Subcommittee's additional funding for FY21, AML believes that some level of additional funding should be included in this Supplemental to address current gaps in service.

Additionally, AML is requesting an appropriation of at least \$1 million to meet what coastal communities consider a disaster. This one-time grant would be administered to reimburse local governments for their costs in finding alternative solutions while the bulk of the AMHS fleet is tied up. These funds can be managed by the Department, or we're also willing to process these grants funds, at no cost to the State. Again, the goal is to meet immediate needs.

This is not an idle request, nor ideal. This is a request of desperation, so that local governments can respond to the urgency and need felt by their residents. We hope that in the future that a request like this should never again be necessary, and that the sustainability of the system remain a priority.