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

Thank you, Chair and members of the House Labor and Commerce Committee, for this opportunity to say a few words about infrastructure from a municipal perspective. For the record, my name is Nils Andreassen, Executive Director of the Alaska Municipal League.

I want to say that Alaska's local governments own and work to maintain the majority of Alaska's public infrastructure. I can't say that outright because it requires some fact-checking, but it's plausible:

- As many road miles as the Department of Transportation
- 87% of Alaska's ports and harbors
- 75% of all schools
- 47 libraries
- 37 power utilities
- The majority of water and sewer systems
- 15 jails
- 109 municipal governments are responsible for maintaining landfills

I think it's important to think about this as a starting point for this committee's consideration, and I encourage us all to think about more than what the State owns or maintains. Together, we should think about these systems of infrastructure that then overlapping layers of jurisdiction provide or contribute to. As part of this, we can think about the goals of infrastructure.

A good starting place is the Constitution – here there are clear obligations of the state to maintain a system of public education, the University system, public health, and public welfare. Public safety probably falls into the latter.

Transportation and energy infrastructure falls right on the line, potentially, but squarely with economic development. Where economic development itself might be a goal, the provision of that infrastructure serves as a way to reduce the transactional costs. Essentially what we're trying to do is lower the costs of doing business in Alaska, even as we contribute to quality of life.

Those goals are probably consistent across levels of government, and at the local level infrastructure is what keeps communities whole. Ensuring access and affordability helps to maintain sustainable communities and slows outmigration. That's a major reason for localities to dedicate approximately or well more than half their budgets to maintaining this infrastructure.

I would say that local governments can't do this on their own. Infrastructure development – construction and maintenance – must be done in partnership across federal, state, tribal, and local governments. When I think of need, this becomes even more critical.

AML has estimated in recent months that Alaska's infrastructure deficit stands at about \$22 billion. That's:

- \$2.3 billion for school construction and major maintenance
- \$1.9 billion for rural water and sewer
- At least that much again for urban water and sewer
- Just for 40 or so of local governments about \$4 billion in capital needs
- Roughly \$400 million for port and harbor needs, with \$1.6 billion in planned projects
- We know that State's deferred maintenance stands at roughly \$2.7 billion
- The STIP has about \$5 billion in projections
- Improvements to community and regional jails is about \$500 million
- Broadband we can posit a low estimate of \$2 billion

That leaves things out. Energy infrastructure, for instance – we appreciate the Governor's proposal to establish an energy independence fund and to capitalize that with \$10 million. What if the need is more than \$1 billion? What about housing infrastructure, where by some measures the need to address overcrowding in Alaska's households would require a \$7 billion investment? What about childcare, where there are few funding sources available for construction of adequate facilities? For broadband, as many as 125 communities have speeds of less than 10 MBpS, when our statewide goal is 50.

Local governments are doing their part. On water and sewer, we know that between 25 communities there is a State Revolving Loan Fund debt of more than \$200 million. 16 communities are carrying \$800 million in school bond debt.

Infrastructure expenditures are roughly 50% of a local government's budget. Local governments carry roughly \$3 billion in debt related to infrastructure.

At the same time, the State's making its own contributions. It has funded on average about 8% of school construction and major maintenance grants, which means that local governments are often making up the difference or these needs are unmet. The State's contribution to ports and harbors often comes through matching grants, which have hovered around \$10 million or so a year recently, when they're included in the budget. Most importantly are the matching funds for federally funded projects. The State's match for Village Safe Water is critical to leverage federal funds. The same is true for addressing needs within the STIP.

When the State isn't able to make that investment in infrastructure – and in particular those investments that it has some responsibility for – that shifts the expectation to local governments, which then have to choose between their own competing priorities. This means making capital improvements or making a contribution to public education or public safety. It also means that a limited tax base is trying to make up for the State's, for infrastructure that's benefit may extend well beyond that community.

I'll leave you with this. It seems like two things are missing right now. First, we would recommend a way for the State to effectively track and evaluate need across the entirety of the infrastructure systems. In a lot of ways, we just haven't been able to get our arms around overall need. This makes it harder to address. Second, we would recommend a mechanism within the budget process for allocating funds to meet those needs at a level that is making a difference, and to have that as part of a long-term plan.

We encourage adequate State infrastructure investment that corresponds to the State's interest in contributing to economic development and meeting its Constitutional obligations.