



Condition of Communities

Fiscal Futures

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Senate Finance * February 17, 2021

State Budget and Municipal Implications

Those municipalities that contribute the greatest to the state's economy, experience the brunt of cuts and cost-shifting

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

Indirect costs to municipalities are the more significant challenge, and may impact rural Alaska disproportionately

- 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

The Basics

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

Few musts – all boroughs, home rule/first class cities – education, planning/platting, and taxation

Serve 825,000 Alaskans

Employ 7,700 Alaskans, or 20,000 combined with schools

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

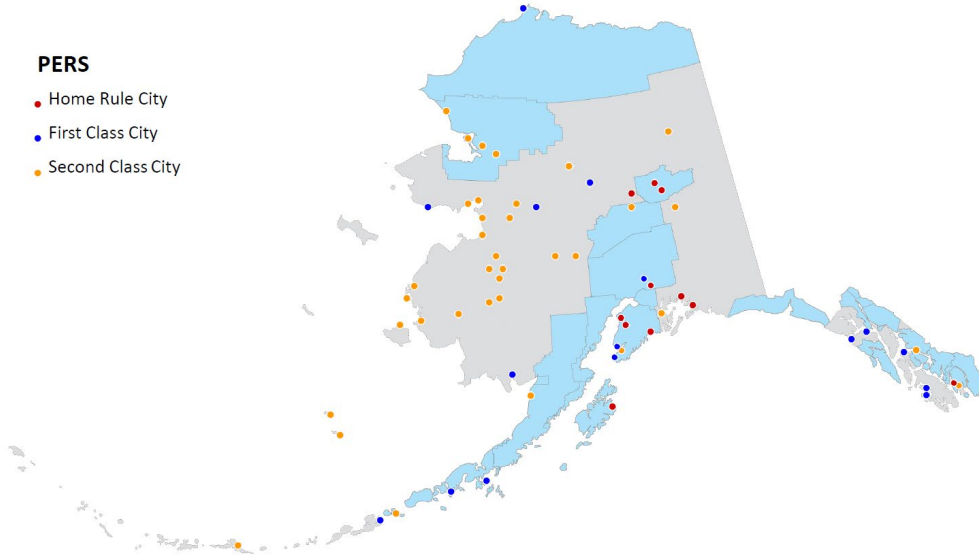
Revenues: FY19 \$2.55B to FY20 \$2.57B

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

Variation

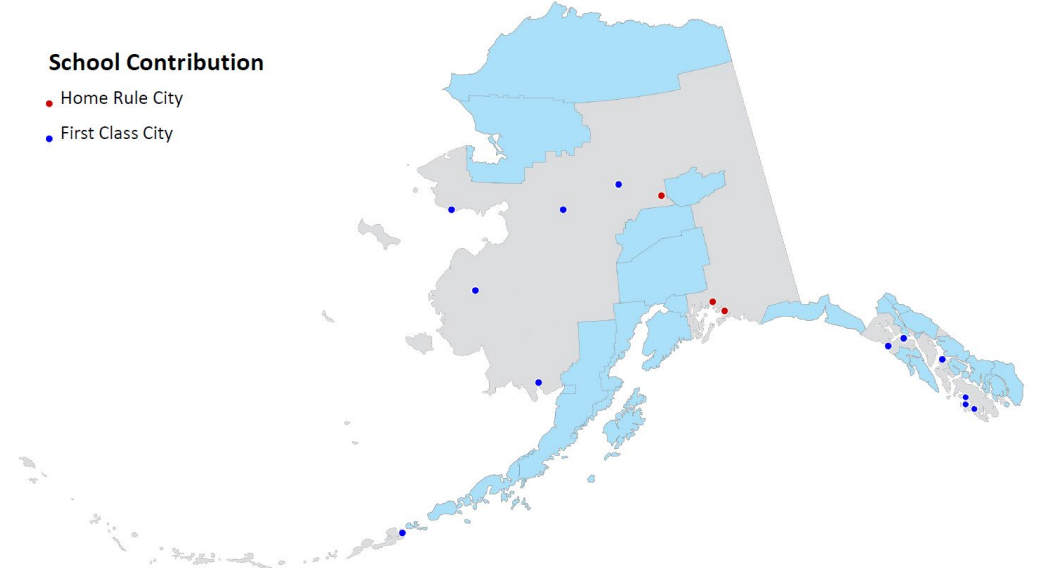
PERS

- Home Rule City
- First Class City
- Second Class City



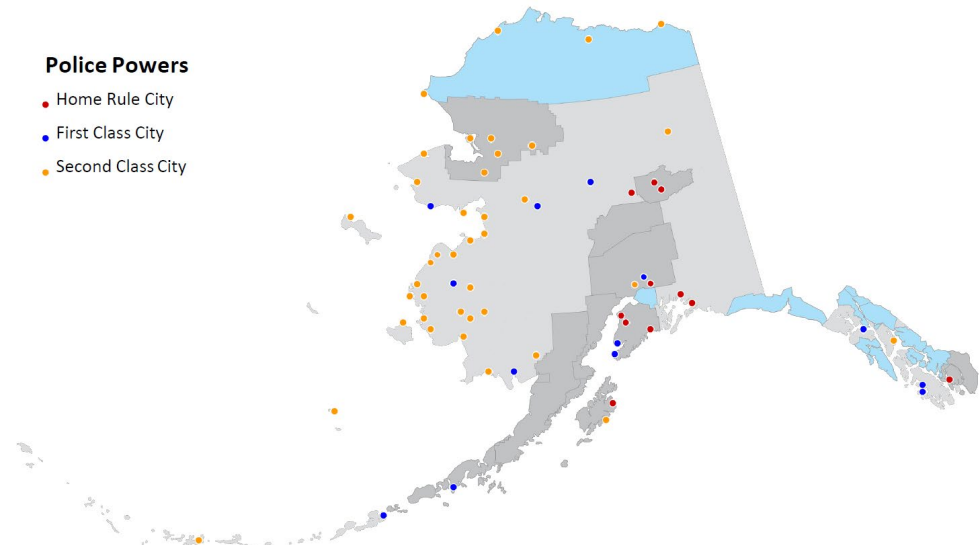
School Contribution

- Home Rule City
- First Class City



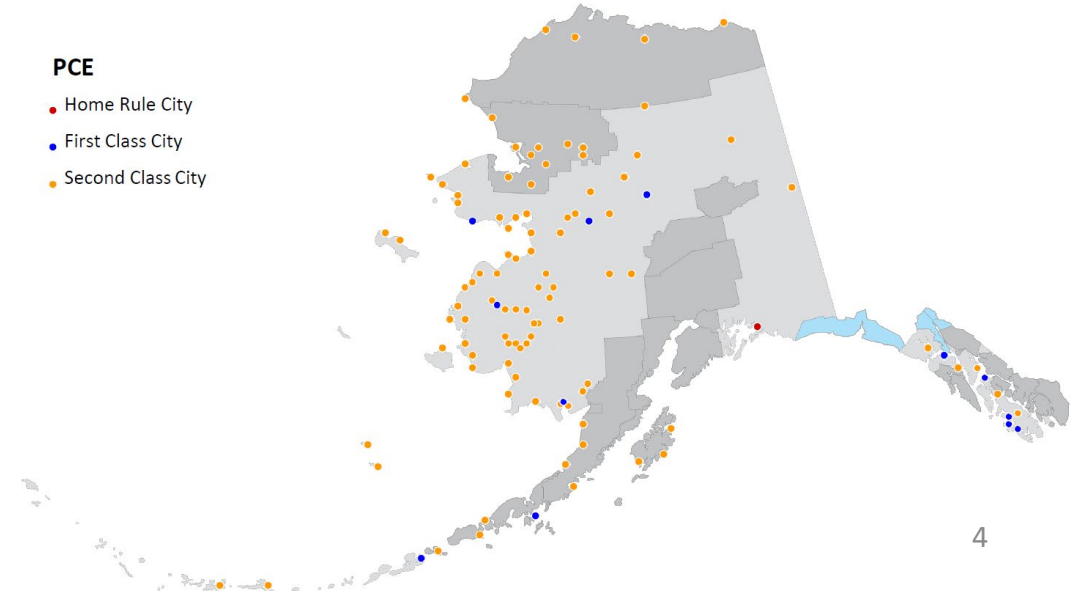
Police Powers

- Home Rule City
- First Class City
- Second Class City



PCE

- Home Rule City
- First Class City
- Second Class City

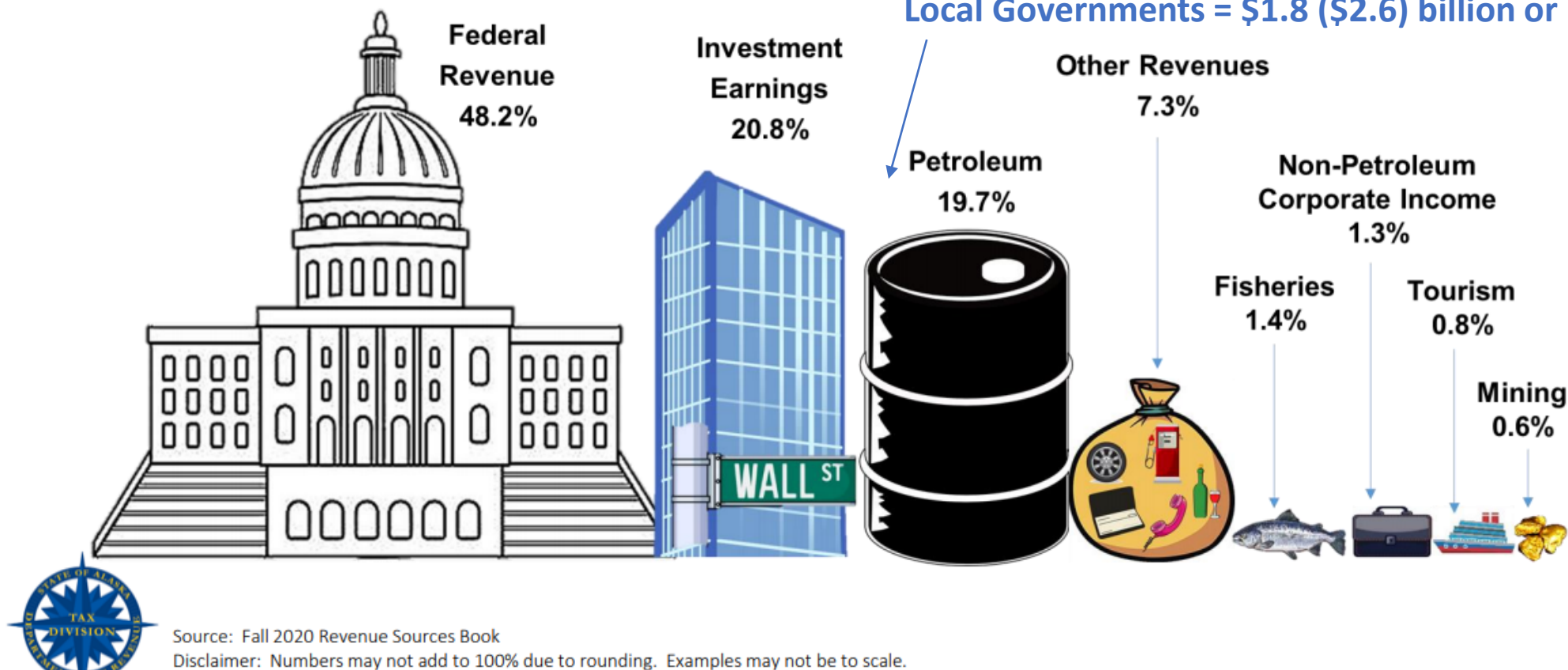


What pays for State government?

Relative Contributions to Total State Revenue: FY 2020

Total State Revenue: \$8.7 Billion Combined = \$10.5 billion

Local Governments = \$1.8 (\$2.6) billion or 17%



Local Government: Revenues

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
- 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

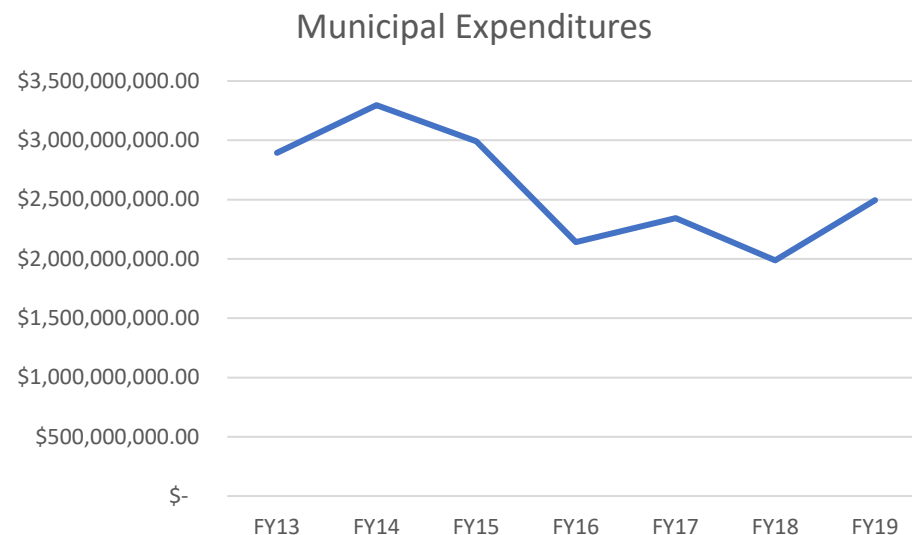
- Municipalities contribute over 25% of State's overall obligation to public education
- Required local contribution - \$256 million in 2018
- + \$230 million beyond what is required

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

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

Public Facilities, Works and Transportation Infrastructure

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





Vetoed programs were directed at programs that reflect the values of the Administration, and its priorities. They were described as hard choices, and impacting a variety of stakeholders, but just as hard a choice would have been to address the State's revenue shortfall. Instead, these vetoes were directed at social support systems that Alaskans rely on. The FY22 budget may reflect this same prioritization. If we look at how vetoes were ascribed, they fall into three or four buckets.

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

Background: State had committed to paying 70/60% of all school bond debt, with 30/40% match by communities, but with clause that held municipalities liable for 100%. There's a current moratorium, which calls into question the State's ability to meet Constitutional obligations.

Challenge: Total debt **\$800,000,000**.

Options:

1. Absorb through current or added revenues
2. Examine legal options based on past payments by State creating condition of confidence
3. Not paying affects credit rating

Impact:

- Other priorities removed from budgets
- Taxes increase
- Spend from emergency reserves

Municipality	Senior Exemption	School Bond Debt
Aleutians East Borough		\$ 663,652.00
City & Borough of Juneau	\$ 3,330,041.00	\$ 6,549,818.00
City & Borough of Sitka	\$ 519,905.00	\$ 1,596,341.00
City & Borough of Wrangell	\$ 341,829.00	\$ 168,613.00
City & Borough of Yakutat	\$ 40,602.00	
City of Cordova	\$ 244,297.00	\$ 953,719.00
City of Craig	\$ 44,807.00	
City of Dillingham	\$ 154,085.00	\$ 742,901.00
City of Nenana	\$ 14,685.00	
City of Nome	\$ 217,883.00	\$ 158,280.00
City of Pelican	\$ 6,668.00	
City of Unalaska	\$ 42,231.00	
City of Valdez	\$ 503,481.00	\$ 1,638,866.00
City of Whittier	\$ 3,416.00	
Fairbanks North Star Borough	\$ 16,647,136.00	\$ 8,711,158.00
Haines Borough	\$ 331,312.00	\$ 896,298.00
Kenai Peninsula Borough	\$ 7,294,292.00	\$ 2,622,806.00
Ketchikan Gateway Borough	\$ 1,475,195.00	\$ 1,289,012.00
Kodiak Island Borough	\$ 1,435,339.00	\$ 5,267,499.00
Matanuska-Susitna Borough	\$ 16,182,950.00	\$ 17,969,068.00
Lake and Peninsula Borough		\$ 964,656.00
Municipality of Anchorage	\$ 41,195,607.00	\$ 40,759,815.00
Municipality of Skagway	\$ 63,391.00	
North Slope Borough	\$ 242,972.00	\$ 75,385.00
Northwest Arctic Borough		\$ 4,077,540.00
Petersburg Borough	\$ 522,510.00	\$ 468,531.00

School Bond Debt Reimbursement – What’s Ahead

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

Is the State still required to reimburse for vetoed amounts, pending appropriation?

Could vetoed amounts get reamortized, within the debt repayment schedule?

What is the right level of school debt that the State is able to carry?

Local bonding allows Legislature to bypass a GO bond and statewide vote, or corresponding legislation

- What replaces the current moratorium?
- What are the impacts of the current moratorium?

Municipality	Total
ALEUT.E	\$ 5,589,211.00
ANCHORAGE	\$ 208,839,794.00
CORDOVA	\$ 7,066,522.00
DILLINGHAM	\$ 5,212,569.00
FAIRBANKS	\$ 66,940,966.00
HAINES	\$ 5,127,310.00
JUNEAU	\$ 9,974,942.00
KENAI	\$ 24,138,749.00
KETCHIKAN	\$ 7,100,857.00
KODIAK	\$ 51,041,477.00
LAKE&PEN	\$ 12,528,416.00
MAT-SU	\$ 171,186,889.00
NOME	\$ 596,219.00
N. SLOPE	\$ 300,471.00
NW ARCTIC	\$ 6,547,632.00
PETERSBURG	\$ 2,180,722.00
SITKA	\$ 8,743,513.00
VALDEZ	\$ 17,397,271.00



Municipal Bond Bank

Lawsuit related to oil tax credit corporation, which State lost, resulted in uncertainty for the Alaska Municipal Bond Bank to issue any further bonds.

Supreme Court No. S-17377

On consideration of the State's Petition for Rehearing filed on **9/28/2020**, and the Appellant's Response filed on **11/10/2020**,

IT IS ORDERED:

The Petition for Rehearing is **DENIED**.

Entered at the direction of the court.

This may have real implications for the many local governments that utilize this instrumentality of the State.

Governmental Unit	Total Outstanding Principal	Percentage of Total
City & Borough of Sitka	136,355	13.13%
Kenai Peninsula Borough	114,960	11.07%
City & Borough of Juneau	110,630	10.66%
Yukon-Kuskokwim Health Corp.	100,715	9.70%
City of Ketchikan	84,850	8.17%
University of Alaska	82,890	7.98%
Kodiak Island Borough	74,910	7.22%
Fairbanks North Star Borough	58,995	5.68%
City of Unalaska	54,670	5.27%
City of Seward	29,215	2.81%
Ketchikan Gateway Borough	26,420	2.54%
Northwest Arctic Borough	25,910	2.50%
Aleutians East Borough	18,930	1.82%
Municipality of Skagway	17,755	1.71%
Lake & Peninsula Borough	14,430	1.39%
City of Cordova	13,685	1.32%
City of Kodiak	11,450	1.10%
City of Dillingham	10,400	1.00%
Haines Borough	8,085	0.78%
Petersburg Borough	7,175	0.69%
City of Homer	6,675	0.64%
SE Alaska Power Agency	3,475	0.33%
Municipality of Anchorage	3,100	0.30%
City of Nome	2,705	0.26%
City of King Cove	2,260	0.22%
City of Sand Point	2,155	0.21%
City of Whittier	1,805	0.17%
City of Bethel	1,665	0.16%
City of Soldotna	1,550	0.15%
City of Craig	1,505	0.14%
City of Valdez	1,500	0.14%
City of Klawock	1,230	0.12%
City of Kenai	1,165	0.11%
City of Galena	849	0.08%
City of Hoonah	830	0.08%
City of North Pole	540	0.05%
City of Palmer	475	0.05%
City of Adak	450	0.04%
City and Borough of Wrangell	260	0.03%
City of Saxman	140	0.01%
AMBBA Reserve Obligations	1,390	0.13%
Total	1,038,154	100.00%

Community Assistance

Background: In place since 1968, this is a redistribution of state resource wealth for equitable use by local governments to provide essential services and keep local tax rates low.

Challenge: Meet needs where little tax base.

Options:

1. Absorb through current revenues – difficult with addition of other cost-shifting
2. Increase taxes – 25% of local governments did this in the 2000s, when revenue sharing went away
3. Close – this represents more than 70% of 14 local government budgets, and they will no longer be able to operate

Impact:

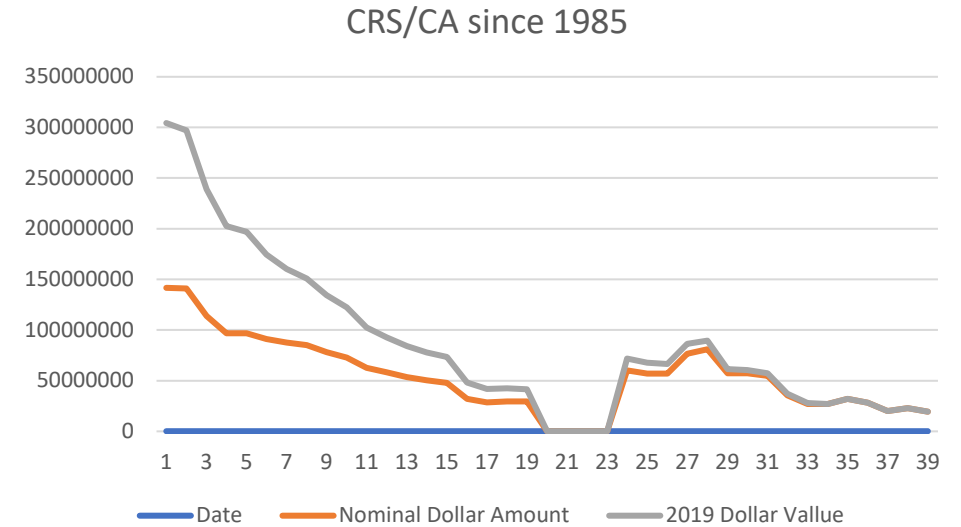
- Local government services revert to the State
- Local governments divest of powers
- Local governments increase taxes

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

Community Assistance – Municipal Impact

Local Government	\$30M (Statute)	FY21 (\$20M)	FY22 (\$22.9M)	FY23 (\$19.4M)
Adak	\$ 79,204.33	\$ 75,100.25	\$ 76,295.16	\$ 73,720.00
Aleutians East Borough	\$ 300,423.25	\$ 300,010.09	\$ 300,130.38	\$ 294,880.00
Anchorage	\$ 4,492,493.38	\$ 473,184.31	\$ 1,643,404.71	\$ 368,600.03
Barrow	\$ 151,185.87	\$ 76,816.70	\$ 98,469.26	\$ 73,720.00
Bethel	\$ 163,305.06	\$ 77,105.69	\$ 102,202.61	\$ 73,720.00
Craig	\$ 90,152.52	\$ 75,361.32	\$ 79,667.77	\$ 73,720.00
Dillingham	\$ 107,830.46	\$ 75,782.86	\$ 85,113.51	\$ 73,720.00
Emmonak	\$ 86,794.70	\$ 75,281.25	\$ 78,633.39	\$ 73,720.00
Fairbanks	\$ 511,728.42	\$ 85,414.07	\$ 209,535.34	\$ 73,720.00
Fairbanks North Star	\$ 1,186,747.05	\$ 321,145.05	\$ 573,164.77	\$ 294,880.00
Haines	\$ 410,496.97	\$ 375,846.45	\$ 385,934.94	\$ 368,600.00
Homer	\$ 152,286.33	\$ 76,842.94	\$ 98,808.26	\$ 73,720.00
Hoonah	\$ 86,032.84	\$ 75,263.09	\$ 78,398.70	\$ 73,720.00
Houston	\$ 104,797.14	\$ 75,710.53	\$ 84,179.09	\$ 73,720.00
Kenai	\$ 174,549.53	\$ 77,373.82	\$ 105,666.50	\$ 73,720.00
Kenai Peninsula	\$ 840,679.80	\$ 312,892.86	\$ 466,557.84	\$ 294,880.00
Ketchikan	\$ 189,321.12	\$ 77,726.06	\$ 110,216.92	\$ 73,720.00
Ketchikan Gateway	\$ 373,392.38	\$ 301,750.09	\$ 322,608.72	\$ 294,880.00
Matanuska-Susitna	\$ 1,563,401.50	\$ 330,126.62	\$ 689,194.16	\$ 294,880.00
Nenana	\$ 80,107.27	\$ 75,121.79	\$ 76,573.31	\$ 73,720.00
Nome	\$ 127,060.34	\$ 76,241.41	\$ 91,037.33	\$ 73,720.00
North Pole	\$ 104,500.86	\$ 75,703.47	\$ 84,087.82	\$ 73,720.00
Petersburg Borough	\$ 345,725.63	\$ 301,090.36	\$ 314,085.90	\$ 294,880.00
Sitka	\$ 495,373.67	\$ 377,870.39	\$ 412,081.43	\$ 368,600.00
Soldotna	\$ 134,721.25	\$ 76,424.09	\$ 93,397.29	\$ 73,720.00
Unalaska	\$ 139,786.20	\$ 76,544.87	\$ 94,957.56	\$ 73,720.00
Wasilla	\$ 198,251.80	\$ 77,939.02	\$ 112,968.04	\$ 73,720.00



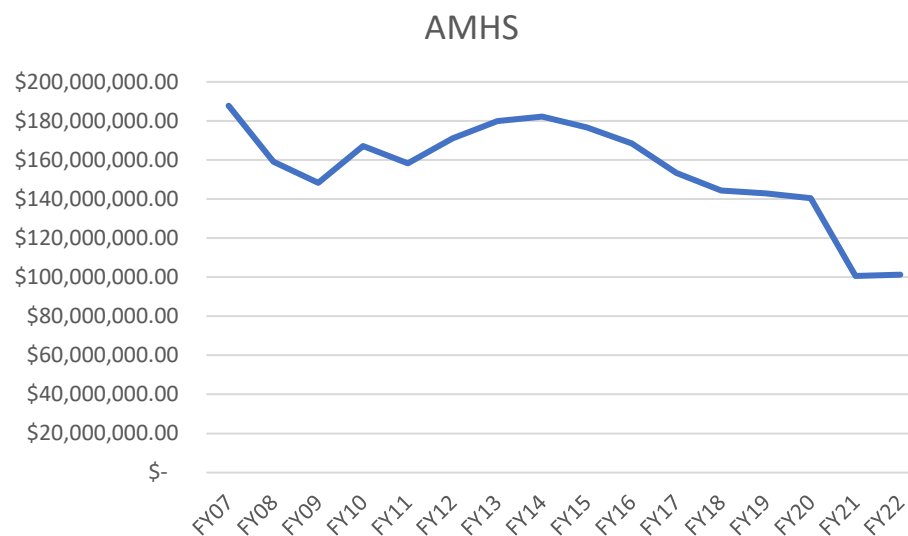
Affects every single community, with ranges from:

- Small cities - \$75-80,000
- Medium cities - \$80-95,000
- Large cities - \$115-250,000
- Boroughs - \$300-900,000
- Largest boroughs - \$1.4-6.1 M

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

Power Cost Equalization

Established in 1985

Provides economic assistance to communities and residents in areas where kWh costs are 3 to 5 times as high as the average of urban areas.

PCE was established at the same time that urban communities benefited from major state-subsidized energy projects such as the Four Dam Pool, Bradley Lake, and the Alaska Intertie.

Rural communities not on the road system that are dependent on diesel fuel do not benefit from the large subsidized energy projects, and PCE is a cost-effective alternative to provide comparable rate relief to rural residents.

City of Angoon	\$255,108.21
City of Quinhagak	\$265,129.47
City of Mountain Village	\$277,312.35
City of Saint Mary's	\$285,683.91
City of Chevak	\$288,114.53
City of Kake	\$298,322.13
City of Togiak	\$322,917.24
City of Selawik	\$339,059.89
City of Hooper Bay	\$342,048.11
City & Borough of Yakutat	\$351,731.65
City of Emmonak	\$357,551.25
City of Fort Yukon	\$411,483.51
City of Sand Point	\$420,266.88
City of Cordova	\$489,000.35
City of Hoonah	\$613,081.96
City of Unalaska	\$654,258.99
City of Nome	\$673,631.40
City of Dillingham	\$745,993.70
City of Kotzebue	\$942,900.04
City of Bethel	\$971,701.99

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%

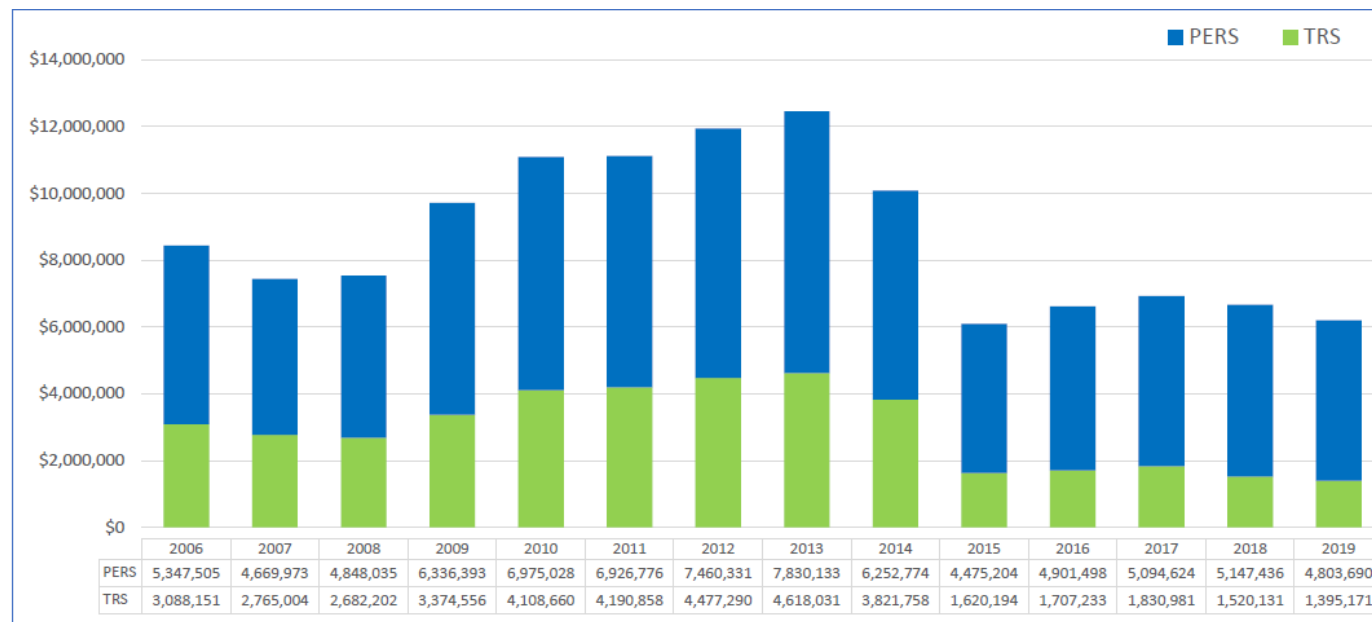
FY19 \$592M Municipal Payroll

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

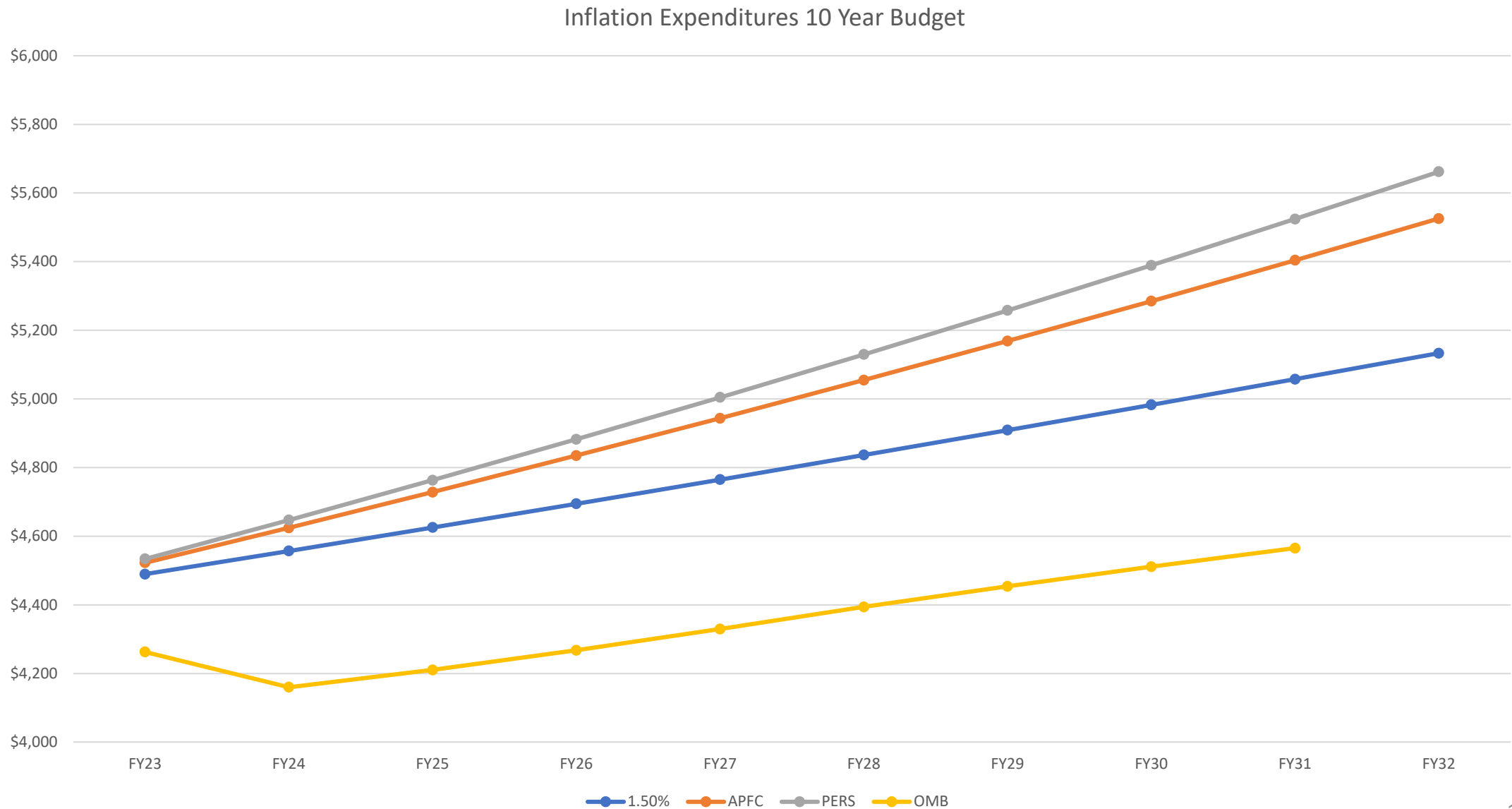
64 municipal employers = 18% of PERS

15k PERS/TRS DB employees

29k PERS/TRS DC employees



How should we look forward?



Keeping up with Education

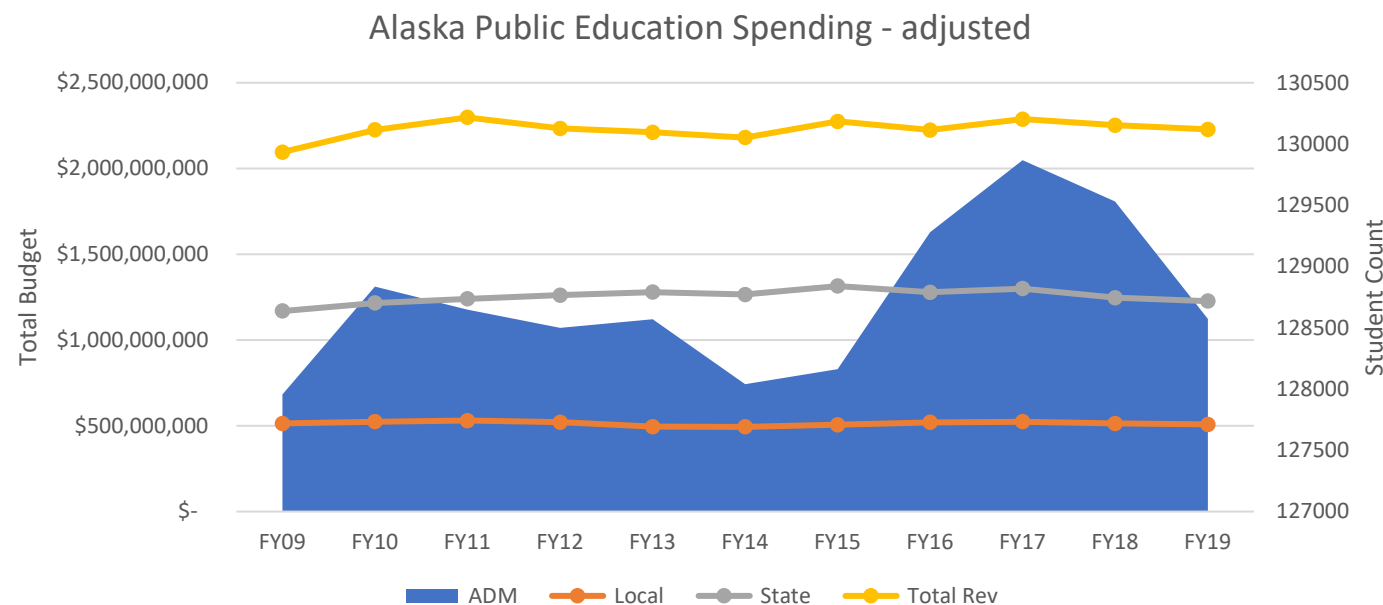
Appears to keep up with inflation, but reality is:

- 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
- 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

Community Jails	Total Beds
Administration	
Bristol Bay	4
Cordova	6
Craig	7
Dillingham	8
Haines	6
Homer	7
Kodiak	22
Kotzebue	12
North Slope Borough	9
Petersburg	12
Seward	14
Sitka	15
Unalaska	10
Valdez	13
Wrangell	12
Community Jails Totals :	157

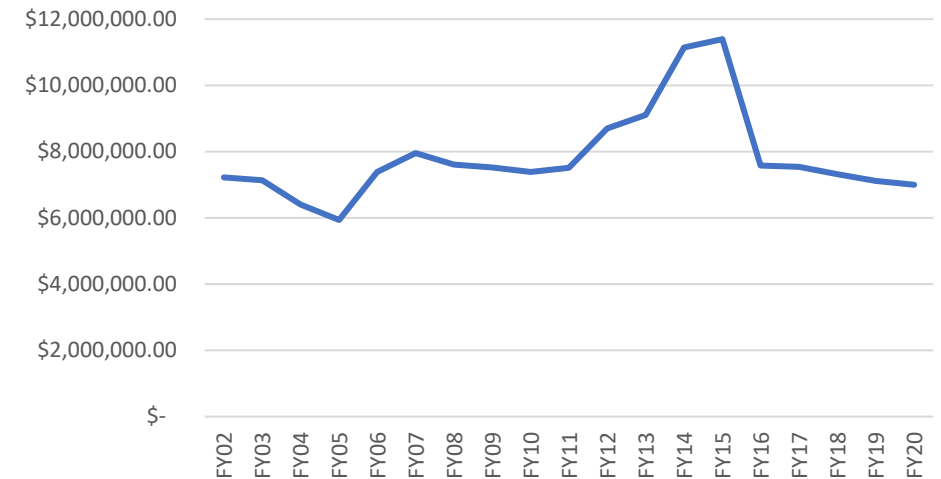
15 local governments provide community and regional jails on behalf of the State's criminal justice system; and these jails are an integral part of local and state law enforcement.

Community and regional jails are essentially State holding cells for pre-trial services.

State funding for community and regional jails has been static for the last six years, and if adjusted for inflation represents 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 less than it needs to be.

Community and Regional Jails - State Funding



- 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

Addressing an Infrastructure Deficit

How do we plan for a \$21.2 billion list of infrastructure needs, in terms of time and resourcing?

• School construction and major maintenance	\$2.3 billion
• Water and Wastewater – rural	\$1.6 billion
• Water and Wastewater – urban	\$1.6 billion
• Local capital needs	\$4 billion
• Port and Harbor needs	\$389 million
• State deferred maintenance	\$2 billion
• STIP	\$5 billion
• Broadband	\$2 billion
• Jails	\$500 million

School Construction and Major Maintenance Grants

Inventory

1,008 schools

429 older than 40 years old in FY21

461 are original construction

23 million square feet x replacement cost
(274.23/sq) = \$6.3 billion

757 municipal owned/maintained schools

More than 75% of all schools in Alaska are
owned by local governments

DEED just updated regs that for major
maintenance requests must be above \$50,000
instead of \$25,000

Also considering tying energy efficiency to
eligibility

- Average \$ funded = 16%
- 1,047 projects requested
- 114 funded
- 11% of projects funded

Table 4 Total Eligible Grant Projects and Actual Grant Funding by Fiscal Year

Fiscal Year/List	Number of Projects	Total Eligible Amount	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*

*See endnote.

**Includes additional appropriation/allocation for Kivalina, Huslia, Tuntutuliak, and Shishmaref.

School Needs

- FY22 School Construction = \$162M
 - REAAs \$145M Municipal \$17M
- FY22 Proposed Budget = \$0 → GO Bond
- FY22 Major Maintenance = \$187M
 - Municipal \$119M REAAs \$68M
- FY22 Proposed Budget = \$0 → GO Bond
- Compare to FY15 Maintenance List
 - Municipal \$72M REAAs \$98M

Removal of bond reimbursement program has shifted competition between REAAs and municipal

Need	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	Average
Maintenance	\$ 272,421,065	\$ 275,132,938	\$ 267,017,375	\$ 253,682,082	\$ 183,505,181	\$ 172,195,526	\$ 181,570,096	\$ 164,887,094	\$ 142,892,281	
Construction	\$ 411,643,149	\$ 313,999,772	\$ 276,691,304	\$ 284,133,432	\$ 274,150,436	\$ 230,920,120	\$ 206,267,345	\$ 123,294,419	\$ 179,214,343	
	\$ 684,064,214	\$ 589,132,710	\$ 543,708,679	\$ 537,815,514	\$ 457,655,617	\$ 403,115,646	\$ 387,837,441	\$ 288,181,513	\$ 322,106,624	\$ 468,179,773
Total										\$ 2,809,078,638.67

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
- Districts/Municipalities report not submitting when likelihood of funding is so low

Municipal Roads - Transportation

Roads

- 5,500 road miles = DOT road miles
- Municipal transportation budgets = \$190 million
- Annual Need = \$154-308 million annual maintenance (\$28k/mile)
- Projects within boroughs: STIP allocation \$2.8 billion (\$4k/capita)
- Projects outside boroughs: STIP allocation \$1.9 billion (\$47k/capita)

Municipal Airports

- Juneau International (City and Borough of Juneau)
- Merrill Field (Municipality of Anchorage)
- Ketchikan International (Managed by Ketchikan Gateway Borough)
- Kenai Municipal Airport
- Kodiak Municipal Airport
- Wasilla Municipal Airport

Majority of State airports maintained by contracts, which include with cities and boroughs

Ports and Harbors - Transportation

133 Public Ports and Harbors

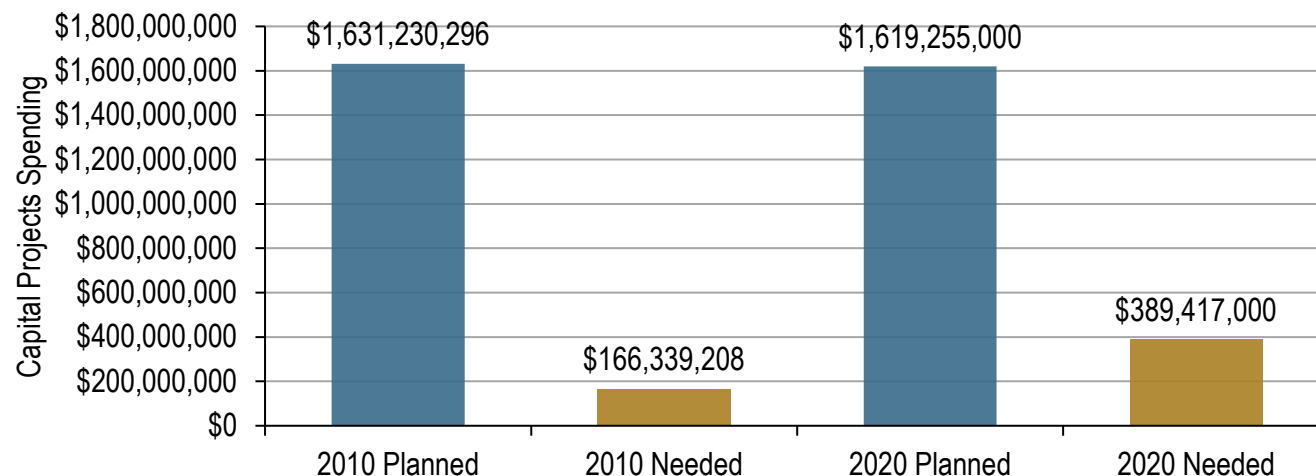
- DOT&PF owns 16 harbors
- Municipalities own 11 ports and harbors

82 municipal facilities were transferred by DOT&PF

Grant program signed into law in 2006

- 24 harbors transferred since then

- Total Need 2010: \$595 million
- Ports and Harbor Matching Grants (2007-2019)
 - AS 29.60.800
 - Requested: 98 Awarded: 45
 - \$199,273,401.50 (total project need \$398,546,803)
 - Total harbor grants awarded - \$84,529,551.00
- AMHS terminals (STIP): \$68.25 million
 - No other port and harbor improvements included



TIDSRA/HB528 Municipal Projects

	Vetoed FY21	DebtFY20
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.

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

- 30 were 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, with the majority repaid to the State over time at 1.5% interest

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 \$555k in lost taxes and fees
Anchorage – lost \$23 million in 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 by \$500,000
Craig – sales tax down 20%, bed tax down 50%; employee furloughs
Denali Borough – lost \$4.25 million in taxes and fees
Dillingham – forgiving interest and penalties on taxes, utility fees
Fort Yukon – lost about \$300,000 due to gaming; staff reductions
Grayling – 30% reduction in revenue
Holy Cross – bingo and pull tab closures resulted in employee layoffs
Hughes - \$23,000 reduction resulted in staff and hour reductions
Huslia – down 8% leading to reduction to public services

Juneau – lost \$34.82 million in taxes and fees
Kake – losses of 35-45%; staff reductions
Kenai Peninsula Borough – lost \$4.5 million in taxes
Ketchikan Gateway - lost \$4.75 million
Marshall – furloughs and reduced hours
Metlakatla – lost \$1.15 million in fees
Petersburg – lost \$420k in taxes and fees
Platinum - \$35,000 decrease
Sand Point – lost more than \$400k in taxes and fees
Saxman – reducing staff
Seward – lost \$2.5 million in taxes
Shaktoolik – 2-5% drop in sales tax
Skagway – lost \$8.82 million in taxes and fees
Soldotna – stayed the same
St. Michael – lost nearly \$150k in taxes and fees
Unalakleet – lost \$5,000
Whittier – loss of \$2 million

COVID's Impacts

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

CARES Act Doesn't Make us Whole

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

- 26 communities have not requested CARES Act funds - only 8 of those are municipal
- \$18M of \$568M not yet disbursed, or 3% of all funds
- 88% of all funds reported spent by original deadline of 12/30/2020
- 91 recipients expended 90% or more of their allocation by the original deadline
 - Many delayed attributing expenditures when the extension occurred

Expenditures:

• Payroll	\$193M	Public Health	\$65M
• Economic Support	\$225M	Other	\$18M

The CARES Act CRF came with restrictions, and provides that payments from the Fund may only be used to cover costs that:

1. are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
2. were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and
3. were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020.

CARES Act Expenditures

- Decontamination trailer
- Lease of airport facilities
- Monitors for fishing season
- Small scale quarantine/isolation unit
- Ambulance
- Renovate apartments for quarantine
- Pumps and equipment for water/sewer
- Updating city building for sanitation
- Transit van to assist elders
- Childcare assistance
- Commercial grade washer/dryers
- Heating oil and utility assistance
- Food credit at local restaurants
- Software upgrades
- Cameras for inmate/visitor communications
- Modifications to the clinic
- Air purifiers and sanitizing
- Updates to community pools, showers
- Telework and cloud-based solutions
- Shipping costs for PPE and emergency vehicles
- Property assessment technology – virtual
- Internet connectivity for students
- Water delivery
- Grants to hospitals
- Project postponement fees
- Non-congregate setting conversions

FEMA upgrades

- Biden Administration announces 100% reimbursement of eligible expenses since January 2020, and expansion of eligibility
 - All work eligible under FEMA's existing COVID-19 policies, including increasing medical capacity, non-congregate sheltering, and emergency feeding distribution will be reimbursed at 100% federal share.
 - The costs to support the safe opening and operation of eligible schools, child-care facilities, healthcare facilities, non-congregate shelters, domestic violence shelters, transit systems, and other eligible applicants will be eligible after Jan. 21.
 - Provision of personal protective equipment, disinfecting services and supplies
- State and Local Governments can/should consider items charged to CARES Act/CRF that could be applied to FEMA for, and the difference then available for economic recovery or to meet other needs, that would still be eligible to apply to the CARES Act funding.
- Potentially \$100M from local governments, if capacity to submit for reimbursement
- Review of DHSS \$330M – some portion of agency and non-agency support
- Unified Command expenses

Next Aid Package

Proposed right now at \$350B

- State of Alaska \$827M – 5th lowest in nation
- Local Governments \$258M

AML proposing floor of \$1.25B and additional \$500M floor for localities

Counties based on population; cities on CDBG

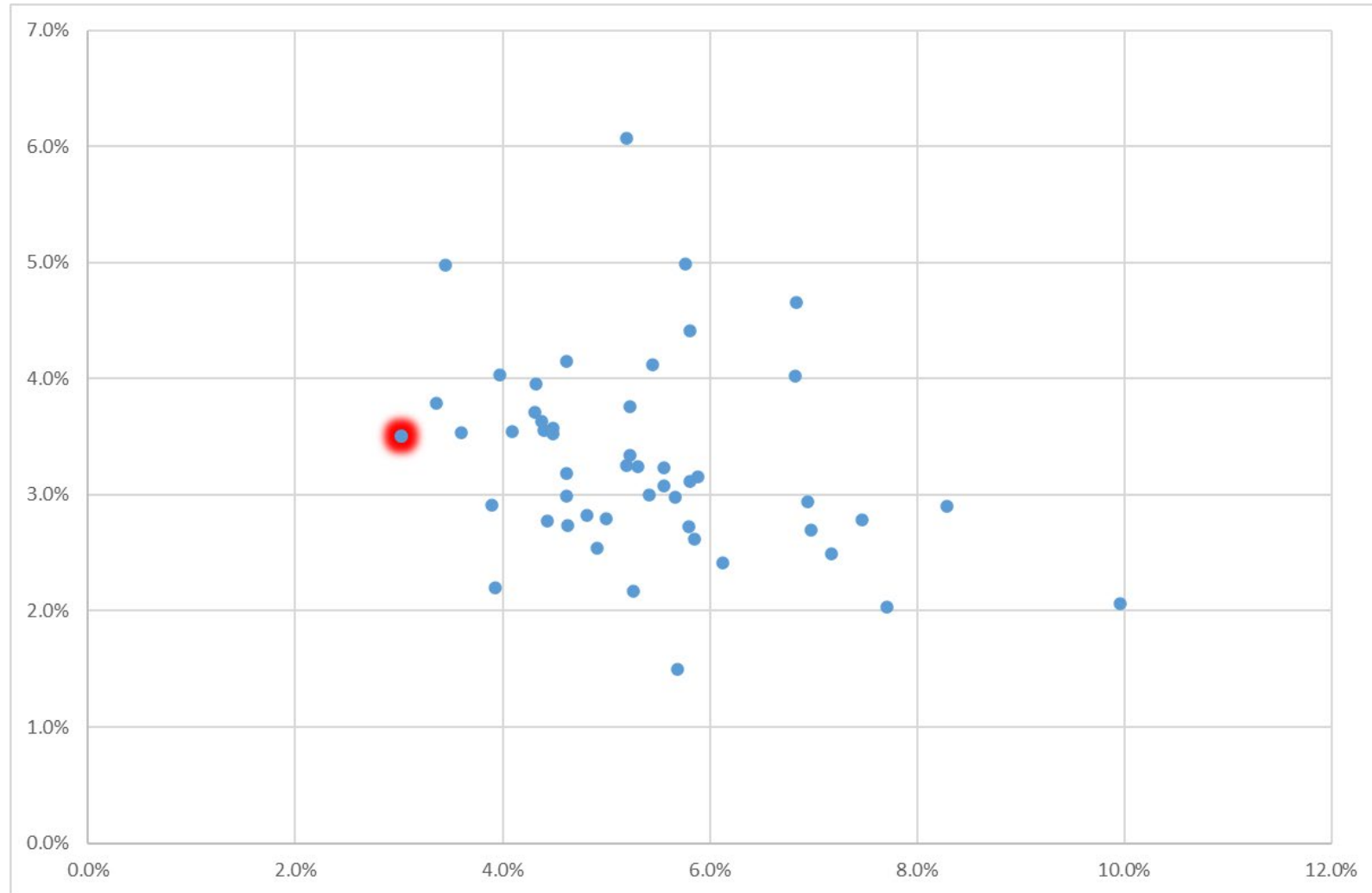
- Some Alaska localities on both lists, but not consistent
- Denali Borough, which will have lost \$7M in revenue last and this year, receives \$409k
- Municipality of Skagway, which lost \$9M just last year, receives \$221k
- Yakutat, Petersburg, Skagway, and Haines should be on both list, with consolidated cities

State role in distributing census areas funds (\$16M); city funds maybe (\$46M) – otherwise direct through Treasury; Treasury will track disbursements and reporting

- Underfunded Priorities
 - Public safety, education, community assistance, health
 - Pensions and debt, unfunded mandates
- Economic Recovery and Growth
 - Reducing transaction costs – energy, transportation, broadband
 - Third leg of “stool”
- Infrastructure Deficit
 - Water/sewer, local CIP, deferred maintenance, roads, ports
 - Obligations like school construction and major maintenance

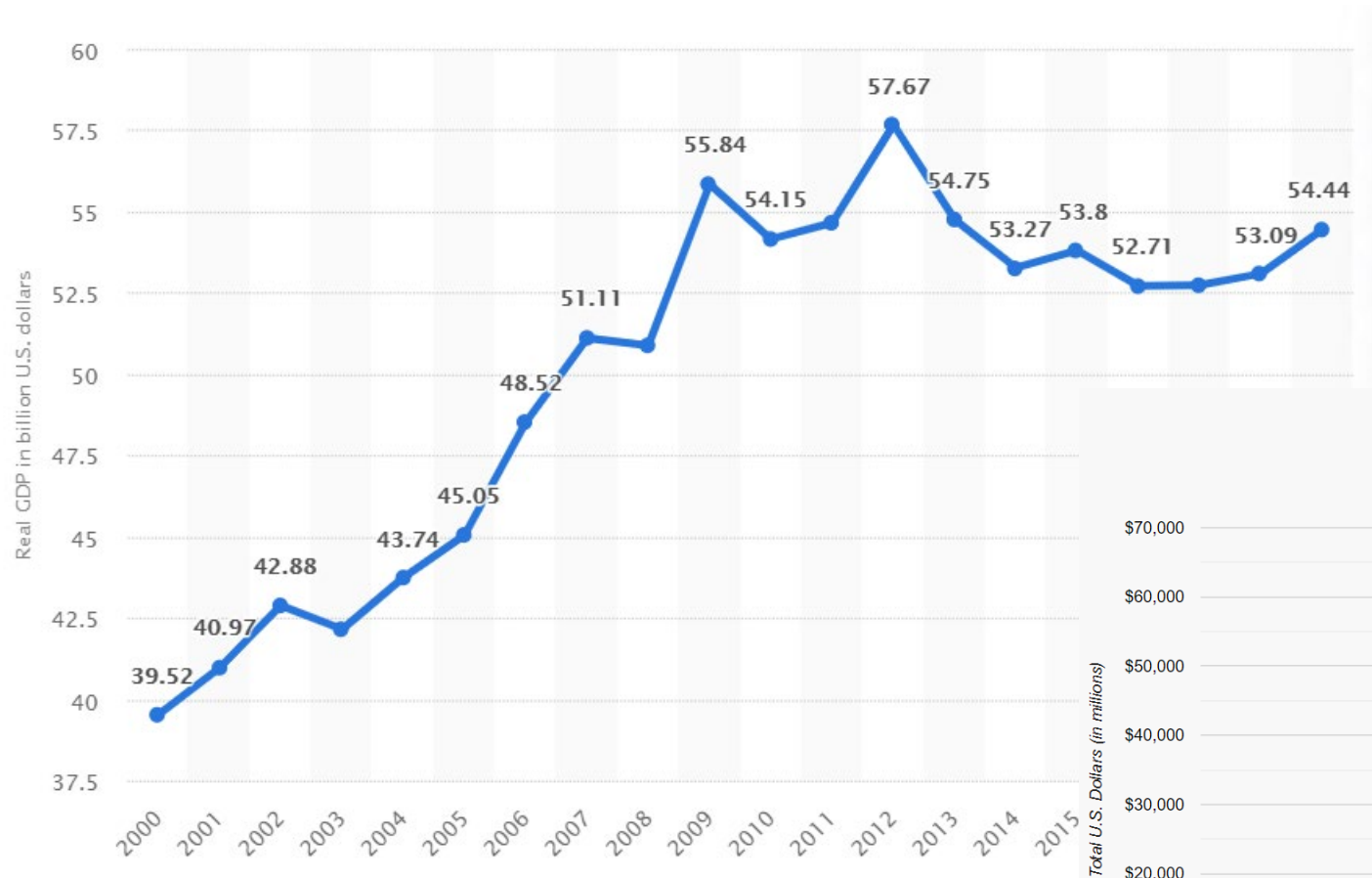
Tax to GDP – Where is Alaska, compared to other states?

Local tax to
GDP

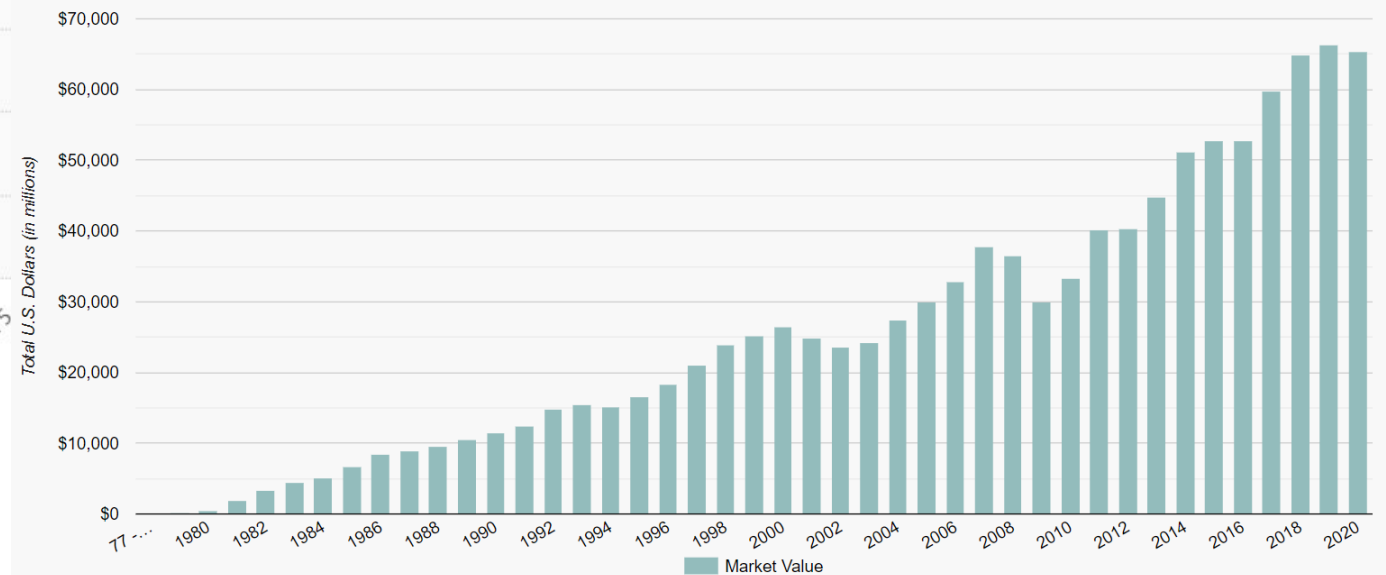


State Tax to GDP

Identifying our seed corn



PERMANENT FUND VALUE



Thank you!



Strengthening Alaska's Local Governments

Nils Andreassen

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