



# Planning for the Future

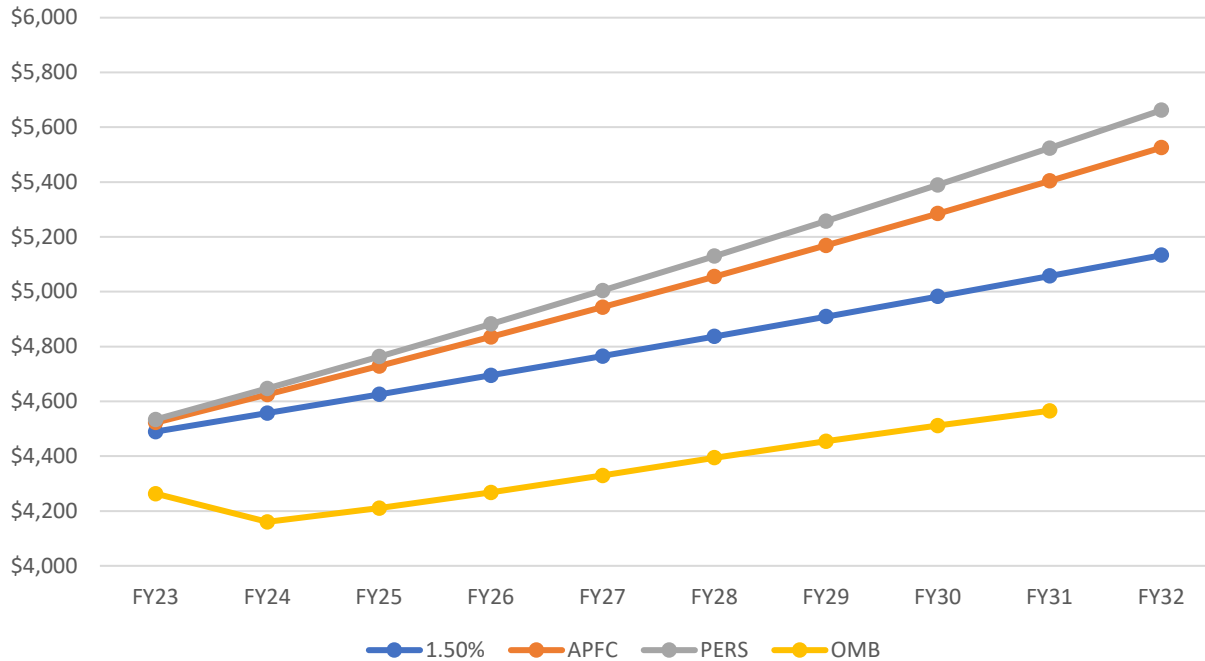
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House Ways and Means \* January 25, 2022

## How should we look forward?

Inflation Expenditures 10 Year Budget

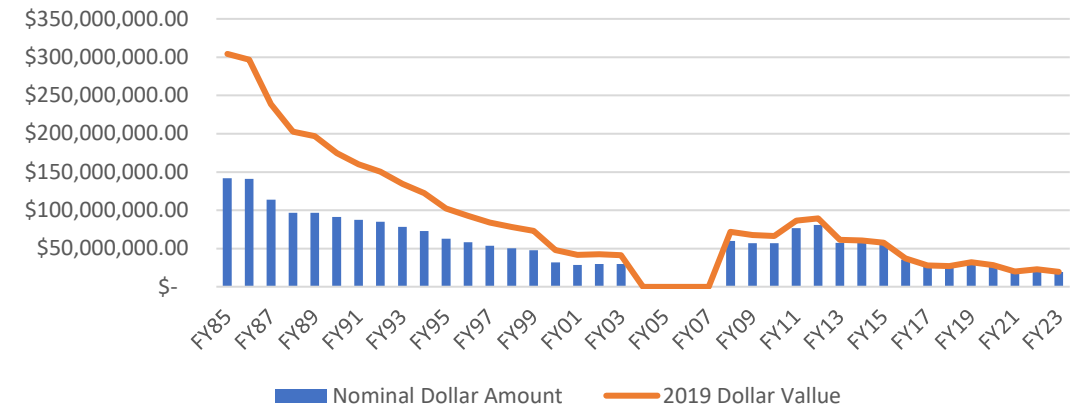


- Inflation applies to only certain programs – excludes transfers
- Makes certain policy assumptions outside statute
- Revenue isn't tied to population or economic development

\*The national average for revenue growth is 4.2%

### Impact to local governments:

Community Assistance



Local governments do less with less, increase local taxes, defer maintenance and capital, can't compete, fall behind, see outmigration, etc.

## 10 Year ~~Plan~~ Fiscal Outlook and Discussion

According to statute, the 10-year plan must balance sources and uses of funds held while providing for essential state services and protecting the economic stability of the state

### OMB Assumptions

- Decline of traditional revenues
- Instead of CPI - expenditure trends are more closely aligned with the availability of revenues and the policies of incumbent administrations.
- Efforts to contain per-capita cost growth for Medicaid and education require significant stakeholder engagement and statutory reform
- Medicaid - control healthcare costs and hold to 1% increases roughly accommodating population growth and modest provider rate increases
- Debt – assume current debt, 50% repayment of school debt reimbursement, and one GO bond package
- Education – flat student count, in-person v. at-home learning trends, 1.5% adjustment
- Retirement – assume current year health savings hold for plan fundedness
- Fund capitalization - \$18 million to rural school construction (or 5% of needed funding)
- Capital budget – flat \$150 million unadjusted for rising costs

### Considerations

- New or increased revenues
- Recognize cost growth and plan for economic growth
- Propose statutory changes that achieve goals
- Anticipate that healthcare costs aren't modest
- Develop robust debt schedule and debt balance levels
- Funding for education tied to goals for education system
- Increase PERS/TRS fundedness and lower annual burden
- Meet Constitutional obligation to maintain system of education
- Inability to meet infrastructure needs leads to slower economic growth

## Stabilizing the State Budget

• Community Assistance	\$28.5 million
• Community and regional jails	\$8 million
• Public television and radio	\$1.5 million
• School funding	\$30-50 million?
• School construction and major maintenance	\$350 million
• Port and Harbor Debt Reimbursement	\$4.5 million
• Harbor facility matching grants	\$20 million
• Local Emergency Planning Committee	\$1.5 million
• Mandatory Exemption Reimbursement	\$95 million
• DCRA increase	\$1-2 million
• Road and rural airport maintenance	\$10 million?
• VPO grants	\$10 million

FY23 Budget is not a baseline = \$580 million more

## 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

Key:

Fully funded by federal dollars

Partially funded by federal dollars

# School Construction and Major Maintenance

State Portion Reimbursement Principal and Interest - State Share at 60/70% Schedule

FY	ALEUT.E	ANCHORAGE	CORDOVA	DILLINGHAM	FAIRBANKS	HAINES	JUNEAU	KENAI	KETCHIKAN	KODIAK	LAKE&PEN	MAT-SU	NOME	N. SLOPE	NW ARCTIC	PETERSBURG	SITKA	VALDEZ	Total Liability
FY22	668,573	32,557,294	953,716	744,575	7,893,505	900,760	5,618,670	2,555,088	1,374,178	5,460,121	965,334	17,729,046	158,906	75,130	2,144,275	463,610	1,599,731	1,681,447	83,543,958
FY23	628,587	35,872,506	883,735	745,665	7,803,968	896,473	2,798,717	2,611,586	1,283,561	5,266,079	964,826	16,894,340	162,483	75,033	2,098,294	461,287	1,597,621	1,638,750	82,683,512
FY24	678,079	25,603,180	883,735	744,615	6,485,425	897,435	1,074,871	1,944,981	441,786	5,264,932	963,809	16,607,246	151,946	75,133	1,549,714	463,011	1,595,294	1,639,170	67,064,361
FY25	702,907	19,958,935	882,093	742,166	5,829,618	896,473	440,669	1,942,455	443,575	5,261,466	964,741	15,550,604	63,058	75,175	397,617	457,867	1,104,352	1,633,705	57,347,476
FY26	718,699	14,000,299	882,011	745,140	5,256,126	896,998	0	1,940,316	443,301	4,346,041	964,148	14,660,849	59,826	0	401,103	287,070	662,722	1,550,629	47,815,280
FY27	727,404	13,998,361	873,721	746,365	4,982,387	62,773	0	1,937,878	248,191	3,714,649	962,030	12,657,979	0	0	0	47,877	661,287	1,549,899	43,170,800
FY28	732,502	11,978,592	870,356	742,428	4,352,548	64,260	0	1,935,214	247,634	3,710,544	964,995	12,659,650	0	0	0	0	662,057	1,549,315	40,470,097
FY29	732,461	9,299,741	871,587	0	3,752,252	65,573	0	1,933,124	247,770	3,338,164	962,792	12,662,809	0	0	0	0	285,968	1,548,732	35,700,973
FY30	0	8,288,309	0	0	3,754,814	63,298	0	1,931,455	246,739	3,297,824	962,199	12,661,632	0	0	0	0	285,884	1,550,921	33,043,075
FY31	0	7,523,167	0	0	3,172,168	64,680	0	1,928,027	247,113	3,295,497	963,809	11,693,469	0	0	0	0	288,597	1,549,753	30,726,282

“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

## School Construction and Major Maintenance Grants

- FY22 School Construction = \$162M
  - REAs \$145M    Municipal \$17M
- Compare to FY15 Maintenance List
- FY22 Six-year plan = \$1.3B    FY22 Need: \$500M
  - If calculated on average request = \$2.8B
  - 16 Districts did not submit any project needs

Major Maintenance = \$187M

Municipal \$119M    REAs \$68M

Municipal \$72M    REAs \$98M

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

## 10 Year Plan – Strengthen Alaska Communities

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- Identify priorities
  - Economic development that results in GDP and personal income growth
  - Quality of life – improved infrastructure and living conditions
  - Reversing outmigration – affordability, housing/childcare, opportunity
  - Educational attainment and a strong university
  - Public safety and public health – physical and mental well-being, health outcomes
- Identify revenues necessary to meet priorities
  - Recognize that current revenues do not correspond to economic growth/contraction or needs
  - Evaluate impact of lowest tax burden in nation, and impact of stable increases
  - Continue to leverage Alaska's land and resource base
  - Scenario planning for long-term investments and savings
- Strengthen partnerships
  - Local control based on cost-sharing agreements
  - Increase collaboration with Tribal governments
  - Identify current programs that could be better delivered by private sector



# Strengthening Alaska's Local Governments

Visit <https://akfiscalfutures.com/> to learn more about how  
Alaska's fiscal policy impacts local governments

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