

**ALASKA STATE LEGISLATURE**  
**HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS**

January 25, 2022

11:33 a.m.

**MEMBERS PRESENT**

Representative Ivy Spohnholz, Chair  
Representative Adam Wool, Vice Chair  
Representative Andy Josephson  
Representative Calvin Schrage  
Representative Andi Story  
Representative Mike Prax

**MEMBERS ABSENT**

Representative David Eastman

**COMMITTEE CALENDAR**

PRESENTATION(S): FISCAL POLICY IMPACTS

- HEARD

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

PAT BRANSON, Mayor  
City of Kodiak  
Kodiak, Alaska

**POSITION STATEMENT:** Provided comments about future fiscal policy impacts to local governments.

KEN CASTNER, Mayor  
City of Homer  
Homer, Alaska

**POSITION STATEMENT:** Provided comments about future fiscal policy impacts to local governments.

NILS ANDREASSEN, Executive Director  
Alaska Municipal League  
Juneau, Alaska

**POSITION STATEMENT:** Provided a PowerPoint presentation, titled "Planning for the Future."

ALICIA MALTBY, President and CEO  
Association of Builders and Contractors  
Anchorage, Alaska

**POSITION STATEMENT:** Testified on the need for a capital budget.

**ACTION NARRATIVE**

[11:33:39 AM](#)

**CHAIR IVY SPOHNHOLZ** called the House Special Committee on Ways and Means meeting to order at 11:33 a.m. Representatives Josephson, Schrage, Wool, and Spohnholz were present at the call to order. Representatives Story and Prax arrived as the meeting was in progress.

**PRESENTATION(S): Fiscal Policy Impacts**

[11:34:17 AM](#)

CHAIR SPOHNHOLZ announced that the only order of business would be a presentation on fiscal policy impacts.

[11:35:24 AM](#)

PAT BRANSON, Mayor, City of Kodiak, expressed the opinion that local governments need the [Community Assistance Program] to provide residents with basic services; otherwise, shifting costs to local municipalities hurts Alaskans. With only 50 percent of school bond debt reimbursement, he argued that local taxes will need to increase to cover this. He said that Kodiak's 7 percent sales tax barely covers city operations. He continued that local governments have no way to pay for deferred maintenance and capital needs. For example, he said Kodiak needs \$18 million for a new firehouse and \$23 million for a new harbor. He maintained that education should be fully funded at all levels, as this helps to create and retain Alaskan professionals, and he insisted that school bond debt promises by the state need to be upheld. Concerning the jail in Kodiak, he said, the state has obligations which are not being met, and the city is expected to pick up the tab. He concluded by pointing out workforce issues which result from the lack of day care. He argued that day care is an essential service to help parents work, which in turn improves Alaska's economy.

[11:43:14 AM](#)

KEN CASTNER, Mayor, City of Homer, in response to the previous testifier's comments concerning jail funding, explained that the cities absorb the cost of increased jail operations because of the current flat rate of state funding. He pointed out that constituents are complaining about state road conditions. Concerning harbors, he stated that the Municipal Harbor Facility Grants Program is continually underfunded. He explained that because of overcrowding, Homer has a new harbor project; however, the state closed the coastal engineering department, so the city must contract with private engineering firms for services. He continued with other issues, stating that the Community Assistance Program is funded below traditional levels; grants for the emergency services have gone from an 80/20 split between state and local governments to a 10/90 split; and a reduction in funding for the Department of Public Safety has led to fewer opportunities for training and reduced the number of state fire marshal inspections. He explained that when the city helps emergencies outside its boundaries, troopers are not always available. He argued that in the next 10 years the relationship needs to be clarified between the state and local governments, so local governments will know what to expect from the state. He suggested that currently the ability of local governments to absorb more responsibilities has been exhausted. He concluded that a lasting and stable relationship between state and local governments is needed to accommodate municipal and state needs.

[11:53:21 AM](#)

NILS ANDREASSEN, Executive Director, Alaska Municipal League (AML), provided a PowerPoint presentation, titled "Planning for the Future," [hard copy included in the committee packet]. He advised that evaluating lost revenue should be based on average revenue growth, which is at 4.2 percent. He stated this is twice as much as any assumptions made by the administration's 10-year plan. He explained that the inflation rate in the 10-year plan is only applied to certain programs, excluding transfers to local governments, nonprofits, and school districts. He pointed out a graph showing a reduction in the grants for the Community Assistance Program. He said that local governments would have to do "less with less." He suggested that this would result in local tax increases and deferred maintenance. He argued that deferred maintenance would cause municipalities to fall behind, and residents would leave the area. He pointed out that the state's revenue is not tied to population or economic development; rather, it is tied to the volatility of resource development and investment revenue.

12:00:37 PM

MR. ANDREASSEN pointed out that, according to statute, the 10-year plan must balance sources and uses of funds, while providing for essential state services and protecting the economic stability of the state. He emphasized that the 50 percent repayment of school bond debt reimbursement [as written in the 10-year plan] would not fully capitalize the Community Assistance Program and rural school construction. For a more robust 10-year plan, he argued for increasing revenues and creating new revenues, recognizing cost growth, and planning for economic growth. He suggested that municipal governments could propose statutory changes to achieve goals, such as tying funding for education to the education system's goals. He listed some suggested changes to the 10-year plan: funding for school construction and major maintenance; increased funding for the Alaska Public Employees' Retirement System and Teachers' Retirement System; port and harbor debt reimbursement; harbor facility matching grants; funding for the Division of Community and Regional Affairs; funding for road and rural airport maintenance beginning at \$10 million; and funding for village police officers.

MR. ANDREASSEN, in response to Representative Prax, acknowledged that the relationship between local and state government is continually evolving. He said that the constitution defines state obligations for public education, public welfare, public health, the university system, a unified court system, and the management of lands and resources. He reasoned that for local governments to function well they must be able to rely on the stability of the state; when the state does not follow laws and statutes, it increases complexity and uncertainty at the local level. He remarked that current state programs, which directly fund local government efforts, ensure care for each unique community. For example, he said that public radio and television are important services for small communities, and removing these community programs would increase destabilization.

MR. ANDREASSEN offered to provide a rubric on behalf of AML. In response to Representative Wool, he stated that some local governments have had to cease operations, including landfill management, animal control, election support, and city council.

12:26:03 PM

MR. ANDREASSEN, in response to Representative Story, said that AML fully supports funding education. He stated that local governments fund maintenance and construction projects in areas with municipal school districts.

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MR. ANDREASSEN resumed the presentation on slide 5 and said that there is a \$21.9 billion list of infrastructure needs. He stated that some of the infrastructure needs, such as broadband, water, and wastewater, will be met by the Infrastructure Investment and Jobs Act, so this could allow the state to focus on school construction and major maintenance and jails.

MR. ANDREASSEN displayed the chart on slide 6 which shows the state is projecting that the current debt from school bond reimbursement will go away in the next few years. He stated that, since the moratorium, municipalities are more likely to request funds under municipal grant programs instead of using funding from the Regional Education Attendance Area. Relative to the school district needs, he said, the average amount funded is only 14 percent. He expressed the opinion that the Department of Education and Early Development has been underfunded for decades.

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MR. ANDREASSEN suggested that local governments want to be a part of a process which strengthens Alaska's communities. He stated that by identifying priorities, local governments can increase economic development, improve quality of life, reverse outmigration, and more. He continued that the lack of a revenue structure addressing economic growth makes a positive feedback loop between economic activity and state spending difficult. This creates challenges in a 10-year plan projection.

MR. ANDREASSEN encouraged strengthening partnerships between the state and local governments. He suggested that this would create negotiated agreements the state could uphold, and, as a result, work at local levels would be enhanced. He suggested that collaborations should also extend to tribal governments. For a sense of how different state programs impact local governments, he referred the committee to the website, [akfiscalfutures.com](http://akfiscalfutures.com). He added that some programs could be delivered by the private sector.

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ALICIA MALTBY, President and CEO, Association of Builders and Contractors (ABC), stated that the Alaska Chapter of ABC represents 123 companies and operates the largest apprenticeship program in the state. She said ABC supports thoughtful, long-term planning for a capital budget which focuses on meeting Alaska's infrastructure needs. She said that offering consistent funding in the budget would allow for growth to adapt to rapidly changing markets. She said that the construction industry is inherently unstable, so adopting a plan for reliable, sustained investments into capital budgets would provide more stability. She cautioned the committee from taking on large investments to stimulate the economy in the short-term. She encouraged making sustainable and flexible investments over time. She explained that large influxes of money into the economy in the short term could create an inefficient market because this would drive up project costs and require an increased need for workers from the Lower 48. She stated that ABC encourages the state to adopt a consistent, stable, reliable, and flexible plan for reinvestment in the state's capital infrastructure.

[12:53:58 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Ways and Means meeting was adjourned at 12:54 p.m.