

SENATE FINANCE COMMITTEE

March 1, 2023

9:00 a.m.

[9:00:31 AM](#)

CALL TO ORDER

Senator Bishop called the Senate Finance Committee meeting to order at 9:00 a.m.

MEMBERS PRESENT

Senator Bert Stedman, Co-Chair
Senator Click Bishop
Senator Jesse Kiehl
Senator Kelly Merrick
Senator David Wilson

MEMBERS ABSENT

Senator Lyman Hoffman, Co-Chair
Senator Donny Olson, Co-Chair

ALSO PRESENT

Nils Andreassen, Executive Director, Alaska Municipal League; Senator Cathy Giessel.

SUMMARY

PRESENTATION: ALASKA'S MUNICIPALITIES - POST COVID UPDATE

Senator Bishop discussed the agenda.

^PRESENTATION: ALASKA'S MUNICIPALITIES - POST COVID UPDATE

[9:01:08 AM](#)

NILS ANDREASSEN, EXECUTIVE DIRECTOR, ALASKA MUNICIPAL LEAGUE, introduced himself. He referenced a conversation he had with a school principal the previous day regarding the lack of housing and childcare. He pondered that most communities were trying to determine how to meet the needs of residents that positively contributed to the future. He did not people to be in a position to have to go elsewhere because of the lack of housing and childcare. He thought

the work in front of the government was to address the issues and work together to make for a positive future.

9:03:07 AM

Mr. Andreassen discussed a presentation entitled "Strengthening Local Governments" (copy on file). He looked at slide 2, "Looking back," which showed a graphical timeline. He relayed that he had been in his position for five years, which had been eventful. He mentioned a court case in his first year that had opened up the opportunity for remote sales tax. [In 2018, the United States Supreme Court ruled in *South Dakota v. Wayfair* that states can mandate that businesses without a physical presence in a state with more than 200 transactions or \$100,000 in-state sales collect and remit sales taxes on transactions in the state.]

Mr. Andreassen continued that in 2018 AML worked with others to establish the Alaska Remote Seller Sales Tax Commission (ARSSTC). In 2019, local governments had considered a proposed budget from the governor that cost-shifted almost \$1 billion back to communities. He mentioned the Covid-19 pandemic in 2019, and the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The governor and legislature had distributed \$586 million to local governments to make communities whole. He noted that local governments were still reporting on and following guidelines for the funds.

Mr. Andreassen cited that in 2021 the American Rescue Plan Act (ARPA) was initiated, which had resulted in \$1 billion going to local governments around the state to continue to respond to the economic effects of the pandemic. He noted that AML had been supporting efforts in compliance with reporting to the United States Treasury. He identified the passage of Infrastructure Investment and Jobs Act (IIJA) in 2022. He explained that AML and partners had stood up the ability to provide technical assistance to communities. He thought the communities had to some extent gone through economic recovery, and with the passage of IIJA were more focused on the infrastructure deficit. He noted that two years previously AML had identified the deficit to be about \$30 billion for local governments.

9:06:21 AM

Mr. Andreassen spoke to slide 3, "Remote Sales Tax Implementation," which showed a bar graph depicting the growth of the sales tax collected over the previous three years. He mentioned ARSSTC and thought there had been a substantial improvement since the start of the program. He cited that 46 out of 106 communities participated. He continued that AML provided the services to the ARSSTC to collect the sales taxes on the communities' behalf.

Mr. Andreassen noted that over \$2 million had come in in the previous month. He expected that more than \$20 million would come into communities over the year. He thought the amount sounded like a lot and reminded that it was only a portion of the over \$240 million that was collected for sales tax for local governments and the over \$2.5 billion that local governments collected for a variety of taxes and other revenue streams. He thought the remote sales tax had been important and had a replacement value during the pandemic when sales taxes had declined. He noted that the remote sales tax varied, constituting a 5 percent increase for larger communities and as much as a 20 percent increase.

Mr. Andreassen thought the remote sales tax was important for many communities and would continue to grow. He cited that other communities did not want to participate because of not wanting to see additional tax on residents. He considered the tax as leveling the playing field for businesses in the community. He expected to see improvement in the program.

[9:09:36 AM](#)

Co-Chair Stedman asked what the remote tax was.

Mr. Andreassen explained that he was discussing the remote sales tax collection that was possible after the consideration of the Wayfair case, in which the U.S. Supreme court ruled and opened the opportunity of a remote sales tax. The slide showed monthly collection for the 46 communities that participated in the program.

Co-Chair Stedman asked if the tax was on internet sales, or other sales.

Mr. Andreassen explained that the tax was for mostly online sales but could be for any sale in the community in which

the seller was not physically present. He noted that there had been three key features in the Wayfair case that allowed for the remote tax collection: streamlined, single-level, and statewide. He explained that Alaska was unique in the nation in not having a state tax but allowing communities to tax. There was a single platform for sellers to remit taxes, which was managed by AML. He continued that AML remitted the taxes back to the participating jurisdictions. He discussed the streamlined aspects of the system.

[9:11:57 AM](#)

Senator Wilson asked if the ring fencing situation had improved. He used the example of Palmer and Wasilla. He thought some people that should not have been taxed were being taxed.

Mr. Andreassen replied, "to some extent." He noted that the AML and ARSSTC provided all sellers with GIS-coded jurisdictional boundaries that they were used. When sellers used what was provided, there was appropriate ring fencing. When the sellers used their own system and zipcode, it could be problematic. He thought most of the issues had been worked through for most communities. He noted that ARSSTC had developed processes for refunding where inappropriate taxation had occurred.

Mr. Andreassen referenced slide 4, "Federal Funding Coordination," which showed the logos of organizations that AML had partnered with in forming an Alaska infrastructure coordinating committee in light of ARPA and IIJA. The committee hosted the website akfederalfunding.org, which was a clearinghouse for non-profits, businesses, tribal governments, local governments, or anyone to find current grant opportunities, compliance and reporting information, and guidance on resources for infrastructure funding. There was a tracking system for funds that had been identified broadly for the state but not for distributed funds that had come into the state upon award. He continued that ultimately AML worked with partners to ensure maximized benefit of federal benefits to Alaskan communities. He highlighted that the group met every other week to discuss barriers, opportunities, challenges, and ways to work together to get information out to eligible recipients of the funds.

Senator Bishop asked about the density of information that was getting out to communities from the centralized information website.

Mr. Andreassen thought there was still work to be done. He noted that the website was originally designed to respond to ARPA, and the group had really good density using the website as a "one-stop shop." He relayed that the group was still going through ARPA compliance with the U.S. Department of Treasury, with annual reports due in April. The group would be reaching out to all communities to make sure reports were in. He thought the two infrastructure symposiums that the group had helped to cohost the previous year had helped with the information density. He noted that there were about 2,000 people that had signed up for weekly email updates. He thought the second of the five years would require being more intentional, particularly with more disadvantaged communities and those that had not had the resources to participate effectively in the program.

[9:16:01 AM](#)

Mr. Andreassen turned to slide 5, "Back to Baseline":

FY23

- Full funding of Community Assistance, including recapitalization of the Community Assistance Fund.
- Full funding of School Bond Debt Reimbursement and Harbor Debt Reimbursement.
- Back payments of Community Assistance and School Bond Debt Reimbursement, which will allow for deferred maintenance, avoided property tax increases, and general support
- \$3M increase to Community Jails, which helps with continued services by these municipalities
- Harbor Matching Grants - a great partnership between the State and local governments.
- Funding for school construction and major maintenance

FY23 a corrective for underfunded years

- Placed communities on firm footing for recovery
- Address deferred maintenance, workforce, capital needs
- Enable consideration of matching funds for infrastructure bill

"AML welcomes an FY23 budget that offsets the fiscal constraint that Alaska has had to endure these last few years, leverages federal funding for a robust capital budget, saves for the future, and provides relief to Alaskans. The UGF spending, on average over these last four years, is below budgets from before Alaska's fiscal crisis, as is total spending."

Mr. Andreassen thanked the committee and the legislature for full funding for the Community Assistance Program, including recapitalization. He mentioned school debt reimbursement and harbor funding. The chart on the slide was from the Legislative Finance Division (LFD) and showed that there were ups and downs each year. He thought the previous year was corrective for many years of underfunding, and he hoped for improvements to ensure the items were funded.

Mr. Andreassen considered slide 6, "Cross-Cutting Impacts" which showed a pie chart depicting projects affected by supply chain issues, and a line graph depicting annual components of Alaska population change. He commented that rather than the infrastructure funds being a windfall, the state was addressing a long-term infrastructure deficit. He thought it was true that inflation was cutting into the ability to make the most of the benefit. He cited getting weekly emails regarding increased costs for projects. He mentioned supply chain issues, which impacted project deployment, specifically for public transport, water and wastewater and other basic infrastructure investments. He mentioned the state's population and demographics, and how outmigration was affecting education and the workforce.

Senator Bishop mentioned low birth rates.

[9:19:40 AM](#)

Mr. Andreassen displayed slide 7, "Economic Development," and mentioned challenges to communities. He mentioned the importance of housing and childcare in the efforts of maintaining a workforce. He informed that AML hosted a housing taskforce, which had been looking at a variety of things including data collection. The group had drafted recommendations for potential local, state, and federal actions, which he would touch on in a later slide. He commented on lack of housing as a barrier to economic development and wanted to ensure AML was at the forefront

of trying to address the matter. He continued that the same was true for childcare and appreciated the work of the Alaska Chamber of Commerce and United States Chamber of Commerce had done in evaluating the impact of the "childcare desert" in Alaska. He referenced \$175 million lost to the state's economy because of the lack of affordable childcare. He discussed impacts on families, and summarized that housing and childcare were two significant priorities for AML members.

Co-Chair Stedman discussed AML and the statewide municipal processes. He asked if there was a discrepancy in municipal codes.

Mr. Andreassen shared that AML was building a database to track who was utilizing the powers for zoning and various codes. He identified the goal of a comprehensive data set to work to address with the legislature and others. He noted that AML had not gotten to the level of detail of codes, but was working on identifying which communities had codes in place that were having an impact. He commented on the incredible variety between communities. He shared that AML was working with the Alaska Housing Finance Corporation (AHFC) to list a suite of best practices for code development to share with municipalities.

[9:23:21 AM](#)

Mr. Andreassen highlighted slide 8, "Land Use, Subdivision Code, Economic Development," and noted that AML members had been polled about experiences with housing including rentals, sales, and affordability. An overwhelming majority had identified with the topics as challenges. He continued that AML was looking at whether current statute gave local governments all the tools needed to address land use, subdivision, access, development, and broader economic development. He acknowledged differences between home-rule governments and first/second class cities and boroughs. He listed important topics for communities, such as blighted properties, accessory apartments, density and rezoning, and short-term rentals. A team of local government municipal officials were exploring the subject further.

Co-Chair Stedman shared concerns related to University and Alaska Mental Health Trust Authority (AMHTA) lands and subdivisions. He thought there were added local requirements for subdivisions that added costs. He

mentioned the transition of long-term rentals to short-term rentals, which displaced Alaskans and created challenges for incoming workers and made it difficult to hire and retain employees. He identified Sitka, and local zoning and planning issues.

[9:26:57 AM](#)

Senator Wilson wondered if AML was helping local municipalities with property development impediments. He wondered if AML was helping municipalities break away from traditional models to help the housing situation. He mentioned subdividing properties.

Mr. Andreassen thought that the Housing Task Force hoped to address the ability for local governments to share information. He relayed that AML had paid particular attention to short-term rental issues, and mentioned software partners and heat maps for multiple jurisdictions. He thought most local governments did not have codes developed to provide guidance and respond to short term rental activity. He noted that AML was providing a consultant to communities to advise on what was happening nationally. He mentioned state versus local requirements in reference to subdivisions in utilities and access. He described that there was a period when the state changed how it approached allowing local governments to require utilities and access within a subdivision. He described lowering of property values over time and disruption within residences.

[9:30:24 AM](#)

Mr. Andreassen looked at slide 9, "State Action - Housing," and noted that the Housing Task Force had identified some items for consideration. He noted that he would address land conveyance at a later time. He thought maybe there needed to be a different approach and available funds to support local governments to address access and utilities. He cited that most other states had a state special committee on housing, and thought it was something that could be recommended to the legislature. He mentioned AHFC and ensuring it had all available tools to help address housing shortages and affordability. He shared that AML was happy to participate in further conversations to discuss how the Housing Task Force had arrived at its recommendations.

Senator Bishop handed the gavel to Co-Chair Stedman.

Mr. Andreassen addressed slide 10, "Economic Development," and discussed land conveyances. He thought there had been a bill proposed by the governor to "get Alaska lands into Alaska hands." He thought there should be incentive for economic development. The slide showed a table with some of the larger communities with entitlement lands. He thought there was still a significant gap in entitled lands and what had been approved. The difference between patented and approved lands was one of ownership. He cited survey costs as a barrier.

Co-Chair Stedman asked if the chart showed acres.

Mr. Andreassen thought the table used acres. He offered to come back with additional information.

Co-Chair Stedman referenced Mr. Andreassen's comment about survey costs and thought sometimes surveys were redundant. He mentioned a state land entitlement in Petersburg, the perimeters of which had been surveyed by the United States Forest Service. He thought going through the process could identify some items for clarification.

[9:34:12 AM](#)

Senator Kiehl asked if there was a backlog or delay in selection for land entitlements.

Mr. Andreassen relayed that all the information did not fit on the slide. He offered to provide the additional information at a later time. He identified that there was still some issues with selection, and there were additional layers of approval that were not demonstrated on the slide.

Mr. Andreassen addressed Co-Chair Stedman's point, and explained that almost all of the land had been surveyed originally. He thought that local governments were required to survey prior to approval, which was duplicative. He acknowledged that surveys were incredibly expensive and were adding to the barrier of the lands being developed.

Co-Chair Stedman pondered that if there was a survey good enough to transfer the lands to the state, the same survey

would be good enough to transfer the lands to the community.

Co-Chair Stedman handed the gavel to Senator Bishop.

Mr. Andreassen advanced to slide 11, "Workforce Recruitment and Retention," which showed three graphs with data sets relating to Public Employees' Retirement System (PERS) employees and rates of pay for state and local government workers compared with private industry. The graph on the upper right looked at the reduction in Alaska public sector workers since 2012. An additional graph considered active PERS and Teachers' Retirement System (TRS) employees since FY 11, that found roughly 2,000 public sector employees reduced over the period. He reminded that the reduction also impacted birth rates and lower contribution rates to retirement programs.

Mr. Andreassen referenced an Institute of Social and Economic Research (ISER) study reflected in the chart on the right, which indicated that generally Alaska kept pace in the public sector versus private sector. For most cases for most types of employees, the public sector's benefits matched up with the private sectors ability to compensate except in two areas. He looked at the number of vacancies experienced by local governments, which averaged 15 percent to as much as 50 percent in the areas of management and professional services. The two areas of local government employment did not compete with the public sector for compensation or benefits.

[9:38:13 AM](#)

Co-Chair Stedman asked if Mr. Andreassen could provide more information on employee retention issues in the state. He thought the state was struggling with employee retention throughout the state and in schools, as well as competing with private enterprise.

Mr. Andreassen agreed to follow up with additional information.

Mr. Andreassen looked at slide 12, "Pension System Considerations":

- Update to 2008 floor: move forward / rolling average

- Termination studies for State and by employee (+ evaluate vacancy rates)
- 22% a cap not a floor - \$10 million for 1% (non-State employers) - Increase additional state contribution
- Retiree hiring ability without accrued liability
- Exit strategy for small or stressed employers
- Five-year audit of terminated employer net pension liability
- Adjust high interest rate (11-15%) on past due payments
- Locked in net pension liability option, ability to pay down, and exit date

Mr. Andreassen summarized that any changes to the PERS system should address system, employer, and employee needs. He mentioned that actuaries were looking at a four-year time horizon for catching up the pension system, and cited that two years previously the 2008 floor was costing non-state employers more than \$1.5 million. He thought it seemed like the system should be responsive enough to a rolling average to reduce the employer burden. He discussed termination studies, which he thought made much more sense for all employers and could be tracked by employees. He thought it was important to think about how vacancy rates impacted projections. He cited that AML members had passed a resolution the previous year that encouraged the legislature to consider the 22 percent as a cap but not a floor.

Mr. Andreassen considered that for every \$10 million, the state could buy down the 22 percent by one percent for non-state employers. He specified that the calculation was based on the chart at the bottom of the slide, which reflected the ARM Board having a choice to put \$60 million into the health plan, with 2.5 percent added to the overall actuarial rate. The board had recommended zero percent. He calculated that if one took out the state's 64 percent of payroll, it was possible to buy down 3 percent and make the contribution 19 percent for non-state employers. He reminded that the state had the ability to do so currently and mentioned the state having its own rate after passing SB 55 [legislation passed in 2021 that removed the 22 percent cap on payroll contributions to PERS]. He mentioned an additional state contribution.

[9:42:19 AM](#)

Mr. Andreassen continued to address slide 12 and shared concerns about the ability of employers to hire retirees without carrying accrued liability, as well as other challenges. He relayed that AML had advocated for many years for an exit strategy for small or stressed employers. He mentioned that of the total number of employers, 77 employers made up 1 percent of the overall annual payroll. The employers were generally those that requested termination studies, were delinquent on payments, had arrearages, and could not afford to get out of the system.

Mr. Andreassen addressed the last three bullets on slide 12. He mentioned a high interest rate on past due payments. He reiterated the challenge for employers to exit the system. He noted the original date of 2030 for paying down pension liability, which had been extended to 2039. He cited that just for one jurisdiction, the nine-year change resulted in a cost of \$25 million extra, even while it reduced the state's obligation by \$300 million. As long as there was a net pension liability, there would be additional contributions borne by all employers.

[9:45:11 AM](#)

Co-Chair Stedman thought there were many issues to address on slide 12. He referenced ongoing discussions regarding the 22 percent funding cap for municipalities. He thought if the state could move its unfunded liability down, it would be possible to move the cap down to 20 percent or lower and provide relief for communities. He thought it would be nice to set a goal to work on over the following few years.

Co-Chair Stedman discussed termination studies and thought without the studies, the outmigration would cause immense liability for the state. He referenced payments for the defined benefit plans extending throughout the century.

Senator Bishop acknowledged that there was a lot of information on the slide. He thought it was a good overview of defined benefits.

[9:47:56 AM](#)

Mr. Andreassen showed slide 13, "Defined Benefit," and commented that AML members were divided on the question and expressed concern about additional risk that led to net pension liability. He shared thoughts that if the liability was specific to an employer group, there should be an opt-in at the employer level. He thought it would be important for employers to have an ability to ring fence the liability. He knew the committee had discussed how the defined benefit measured up against defined contribution plans. He cited a yearly AML salary survey that indicated that of 64 PERS-employer respondents, 42 had Social Security or the Supplemental Benefits System (SBS) and 35 had an additional deferred compensation program.

Co-Chair Stedman noted that there were some groups around the state that were in state defined contribution systems but were not in Social Security nor the state's SBS (which was put in place of Social Security. He opined that the employees were left at a disadvantage without the additional benefit. He thought the situation was an unfair position for employees, and suggested that AML query local governments as to why there was not participation in one or the other additional systems.

Mr. Andreassen offered that AML could work to gain understanding the scale of the issue could be identified to get a better sense of what was offered.

[9:51:24 AM](#)

Mr. Andreassen referenced slide 14, "Fiscal Policy,"

Mandatory Exemptions

- Reimbursement according to statute, or -
- AARP (national) - "Property tax relief should be equitable, cost-effective, and targeted to homeowners with low and moderate incomes burdened by their property tax bill."

Presumption Trust

- Unfunded State-level workers comp presumptions
- \$4.6 million in claims since 2011, premiums for which did not include or account for later presumptions.
- Provide State reimbursement fund

Mr. Andreassen discussed mandatory exemptions and noted that the property tax relief had been increasing. He cited that Petersburg recently doubled the number of participants, which cost an estimated tax collection of about \$500,000. He noted that the graph on the right showed how the exemption affected communities differently. The total exemptions were in blue, with Anchorage as the highest. The moving orange line denoted the ratio to revenues. He mentioned an increased number of worker's compensation presumptions. He thought since premiums were not collected for the employees prior to the presumption, there were not enough assets to address the claims. He suggested a presumption trust put forward by the state would support the employees.

Mr. Andreassen turned to slide 15, "Fiscal Policy - Community Assistance," and commented that AML continued to see an erosion of purchasing power of the Community Assistance Program (CAP). He calculated an inflation-adjusted change of 984 percent difference from today and 30 years ago. He identified that when CAP went away for a few years, there were sales tax increases and extreme challenges. He noted that the funding was not recapitalized in the currently proposed budget, and AML advocated for recapitalization. He cited that it was also true that the fund did not accrue a return on investments and was capped at \$90 million.

Mr. Andreassen argued that CAP was a good way to support local governments, and if it were not recapitalized in the current year or the following year, it would reduce the funding to \$20 million going out in FY 25. He thought it was important to know that some communities were affected to a greater degree than others.

[9:57:02 AM](#)

Co-Chair Stedman thought the committee had been supportive of CAP, and had fought hard for it over the years. He anticipated the topic would come back to the table.

Mr. Andreassen appreciated Co-Chair Stedman's comments and the fact that the committee and others had worked to help communities.

Mr. Andreassen considered slide 16, "Education":

- Increase the BSA and adjust for inflation
- Evaluate statewide required local contribution
- Replace school bond debt reimbursement program
- Implement base allocation for school construction and major maintenance
- Support ability for districts to reduce number of schools without penalty

Mr. Andreassen noted that AML had a resolution supporting an increase to the Base Student Allocation (BSA), and the resolution included reference to inflation. He considered the required local contribution, which was inflation proofed. He explained that the contribution increased as property values increased, and local governments were making up 4 percent more of total education funding than in previous years, while the state's contribution had been flat. He cited more competition within the school construction and major maintenance programs. He mentioned projects in urban districts and greater urban/rural, and Regional Educational Attendance Area (REAA) conflict.

[10:00:14 AM](#)

Senator Bishop referenced major maintenance, deferred maintenance, and the capital list for new schools. He supported more education funding, whether inside or outside the BSA. He mentioned schools in his district that were only able to fund maintenance workers for five hours per day, and questioned how major maintenance would not become further deferred. He mentioned the need to take care of educational assets, which could not be done within the BSA.

Co-Chair Stedman thought the committee had been a staunch supporter of school bond debt reimbursement, even when vetoed by the administration. He mentioned major maintenance, which the committee had funded substantially the previous year before it was reduced by \$70 million. He recognized the challenge with keeping up with the major maintenance funding. He asserted that the committee had avidly supported school bond debt reimbursement and maintaining the state's schools.

Senator Wilson asked what AML's proposed number was for the BSA. He thought the slide indicated that it was a little over \$600, which was different than other proposed numbers.

Mr. Andreassen relayed that AML did not have a proposed number for the BSA, and the graph on the slide demonstrated the change in required local contribution. He shared that 15 percent of school district funds were going towards to maintenance and operations, 15 percent of the BSA was \$894. He expressed that he was looking for solutions to help address deferred maintenance and maintenance issues.

Senator Wilson asked if AML would be more supportive of a group to rewrite the formula. He thought some would say the educational formula was more complicated than the state's oil and gas tax system.

Mr. Andreassen relayed that AML did not have a position on the matter. He agreed that the formula was complicated. He thought the issues were symptomatic of a formula and system that needed to be better addressed.

[10:04:14 AM](#)

Senator Kiehl thought the formula roughly funded each school based on its costs and thought the flip side was that closing a school resulted in a loss of the funded cost and did not offer great savings. He questioned how to fund schools at its rough cost but get a windfall after closing a school. He thought there was a mathematical difficulty.

Mr. Andreassen commented that he had hoped he would not be asked the question, but offered to get back to the committee with further information. He knew that communities had had looked at repurposing schools for different purposes, perhaps with public benefit.

Senator Bishop commented that there had been schools in rural districts that had closed and later reopened when more people moved back to the community.

Mr. Andreassen displayed slide 17, "Transportation," and explained that AML had been working on infrastructure recently, and specifically transportation. He summarized that AML was focused on federal infrastructure funding, but there were matters that needed to be addressed between local governments and the state regarding transportation. He mentioned looking at efficiencies and more effective systems for deploying funds for transportation needs, including leveraging local assets to reduce budget estimates. He continued that AML wanted to avoid, at a

local level, state requirements that added ownership or maintenance when funding was available. He thought there should be negotiated processes that resulted in savings for all parties.

Mr. Andreassen continued that state indirect rates on public transit pass-through dollars remained an issue that many communities were challenged by. He mentioned that communities doing transportation projects had seen the need for higher contingency, which had increased budgets overall. He mentioned the Municipal Harbor Matching Grants, which he thought was a great partnership. He discussed work on regional planning and mentioned two and a half metropolitan planning organizations, and the potential for regional transportation planning organizations (RTPOs). He thought it would require a change in statute to allow for RTPOs, and mentioned an "RTPO light" that AML and the Department of Transportation and Public Facilities were pursuing.

Senator Wilson asked if AML had considered creating a port authority since most communities were reliant on one port and one municipality.

Mr. Andreassen relayed that AML had considered best practices in relation to port authorities, and had also discussed the need for an Alaska port strategy with the maritime administration. He shared that he would love to see a more cohesive understanding of how ports intersected and how ports would develop in the future.

[10:08:35 AM](#)

Mr. Andreassen highlighted slide 18, "Energy":

1. Renewable Energy Fund
 - Ensure adequately funded for community-level projects
2. PCE
 - Reimburse municipal investments that bring down cost below PCE subsidy threshold
3. Bulk Fuel Loan
 - Increasing cap and lowering rates
4. Grid Resilience
 - State funding from IIJA to support local utilities

Mr. Andreassen thanked the legislature for looking at ways to reduce the costs of energy in many communities, including recent changes to the Power Cost Equalization (PCE) Fund. He noted that AML had a resolution in support of increasing funding in the Community Energy Fund to make funds available for community -level projects. He mentioned bond debt that was not reimbursable below the PCE subsidy threshold. He mentioned the current bulk fuel loan cap of \$750,00 and quantified that the same purchase two years prior would now need \$1 million.

Senator Bishop noted that the Senate was working on the issue of energy as well, and was glad to see that the governor had put together a working group.

[10:11:13 AM](#)

Mr. Andreassen looked at slide 19, "Strengthening Local Governments," showed a screenshot of the states 'Operations and Maintenance Best Practice Dashboard,' which reflected some of the smaller communities that could be considered rural or disadvantaged. He wanted to see communities improve overall in terms of best practices, and he did not think the dashboard reflected the improvement everyone hoped for. He did not think there had been a real difference in best practices scores in the last decade, which he thought was concerning. He wanted better partnerships with AML, the state, and communities in order to improve conditions of governance and fiduciary responsibilities. He mentioned the test scores that related to water and wastewater improvements and state funding, and thought the information spoke broadly to the communities that were struggling even before the pandemic and also after. He relayed that working to improve the condition of communities and the ability to meet state standards was a priority of AML.

Senator Wilson thought that with \$2 billion in IIJA funds to address the issue, the slide might not reflect the best metrics to continue to use as the funds were disbursed.

Senator Bishop thought the slide was a reflection of the 193 communities. He represented communities that had wastewater and water treatment plants that had been built "pre-oil" and were in as good of condition as when first built. He pondered systems being built that were not requested and were over-built.

10:14:27 AM

Mr. Andreassen addressed slide 20, "AML - Pulling Together":

- Increasing collaboration with State agencies:
 - Agreement in place to facilitate greater intergovernmental cooperation and benefits
 - DOT&PF planning - support implementation of regional planning organizations
- Investment into direct support for strengthening governance and financials
 - Build out model of providing shared services for communities
- More attention to revenue collection and compliance with local codes and law
 - Sales tax code updates and management, short term rentals, etc.
 - Proactive support for funding needs of disadvantaged communities
 - Bundled applications for heavy equipment, public safety capital needs
 - Grant writing and technical assistance
- Shared procurement of services for project management, quality improvements
 - Health insurance, retirement, investment, unemployment, leadership development, liquidity analysis, federal compliance, etc.

Mr. Andreassen mentioned AML's work on the ARSSTC. He mentioned a memorandum of agreement with DOT to work on transportation issues and support local government engagement, which he thought was a model for all state agencies. He relayed that AML wanted to see communities that were successful in revenue collection and compliance. He asserted that AML was a different kind of partner than it was five years previously and could support the state in meeting the needs of communities.

Senator Bishop thanked Mr. Andreassen and AML for working to connect communities and keep from leaving grant funds on the table.

Senator Bishop discussed the agenda for the following day.

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ADJOURNMENT
10:18:03 AM

The meeting was adjourned at 10:18 a.m.