

ALASKA STATE LEGISLATURE
SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

January 28, 2025

1:30 p.m.

MEMBERS PRESENT

Senator Kelly Merrick, Chair
Senator Forrest Dunbar, Vice Chair
Senator Elvi Gray-Jackson
Senator Robert Yundt

MEMBERS ABSENT

Senator Donald Olson

COMMITTEE CALENDAR

PRESENTATION(S): OVERVIEW AND HISTORY OF MUNICIPALITIES IN ALASKA FROM THE DIVISION OF COMMUNITY AND REGIONAL AFFAIRS

- HEARD

PRESENTATION(S): LEANING LOCAL, STRENGTHENING LOCAL GOVERNMENTS, STRENGTHENING ALASKA FROM THE ALASKA MUNICIPAL LEAGUE

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

SANDRA MOLLER, Director
Division of Community and Regional Affairs (DCRA)
Department of Commerce, Community and Economic Development
Anchorage, Alaska

POSITION STATEMENT: Delivered a presentation titled "Overview and History of Municipalities in Alaska."

NILS ANDREASSEN, Executive Director
Alaska Municipal League
Juneau, Alaska

POSITION STATEMENT: Delivered a presentation titled "Leaning Local, Strengthening Local Governments, Strengthening Alaska."

ACTION NARRATIVE

[1:30:36 PM](#)

CHAIR MERRICK called the Senate Community and Regional Affairs Standing Committee meeting to order at 1:30 p.m. Present at the call to order were Senators Gray-Jackson, Dunbar, Yundt and Chair Merrick.

PRESENTATION:

**OVERVIEW AND HISTORY OF MUNICIPALITIES IN ALASKA
FROM THE DIVISION OF COMMUNITY AND REGIONAL AFFAIRS**

[1:31:25 PM](#)

CHAIR MERRICK announced a presentation by Sandra Moller, Director, Division of Community and Regional Affairs.

[1:31:50 PM](#)

SANDRA MOLLER, Director, Division of Community and Regional Affairs (DCRA), Department of Commerce, Community and Economic Development, Anchorage, Alaska, delivered a presentation titled "Overview and History of Municipalities in Alaska."

[1:32:34 PM](#)

MS. MOLLER moved to slide 2, the Alaska State Constitution (ASC):

[Original punctuation provided.]

The Constitution of the State of Alaska

Article 10, Section 14:

"An agency shall be established by law in the executive branch of state government to advise and assist local governments. It shall review their activities, collect and publish local government information, and perform other duties prescribed by law."

That's DCRA!

Article 10, Section 1:

"... maximum local self-government with a minimum of local government units... A liberal construction shall be given to the powers of local government units."

MS. MOLLER shared her interpretation of these articles, stating that the founders of the constitution believed strong communities were essential to the success of the state. She said

DCRA takes this principle seriously. She emphasized that DCRA's role is not to dictate how communities should fix their problems, but to support locally driven problem solving.

[1:33:37 PM](#)

MS. MOLLER moved to slide 3, Mission:

[Original punctuation provided.]

Mission

DCCED Mission

Promote a healthy economy, strong communities, and protect consumers in Alaska.

DCRA Mission

Helping Alaska's communities build sustainable economies and a means of self-governance.

MS. MOLLER stated that DCRA collaborates with city councils to support communities in self-governance. The agency fosters sustainable economies by assisting communities in the following ways:

- The Made in Alaska program. It directly benefits small businesses that produce goods within the state.
- Supports strong local government for business success. She noted that in her experience, weak governance has often hindered economic activity. While DCRA may not administer traditional economic development programs, the agency believes that strengthening local governments is a vital component of economic growth statewide.

[1:34:46 PM](#)

MS. MOLLER moved to slide 4, Program Groups. The slide provides an overview of all the division's programs. She divided the programs into the following groups and noted that this is not exhaustive of every program DCRA oversees.

[Original punctuation provided.]

Program Groups

Mapping Analytics, and Data Resources

Community Database Online (CDO)
Mapping & GIS

Made in Alaska
Alaska Product Preference

MS. MOLLER said the Mapping Analytics, and Data Resources (MADR) team of six collects and publishes community information. The database is a wealth of information about Alaskan communities. This database is a resource to people who work with communities. It is updated with populations, elected officials, etc...

Local Government Assistance

Rural Utility Business Advisor (RUBA)
Community Resilience (Risk MAP and NFIP)
Office of the State Assessor
ANCSA Municipal Land Trust (MLT)

[1:35:53 PM](#)

MS. MOLLER said DCRA has about 57 employees, with 20 assigned to the Local Government Assistance group. She explained that the Environmental Protection Agency funds the RUBA program, which assists communities with water and sewer utility management. Risk Mapping, Assessment, and Planning (Risk MAP) and the National Flood Insurance Program (NFIP) have been active recently, particularly in Juneau.

MS. MOLLER said the Office of the State Assessor compiles the annual Alaska Taxable Report using self-reported data collected from communities. DCRA oversees real and personal property taxes and collects bed tax and marijuana tax information if reported. DCRA administers the Alaska Native Claims Settlement Act (ANCSA) Municipal Land Trust (MLT) program. She noted that the legislature introduced a joint resolution in 2024 to encourage federal legislation that would sunset the MLT program.

Grants and Funding

22 programs; \$1.2 Billion
Addition of 6 new programs; \$1 Billion

MS. MOLLER said the Grants and Funding Section has 12 staff. The new programs and funding are primarily due to the broadband and digital equity programs.

Commissions

Local Boundary
Minerals
Serve Alaska

[1:38:32 PM](#)

MS. MOLLER moved to slide 5, Municipalities in Alaska:

[Original punctuation provided.]

Municipalities in Alaska

Cities:		Boroughs:	
First Class	17	Unified Home Rule	4
Second Class	117	Non-unified Home Rule	7
Home Rule	11	First Class	1
Total	145	Second Class	7
		Total	19

MS. MOLLER said that DCRA works with other entities like tribes, utilities, and nonprofit community organizations in addition to municipalities. She said that the Local Boundary Commission approved Hoonah's proposal to become a borough and is in the final stages of reconsideration. While the process is not yet complete, the next step is for the Division of Elections to hold a local election to determine whether the borough will be ratified.

[1:39:32 PM](#)

MS. MOLLER moved to slide 6, The Unorganized Borough:

[Original punctuation provided.]

"The entire State shall be divided into boroughs, organized and unorganized."
Article 10, Section 3, Constitution of the State of Alaska

MS. MOLLER said that DCRA works with communities in the Unorganized Borough too.

[1:39:48 PM](#)

MS. MOLLER moved to slide 7, Local Government Assistance. She said that DCRA's local government specialists are more like "generalists" and listed the wide-ranging topics they work on:

[Original punctuation provided.]

Local Government Assistance

Elections
Title 29 Compliance
Financial Management

Utility Management
Personnel Management
Power Cost Equalization
Local Alcohol Availability Laws (Title 4)
Regional Training Workshops
Ordinances, Resolutions, Codes
Disaster Response
... whatever crosses their desk ...

MS. MOLLER said local government specialists are based in seven field offices across the state: Fairbanks, Kotzebue, Nome, Bethel, Dillingham, and Juneau. In Anchorage, specialists cover all regions of the state. She explained that DCRA aims to position its resources within the regions they serve, allowing staff to work directly with communities. She reiterated that these staff are actually generalists, actively involved in a wide range of local government functions. She said staff are busy in October assisting communities with election administration to ensure the process is conducted properly and efficiently.

[1:40:46 PM](#)

MS. MOLLER moved to slide 8, Rural Utility Business Advisor (RUBA):

[Original punctuation provided.]

Rural Utility Business Advisor (RUBA)

Utility Management Assistance

- EPA funded
- Support for communities operating water/wastewater utilities
- Remote & on-site assistance

Best Practices Scoring

- 32-hour trainings on utility management
- Workers' compensation coverage
- Payroll liability compliance
- Meetings of the governing body
- Financial management practices:
 - Budgeting
 - Financial reporting

MS. MOLLER said DCRA works in partnership with the Department of Environmental Conservation (DEC) on three best practices categories. DCRA oversees management and financial aspects, including verifying minutes are recorded, budgets are approved and followed, and ratemaking, while DEC handles technical components.

MS. MOLLER said that training is a key component of the RUBA program. DCRA conducts eight annual training sessions and offers a weekly Local Government Informational Tutorial (LGIT), which focuses on specific topics such as workers' compensation.

[1:41:49 PM](#)

MS. MOLLER moved to slide 9, Grants 2025 Fast Facts:

[Original punctuation provided.]

Grants 2025 Fast Facts

12 Grants Administrators
2 Program Coordinators

22 Programs

771 Active Grants

Total Value \$1.2B

[1:42:15 PM](#)

MS. MOLLER moved to slide 10, Grants and Funding, which outlines DCCED's authority and the entities the department provides grants to:

[Original punctuation provided.]

Grants and Funding

AS Title 37 Public Finance,
Chapter 5 Fiscal Procedures Act
AS 44.33.020 (18) & (20) 2 CFR 200

Provide oversight and implementation of federal and state funded financial assistance programs & grants. Monitor and ensure statutory and regulatory compliance of recipient entities including:

Municipalities Tribes Non-profit State Agencies &

Community Other Entities
Associations

MS. MOLLER said DCRA's approach to grants and funding is to focus on providing oversight and to ensure grant compliance with state and federal funding requirements.

[1:42:45 PM](#)

MS. MOLLER moved to a graphic on slide 11, DCRA Grants and Funding Sources. The chart lists the following federal funding sources along the top of the slide and state funding along the bottom:

[Original punctuation provided.]

DCRA Grants & Funding Sources

Federal Grants & Revenue Sharing

U.S. Department of Housing and Urban Development (HUD)
Community Development Block Grants (CDBG)

U.S. Department of Health and Human Services (DHHS)
Office of Community Services (OCS)
Community Services Block Grant (CSBG)

U.S. Department of Agriculture (USDA)
U.S. Forest Service
National Forest Receipts (NFR)/
Secure Rural Schools (SRS)

U.S. Treasury
Coronavirus Relief Fund
American Rescue Plan

U.S. Department of Interior (DOI)
Payment in Lieu of Taxes (PILT)

U.S. Environmental Protection Agency (EPA)
Targeted Airshed Grant (TAS)*

U.S. Department of Justice (DOJ)
Emergency Law Enforcement Assistance (ELEA)**

U.S. Economic Development Administration (EDA)
Statewide Planning Grants

U.S. Department of Agriculture (USDA)
Marketing Service
Seafood Processor Grants

[1:43:00 PM](#)

MS. MOLLER continued slide 11:

State Grants & Revenue Sharing

Designated Legislative Grants

Community Assistance Program (CAP)

NPR-A Impact Mitigation Grants

Shared Fisheries Business Tax (SFBT)

Local Government Lost Revenue Relief

DCRA Grants & Funding Snapshot (Sept 2022)*

Total Active Value - \$1,575,568,311

Total Active Grants - 1,351

Number of Core Programs - 18

Ad Hoc Programs - Varies Annually

Number of Staff - 6 (plus 2 vacancies)

[*MS. MOLLER indicated this information is outdated.]

[1:43:30 PM](#)

MS. MOLLER moved to a pie chart on slide 12, Typical Grant Lifecycle, which depicts the grant process flow from start to finish:

[Original punctuation provided.]

Typical Grant Lifecycle

1. Develop & Implement Programs
2. Solicit Applications & Make Awards
3. Conduct Negotiations & Execute Grant Agreements
4. Track in DCRA eGrants Database
5. Provide Technical Assistance
6. Administer Grant & Monitor Compliance
7. Final Reporting & Grant Closeout

[1:43:42 PM](#)

MS. MOLLER stated DCRA helps communities and entities throughout the grant process by streamlining steps and setting internal deadlines.

MS. MOLLER said that designated legislative grants receive the most inquiries. She described the process which occurs after the legislature adjourns: the DCRA team assembles to determine which grants were approved and which survived the veto process; team members are assigned specific grants; and a timeline is developed for dispatching grants to grantees.

MS. MOLLER emphasized that the process is more complex than simply receiving an award notice and immediately disbursing funds. DCRA must first determine the scope and deliverables, which can take time.

MS. MOLLER drew attention to item 4 of the grant lifecycle, stating that it refers to the internal database. She noted there is also an external component where communities provide the status updates on grants. This applies to all grant programs, not just designated legislative grants.

MS. MOLLER said DCRA is modernizing its grant management system, which will benefit the end-user. This is the typical grant, application-based, lifecycle wherein an entity applies and DCRA approves it.

[1:45:31 PM](#)

MS. MOLLER moved to slide 13, Typical Revenue Sharing Cycle. She said this is sometimes referred to as the "pass-through" grant. DCRA is rebranding the term pass-through, explaining that it is not truly a pass-through because DCRA is required to follow specific steps, not simply distribute checks to communities.

[Original punctuation provided.]

Typical Revenue Sharing Cycle

1. Solicit Applications to Eligible Communities
2. Outreach to Non-Responsive Communities
3. Review Applications Received
4. Confirm Eligibility & Final Funding Amounts
5. Track in DCRA eGrants Database
6. Review & Process Required Documents
7. Distribute Funding & Close Out

[1:45:55 PM](#)

MS. MOLLER said once DCRA is notified that funding is available, the division ensures it has the right applicant, proper documentation, and eligibility requirements are met. Other conditions may apply depending on the grant. Financial statements for CAP are required, either audited or certified, which can delay the process from notification to distribution.

MS. MOLLER said the slide provides an overview of the revenue-sharing process, which also applies to National Forest Receipts and other grants. She said that DCRA offers technical assistance for all grants as needed. Sessions are held with grantees to ensure projects are well-developed, funds are utilized effectively, and all requirements are met.

[1:46:38 PM](#)

MS. MOLLER moved to slide 14, Technical Assistance. DCRA provides the following types of technical assistance for all grants, as needed, to ensure grantees utilize funding according to the required rules:

[Original punctuation provided.]

Technical Assistance

Environmental Review	Civil Rights	Labor Standards	Site Control
Insurance Requirements	Procurement Standards	Project Management	Budget
	Reporting Requirements	Audit Requirements	

[1:46:55 PM](#)

MS. MOLLER moved to slide 15, Community Database Online:

[Original punctuation provided.]

Community Database Online

- Digital Datasets
- Maps
- Interactive Reports
- Dashboards

- Community Profiles

[1:48:11 PM](#)

MS. MOLLER moved to slide 16, Made in Alaska:

[Original punctuation provided.]

Made in Alaska

- Promoting State guaranteed Alaskan made products since 1992
- > 1,100 permitted products
- > 850 Alaskan businesses
- 4K Facebook Followers; 1.6K Instagram Followers
- 82.1% report that MIA membership helps promote their product
- \$0.63 of every dollar you spend on MIA products is invested back into Alaska

MS. MOLLER said Made in Alaska is membership based. She expressed her belief the fee is \$25 per year to become a member. Members receive stickers to promote their products, which helps to identify local businesses. Made in Alaska has over 1,000 in its database. She said Made in Alaska just added a presence in the Ted Stevens Anchorage International Airport. In concourse B, there is a section in one of the stores dedicated to Made in Alaska products. She said Made in Alaska also has a presence in the governor's Washington, D.C. office. She said permit holders are loyal to this program.

[1:49:47 PM](#)

MS. MOLLER moved to slide 17, Alaska Product Preference Program:

[Original punctuation provided.]

Alaska Product Preference Program

- Alaska products for State of Alaska work
- 3 percent, 5 percent, or 7 percent bid preference for Alaskan made products in State procurement

- State spending going back to the local economy

[1:50:00 PM](#)

MS. MOLLER moved to slides 18 and 19, Community Database Online (CDO):

[Original punctuation provided.]

Community Database Online

Community-Driven Data

- Detailed StoryMaps for over 400 communities in Alaska
- Community Profile maps with parcel, infrastructure, and utility data
- Community Photo Library
- Community Plans Library

[1:50:40 PM](#)

MS. MOLLER moved to slide 19, Community Database Online (continued):

[Original punctuation provided.]

Community Database Online (continued)

Data-Driven Solutions

- Topical webpages and StoryMaps
- Longitudinal datasets presented for yearly comparison
- Detailed dashboards to track key metrics

[1:50:55 PM](#)

MS. MOLLER moved to slides 20 and 21, AmeriCorps, ServeAlaska Commission:

[Original punctuation provided.]

AmeriCorps, ServeAlaska

The purpose of the Commission is to engage Alaskans of all ages and backgrounds in community-based service and volunteerism as a means of community and state problem solving and promoting participation in the National AmeriCorps Program.

ServeAlaska State Service Commission

In partnership with AmeriCorps brings national service programs to Alaska.

The Serve Alaska sub-grantees operate in almost every state, bringing much needed support and training to rural and urban Alaska.

[1:51:13 PM](#)

MS. MOLLER moved to slide 21, stating that ServeAlaska operates on an application basis. DCRA collaborates with grantees to plan work goals and support them through development and implementation. The grantees are listed below:

[Original punctuation provided.]

AmeriCorps, ServeAlaska (continued)

2023-2024 FUNDED PROGRAMS

Alaska Public Defenders Agency's SAME Justice Program

Members provide direct assistance to low-income, justice-involved Alaskans to address non-legal barriers to success and access to services in their communities.

Student Conservation Association

Members provide conservation stewardship to publicly accessible lands in Alaska.

Alaska Afterschool Network

Members support students in after-school programming. Providing structured STEM activities to meet their social emotional needs.

RurAL CAP, Resilient Alaska Youth

Members engage Alaska Native youth using experiential based learning and cultural activities in rural communities across Alaska.

Sitka AmeriCorps

Members serve to increase children's resilience and to reduce the impact of high Adverse Childhood Experience scores in Sitka.

[1:51:31 PM](#)

MS. MOLLER expressed her belief that an investment of \$300,000 or less in State funds generates approximately \$4 million in federal and local match, making ServeAlaska a high-return investment for delivering services statewide.

[1:52:05 PM](#)

CHAIR MERRICK thanked Ms. Moller for the presentation.

[1:52:17 PM](#)

At ease.

**PRESENTATION(S): LEANING LOCAL, STRENGTHENING LOCAL GOVERNMENTS,
STRENGTHENING ALASKA
FROM
THE ALASKA MUNICIPAL LEAGUE**

[1:53:28 PM](#)

CHAIR MERRICK reconvened the meeting and announced a presentation from the Alaska Municipal League.

[1:53:38 PM](#)

NILS ANDREASSEN, Executive Director, Alaska Municipal League (AML), Juneau, Alaska, delivered a presentation titled Leaning Local, Strengthening Local Governments, Strengthening Alaska.

MR. ANDREASSEN requested the chair's permission to go off topic to give an update on the recent federal grant pause that is affecting communities around the state.

CHAIR MERRICK granted permission.

MR. ANDREASSEN said a federal executive order placed a pause on all grants and loans associated with the Bipartisan Infrastructure Investment and Jobs Act (IIJA) and the Inflation Reduction Act. He noted that the [White House Office of] Management and Budget (OMB) issued two memos. One memo offered clarity by indicating the pause applies to projects related to the Green New Deal. The other memo complicated the criteria Alaska agencies must use to evaluate thousands of federal awards received by Alaska communities over the past three years related to those two Acts. He said this has created uncertainty and local governments, nonprofits, and tribal entities are now

unsure about the financial impacts and potential project stoppages. He concluded his remarks on the federal grant pause and began his presentation with slide 3.

[1:57:25 PM](#)

MR. ANDREASSEN moved to slides 3 and 4, Introduction to Local Government:

[Original punctuation provided.]

Introduction to Local Government

Constitutional Basics - Maximum Local Self-Government

The delegates to the state's Constitutional Convention wanted to avoid overlapping local government jurisdictions and ensure local control. A guiding principle was that they did not want to force a particular form of government on any community or region of the state. At the same time, delegates placed an emphasis on maximizing local self-government, which is the purpose of Article 10 of the Constitution.

The Constitution articulates a system of local government that would be flexible enough to allow local decision-making, while providing ways in which greater regional cooperation might occur. Thus, while the Constitution does not mandate the incorporation of local or regional governments, it requires the establishment of organized and unorganized boroughs that are consistent with geography, economies and common interests.

The Constitution also mandates that an agency be included within the executive branch to advise and assist local governments.

[1:57:40 PM](#)

MR. ANDREASSEN said this presentation provides committee members with baseline information to support their overall understanding and awareness of local government. The intention is to discuss classifications and authorities of local government. It is important to recognize how the roles and responsibilities of different types of local governments vary across the state.

MR. ANDREASSEN said AML looks to the Alaska Constitution for guidance on the meaning of "maximum local self-government." The Constitutional Convention minutes explained that "maximum local self-government" means "geographic extent." He remarked that this is a compelling concept when considering how local governments are constructed in Alaska.

[1:58:51 PM](#)

MR. ANDREASSEN said the Alaska Constitution supports a broad, liberal interpretation of local government powers, enabling cities and boroughs to exercise the greatest degree of decision-making authority permitted by law. He said AML looks to the Alaska Constitution in its approach to local government.

MR. ANDREASSEN said statutes inform how local governments are constructed and what they are permitted or prohibited from doing. He explained that Title 29 governs local governments. He noted that the two big differentiators of how local governments are constructed are whether they are general law or home rule. Alaska is one of the few states that have both.

[2:00:26 PM](#)

MR. ANDREASSEN said home rule municipalities operate under a liberal construction of power, meaning they may take any action not expressly prohibited by State statute and as long as it aligns with what citizens allow through the local charter. He said home rule offers broad authority. In contrast, general law municipalities, which include the majority of Alaska's cities and many boroughs, such as second class boroughs and cities, may only exercise powers specifically granted by the legislature. He expressed it can be challenging to make law that is specific enough to provide clarity for one group without restricting the authorities of another group.

[1:59:28 PM](#)

MR. ANDREASSEN continued the Introduction to Local Government on slide 4:

[Original punctuation provided.]

Statutory Authorities - Title 29

Title 29 is State law that describes the classification, roles, responsibilities and other aspects of local government in Alaska. Classifications occur both for boroughs (home rule, first, and second

class) and cities (home rule, first, and second class).

All local governments have certain fundamental duties such as conducting elections, holding regular meetings of the governing body, and taxation. Beyond that, the duties of a municipality in Alaska vary greatly based on their classification, inclusion or not in a borough, population size and geographic area.

Title 29 is prescriptive in its delegation of powers to first and second class cities and boroughs. Home rule cities and boroughs have all legislative powers that their residents have agreed to, except for those prohibited by law.

While a home rule municipality adopts a charter, subject to voter approval, a general law municipality is often unchartered (a general law city or borough may adopt a charter) and its powers are granted by state law. There are two active classes of general law cities and boroughs - first and second class. The difference between the two classes of cities include taxing authority, responsibility for schools, and the powers and duties of the mayor. The differences between the two classes of boroughs are the manner in which they adopt additional powers.

[2:02:16 PM](#)

MR. ANDREASSEN moved to slide 5, Boroughs and Unified Municipalities. He stated that there are at least 19 boroughs and unified municipalities across the state, each bringing different types of requests to the legislature and decision-makers. He explained that home rule governments typically seek to preserve their existing powers and prevent further preemption, while second class boroughs and cities often advocate for additional authority to meet local needs. A map shows which cities are categorized within a city and borough, an incorporated borough, and an unincorporated borough. The slides serve as a reference on the powers and duties of boroughs and unified municipalities:

[Original punctuation provided.]

Boroughs and Unified Municipalities

Organized boroughs are also municipal corporations and political subdivisions of the State. There are four classifications of organized boroughs:

- Unified Home Rule (3) - may exercise all legislative powers not prohibited by law or charter
- Non-Unified Home Rule (8) - may exercise all legislative powers not prohibited by law or charter
- First Class (1) - may exercise any power not prohibited by law on non-area wide basis
- Second Class (7) - must gain voter approval for authority to exercise non-area wide powers

[2:03:14 PM](#)

MR. ANDREASSEN moved to a chart on slides 6 - 8, Powers and Duties of Boroughs. He explained that boroughs have three core responsibilities: funding education; conducting planning, platting, and land use regulation; and levying taxes to support those responsibilities. Beyond these, statute outlines additional duties based on whether the borough is home rule or general law. He noted that the chart serves as a reference, organizing boroughs into three classifications: Unified Municipality and Home Rule Borough, First Class Borough, and Second Class Borough, and outlines their respective responsibilities in the following areas:

- Public Education
- Planning, Platting & Land Use Regulation
- Provide Transportation Systems, Water & Air Pollution Control, Animal Regulation
- License Day Care Facilities

[2:04:05 PM](#)

MR. ANDREASSEN continued on slide 7:

- Regulate Fireworks, provide solid & septic waste disposal, housing rehabilitation, economic development, roads & trails, EMS communications, and regulate motor vehicles and development projects
- Hazardous Substance Control

- Other Powers Not Prohibited

- Property Tax

MR. ANDREASSEN pointed out that not all boroughs levy a property tax. Some rely on fish taxes to offset what would otherwise be collected through property taxation. Others utilize a payment in lieu of taxes (PILT) structure, where the tax base is configured differently. He stated that while the mechanisms vary, all are equivalent to a property tax in that they fund the responsibilities the State has assigned to boroughs.

[2:04:31 PM](#)

MR. ANDREASSEN continued on slide 8:

- Sales Tax

MR. ANDREASSEN said some boroughs may have a sales tax. Sales and property taxes are the two primary forms of taxation used to fund most borough responsibilities. He added that boroughs may also receive support through community revenue sharing or community assistance programs, when available.

- Assembly composition and apportionment

- Election and term of Mayor

- Veto Power of the Mayor

- Ability to attain Home Rule status.

[2:04:53 PM](#)

MR. ANDREASSEN moved to slide 9, Cities:

[Original punctuation provided.]

Cities

A city can be within an organized borough or within the unorganized borough. All cities are municipal corporations and political subdivisions of the State. Typically, cities do not include large geographical regions or unpopulated areas. Classifications of cities include:

- Home Rule - 400+ permanent residents; legislative powers not prohibited by law or charter
- First Class - 400+ permanent residents; state law defines powers, duties and functions
- Second Class - 25+ permanent residents; state law defines powers, duties and functions

Powers and Duties

Important city powers described under Title 29 include (see classification table for more information):

- Public education (Unorganized Borough)
- Planning, platting, land use (Unorganized Borough)
- Property and sales tax authority
- Composition of council
- Election and term of officers
- Eminent domain

[2:04:54 PM](#)

MR. ANDREASSEN explained that cities in Alaska are structured similarly to boroughs. To qualify as a home rule city, a community must have at least 400 residents and be organized by charter. A city may also choose to incorporate as a first class city, which has comparable powers but operates under general law, or as a second class city, which requires a minimum of 25 residents. He noted that when considering local control and decision-making, it is important to recognize that, for most local governments in Alaska, the State defines their powers, duties, and functions. Home rule governments have the greatest freedom to make decisions for their residents.

MR. ANDREASSEN stated that the powers and responsibilities of cities mirror those of borough governments in many ways. Where a home rule or first class city exists outside of an organized borough, in the unorganized borough, it assumes borough-level responsibilities such as funding education. Cities and boroughs also have similar taxing authority. He remarked that this structure differs from many other states, where county and city governments operate in distinct lanes to avoid overlap, duplication of effort, or taxation.

[2:06:41 PM](#)

MR. ANDREASSEN moved to slide 10, which displayed communities organized by their respective classifications:

[Original punctuation provided.]

Home Rule

Cordova • Fairbanks • Kenai • Ketchikan • Kodiak •
Nenana • North Pole • Palmer • Seward • Soldotna •
Valdez

First Class

Craig • Dillingham • Galena • Homer • Hoonah •
Hydaburg • Kake • King Cove • Klawock • Nome • Pelican
• Saint Mary's • Sand Point • Seldovia • Unalaska •
Utqiagvik • Wasilla

Second Class

Adak • Akhiok • Akiak • Akutan • Alakanuk • Aleknagik
• Allakaket • Ambler • Anaktuvuk Pass • Anderson •
Angoon • Aniak • Anvik • Atka • Atqasuk • Bethel •
Bettles • Brevig Mission • Buckland • Chefornak •
Chevak • Chignik • Chuathbaluk • Clark's Point •
Coffman Cove • Cold Bay • Deering • Delta Junction •
Diomede • Eagle • Eek • Egegik • Ekwok • Elim •
Emmonak • False Pass • Fort Yukon • Gambell • Golovin
• Goodnews Bay • Grayling • Gustavus • Holy Cross •
Hooper Bay • Houston • Hughes • Huslia • Kachemak •
Kaktovik • Kaltag • Kasaan • Kiana • Kivalina • Kobuk
• Kotlik • Kotzebue • Koyuk • Koyukuk • Kupreanof •
Kwethluk • Larsen Bay • Lower Kalskag • Manokotak •
Marshall • McGrath • Mekoryuk • Mountain Village •
Napakiak • Napaskiak • New Stuyahok • Newhalen •
Nightmute • Nikolai • Nondalton • Noorvik • Nuiqsut •
Nulato • Nunam Iqua • Nunapitchuk • Old Harbor •
Ouzinkie • Pilot Point • Pilot Station • Platinum •
Point Hope • Port Alexander • Port Heiden • Port Lions
• Quinhagak • Ruby • Russian Mission • Saint George •
Saint Michael • Saint Paul • Savoonga • Saxman •
Scammon Bay • Selawik • Shageluk • Shaktoolik •
Shishmaref • Shungnak • Stebbins • Tanana • Teller •
Tenakee Springs • Thorne Bay • Togiak • Toksook Bay •
Unalakleet • Upper Kalskag • Wainwright • Wales •
Whale Pass • White Mountain • Whittier

Organized Under Federal Law

Metlakatla Indian Community

[2:06:46 PM](#)

MR. ANDREASSEN noted that one local government, the Metlakatla Indian Community, is organized under federal law and is also a member of the Alaska Municipal League (AML). He stated that all cities and boroughs in Alaska are members of AML and remarked that the list illustrates the diversity of local governments across the state.

MR. ANDREASSEN observed that, generally, home rule and first class cities tend to have larger populations or more substantial tax bases. However, this is not always the case. For example, Bethel appears on the second class list, but its population is comparable to that of a first class or home rule city.

[2:07:30 PM](#)

CHAIR MERRICK sought clarification about slide 10. She asked whether the list includes all locations in their respective classification or does the list only include AML members.

MR. ANDREASSEN replied that the list includes all locations that fall under these classifications and are all members. He explained that membership includes both dues-paying and non-dues-paying members, and AML does not differentiate between them on the list.

[2:07:56 PM](#)

SENATOR GRAY-JACKSON asked why Anchorage is not on the list.

MR. ANDREASSEN drew attention to slide 5, replying that Anchorage is classified as unified home-rule.

SENATOR GRAY-JACKSON sought clarification about the omission of Anchorage from the "home rule" category on slide 10.

MR. ANDREASSEN replied that AML listed cities that are within a unified borough under "Boroughs and Unified Municipalities." For example, the City and Borough of Sitka appears under that category on slide 5. Similarly, Skagway and Anchorage are listed as boroughs, not as separate cities. He clarified that slide 5, encompasses unified "city and borough" governments.

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CHAIR MERRICK asked him how municipalities fit within the classifications.

MR. ANDREASSEN replied that municipalities such as Anchorage and Skagway are treated as unified home rule governments. These two municipalities are both a city and borough. Although the term "municipality" can be confusing, the treatment is as a borough. For example, the Municipality of Anchorage and the Municipality of Skagway are unified, they have unified cities within their borders, so this is how they are categorized.

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MR. ANDREASSEN moved to a chart on slides 11 - 13, Powers and Duties of Cities. He stated that city powers and duties are very similar to those of boroughs and the chart outlines their relevant statutory cites. He noted that Title 29 applies equally to communities of 25 residents as it does to communities of 30,000 and the way laws are constructed are not necessarily based on population, but on community classification. A first class city with 25 residents that is required to have seven council members, is the same as a first class city with 30,000 residents that has seven council members. He pointed out that in a 25-person community, nearly one-fifth of the population must serve on the city council, whereas in a larger city the council represents a much smaller proportion of residents. He suggested this highlights the importance of considering how laws affect different-sized communities under the same classification. The chart serves as a reference and organizes cities into three classifications: home rule city, first class city, and second class city, outlining their respective responsibilities in the following areas:

- Public Education
- Planning, Platting & Land Use Regulation
- Property Tax
- Sales Tax
- Other Powers
- City Council Composition
- Election and Term of Mayor
- Vote by Mayor
- Veto Power of Mayor
- Power of Eminent Domain
- Ability to Attain Already has Home Rule Status

[2:11:37 PM](#)

MR. ANDREASSEN moved to slides 14 - 15, Economic and Social Impact of Municipal Government in Alaska:

[Original punctuation provided.]

Alaska has 165 municipalities; 145 cities, 19 boroughs, and one federally incorporated reservation. In all, 97% of Alaskans live within an organized municipality.

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MR. ANDREASSEN stated that the unorganized borough refers to areas not formally organized as boroughs, but this does not mean that residents in those regions lack local government representation. He said only about three percent of Alaskans live outside any form of local government.

MR. ANDREASSEN said the majority of boroughs levy a property tax, and some cities do as well. He explained that there is no differentiation between the two in this regard. However, it is more likely that a borough would levy a property tax since its school funding is tied to that tax. He continued discussing slide 14:

Fifteen of the nineteen organized boroughs levy a property tax, and some cities levy a property tax (12 within organized boroughs, 9 within the unorganized borough). Total property tax revenue in FY23 was \$1,653,725,306.

The majority of municipalities have implemented a sales tax. Nine boroughs and 95 cities have a sales tax, with a total revenue of \$328,976,720 in FY23.

Additional taxes include alcohol and tobacco, raw fish, car rental, and hotel and bed taxes, amounting to \$216,517,939 in FY23.

Municipal governments also receive revenue sharing and PILT funds from the State and Federal government, as well as grant funding from a variety of sources.

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MR. ANDREASSEN pointed out that in the context of State revenue sharing, it is important to understand how community assistance impacts local governments differently based on their population size and tax base. He stated that community assistance means something different to each community. For some, it accounts for as much as 80 percent of their budget; for others, it represents a smaller share but remains meaningful and purposeful.

MR. ANDREASSEN observed that as revenue sharing has declined and has not been adjusted for inflation, the result is a reduction in the purchasing power of local governments. He continued discussing slide 14:

In FY21, the total expenditures by local governments in Alaska was \$2,362,933,130.

Municipalities contribute over 24% of direct education expenditures, totaling \$508,869,961 in FY23. Municipalities contributed an additional \$230 million more that year than required.

Municipalities employ approximately 39,000 Alaskans.

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MR. ANDREASSEN continued the discussion of "Economic and Social Impact of Municipal Government in Alaska" on slide 15:

Alaska has the nation's five largest county-equivalents (boroughs). Our largest is equal to the next six largest non-Alaskan counties. Our smallest is bigger than three US states.

In Alaska, municipalities are filling in where gaps appear in federal and state engagement and investment. The services provided by local governments run the gamut from public safety and emergency response to transportation and fisheries management.

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MR. ANDREASSEN highlighted that local governments in Alaska are responsible for emergency response across an area comparable in size to California or Oregon. He emphasized that in many regions, local governments fill critical gaps where there are no state troopers or federal and state agencies present.

The contributions of our municipal government can also be thought of in terms of area served - with more than half the state organized, local government is serving an area of 252,333 square miles. That's almost 100,000 more than Alaska State land ownership.

The North Slope Borough has more emergency response assets in the Arctic than the State of Alaska and the U.S. Federal government combined.

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SENATOR YUNDT referred to slide 14, noting it states that municipalities employ approximately 39,000 Alaskans. He asked whether that figure includes teachers, firefighters, state troopers, Wasilla police, and essentially all public employees.

MR. ANDREASSEN replied yes, that is correct, all forms of political subdivision employees.

MR. ANDREASSEN continued with slide 15, stating that many years ago, the State transferred the majority of its ports and harbors to local governments. As a result, despite the State's heavy reliance on fisheries and maritime traffic, it is local governments that support and maintain that sector of the economy.

Alaska's municipal ports are some of the busiest in the nation, capturing six of the top ten spots in annual commercial fishery landings.

There are 37 municipal-owned public power utilities.

Municipalities operate 47 public libraries in Alaska.

Municipalities own and operate over 30 swimming pools across the state.

Municipalities provide many services that support the visitor industry, and in turn receive revenue through sales and bed taxes, moorage fees, and other sources. During the COVID-19 pandemic, local governments in Alaska lost nearly \$80 million in revenue from the visitor industry.

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MR. ANDREASSEN said local governments are, in many ways, the backbone of communities, particularly where the private sector does not provide services such as libraries or recreational opportunities. He described these as full-service cities and boroughs that meet residents' needs on many levels. He emphasized that it is in everyone's interest to retain a thriving community. Local governments play a central role in making sure there are opportunities to live, work, and enjoy life, helping residents benefit from their time in Alaska.

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SENATOR DUNBAR said the partnership and shared costs between State and local government are interesting. He said that it used to be that nearly 40 percent of Anchorage's budget was covered by the State government, whereas that figure is now less than one percent. He noted this represents a significant cost shift onto local governments. He pointed to a recent news story about Delta Junction, where an emergency service provider stated that, due to nonpayment, the service would cease. He said that the community seems to have made the choice that it would not pay for that service. He asked whether some smaller communities view it as a viable option to fall back on the State by, for example, reclassifying from a first class to a second class city. He flagged this as a concern, stating the State does not have the financial capacity to absorb additional responsibilities if communities choose to step back in that way.

[2:18:38 PM](#)

MR. ANDREASSEN replied that a principle of AML is local control and local decision making. He stated that AML would not direct its members to take specific actions regarding local governance matters, as those decisions are left to the discretion of each community.

MR. ANDREASSEN expressed his belief that the structure of the Constitution and statutes governing general law versus home rule cities place relatively few obligations on those cities. He explained that it is up to them to determine their own tax rates, identify available resources, and decide which powers to implement based on the will of their residents. In areas where there is no tax base or where residents have not requested certain services, those responsibilities revert to the State. He explained in the Unorganized Borough, where there is no borough government, responsibilities such as education and public safety fall to the State.

MR. ANDREASSEN acknowledged that if communities are devolving themselves of services, the State is likely not well positioned to assume services it did not originally intend to provide. He emphasized that the State still holds constitutional responsibilities and must be able to deliver those services across Alaska, regardless of whether a city or borough steps in to help meet those obligations.

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CHAIR MERRICK commented that it is important to note that there are areas in our State with a tax base that do not fund their own public safety.

[2:20:45 PM](#)

MR. ANDREASSEN moved to slide 16, Power in Partnership:

[Original punctuation provided.]

Power in Partnership

State and local government are intertwined and interdependent, dating back to statehood. The Alaska Statehood Act and the Alaska Constitution recognize that the state's unique size, geography, isolation, distance from markets, and low population necessitated State provision of public education, public safety, public health, public welfare, a unified court system, infrastructure, and more.

Local government spending falls into a few categories:

- Public Safety 30 percent
Police, fire, and emergency response
- Schools 35 percent
Required contribution, respond to district needs, 75 percent of schools
- Utilities 25 percent
Roads, landfills, water and sewer
- Quality of Life 10 percent
Libraries, museums, rec center, parks, playgrounds

MR. ANDREASSEN stated that this slide is intended to foster conversation about where partnerships exist, where overlap occurs, and where opportunities for cooperation can be found. He noted that there are local governments assuming responsibilities, so that the State does not have to.

MR. ANDREASSEN said when reviewing local government budgets, most spending falls into four key categories: public safety, education, utilities, and quality of life. He commented that some local governments are not providing these services while other are. Delivery of these services varies. He emphasized that the variation is not consistently tied to borough classifications or to whether a community is urban or rural. Those are not the differentiators, rather, the most significant

factors are local decisions, local choices, and the strength of the local tax base.

[2:21:33 PM](#)

MR. ANDREASSEN moved to slide 17, Alaska's Local Governments. He explained that AML reviewed key service areas, or "buckets" that local governments are responsible for. He posed a question: when considering any of these systems, such as public safety, how does the State want to approach its role? The State could choose to provide public safety entirely on its own, using state trooper and village public safety officers. However, under Alaska's current structure, local governments also have the authority to assume these powers.

[2:22:05 PM](#)

MR. ANDREASSEN moved to slide 18, Alaska's Local Governments.

[Original punctuation provided.]

Education

34 municipal school districts
4 greater than State contribution

Transportation/Public Works

Road Miles = DOT&PF
37 Electric Utilities
72 Ports and Harbors
112 Water/Wastewater

Public Safety

70 with police powers
40 with combined budgets \$75 million more than DPS

Quality of Life

47 Public Libraries
Parks and Recreation
Community Pools

MR. ANDREASSEN noted that 70 local governments in Alaska have police powers, and 40 of them collectively operate on a combined budget that exceeds the Department of Public Safety's by \$75 million. He pointed out that the Municipality of Anchorage alone employs more law enforcement officers than the State has troopers. This illustrates that public safety in Alaska is delivered through a hybrid model that combines both State and local efforts.

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MR. ANDREASSEN emphasized that this arrangement is neither uniform nor equally distributed. It is not a system where each entity clearly handles distinct responsibilities. Instead, the division of duties reflects a series of negotiations and decisions between the State and local governments. He stated that this flexible structure lies at the heart of ongoing debates and discussions that continue to resurface whenever questions arise about who is doing what and who should be paying for it.

[2:23:02 PM](#)

CHAIR MERRICK referred to slide 18, which indicated that Alaska has 34 municipal school districts. She stated that there are constituents who believe there are too many school districts in the state. She asked whether he had any comment on that.

MR. ANDREASSEN clarified that there is now one fewer school district than indicated. He expressed his belief that Alaska has one fewer school district because the city of Tanana reclassified from a first to a second class city recently, so it became part of a Regional Education Attendance Area (REAA).

MR. ANDREASSEN responded that while he did not believe there are too many school districts at this time, he did not see the question as whether there are too few or too many. He expressed his belief that the more important question is whether the districts are adequately resourced and whether they have what they need to fulfill their obligations. He said the number of school districts does not necessarily determine outcomes. More districts could result in the same outcomes, or fewer could result in no change at all. What matters, he said, is whether each district has the resources required to meet the expectations placed upon them. He emphasized the need to examine whether State funding is adequate, equitable, and evenly distributed. In some areas, local governments contribute more to their district budgets than the State does, despite public education being a State constitutional obligation. In other areas, local contributions are far less. He stated that how much is being funded is just as important a question as how many school districts exist. He referenced the Constitutional Convention minutes, noting they emphasized maximum local self-government and raised questions about how much power a local area holds within its geographic boundaries.

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CHAIR MERRICK expressed her belief that while some people think of economies of scale, that concept is not always practical.

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MR. ANDREASSEN moved to slides 19 - 33, which show a series of color-coded Alaska maps. Data from individual maps overlay one another, providing a visual representation of organized boroughs, organized cities, and the Unorganized Borough. He remarked that it is interesting to view these maps in relation to whether the area is a home rule or second class borough. Second class boroughs are more likely to contain home rule cities, which often have more authority than the borough itself. The maps also provide a visual representation of which organized local governments participate in or have the following:

- Sales Tax
- Property Tax
- Alaska Marine Highway System (AMHS) Port
- Public Employees Retirement System (PERS)
- Municipal Hospitals
- Petroleum Property Tax
- Fisheries Taxes
- School Contribution
- School Bond Debt
- Power Cost Equalization (PCE)
- Police Powers

[2:29:07 PM](#)

SENATOR DUNBAR commented that some local governments are not part of PERS. He asked whether that meant that some local school districts are not part of TRS.

MR. ANDREASSEN replied that all school districts are part of TRS.

[2:29:48 PM](#)

MR. ANDREASSEN continued his brief overview of the map series on slides 27 - 33. He said the point of the geographic maps is to illustrate who is doing what across the state. It shows that not all issues affect all local governments, and even when they do, the impact is not equal. He stated that throughout the legislative session, AML will provide resources to help illustrate how specific issues affect local governments, such as the percentage of tax revenue, exemptions involved, and the decisions a local government might make in response to State policy.

[2:32:38 PM](#)

MR. ANDREASSEN moved to slide 34, the final subsection of his presentation, Local Government Challenges & Priorities.

[2:32:40 PM](#)

MR. ANDREASSEN moved to slide 35, AML Member Principles:

[Original punctuation provided.]

AML Member Principles

- Support the Alaska Constitution's mandate "to provide for maximum local self-government."
- Support policies that reduce tax burdens on local government and reimburse for State-mandated exemptions.
- Support State revenue-sharing as an investment in and support for municipal governance.
- Support adequate State funding for basic public services and infrastructure, such as: education, public safety, health, emergency services, and transportation that is necessary for strong and vibrant communities.
- Oppose unfunded and underfunded State or Federal legislative and administrative mandates.
- Oppose any efforts to reduce local revenues and local revenue authorities.
- Oppose State or Federal policies that shift responsibilities to local governments without a negotiated agreement that includes adequate and full annual funding.

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MR. ANDREASSEN reviewed where the AML organization derives its direction. He said it begins with the Constitution, followed by Title 29, and then from its members, who articulate a list of principles to guide the organization's response to State budgets and legislation affecting local governments. He noted that AML maintains a municipal impact dashboard so that, for every bill before the legislature, AML can show the extent to which it impacts local governments. He said AML members vote each year on principles, priorities, resolutions, and a policy statement. He said the following slides highlight some of the priorities raised by local governments participating in the process over the past few years.

[2:33:40 PM](#)

MR. ANDREASSEN moved to slide 36, Municipal Governance.

[Original punctuation provided.]

Municipal Governance

State statutes regarding municipal governance should reflect the Constitution's intent to maximize local self-governance, understood to mean strengthening the capacity and effectiveness of local governments. Further, decision-making at the local level is most responsive to Alaskans' interests. To this end, AML:

- Supports increased capacity within and professionalization of State tax assessment.
- Supports improvements to records retention, public records access, and public notice.
- Supports issuance of a municipal impact fiscal note within proposed legislation.

MR. ANDREASSEN said AML is continually developing ways to strengthen local governments. AML works to provide members with technical assistance and support, and to adjust policy in ways that increase member decision-making and local control in cooperation with DCRA. This includes working closely with tax assessors, promoting clarity around records retention and access, ensuring proper public notice, and helping to ensure the legislature is informed when introducing legislation that may have a fiscal impact on communities.

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MR. ANDREASSEN moved to slide 37, Strengthening Local Governments. He said that efforts to strengthen local governments often reference DCRA's best practices portal, which assesses how some communities are performing. He clarified that this does not apply to all local governments, but specifically to those eligible for the Village Safe Water program and similar State funding. A best practices score of 60 is the threshold: communities scoring below 60 are not eligible for funding, while those scoring above are. He noted that over the past decade, there has been little improvement in helping communities move above that threshold. Many continue to struggle with governance and financial documentation. He suggested this stagnation likely reflects the impact of declining community assistance and other

forms of State revenue support that, in the past, helped improve these conditions.

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MR. ANDREASSEN moved to slide 38, Community Assistance and Revenue Sharing. He stated that when the program began in 1969, it recognized that all communities are different and that Alaska's obligations as a State differ from those of other states. The State created an avenue to distribute funds to local governments, but that support has eroded over time.

[Original punctuation provided.]

Community Assistance and Revenue Sharing

Revenue sharing was originally conceived as a way in which to share state resource wealth with local government, thereby ensuring that all areas of the state have basic public services and reasonably equitable and stable local tax rates. While Alaska has had a revenue sharing program since 1969, it has had numerous changes over the years, including in 2017 to rename the program Community Assistance. Funding has been inconsistent over the years but is a priority for Alaska's municipalities. To ensure its continued inclusion in the budget, AML:

- Supports a baseline floor of \$60 million annually, and encourage a long-term, sustainable solution.
- Supports a method to waive debt, forgive loans, or otherwise bolster "stressed" communities whose revenue sharing funds are withheld.

[2:36:07 PM](#)

MR. ANDREASSEN moved to slide 39, History of Revenue Sharing:

[Original punctuation provided.]

History of Revenue Sharing

- 1970 - State Revenue Sharing - Reimburse for Services
- 1985 - Community Revenue Sharing \$140M

- 1997 - Safe Communities, focus on public health/safety
- 2003 - Community Assistance zeroed out
- 2009 - \$180M fund with \$60M distribution
- 2016 - \$90M fund with \$30M distribution
- 2020 - Vetoed recapitalization results in distribution of \$20m, or base.
- 2024 - Vetoed recapitalization.

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MR. ANDREASSEN pointed back to the history of revenue sharing in 1985 when the program distributed \$140 million. Adjusted for inflation, that amount would now exceed \$300 million.

MR. ANDREASSEN said the distribution floor to local governments was \$60 million in 2009. He speculated that the best practices scores probably have something to do with the funding being cut in half during that period.

MR. ANDREASSEN recalled that when community assistance was eliminated in the early 2000s, some communities closed their doors, unincorporated, and never reopened. The result was increased taxation and other challenges. He said AML knows that without State support, local governments across Alaska face serious consequences. [A chart on slide 39 showed the following Alaska communities at risk:]

Table 2: Alaska Communities at Risk

Communities That Have Discontinued Municipal Operation
 Ahkiok, Ambler, Holy Cross, Kiana, Kivalina, Kobuk, Kupreanof, Kwethluck, Mekoryuk, Nikolai, Noatak, Platinum, Quinhagak, Russian Mission

Communities with Significant Financial Problems
 Allakaket, Buckland, Chevak, Ekwok, Goodnews Bay, Grayling, Hydaburg, Lower Kalskag, Napaskiak, Numan Iqua, Pilot Point, Point Hope, St. George, Shageluk, Shishmaref, Toksook Bay, Upper Kalskag, Wales

Communities at Risk

Akiak, Alakanuk, Anaktuvuk Pass, Angoon, Atquasuk, Brevig Mission, Chignik, Chuathbaluk, Clark's Point, Deering, Diomede, Eek, Emmonak, Gambell, Golovin, Hooper Bay, Kaktovik, Kotlik, Koyuk, Koyukuk, Mountain Village, Napakiak, New Stuyahok, Nighmute, Nondalton, Noorvik, Nuiqsut, Nulato, Old Harbor, Pelican, Pilot Station, Port Heiden, Port Lions, Ruby, St. Michael, Savoonga, Scammon Bay, Selawik, Shaktoolik, Shungnak, Stebbins, Tanana, Teller, Tenakee Springs, Togiak, Wainwright

[2:37:02 PM](#)

MR. ANDREASSEN moved to slide 40, PERS/TRS:

[Original punctuation provided.]

PERS/TRS

In recognition of the State's responsibility for the majority of the unfunded pension and health benefit liability, in 2008 the State amended its statutes regarding employer contributions to PERS and TRS, placing a cap on employer contributions at 22 percent of payroll and TRS contributions at 12.56 percent of payroll, with the State accepting responsibility for any costs in excess of this amount (the "on behalf" payment). For municipalities, many have become "prisoners of PERS" - unable to leave without a costly termination study and still the unfunded liability to address. AML:

- Supports amendments to termination studies and penalties for leaving PERS/TRS.
- Supports the development of a pathway to decrease overall unfunded liability.
- Opposes any cost shift of the State "on behalf" payment over 22 percent.

[2:37:05 PM](#)

MR. ANDREASSEN stated that only a portion of local governments participate in the PERS and TRS. AML has long supported amendments related to termination studies and penalties for leaving PERS. He noted that some local governments are "prisoners of PERS," unable to afford participation, yet unable to exit the system. For local governments with a limited tax

base or those reliant on community assistance, a 22 percent payroll contribution is unaffordable. This level of obligation limits their ability to fund services, such as emergency response or fire departments. He emphasized that PERS contributions have knock on effects that impact local government decision making and must be considered carefully.

MR. ANDREASSEN said that a systemic approach to addressing PERS must meet these goals: meet the needs of employees; support employers by reducing the 22 and 12.56 percent payroll burden, most which goes toward net pension liability; and strengthen the system overall. He noted that the system is only 64 percent funded, and the majority of contributions from local governments are being used to pay down that liability.

MR. ANDREASSEN commented that although this issue may fall under the jurisdiction of another committee, he flagged it due to its significant implications for local decision making.

[2:38:43 PM](#)

MR. ANDREASSEN moved to slide 41, Workforce Recruitment and Retention. He stated that, just as retirement benefits matter, wages matter. He said it is increasingly difficult for local governments, school districts, and others to compete with the private sector for professional employees. He attributed recent federal investments as a factor in rising wages, which is exacerbating the recruitment and retention challenge. As a result, local governments are facing the same recruitment and retention struggles as the State.

MR. ANDREASSEN expressed his belief that collaboration is key. He said AML passed a resolution underscoring the importance of working together to address workforce recruitment and retention. The goal is to avoid cannibalizing one another's employees or competing across levels of government. He said AML and its members have made it a top priority to support a state that delivers adequate services and maintains a strong workforce capable of responding to inquiries, navigating regulatory matters, and acting as a reliable partner.

[2:40:05 PM](#)

MR. ANDREASSEN moved to slide 42, Fiscal Policy. He stated that much of workforce recruitment and retention depends on fiscal policy. AML has identified fiscal policy as an area that significantly impacts local government.

[Original punctuation provided.]

Fiscal Policy

Municipal fiscal health is often a direct reflection of state fiscal health. If the state reduces its overall budget or revenue sharing, or shifts costs or responsibilities to municipalities, local governments either must draw from savings, raise local taxes, or become unable to deliver essential public services. Therefore, it is imperative that the state approach its fiscal policy with the utmost concern for impacts to the economy and political subdivisions of the state. If there is no capital budget, then infrastructure and economic development suffers. Reductions in the state's budget cannot come at the expense of local government, and AML:

- Supports agency and programmatic efficiency and right-sizing but opposes cost-shifting to municipalities and eliminating essential services.
- Supports the development of a broad-based tax or other mechanisms to increase state revenue.

[2:40:20 PM](#)

MR. ANDREASSEN moved to slide 43, Mandatory Exemptions:

[Original punctuation provided.]

Mandatory Exemptions

Mandatory exemptions reduce the available tax base of local governments by as much as 20%. Most importantly, it is worth recognizing that exemptions benefit the few at the expense of the many, shifting the tax burden and increasing costs elsewhere.

The Senior Exemption at right demonstrates magnitude of impact by jurisdiction, with a value last year of \$100 million that by law is supposed to be reimbursed.

MR. ANDREASSEN stated that part of fiscal policy includes the State's ability to impose mandatory exemptions, with the senior exemption being the most significant. He said the current value of that exemption exceeds \$100 million statewide. Because it is a State-mandated exemption, the financial burden shifts to other taxpayers within each jurisdiction. He noted that the graph on

slide 43 illustrates not just the total dollar amount, but the proportion of that amount relative to local revenue. For example, while the Municipality of Anchorage shows the largest total dollar exemption, the Kodiak Island Borough experiences a much higher ratio of lost revenue. He emphasized that this issue affects communities differently, and it is important to be mindful of that variation when revisiting or considering future policy adjustments.

[2:41:25 PM](#)

MR. ANDREASSEN moved to slide 44, Public Safety:

[Original punctuation provided.]

Public Safety

Municipal governments play an essential role in delivering public safety to Alaskans. The majority of first responders are municipal employees and volunteers, and municipalities spend more on public safety than the state. The partnership between the federal, state and local governments must be strategic and responsive to threats to public safety, emergency response and the long-term well-being of Alaskans. AML encourages the state to:

- Increase officer recruitment and retention.
- Support and strengthen the VPSO program.
- Decrease access to and impacts from opioids.

[2:41:28 PM](#)

MR. ANDREASSEN reiterated his earlier point that public safety functions as a system, and suggested it is a topic the committee could revisit. While community jails are not explicitly listed on the slide, he noted they will likely surface in budget discussions. He emphasized that local governments are absorbing a significant portion of what might otherwise be State responsibility through their investments in jails, police departments, village police officers, and so on.

MR. ANDREASSEN shared an account from a small rural mayor who spoke at AML's December conference. She described being the first point of contact when residents are threatened, explaining that without a state trooper, village police officer, or village public safety officer, it is her duty to respond. He recalled

her saying she was under 30 years old, approximately five foot one, and tasked with detaining individuals on behalf of the State, without support or contribution from the State to address those needs. He said her story highlights the burden placed on some local governments and the absence of State support in certain areas. He added that AML has identified substance abuse, particularly opioids, as a fairly high concern.

[2:43:10 PM](#)

CHAIR MERRICK commented that the intention is to bring the Department of Public Safety before the committee to discuss some of the issues just mentioned.

[2:43:19 PM](#)

MR. ANDREASSEN moved to slide 45, Economic Development. He said public safety, education, transportation, public works, and quality of life are all forms of economic development when considered in terms of reducing transactional costs for businesses and families in communities.

[Original punctuation provided.]

Economic Development

Local governments are often at the heart of economic development in a community, providing an employee base as well as programmatic and infrastructure investments. Many municipalities have economic development arms, as well, which foster economic activity and support innovation and entrepreneurship.

AML:

- Supports increased investment in diversification and small business development.
- Supports increased investment in training and workforce development.
- Supports state responsiveness to local economic development planning.

[2:43:44 PM](#)

MR. ANDREASSEN moved to slide 46, Access to Land:

[Original punctuation provided.]

Access to Land

Municipal Lands

- Entitled by law - AS 29.65.010, 020, 030
- Patented - deed secured
 - Local government can subdivide, sell, develop
- Approved = no deed but planning can begin

Barriers to development

- Survey costs
- Utilities and access

Municipality	Entitlement	Patented	Approved	Ownership
Aleutians East Borough	7,633	451	7,223	5.91%
Municipality of Anchorage	44,893	21,122	3,596	47.05%
City of Anderson	1,182	912	349	77.16%
City of Cordova	235	169	76	71.91%
Denali Borough	49,789	5,212	43,302	10.47%
Fairbanks NorthStarBorough	112,000	97,246	15,697	86.83%
Haines Borough	5,967	2,562	2,424	42.94%
City and Borough of Juneau	19,584	17,190	2,993	87.78%
Kenai Peninsula Borough	155,780	100,429	41,994	64.47%
Ketchikan Gateway Borough	11,593	9,606	2,080	82.86%
Kodiak Island Borough	56,500	21,033	10,426	37.23%
Lake and Peninsula Borough	125,000	1	99,785	0.00%
Mat Su Borough	355,210	271,903	79,722	76.55%
North Slope Borough	89,850	4,489	8,360	5.00%
Northwest Arctic Borough	285,438	45,815	233,850	16.05%
Petersburg	14,666	458		3.12%
Municipality of Skagway	7,977	4,358	3,536	54.63%
City and Borough of Sitka	10,500	7,464	2,526	71.09%
City of Valdez	7,593	6,182	1,492	81.42%
City and Borough of Wrangell	9,006	2,029	7,205	22.53%
City and Borough of Yakutat	21,500	366	22,298	1.70%

MR. ANDREASSEN stated that part of economic development is access to land. He noted that the State still has a long way to go in transferring land to local governments, with survey costs being the primary impediment. If those costs could be addressed, and the transfer of State lands came with investments in utilities and access, the result would be meaningful land availability and economic development. He added that both elements would also help address the housing crisis faced by many communities.

[2:44:24 PM](#)

MR. ANDREASSEN moved to slides 47 and 48, Education, State and Local Funding. He stated that beyond making the required local contribution, the primary intersection between local governments and school districts is school facility ownership. Approximately 75 percent of all schools in Alaska are owned or maintained by local governments. He explained that the main program available

to assist with school construction and major maintenance is significantly underfunded. In some cases, it may not be worth submitting an application when only about 14 percent of awards are expected to be funded each year.

MR. ANDREASSEN emphasized that school construction and major maintenance remain a high priority. He pointed out that while the dollar amount of local contributions is important, what is more significant is the proportion of that contribution relative to a local government's overall budget. For example, in places such as the Lake and Peninsula Borough, Denali Borough, and Ketchikan Gateway Borough, more than 50 percent of their total budgets are directed toward public education.

[2:45:39 PM](#)

CHAIR MERRICK sought confirmation that those items have not been included in the Governor's budget.

MR. ANDREASSEN replied, right.

[2:45:47 PM](#)

MR. ANDREASSEN moved to slide 49, Coastal Resilience:

[Original punctuation provided.]

Coastal Resilience

Alaska's port and harbors represent critical transportation links and economic drivers for the state, as well as public safety assets. The state transferred ownership of the majority of these facilities to municipalities, who have assumed the operational costs but for whom the maintenance and improvements are challenging. At the same time, Alaska's coastal communities are dependent on an active and well-managed commercial fishery. AML:

- Supports appropriately funded DF&G and increased investment in fisheries research and outreach.
- Supports continued investment in port and harbor infrastructure.
- Supports an active role in federal fisheries management, and clean water, as well as transboundary negotiations.

[2:46:12 PM](#)

MR. ANDREASSEN moved to slide 50, Energy. He stated that it is encouraging to see the attention the legislature and governor have placed on energy. He emphasized that local governments are willing partners in advancing energy projects that reduce energy costs. He cautioned that actions such as adding exemptions or preempting local control do not reflect a partnership. He underscored the need to avoid placing additional burdens on communities, even when pursuing well-intentioned goals related to energy, food security, or otherwise.

[Original punctuation provided.]

Energy

The high costs of heat and power in most of Alaska presents a burdensome transactional cost to doing business or providing public services. While Power Cost Equalization (PCE) is a reliable effort to stabilize and bring down costs for residents, there remains an incredible challenge to increase affordable energy in Alaska. Most local governments have identified the cost of energy as a primary detrimental influence affecting quality of life and economic expansion within their communities. AML:

- Supports vetting of and investing in energy projects, processes and programs that decrease energy costs

[2:46:41 PM](#)

MR. ANDREASSEN moved to slide 51, Transportation. He said transportation, and water and wastewater fall under core public works and utility responsibilities managed by local governments.

[Original punctuation provided.]

Transportation

Alaska's transportation infrastructure is pivotal to the state's economy and facilitates access to markets, supplies, and most of all, resources. Improving and investing in Alaska's air, marine, and ground transportation system will enhance the global competitiveness of Alaska business and economic opportunities for its people. Alaska needs new transportation infrastructure development to provide access to resources, reduce barriers for communities

to participate in the economy, allow for safe and efficient transportation for all Alaskans, and to dramatically improve Alaskan's quality of life statewide. It is equally important to ensure the maintenance of our existing infrastructure. AML:

- Supports the establishment of an Alaska Transportation Fund that can be used to match or supplement federal funding and invest in multimodal transportation infrastructure.

[2:46:42 PM](#)

MR. ANDREASSEN moved to slide 52, Water and Wastewater:

[Original punctuation provided.]

Water and Wastewater

The delivery of water, wastewater and sanitation are the responsibility of many municipalities, and while improvements have been made in much of the state, more than 30 rural communities have no centralized water or wastewater systems. These are essential functions of local government and are supplemented by state investment and efforts. AML:

- Supports increased State investment in maintenance and infrastructure upgrades.

[2:46:52 PM](#)

MR. ANDREASSEN moved to slide 53, Alaska Municipal League's Role. He closed by describing AML's role. He noted that AML's members guide its mission and articles of incorporation, which outline the range of responsibilities dedicated to supporting and strengthening local government. He emphasized that AML takes this role seriously, not only advocating for the interests of local governments but also considering how State and other decision-making affects Alaska residents.

[Original punctuation provided.]

Alaska Municipal League's Role

The **purpose** of the Alaska Municipal League is to:

- Safeguard the interests, rights, and privileges of Alaskan municipalities as they may be affected by Federal and State governmental actions.
- Secure cooperation among municipalities of the State in a thorough study of local problems and in the application of efficient methods of local government.
- Provide means whereby municipal officials may interchange ideas, experiences, and obtain expert advice.

The **objectives** of the Alaska Municipal League are to:

- Perpetuate and develop the League as an agency for the cooperation of municipalities in the state of Alaska for the practical study of municipal affairs.
- Promote application of the best methods in all branches of municipal service by holding at least one conference annually for the discussion of problems of administration.
- Gather and circulate information and experience concerning the most approved methods of municipal administration.
- Secure general and municipal legislation at the state and federal levels which will be beneficial to the municipalities and inhabitants thereof, and to oppose legislation injurious thereto.
- Engage in the study and preparation of uniform ordinances, resolutions, and practices; and to do any and all other things necessary and proper for the benefit of the municipalities of Alaska.
- Develop appropriate membership services and programs that strengthen Alaskan local governments' ability to govern their own affairs and improve.

[2:47:31 PM](#)

CHAIR MERRICK thanked the presenter and stated that she looks forward to working with him over the course of the session.

[2:47:38 PM](#)

There being no further business to come before the committee, Chair Merrick adjourned the Senate Community and Regional Affairs Standing Committee meeting at 2:47 p.m.