



AML 2018 Summer Meeting Summary

DENALI BOROUGH, AUGUST 22-23





President's Welcome

Thank you to the Denali Borough – and to Mayor Clay Walker and his staff – for their coordination and support of the AML summer meeting. AML is excited to have been able to share with members who attended this special part of Alaska. This is an important outcome of the summer meeting, which rotates around the state and in 2019 will be in Soldotna.

Mayor Pat Branson

Director's Welcome

As a new director, my goal in these first few months has been to listen and learn, even as the scope of our work has demanded response and action. Hopefully I've found the right balance. Being able to engage with members during the summer meeting is an incredible opportunity, and I look forward to moving from my "sense" of things – described on the following page – to firm advocacy on behalf of Alaska municipalities.

Nils Andreassen

State of the State

- The State has made some progress on fiscal policy but this is nowhere near complete – remaining to be addressed is a broad-based tax, and revenue that will support community needs
- Budget cuts and the fiscal challenge has meant that the State hasn't reinvested in communities – community revenue sharing is each year a question instead of an answer, and state programs are lagging
- There remains a lot of uncertainty within Alaska, and between current elections and overall change, it is difficult for municipalities to plan effectively
- At the federal level, we have seen changes in direction, trade barriers affecting seafood, and a reprioritization of funding

Condition of our Communities

This is overly simplistic but my sense of communities is that we have three distinct groups.

- **Have's** – strong economic activity and tax base, backfilling state gaps, capacity and competency
 - Looking at growth and independent activity from that of state
- **Making do** – modest economic activity and tax base, stable, backfilling or doing without state programs
 - Focused on projects and making things happen, taking some risk but generally stable
- **Have-nots** – very little economic activity and virtually no tax base, state dependent and struggling
 - Many of these in unorganized borough, "stressed communities" – falling through the cracks

Organizational Outcomes

Finally, AML itself is:

- As healthy as our members – dues do make a difference, and allow us to make a difference
- Able to expand our pillars of partnership – developing strong business and organizational ties
- Working to strengthen the communication loop between the organization and its members, ranging from member support to education and advocacy
- Advocating effectively at the state and federal level – working to mobilize members

Review of AML State Legislative Priorities

For those who have read Alaska Taxables, you'll know that the state government has made (at least) two promises to share revenue with municipalities. The Senior Tax Exemption, applied at the state level with a commitment to reimburse the loss of revenue at the local, has been unfunded since FY97.

>> Action – continue to advocate for reimbursement, and/or advocate for a local option; collaborate with AARP on value of municipal service provision.

The second promise relates to sharing of the state revenue wealth in the form of Community Revenue Sharing. This has been a perennial challenge, and state commitment has varied over the years. During times of state budget surpluses, promises are kept. When the state has fiscal challenges, those promises become more like very good intentions. The most recent fiscal crisis in 2015 saw Community Revenue Sharing reduced, renamed Community Assistance, and annually unstable. A new agreement was reached in recent years to carve out Community Revenue Sharing from excess earnings of the Power Cost Equalization (PCE) endowment, when there are any. In FY19 that amounted to \$34 million, though in FY20 that amount could be significantly reduced (potentially \$18 million).

>> Action - AML will need to continue to advocate for and secure general fund appropriations to fully fund Community Revenue Sharing.

AML recognizes that it is also important to protect the PCE endowment and program.

>> Action – AML should explore the current needs of PCE communities and work with AEA, utilities and others to lower energy costs and ensure effective and efficient delivery of service.

One opportunity to address the future sustainability of Community Revenue Sharing is to revisit Governor Hickel's original concept of the Community Dividend. Past legislation was not able to make headway, but in an era where the state is drawing on earnings from the Permanent Fund, an opportunity exists to focus on community support.

>> Action – review past legislation and develop a new proposal, including a strategy for moving it forward; collaborate with education (AASB, ASBO, etc) to address collaborative opportunities.

One of AML's principles has been to maximize local self-government, one expression of which is local control. This has resulted in AML opposition to state preemption – blanket legislation that doesn't include local options. There have been exceptions to this in the past, the decision for which is made by members and at the board level, but generally the rule holds true.

>> Action – produce white paper on Alaska preemption; continue to collaborate with NACo and NLC on advocacy and research at the national level.

While SB26 helped to address the state's budget shortfall (roughly 80% for current fiscal year) – with AML support – there remains a deficit that will be taken from the dwindling Constitutional Budget Reserve (CBR). The legislature each year will deliberate on the individual dividend, but the real concern to be addressed will be the need for a broad-based tax to support essential government services and address infrastructure projects and maintenance backlog.

>> Action – AML to determine its support for a broad-based tax and/or additional revenue.

PERS/TRS is a familiar issue that remains challenging for many municipalities and school districts, who bear not only the cost of current employee benefits, but 22% of a PERS/TRS enrollee gap, which is due to past state mismanagement. The state picks up any difference between the 22% and what is determined annually by actuarial findings. If these payments go away, it would be a significant cost shift to municipalities, and if the unfunded liability is increased, it impacts municipal balance sheets and the ability to borrow.

>> Action – review and act as watchdog of ARM board, and recruit public members from municipalities

>> Action – convene expert group to propose amendments to the statute, thereby reforming costs to employers including termination studies (which the state itself doesn't have to conduct), elimination of job classes, recalculation of base, and interest rate changes (review past AML proposals).

>> Action – legislative watchdog to avoid on behalf changes.

Budget cuts remain a priority for some members of the legislature, and are a common refrain during elections. The reality is that budget cuts result in program cuts and more importantly cuts to essential public services. The effect is cost-shifting to municipalities, who either backfill the need out of existing budgets, must raise revenue to backfill the state obligation, or who simply can't and those services are no longer provided.

>> **Action** – Policy brief developed to inform legislators on municipal impact of budget cuts.

Finally, a very new discussion is emerging about online sales taxes. Responding to decisions by the Supreme Court that could potentially open this up to states, many of the reasons for the decision apply at the municipal level as well. Without a state sales tax, work will need to be done for municipalities to effectively capture potential revenue from online sales taxes – where current sales taxes are in place – and streamline definitions and exemptions.

>> **Action** – AML to convene an expert group able to address questions and develop a proposal that avoids state implementation of a statewide sales tax.

Supplemental Note – membership brought up Title 4 (liquor law) legislation that impacted some municipalities.



Gubernatorial Debate

Governor Bill Walker and Senator Mark Begich; Senator Mike Dunleavy (unable to attend)

Thanks to Denali Borough for hosting, and for Tri Valley School student moderators –

- Gaven Mortensen, Caleb Graham, Makenzie Mirasole, and Jacob Cook.

Questions included:

- What's important to you? Please describe your views on local control, unfunded mandates and the obligation to maximize local self-government?
- What measures would you take to fully fund the (Alaska Permanent Fund) dividend, if any?
- Rank the following AML priorities
 - PERS reform
 - K-12 and University education funding
 - Fiscal policy
 - Capital infrastructure projects
- What would you do to ensure stable, sustainable revenue sharing, if anything?
- Do you support the Alaska Gas pipeline and AKLNG project, and if not, what would change your mind?
- Speed round (Yes/No)
 - Do you support Ballot Measure One?
 - Would you support increased funding for fisheries research?
 - Do you support continued and/or increasing funding of the Alaska Marine Highway System?
 - Would you continue with Medicaid expansion?

Watch video link at <https://youtu.be/2AJNo8LK9hs>; Sen. Dunleavy written response at www.akml.org

Federal Priorities

(see PowerPoint at www.akml.org)

AML membership in both the National League of Cities (NLC) and the National Association of Counties (NACo) accounts for the majority of our federal outreach. It is through these partners that AML stays informed and advances Alaska priorities.

There is an opportunity to expand engagement within both organizations, which offer benefits to municipal partners.

>> **Action** – AML to expand call for participation in federal advocacy committees within NLC and NACo.

>> **Action** – AML to distill NLC and NACo research and advocacy for Alaska municipal reference and use.

Presentation by DCCED and OMB

(see PowerPoint at www.akml.org)

AML Director's Summary and Response

State officials provided a compelling picture of the state's economy and linkages to the State budget, which leads to an argument for a broad-based tax. There is a clear disconnect between what has actually become quite a diversified economy and a budget that is funded mainly by oil royalty and tax revenue.

One of the clear calls to action was around healthcare reform, and the opportunity for savings if... It seems like this was preparation for a discussion of something like a health authority, which will require municipal participation.

I would actually push back on their presentation's description of funds received by municipalities. It has become common for the State to describe all funds that end up in communities as a form of community support, when the reality is that they are fully the responsibility of the State. It is important to delineate between the State's commitment to municipalities and its broader obligations that are delivered to Alaska citizens living in those municipalities.

It worried me that reference was made to community assistance coming from other sources, but maybe that opens up the door for a community dividend discussion. At the same time, it was good to hear the call for infrastructure improvements and the need to fund deferred maintenance.



Issue Development

(Reports from small group activities; results of brainstorming activity. These do not reflect official AML positions.)

Unfunded Mandates

- Changes to requirement in Special Education and associated costs (NCLB \$ for staff time; revisit formula funding for K-12)
- Air Quality (EPA)
- Federal restrictions national park land use (recreation)
- Clean Water restrictions – federal (seafood processing)
- Host/invite In-state federal official visits
- Increase NACo and NLC engagement

Economic Development

- The State shall recognize and respect the fundamental role of local government in promoting and facilitating economic growth and development, by incorporating local planning documents and goals into state projects, strategies and permitting processes
- Support economic diversification and entrepreneurship
- Provide sufficient state resources and fairly apply state regulations
- Support K-12, University, trades and workforce development

PERS

- Work toward less than or equal to 22%
- Adjust floor to 2008, or update
- Increase AML PERS/TRS expertise
- Address cost of termination studies
- Increase employer opportunity to leave PERS

Public Safety

- Officer recruitment and retention
- Financial resources for Trooper re-image
- Efficiency
- Lack of any law enforcement in rural areas
- Support for citizen patrols
- Enforcement of tribal MOUs with SOA
- VPSO more enforcement authority
- 911 consolidation issues
- More local jurisdictional authority for emergency response
- Drug task forces
- SB91 issues eliminates incarceration; demoralizes police, no decrease in crime
- Utilizing criminal 11.i

Fishing

- DF&G to be more involved in fisheries research, in cooperation with NMFS and NPRB, including on climate change
- SOA more involved in monitoring MSA, MMPA, ESA, impacts on fishery dependent communities, subsistence concerns
- Review impact of tariffs
- Maintain status quo or increase \$ for ASMI
- DF&G \$ should remain a high state priority, for the economic sustainability of fishery dependent communities
- Recognize importance of shoreside fisheries/processors
- Board of Fish and NPFMC appointments should have input from all region
- Strengthen AML position on fishing
- No changes to the state share fishing tax

Fiscal Policy

- SB26 is just one component of a long-range sustainable fiscal plan
- Continue looking for additional revenue sources
- Stable fiscal plan imperative to meet public and community needs
- Essential to protect state credit rating
- Stable fiscal plan must produce state revenues from economic activity
- Protect municipal property and sales tax priorities

Sanitation, Sewer and Wastewater

- Increase \$ for maintenance costs, as well as new infrastructure
- Need for public private partnerships for infrastructure
- Managing growth – building up infrastructure where increased economic activity, population
- Need pro-active help from state to identify infrastructure needs, solutions and \$

Minerals

- Uphold borough constitutional authority for maximum authority
- No changes to state minerals tax
- Promote state and federal investment into infrastructure for resource development
- Facilitate joint assembly meetings to discuss pro-development initiatives
- Support educational and technological efforts to raise knowledge, skills and abilities of workforce
- Help protect health, subsistence, environmental and cultural aspects alongside mineral development

Title 29

- Technology - OMA/notice, public records, records retention
- Public records - commercial requestors

Special thanks for presentations by:

- **Ray Gillespie**, AML Lobbyist
- **Brittany Kohler**, National League of Cities
- Commissioner **Mike Navarre**, DCCED
- **Pat Pitney**, Office of Management and Budget
- Sen. **John Coghill**, Alaska State Legislature
- Rep. **Dave Talerico**, Alaska State Legislature
- Governor **Bill Walker**, State of Alaska – signing of SB 215





For more information contact AML:
Nils Andreassen, Executive Director
nils@akml.org and 907-586-1325

One Sealaska Plaza, Suite 200
Juneau, AK 99801



Governor Bill Walker signing SB 215.