

Municipal Impact Statements



Table of Contents

Aleutians East Borough - Municipal Impact Statement

Anchorage – Res. No. 2019-105 Opposing Governor Dunleavy’s Proposed FY20 Budget

Atka – Municipal Impact Statement

Bethel – Municipal Impact Statement and March 13, 2019 Town Hall Meeting Report

Chignik - Res. No. 19-3 Supporting AMHS, Res. No. 19-4 Supporting K-12 Funding, Res. No 19-5 Supporting the Shared Fisheries Tax and Res. No. 19-6 to Preserve the PCE Program.

Denali Borough – Municipal Impact Statement, Resolution No 19-07 Encouraging Gov. Dunleavy to Reallocate Funds for Denali Visitor Center to K-14 Education Base Student Allocation Funding and Resolution No. 19-08 Supporting SB50

Dillingham – Municipal Impact Statement

Fairbanks, City - Resolution No. 4870 Requesting the Legislature to Support Alaska Pioneer Homes, Educational Funding and the University of Alaska

Fairbanks North Star Borough – Letter to Senate Education Committee Opposing SB64 and Mayor Wards Presentation during Town Hall Meeting on Gov. Dunleavy’s FY20 Budget

Gustavus – Letter in Support of Fully Funding the AMHS and Resolution CY19-07 Informing the Governor of the Importance for Continued AMHS Service

Haines Borough - Resolution No. 19-03-798 Urging the Legislature to Pass a Balanced, Sustainable and Predictable State Budget.

Homer – Municipal Impact Statement

Hoonah – Municipal Impact Statement and Letter to Senate & House Finance on School Bond Debt Reimbursement

Hughes – Municipal Impact Statement

Huslia – Municipal Impact Statement

Juneau – Resolution No. 2850(am) Urging the Alaska Legislature to Pass a Balanced, Sustainable, and Predictable State Budget

Kasaan – Municipal Impact Statement

Kenai – Municipal Impact Statement, Resolution No. 2019-17 in support of Modifying SB57 and HB59, and Resolution No. 2019-18 Opposing SB63 and HB65

Kenai Peninsula Borough – Municipal Impact Statement, Resolution 2019-021 Supporting the Kenai Peninsula College, and Resolution 2019-023 in Support of Modifying SB57 and HB59

Ketchikan – Municipal Impact Statement

Ketchikan Gateway Borough, City of Ketchikan, City of Saxman and Ketchikan Gateway Borough School District - Joint Resolution Opposing Gov. Dunleavy's FY2020 Budget Proposal

Kodiak – Municipal Impact Statement

Lake and Peninsula Borough – Resolution 19-09 to Support Funding the AMHS, Resolution 19-10 Requesting Adequately Funding ADF&G Particularly the Div. of Commercial Fisheries, Resolution 19-11 to Preserve the PCE Endowment Fund, and Resolution 19-12 Supporting Funding for K-12 at Levels in the Original State FY20 Operating Budget and Maintaining the School Debt Reimbursement Program

Northwest Arctic Borough – Municipal Impact Statement

Petersburg – Municipal Impact Statement

Quinhagak – Municipal Impact Statement

Saint Paul – Municipal Impact Statement and Letter to Gov. Dunleavy Regarding his FY20 Budget

Seldovia – Municipal Impact Statement and Resolution 19-17 Requesting the Legislature to Pass a Fair Budget

Sitka – Municipal Impact Statement

Skagway – Municipal Impact Statement

Tenakee Springs – Municipal Impact Statement

Thorne Bay – Municipal Impact Statement

Unalakleet – Municipal Impact Statement

Unalaska – Municipal Impact Statement

Valdez – Municipal Impact Statement and Press Release Opposing SB57 & HB59

Municipal Impact Statement: **Aleutians East Borough**



We appreciate the State's commitment to sustainable spending but want to draw attention to the unsustainable impact the proposed FY20 budget will have on local governments in Alaska.

The Aleutians East Borough is responsible for municipal governance in this community of 3141. We have 10 employees who fulfill the obligations of a local government. Our ability to do so is limited by statute, public interest and available resources. Traditionally those resources have included State and Federal funding, which offset the burdens that might otherwise be felt by a local tax base.

In FY17, these tax revenues were 61.20% of our total budget, and any impact from State decision-making on local economies further weakens our sustainability. This includes cuts to the University, AMHS, and Medicaid (which impacts municipal-owned hospitals and clinics).

Based on the proposed FY20 budget, we have highlighted below some of the impacts that your decisions will have on our residents.

- Our Community Assistance funding has been \$316,365.92 and is 4.11% of our budget
- Our School Bond Debt reimbursement FY 20 is \$654,762, which is 8.42% of our budget and the total debt outstanding is \$7,565,360, which would fall back on local taxpayers
- Our Harbor Bond Debt Reimbursement payment in FY 20 is approximately, \$381,000, which is 4.9% of our budget.
- Our current Local Required Contribution to education is \$517,841 and our total local contribution for FY 19 was \$942,128
- Our residents depend on in PCE funding to afford high energy costs
- Our share of the Shared Fisheries Business Tax is \$2,093,687, our share of the Fish Landing Tax is \$5,017 and our share of the Extraterritorial Shared Fisheries Business Tax is \$101,299. Together this is 28% of our budget
- The anticipated proposed cuts in the foundation formula to our school district in FY20 will be \$1,139,470

While PCE and Community Assistance remain funded for FY20, we are concerned for their long-term viability.

The combined impact of Governor Dunleavy's proposed reductions to the Aleutians East Borough for FY 2020, not including the cut in K-12 foundation formula money, is a decrease of over 40% in the Borough's annual operating budget. The Aleutians East Borough will work to mitigate the damage from these actions, including to work with legislative leaders to develop solutions that reflect the public interest.

Submitted by: Assembly Chair Croft, Assembly
Member Dunbar and Assembly
Member Quinn-Davidson
Prepared by: Office of the Mayor
For reading: March 19, 2019

ANCHORAGE, ALASKA
AR No. 2019-105

**A RESOLUTION OPPOSING GOVERNOR DUNLEAVY'S PROPOSED FY2020
BUDGET.**

Whereas, during the 2018 campaign then-candidate Mike Dunleavy repeatedly stated he did not intend to make significant cuts to government services, including specific promises not to cut rural schools or Medicaid services while speaking at the Alaska Federation of Natives conference, specific promises not to cut the Marine Highway System while speaking in Southeast Alaska, specific promise not to cut Pioneer Homes or the University of Alaska during two separate televised debate, and repeated assertions savings could be found through "efficiencies," or the elimination of 2000 supposedly funding but unfilled state positions; and

Whereas, the budget cannot be considered without a thorough understanding of the human and economic impacts, yet the Dunleavy administration has provided little policy analysis to support proposed cuts; and

Whereas, the budget proposal would do significant damage to the economies of Anchorage and the state, and result in a prolonged statewide recession, reduced investment, outmigration, and estimated job losses in the public and private sector in the order of tens of thousands; and

Whereas, because the Dunleavy administration has not justified the proposed budget with an economic or policy analysis, the proposed budget has already created a level of uncertainty that will cost the state millions of dollars of private investment, even if the budget does not pass in its current form; and

Whereas, the Anchorage Assembly recognizes that Anchorage thrives when the entire state thrives, and that much of the wealth that flows into the municipality comes from the resources throughout rural Alaska; and

Whereas, the Anchorage Assembly believes that Alaskans benefit when the State works collaboratively with Municipalities, Boroughs, and Tribes because local governments are closest to the people; and

Whereas, the Dunleavy administration did not consult or work with local governments in preparing the proposed budget, and

Whereas, credit rating agencies have warned that the proposed budget would have negative credit implications for municipalities, and cause some localities to default on their bonds or enact significant tax hikes; and

1 Whereas, the proposed budget would result in increased costs to the Municipality of
2 Anchorage and the Anchorage School District, including a transfer of \$2,600,000
3 from the Municipality to the State under Governor Dunleavy's plan to repeal a
4 municipality's ability to tax oil and gas properties within its jurisdiction; and

5
6 Whereas, the proposed budget calls for a \$107 million cut to Anchorage School
7 District's operating budget, and an additional \$41 million cut to the State's share of
8 bond debt for previous school construction major maintenance, resulting in a cut to
9 Anchorage schools that is greater than cumulative salaries of every elementary
10 school teacher in the district; and

11
12 Whereas, according to analysis from the Anchorage School District, the proposed
13 budget would force schools to increase every class size by ten students, resulting in
14 kindergarten classes of 31 students and high school classrooms of 40 students; and

15
16 Whereas, the University of Alaska plays a critical role in producing a knowledgeable
17 and prepared workforce, and the proposed reduction of \$134 million to the University
18 of Alaska jeopardizes the very existence of the University of Alaska Anchorage; and

19
20 Whereas, by eliminating state matching funds for a variety of health services, the
21 proposed budget would cripple the Municipality of Anchorage's ability to continue
22 making progress addressing public safety, community health, and homelessness,
23 including:

- 24
- 25 • 800 more vulnerable and homeless individuals who will no longer receive
26 services from community partners, including more than 100 vulnerable youth
27 who will no longer be able receive services from the Covenant House, and
28 more than 200 fewer women and children who will be able to seek shelter
29 from AWAIC (Abused Women's Aid in Crisis) due to the proposed \$826,231
30 cut to the Human Services Community Matching Grants– and that assumes
31 the Municipality will be able to maintain its current level of funding;
 - 32 • A \$400,000 cut to public health nursing;
 - 33 • The elimination of the Alaska Domestic Violence and Sexual Assault
34 Intervention Program;
 - 35 • A proposed cut of \$714,000,000 to Medicaid (including the forgone federal
36 match), which would restrict access to behavior health and drug treatment;
37 and
- 38

39 Whereas, by eliminating services that benefit children and vulnerable populations, the
40 proposed cuts may ultimately increase future State costs, as individuals who didn't
41 receive preventative care end up in emergency rooms; those who do not receive
42 behavioral health treatment end up in the criminal justice system; and individuals who
43 didn't receive an adequate education end up on public assistance; and

44
45 Whereas, the proposed budget does nothing to address the State's central financial
46 challenge: as long as State revenues depend primarily on a volatile commodity, the
47 State will remain unable to reliably and predictably fund essential government
48 services; and

49
50 Whereas, by drawing down existing budget reserves such as the Statutory Budget

1 Reserve, the Power Cost Equalization Fund, and the Higher Education Endowment,
2 the proposed budget does not offer a long-term solution to Alaska’s budget
3 challenges.

4
5 **NOW, THEREFORE, THE ANCHORAGE ASSEMBLY RESOLVES:**

6
7 **Section 1:** The Anchorage Assembly opposes the Governor’s FY2020 budget as
8 currently proposed, and urges the Governor to adopt a more collaborative and
9 transparent process moving forward; and

10
11 **Section 2:** The Anchorage Assembly calls upon the Alaska Legislature and Governor
12 to produce a balanced budget that minimizes negative consequences to Alaska
13 residents, and prioritizes the long-term health of the State over short-term political
14 calculations; and

15
16 **Section 3:** The Anchorage Assembly requests that instead of raising revenues by
17 shifting costs to local governments, the Alaska Legislature and Governor increase
18 State revenues through some combination of a broad-based tax, a reduction in oil tax
19 credits, utilizing earnings from the Permanent Fund, and/or through other means of
20 diversifying revenue; and

21
22 **Section 4:** The Anchorage Assembly urges the Legislature and Governor to only
23 enact budget cuts that are backed up with an analysis of the cut’s economic and
24 social impact on Alaska residents.

25
26
27 PASSED AND APPROVED by the Anchorage Assembly this _____ day of
28 _____, 2019.

29
30
31
32 _____
33 Chair

34 ATTEST:

35
36
37 _____
38 Municipal Clerk



We appreciate the State's commitment to sustainable spending but want to draw attention to the unsustainable impact the proposed FY20 budget will have on local governments in Alaska.

The City of Atka is responsible for municipal governance in this community of 54. We have 10 full and part-time employees who fulfill the obligations of a local government. Our ability to do so is limited by statute, public interest and available resources. Traditionally those resources have included State and Federal funding, which offset the burdens that might otherwise be felt by a limited local tax base.

In FY17, our tax revenue was 30% of our total budget, and any impact from State decision-making on local economies further weakens our sustainability. This includes fish taxes.

- Our Community Assistance funding was \$76,038 or 9% of our revenue.
- Our residents depend on \$32,511 in PCE funding to afford high energy costs.
- Our share of the local Shared Fisheries Business Tax is \$15,479, Fish Landing Tax is \$23,950, and the regional Shared Fisheries Business Tax is \$177,099.
- Total revenue from these sources equals \$325,077 or 40% of total revenue.

While PCE and Community Assistance remain funded, we are concerned for their long-term viability. Based on the proposed FY20 budget, we have highlighted below some of the impacts that your decisions will have on our residents.

The combined reductions and cost-shifting will mean that the City of Atka anticipates:

- Potential staff reductions = 4.
- Public Safety budget reduced by 100%. Atka has a VPSO through the regional tribal entity but provides about \$6,000 in additional support from City funds.
- Public Works budget reduced by 40%.
- The ability to comply with unfunded mandates related to utility operations will be severely hindered.
- The City will not be able to adequately maintain and operate public facilities or provide public services.
- Job opportunities in Atka are limited at present. Low income residents cannot afford additional costs that would be necessary to cover increases in charges that would be needed to continue operation of public utilities and services.
- The tax base in Atka is severely limited. Even if the local population were to agree to tax themselves, this would not bring in enough to cover even the cost of implementing and managing another tax collection system.

We believe the proposed FY20 budget and approach that you have outlined reflects little concern for the burden that you have passed on to residents of Alaska. The City of Atka will work to mitigate the damage from these actions, including to work with legislative leaders to develop solutions that reflect the public interest.



We appreciate the State's commitment to sustainable spending but want to draw attention to the unsustainable impact the proposed FY20 budget will have on local governments in Alaska.

The City of Bethel is responsible for municipal governance in this community of 6151. We have 99 employees who fulfill the obligations of a local government. Our ability to do so is limited by statute, public interest and available resources. Traditionally those resources have included State and Federal funding, which offset the burdens that might otherwise be felt by a local tax base.

In FY17, our tax revenue was 71.79% of our total budget, and any impact from State decision-making on local economies further weakens our sustainability.

Based on the proposed FY20 budget, we have highlighted below some of the impacts that your decisions will have on our residents.

- Our Community Assistance funding has been \$193,287.27 and is 1.76% of our budget
- Our residents depend on \$971,701.99 in PCE funding to afford high energy costs

While PCE and Community Assistance remain funded, we are concerned for their long-term viability. The combined reductions and cost shifting will mean that the City of Bethel anticipates:

- Potential staff reductions = every position averages out to be an estimated \$150,000 per position.
- PCE Total of the General Fund including Police, Fire, City Admin. , etc. is \$69, 101. = 0.64%
- PCE Public Safety, Fire & Police budgets reduced by 0.46%, when broken out from the General fund
- PCE Water and Sewer Enterprise Fund budget reduced by \$74,124 or 1.24%
- PCE Yukon Aquatic and Heath Ctr. Enterprise Fund budget would have increased cost of \$37,584.
- Quality of Life programs potentially eliminated include Library, Teen Ctr., Public Transit(if our matching funds were eliminated) and our Community Action Grant –Est. Total \$270,000
- PCE Leased Properties= \$30397 or 4.41%. Interesting because the majority of these funds would be for the building we lease to the state for their judicial duties here in the YK region.
- Lower Yukon Kuskokwim School district reports that approximately 1/3 of LKSD's budget, equaling \$25M-\$30M, goes toward expenses associated with the students that live in Bethel. The City of Bethel has no property taxes and doesn't participate with funding the schools in Bethel.
- Taxes would need to increase by 1% per million dollars to offset these decisions.

We believe the proposed FY20 budget and approach that you have outlined reflects little concern for the burden that you have passed on to residents of Alaska. The City of Bethel will work to mitigate the damage from these actions, including to work with legislative leaders to develop solutions that reflect the public interest.



TOWN HALL MEETING

March 13, 2019

300 Chief Eddie Hoffman Highway 6:00p-8:00p

Shane Iverson, General Manager for KYUK Public Broadcasting

The Governor proposed the elimination of the Public Broadcasting line item, totaling 3.5 million dollars. If approved, this hit to Public Broadcasting would eliminate the airing of PBS and significantly reduce the effective operation of the Broadcasting units as they are interdependent. The 24 broadcasting units share resources such as the arch system put into place in the 70s and engineering services. This budget elimination would reduce the amount of operating budget for each unit while increasing the operating cost.

KYUK, the first native owned public radio station in the nation, would lose \$150,000, a 10 percent reduction in their operating budget. Over the last few years, Public Broadcasting has faced budget reductions at the State level. As this has been the trend, KYUK has been paring down their budget to. At this point, with the cuts, KYUK would only be able to spare services.

This is a substantial cut to KYUK and the statewide system, a partnership that works very efficiently and the sharing that is done would be completely defunded.

Walter Jim, Tribal Council President for ONC

The Tribe relies on State grants; one of those is for our senior services. For many of the elders the meal services provided by ONC may be the only meal they receive for the day. The Bethel census area is one of the poorest with one of the highest cost of living in the nation. Additionally the elders are going to be effected by Medicaide and other reduced programs.

Vivian Korthius, Chief Executive Officer, Alaska Village Council Presidents Inc.

The AVCP Region consists of 48 communities within the Kusovac and Bethel census areas. AVCP Board members met to finalize a resolution opposing the Governor's proposed budget cuts. The resolution includes a detail of the proposed cuts and their impacts to the region. Additionally AVCP is concerned for public safety. They have eight Village Police Safety Officers for 48 communities, 83% of our communities do not have public safety personnel.

Peter Evon, Executive Director ONC

Reiterated the statements provided by Tribal President, Walter Jim, pointing out concerns related to Power Cost Equalization, Head Start Program, Fish and Game, Natural Resource Program, and Medicaid.

Mary Nanuwak, Citizen

Frustrated with the State's money crisis, identified that the money belongs to the people indigenous to the state. The PFD was not created to pay for the state government.

Ronda Phillips, 4H Director

With funding cuts, those that will suffer are the children. We need to ensure the children have a safe

place to go so the adults are able to go to work to support the economic structure. 4H continues to work with community contributors to help fund the program but there are still concerns funding will be detrimentally reduced if this budget is passed.

Anne Cochran, Bethel Winter Shelter

The Bethel Winter House started in 2013 with the goal to eliminate death by exposure. This save overnight housing provides a bed for more than just the homeless, people who travel to Bethel for health needs, but who can't afford a hotel, those that have unsafe homes or students over the age of 18 who don't have a place to stay. The operating budget for the Winter House \$57,663 of which \$29,700 is a grant funds from the State of Alaska. With the proposed cuts, the Winter House would likely not operate next year.

River Posey, Tundra Women's Coalition Teen Advocate

Teens Acting Against Violence evaluated the budget cuts. Some of the teens expressed concerns of the potential decrease in teachers at the schools. The youth activists are present and care.

Dalarie Peters Sub Regional Manager for AVCP

Stated concerns of the effects of Alaska legal services and to the kids in the foster care system. We know the solution for this is Pebble Mine and Donlin, feels as though the people are being bullied by the State. Prior to the dividend people were fighting over resources, was hoping to see the organizations take a fighting stance against the state on the mines opening. Doesn't understand why people are so against an income tax.

Mary Thibeault, Public Health Nurse Manager

Identified the proposed budget will cut \$2.5 million for Public Health Nursing. The cut would affect Bethel and the surrounding communities as Public Health Nursing travels to educate and help fight TB in the Region. The total effects are unknown at this time.

Elizabeth Prince, TAV Participate

With the budget cuts, would be willing to loose or have a reduced PFD if it means we won't lose other services that are important to us.

Ryan Jefferies, citizen

Everyone cuts funding, people loose disposable income. The solution is to make the pie bigger, stated interest in having a state reserve bank.

Shawn Phillips, Citizen

The cuts are going to effects, the City's ability to distribute and provide water, sewer, police and fire services. There is also risk to our children. The State should take a close look at excessive costs that are unnecessary.

R. Thor Williams, Citizen

Provided a summary of what would happen in the community and the region as the budget is effecting the life of rural Alaska as opposed to urban Alaska. Stated these cuts are making it even more difficult to live in the rural area of the state.



City of Chignik

PO Box 110
Chignik, AK 99564

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RESOLUTION 19-03

A RESOLUTION BY THE CITY OF CHIGNIK SUPPORTING THE DIRECTION AND MISSION OF THE ALASKA MARINE HIGHWAY REFORM PROJECT TO RECREATE THE FERRY SYSTEM TO PROVIDE VITAL TRANSPORTATION SERVICE TO COASTAL ALASKA COMMUNITIES

WHEREAS, the Alaska Marine Highway System (AMHS) has been providing essential transportation to Alaska's coastal communities since 1963; and

WHEREAS, the AMHS services 33 Alaskan communities stretching from Metlakatla to Unalaska, including service to Chignik, AK; and

WHEREAS, the AMHS is vital for Southwest Alaskan communities that rely on the ferry to support Commercial fishing and other vital maritime related businesses and improve the quality of life for area residents; and

WHEREAS, the AMHS has already sustained significant funding reductions that have reduced service throughout the system; and

WHEREAS, further reductions in the AMHS will harm tourism, commerce, economic development, and quality of life for nearly 100,000 Alaskans; and

WHEREAS, the House Transportation Committee introduced HB 414 in 2018 to organize the AMHS as a public corporation, reflecting a preliminary recommendation of the AMHRP, and similar legislation is expected to be introduced in the Legislature this year.

NOW BE IT RESOLVED that the City of Chignik supports the AMHRP mission to produce recommendations to recreate the AMHS to operate more efficiently and effectively with existing or even reduced levels of State support while maintaining its present level of service.

BE IT FURTHER RESOLVED that any newly formed governing board for the AMHS include at least one representative from the Southwest Alaska region.

PASSED AND ADOPTED by the City of Chignik Municipality on the 29th day of March 2019.

INWITNESS THERETO:

Peter Anderson, Mayor

JJ Orloff, City Clerk



City of Chignik

PO Box 110
Chignik, AK 99564

Phone (907) 749-2280
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RESOLUTION 19-04

A RESOLUTION BY THE CITY OF CHIGNIK SUPPORTING FUNDING FOR K-12 PUBLIC EDUCATION AT LEVELS PROJECTED IN THE ORIGINALS STATE OF ALASKA FY20 OPERATING BUDGET AND MAINTAINING THE SCHOOL DEBT REIMBURSEMENT PROGRAM

WHEREAS, Article 7, Section 1 of the Alaska Constitution provides that the State of Alaska will establish and maintain a system of public schools; and

WHEREAS, a sound public-school system is vital to produce qualified workers and attract new businesses to locate in Alaska, two important components of economic development; and

WHEREAS, schools located in the Lake & Peninsula School District are more expensive to support and operate due to small population bases spread out over a large rural area not connected to the Alaska road system; and

WHEREAS, historically, based on its constitutional mandate, the State of Alaska has provided significant support for rural school districts; and

WHEREAS, the Governor has proposed a 25.7% cut in unrestricted general funding for the School Foundation formula totaling \$303,648,200 in his proposed FY20 budget; and

WHEREAS, the Governor has proposed a 100% cut of \$30,000,000 in unrestricted general funding in the original FY20 budget to supplement the School Foundation formula; and

WHEREAS, the Governor has introduced legislation, SB 64 and its companion HB 66, in the 31st Legislature to repeal the State reimbursement for school construction program; and

WHEREAS, several schools in the Lake & Peninsula School District constructed school facilities in recent years reliance of receiving significant reimbursement for the State based on a population-based formula; and

WHEREAS, these State cuts in will force local governments to raise local taxes and fees significantly to adequately fund public education or allow education programming to deteriorate due to larger class sizes, increased teacher and administrator turnover, fewer key support personnel and less preventive maintenance for school facilities; and

WHEREAS, reduced resources for public education will significantly affect the quality of life in Alaska communities, the education of Alaska's next generation of workers and citizens, and competitive compensation for teachers, administrators, and key school personnel.

NOW BE IT RESOLVED that the City of Chignik urges the Governor to work with the 31st Legislature to restore undesignated general funding to the School Foundation Program to adequately fund Alaska's public schools.

BE IT FURTHER RESOLVED that City of Chignik opposes enactment of SB 64 or HB 66 repealing the State reimbursement for municipal school construction program.

PASSED AND ADOPTED by the City of Chignik this 29th day of March 2019.

In witness thereto:



Peter Anderson, Mayor



JJ Orloff, City Clerk



City of Chignik

PO Box 110
Chignik, AK 99564

Phone (907) 749-2280
Fax (907) 749-2300

RESOLUTION 19-05

A RESOLUTION BY THE CITY OF CHIGNIK SUPPORTING CONTINUATION OF SHARED FISHERIES TAX PROGRAMS AND OPPOSING LEGISLATION INTRODUCED BY THE GOVERNOR REPEALING THE SHARING OF FISHERIES TAX PROGRAM TAXES WITH QUALIFYING MUNICIPALITIES

WHEREAS, the State of Alaska collects various taxes and fees on businesses engaged in the fishing and fish processing activities in Alaska; and

WHEREAS, under provisions of AS43.75.130 the State provides a "Refund to local governments" of Fisheries Business and License Taxes of up to 50% of Taxes collected to municipalities where fishery resources where fishery products are landed; and

WHEREAS, under provisions of AS 43.77.060 the State provides for "Revenue Sharing" with municipalities of the Fisheries Resource Landing Tax of up to 50% of Taxes collected on floating fisheries where fishery products are landed; and

WHEREAS, these two Fisheries Tax programs are a means of taxing fishing economic activity and reflects the partnership between State and municipalities in providing services that support the fishing industry in Alaska; and

WHEREAS, municipalities receiving these Shared Fisheries Taxes provide services like water, waste water collection and treatment, road maintenance, docks, ports, boat harbors, fire protection, police services, emergency medical services, electricity, education, and building inspections in support of the fishing industry; and

WHEREAS, in FY18 over \$20.8 million dollars were shared with municipalities in the Southwest Region of Alaska through these Shared Fisheries Taxes; and

WHEREAS, These Shared Fisheries Taxes are significant general fund revenues that municipalities rely on as part of their tax base to provide municipal services that benefit residents and the fishing industry; for example, the City of Chignik is anticipating collection of \$1900.89 dollars in FY19; and

WHEREAS, the Alaska League in its February 21, 2019 statement responding to the Governor's proposed FY20 budget stated that it "objects to rescission, the State taking funding intended for local government and other political subdivisions of the State and using that to make up a State budget deficit", and

WHEREAS, the Alaska Municipal League in its February 21, 2019 statement responding to the Governor's proposed FY20 budget stated that it "that the proposed budget is less about State budget cuts and more about cost-shifting to lower levels of government; and

WHEREAS, the Governor has introduced HB 65 and its companion bill SB 63 in the 31st legislature to repeal the provisions in the Shared Fisheries Taxes that share these State collected taxes with qualified municipalities that support the fishing industry; and

WHEREAS, the Governor is also proposing in his FY20 budget a 25% cut in State support for K-12 education funding and elimination of State reimbursement of school construction debt; and

WHEREAS, as the Alaska Municipal League and Alaska Conference of Mayors noted, the State is proposing shifting more costs for services like education to municipalities while at the same time reducing general tax revenue by in effect reducing municipal tax bases.

NOW BE IT RESOLVED that the City of Chignik supports continuation of the Fisheries Business and License Tax and Fisheries Resource Landing Tax programs as currently operated to share proscribed taxes collected with qualifying municipalities.

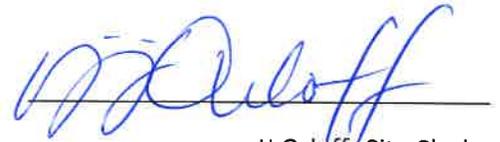
BE IT FURTHER RESOLVED that City of Chignik opposes passage of HB 65 and SB 63 that would repeal the sharing of State collected Fisheries Business and License Tax and Fisheries Resource Landing Tax with qualifying municipalities.

PASSED AND ADOPTED by the City ff Chignik Municipality on the 29th day of March 2019.

INWITNESS THERETO:



Peter Anderson, Mayor



JJ Orloff, City Clerk



City of Chignik

PO Box 110
Chignik, AK 99564

Phone (907) 749-2280
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RESOLUTION 19-06

A RESOLUTION BY THE CITY OF CHIGNIK MEMBERSHIP TO PRESERVE THE POWER COST EQUALIZATION ENDOWMENT FUND FOR ITS INTENDED PURPOSE OF ASSISTING ALASKANS AND ALASKAN COMMUNITIES WITH THE HIGH COST OF ELECTRICITY

WHEREAS, the Power Cost Equalization (PCE) Program was established in 1985 as part of a Statewide Energy Plan to provide for a long-term stable funding source for provision of affordable levels of electric utility costs in high-cost service areas of the State; and

WHEREAS, the PCE program was established to assist rural residents at the same time state funds were used to construct major energy projects like the Four Dam Pool projects, Bradley Lake, and Alaska intertie that benefited more urban areas of Alaska; and

WHEREAS, in FY 2001 a PCE Endowment Fund was created and capitalized from the Constitutional Budget Reserve and Four Dam Pool proceeds and further capitalized in FY2007 with General Funds; and

WHEREAS, the PCE Endowment fund is invested and managed by the Alaska Department of Revenue on behalf of the Alaska Energy Authority with a goal of earning sufficient income to fund PCE payments to rural communities and residents that pay three to five times or more the amount for electricity that urban residents pay; and

WHEREAS, the PCE program serves 91 utilities, 194 communities and 83,510 Customers; and

WHEREAS, the PCE Endowment has been very successful in growing to a level of a perpetual fund with a balance of \$1.01 billion as of November 30, 2018; and

WHEREAS, the PCE Endowment Fund the source of funding the Community Assistance Program that provides funding to municipalities and communities; and

WHEREAS, the Governor is Proposing to dismantle the PCE Endowment Fund to help fill the State's budget gap and replace the endowment funding stream with annual appropriations from the general fund; and

WHEREAS, this proposal by the Governor is contrary to the original intent of the PCE program to remove uncertainty and competition with other State needs and goes against the promise to rural residents to have a sustainable program for energy assistance in lieu of the benefits of expensive hydroelectric projects and interties.

NOW BE IT RESOLVED, the City of Chignik fully supports continuation of the Power Cost Equalization Program with the PCE Endowment Fund kept intact to fulfill the historical intended purpose of the program and the promise made to rural Alaskans of assisting rural residents and communities in offsetting high electricity costs.

PASSED AND ADOPTED by the City of Chignik Municipality on the 29th day of March 2019.

IN WITNESS THERETO:

Peter Anderson, Mayor

JJ Orloff, City Clerk



Municipal Impact Statement: **Denali Borough**

We appreciate the State's commitment to sustainable spending but want to draw attention to the unsustainable impact the proposed FY20 budget will have on local governments in Alaska.

The Denali Borough is responsible for municipal governance in this community of 1849. We have 10 employees who fulfill the obligations of a local government. Our ability to do so is limited by statute, public interest and available resources. Traditionally those resources have included State and Federal funding, which offset the burdens that might otherwise be felt by a local tax base.

In FY17, our tax revenue was 89.20% of our total budget, and any impact from State decision-making on local economies further weakens our sustainability.

Based on the proposed FY20 budget, we have highlighted below some of the impacts that your decisions will have on our residents.

- Our Community Assistance funding has been \$361,885.39 and is 8.78% of our budget
- Our current Local Contribution to education is \$964,876 and additionally we contribute \$2,370,979
 - Our contribution is 34.83% of what the State contributes
- The anticipated cuts to our school district are \$1,559,459

While PCE and Community Assistance remain funded, we are concerned for their long-term viability. The combined reductions and cost-shifting will mean that the Denali Borough anticipates:

- Significant school district staff reductions.
- Quality of Life programs greatly reduced or potentially eliminated.

We believe the proposed FY20 budget and approach that you have outlined reflects little concern for the burden that you have passed on to residents of Alaska. The Denali Borough will work to mitigate the damage from these actions, including to work with legislative leaders to develop solutions that reflect the public interest.

March 14, 2019



Municipal Impact Statement: **City of Dillingham**

Alice Ruby, Mayor

Tod Larson, City Manager

We appreciate the State's commitment to sustainable spending but want to draw attention to the impact the proposed FY20 budget will have on local governments in Alaska. In fact, it may cause many local governments to become unsustainable.

The City of Dillingham is a First-Class City and responsible for municipal governance in this community of 2,335. The City employs 44 residents who fulfill the obligations of our local government, which includes public safety (city police, fire, ambulance), roads, water/sewer, port/harbor, library/museum, senior center, landfill/solid waste and a significant amount of funding for our city schools. Our ability to do so is limited by statute, public support and available resources. Traditionally those resources have included State and Federal funding, which supplements the funding generated locally. The impact from the proposed state budget will put our sustainability in question.

The State of Alaska contributes approximately \$1.3 million, equating to 11% of the overall annual City of Dillingham budget (not including school funding). This revenue is crucial to the local economy and continued services to the community. In FY17, our tax revenue was 67.53% of our total budget. Dillingham residents tax themselves heavier than many other communities in order to support local services, being listed as 17th on the per capita taxable list as published in Alaska Taxable (by the State of Alaska). Dillingham levies real property tax, personal property tax, inventory tax, sales tax, alcohol/bed tax, gaming tax, tobacco tax and levies fees for almost all of our services.

Based on the proposed FY20 budget, we have highlighted below some of the impacts that current state budget proposals will have on our residents, based on Dillingham's FY2019 budget.

- Our Community Assistance funding has been \$119,903.40 and is 1.55% of our budget
- Our School Bond Debt will be retired in 2028. The FY20 state reimbursement is \$742,201 with a cumulative total reimbursement amount of \$6,697,671. This would fall back on local taxpayers
- As a first class city, Dillingham is obligated to support the local public schools. Our current required Local Contribution is \$721,364 annually. However, the City contributes \$1,300,000. Our contribution is 20.46% of what the State contributes. The anticipated cuts to our school district through the funding formula are projected to be \$1,376,030. Dillingham does not have the financial resources to make up that loss.
- Our residents depend on \$745,993.70 in PCE funding to offset the high energy costs.
- The City of Dillingham receives Shared Fisheries Business Tax of \$398,350 (FY19). Despite an almost 9 year effort, the Local Boundary Commission denied the City's efforts to expand our municipal boundaries in order to levy a local fisheries tax. Consequently, while we are a major commercial fishing community, we do not have the resources to make up the loss of the state shared fish tax revenue.

- The significant reduction in funding to the University of Alaska will result in a loss to educational resources for our residents but also result in the loss of jobs in Dillingham because the UAF Bristol Bay Campus has a significant presence in and is heavily relied upon in our community.
- The reduction to Public Broadcasting will have a detrimental impact in our region and for our residents. While almost all communities have some level of internet access, it is usually available only at the governmental facilities, such as the school, city or tribal offices. Most residents in rural Alaska do not have internet access in their homes and therefore Rural Alaskan's depend heavily on public broadcasting through public television or public radio.
- A reduction in state revenue will significantly impact our overall ability to continue to provide services. Response at our level could include:
 - Staff reductions, as much as 25% of the workforce.
 - Significant reduction in services in all or most of our departments/services.
 - Tax increases – mil rate which impacts a small portion of residents, as well as sales tax would both need to be explored.
- The tertiary impact will be a significant loss of jobs and a loss of residents as people will move to seek employment.
- It is unknown at this time where funding will come from to replace lost shared revenues.

We believe the proposed FY20 budget and approach is a reflection of a major transfer of responsibility from the state to municipalities. In our state, small communities have the least ability to generate the income necessary. It also reflects a disservice to the residents of Alaska.

The City of Dillingham will work to mitigate the damage from these actions, including to work with legislative leaders to develop solutions that reflect the public interest. The City has taken a strong position in support of a reasonable Permanent Fund Dividend that allows for continued funding of services by the State. The City of Dillingham supports and strongly urges the state to identify alternative funding sources, such as a state income tax.

RESOLUTION NO. 4870

**A RESOLUTION REQUESTING THE STATE LEGISLATURE TO
SUPPORT ALASKA PIONEER HOMES, EDUCATIONAL FUNDING,
AND THE UNIVERSITY OF ALASKA IN ITS FY2020 BUDGET**

WHEREAS, Governor Dunleavy's FY2020 budget proposal includes funding cuts to Alaska Pioneer Homes, to education, and to the University of Alaska; and

WHEREAS, Alaska Pioneer Homes have a proud history of service to Alaskans that predates statehood; the first Pioneer Home was established in 1913 in Sitka; and

WHEREAS, today Alaska Pioneer Homes serve over 460 Alaska seniors in six Homes throughout the state – in Fairbanks, Palmer, Anchorage, Sitka, Juneau, and Ketchikan; and

WHEREAS, the concept of the Pioneer Homes, state-owned and operated assisted living residences for seniors, is unique and recognizes a commitment by Alaska to its seniors, to help care for them and to help make it possible for them to remain living in the state they helped to build; and

WHEREAS, the proposed budget cuts and rate increases undermine the history and purpose of Alaska's Pioneer Homes; and

WHEREAS, the University of Alaska faces severe cuts under the Governor's budget proposal; and

WHEREAS, funding for the University system has already experienced \$195 million in cumulative budget cuts over the last four years; and

WHEREAS, the Governor's proposed cuts to base student allocation and the elimination of school bond debt reimbursement will have a devastating effect on K through 12 education here in the Fairbanks North Star Borough and throughout the state; and

WHEREAS, these budget cuts will not only have a direct adverse effect on education, Pioneer Homes, and the University but will also result in unknown collateral adverse impacts throughout the community.

NOW, THEREFORE, BE IT RESOLVED that the Fairbanks City Council reaffirms its support for education, for Alaska's seniors, and for the University of Alaska and requests the legislators in the Alaska House and Senate to reject the proposed cuts to education, to Alaska Pioneer Homes, and to the University of Alaska in the Governor's FY2020 budget proposal.

PASSED and APPROVED this 25th day of March 2019.



Jim Matherly, Mayor

AYES: PASSED and APPROVED on the CONSENT AGENDA
NAYS: None
ABSENT: Cleworth
APPROVED: March 25, 2019

ATTEST:

APPROVED AS TO FORM:



D. Danyielle Snider, CMC, City Clerk



Paul Ewers, City Attorney



Fairbanks North Star Borough

Mayor's Office

PO Box 71267 | 907 Terminal Street | Fairbanks, Alaska 99707-1267 | (907) 459-1300 | www.fnsb.us

****TRANSMITTED VIA ELECTRONIC MAIL****

March 19, 2019

Senate Education Committee
Alaska State Capitol Building
Juneau, AK 99811

RE: SB 64 – Repeal of State Debt Reimbursement for Schools

I would like to express my opposition to SB64 regarding the repeal of state debt reimbursement for schools.

The State is constitutionally responsible for ensuring Alaska's youth receive an education in safe, productive learning environments and facilities. The Borough has a long history of being a strong State partner in helping provide quality education. Our community has supported the State and FNSB School District with local contributions by supplementing the school district's budget and sharing in school construction costs. The Borough's estimated FY20 contribution for school bond debt equates to 1.1 mills, which represents approximately \$9 million.

We value our schools, our teachers, and investing in our youth, as shown by the repeated support and approval of bond proposals by Borough voters; however, the generosity and commitment of the Fairbanks community should not equate to an ability to fully fund school construction. The elimination of the school bond debt reimbursement program for schools would have significant, long term financial impacts to our community. At a minimum, the local ability to supplement the State's budget for the school district will likely be reduced or eliminated to cover the additional costs. More worrisome is whether the community will be able to fund the future capital needs required by the school district, further exacerbating the Borough's and State's ability to fund and execute much needed capital projects.

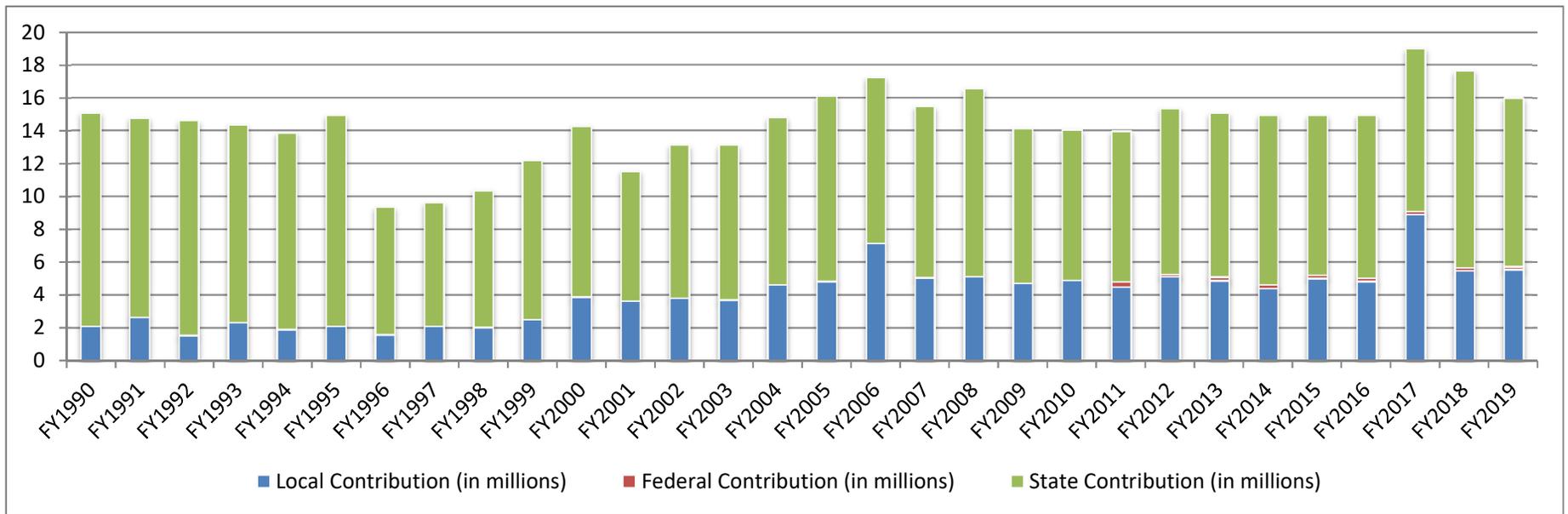
I urge you reject SB64 and maintain the State's commitment to schools.

Sincerely,

Bryce J. Ward
Mayor

cc:	Sen. John Coghill	Rep. Steve Thompson	Rep. Adam Wool
	Sen. Click Bishop	Rep. Tammie Wilson	Rep. Bart LeBon
	Sen. Scott Kawasaki	Rep. Dave Talerico	Rep. Grier Hopkins

FNSB DEBT SERVICE FUNDING SOURCE



Town Hall Meeting

State of Alaska FY19/20 Budget & FNSB Municipal Impacts

Bryce Ward
Mayor

March 9, 2019

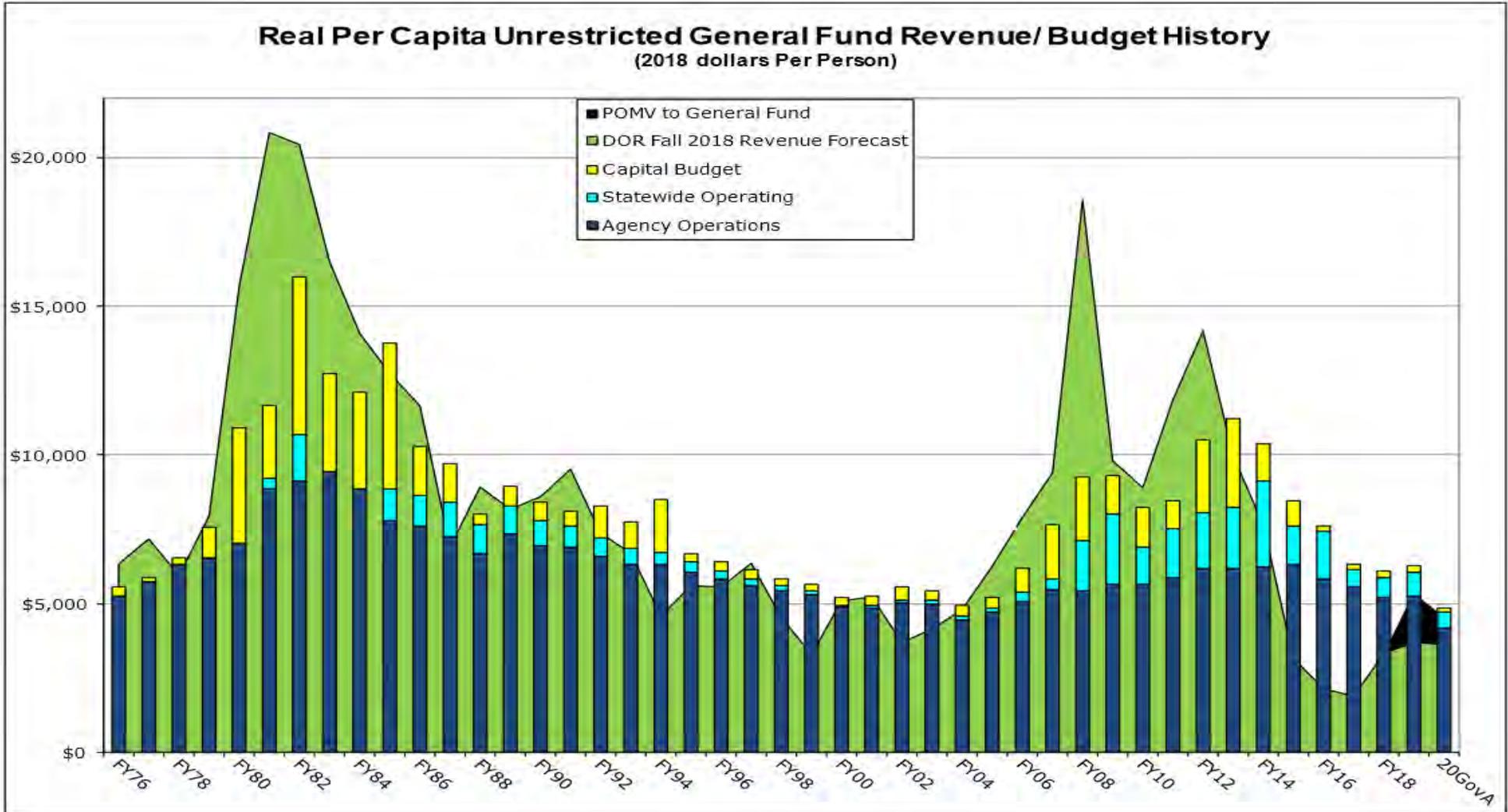


Mayor's Office Mission

- Respecting and protecting the best interests of the community, balanced with individual freedoms
- Provide principled community leadership
- Provide community-driven, cost effective and efficient government services

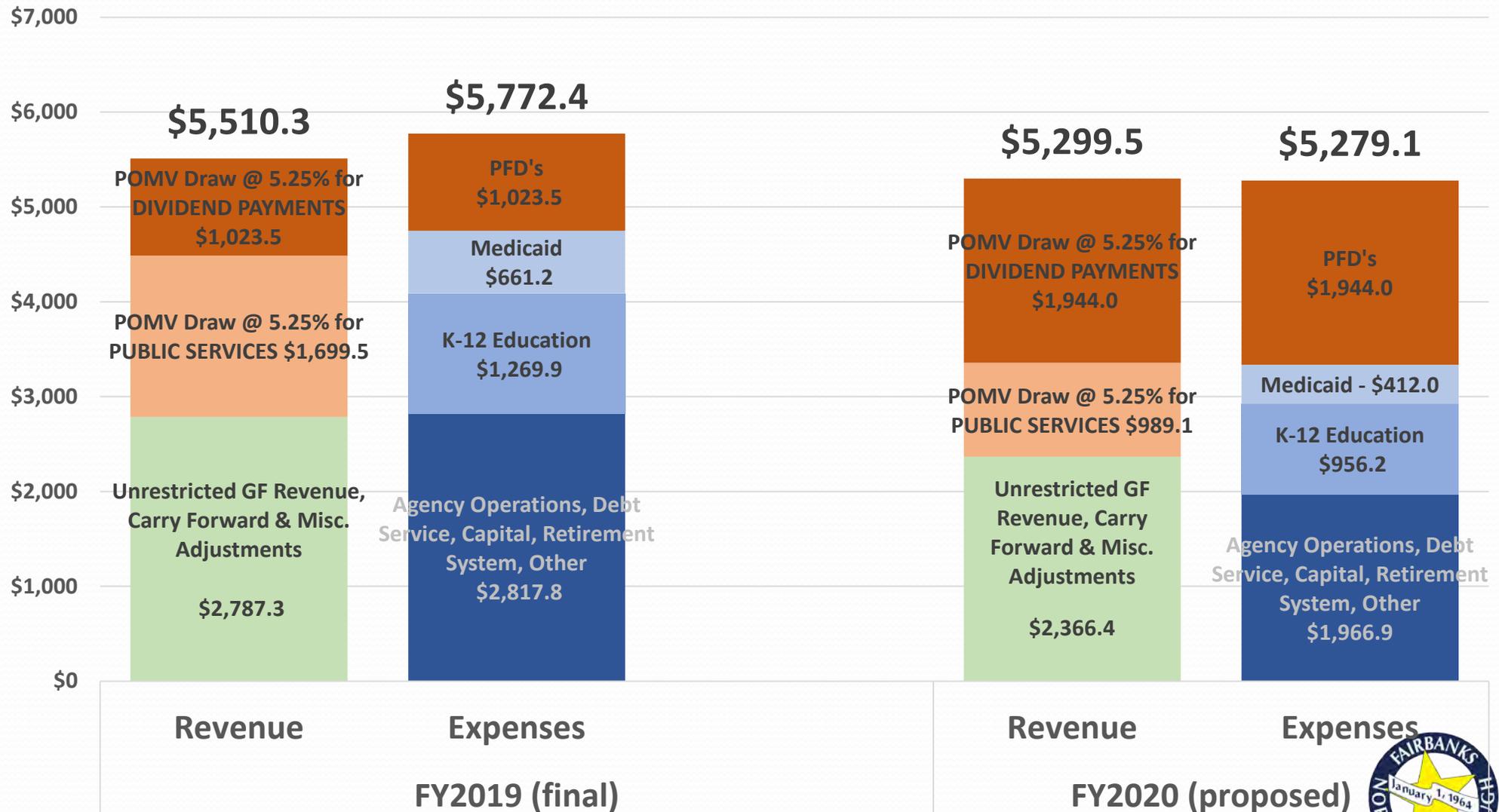


State Finance History

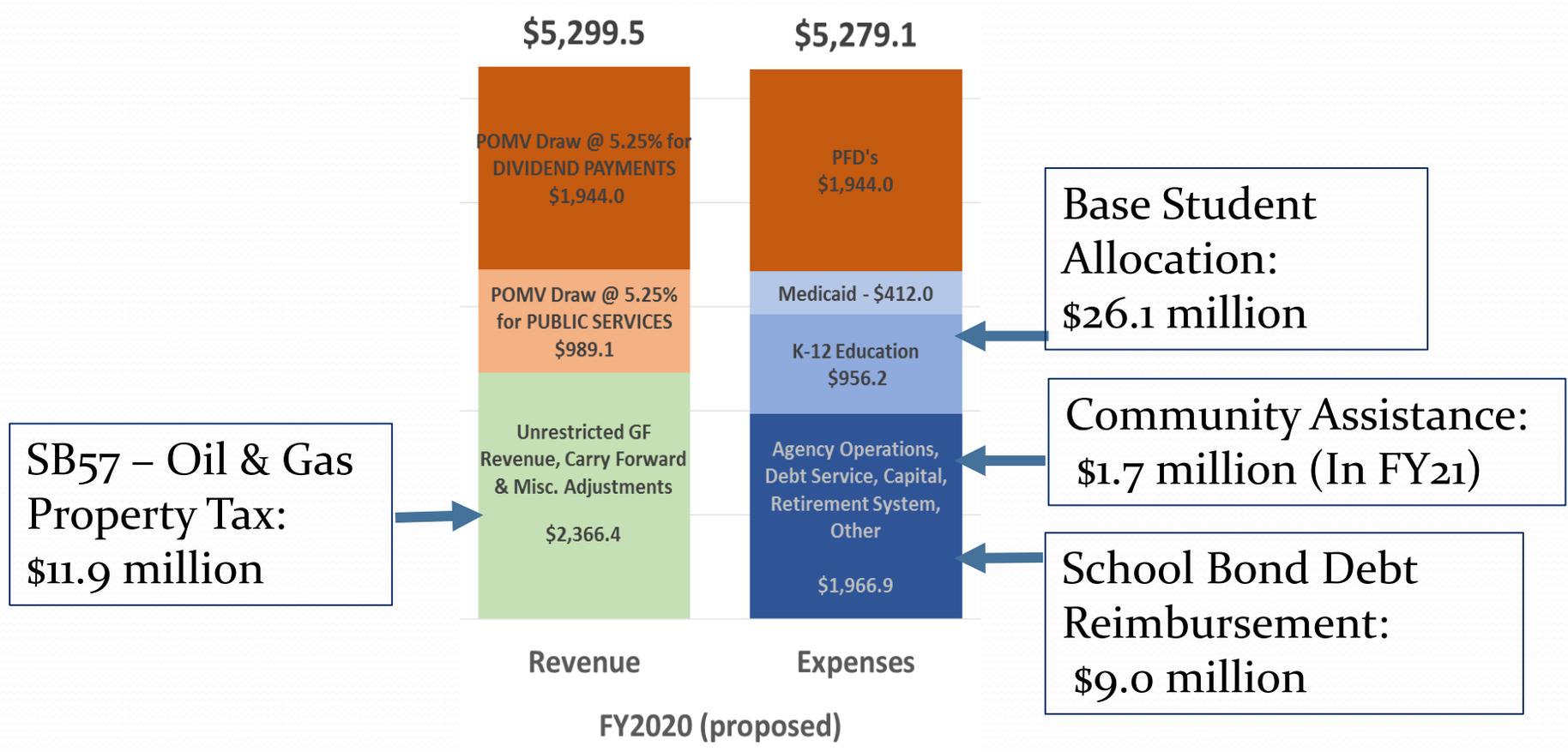


FY2019 (final) vs. FY2020 (Governor) Proposed Budget

Unrestricted General Funds, \$Millions



Allocation of Reductions



FNSB Bottom Line Impact: \$48 million +



FNSB Bottom Line Impact

FNSB Taxes and Fees vs. Proposed FY20 State Reductions



What is a 'mill'?

What happens when the mill rate changes?

- It's a rate applied per dollar of taxable value
- FNSB FY19 area wide mill rate = 12.9 mills
- FNSB, 1 mill = ~ \$8.1 million in tax revenue

Example: \$250,000 home, not in the cities

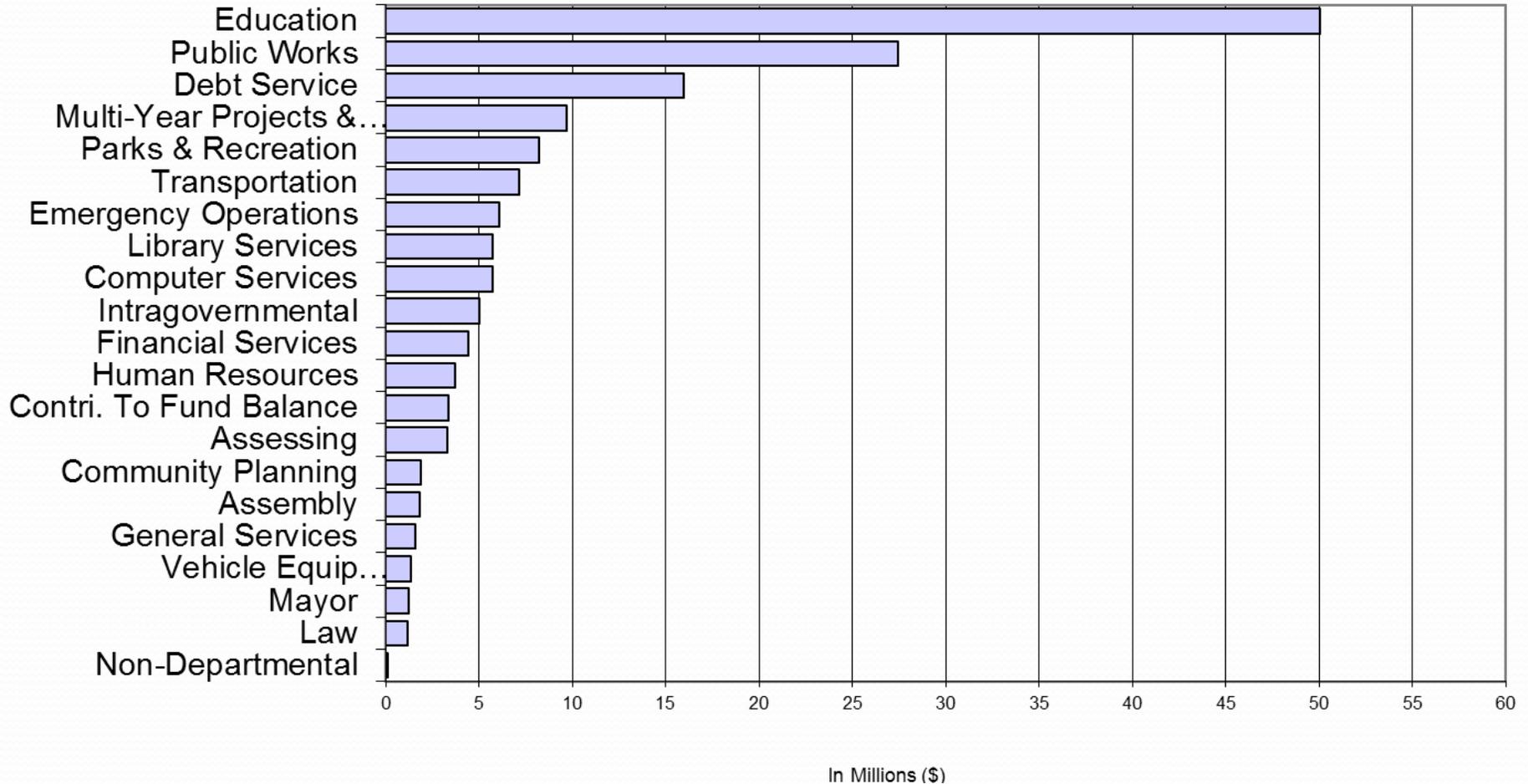
- Increase the tax rate by 1 mill
- Equals about \$300 property tax increase

= ~ 5.8 mills in property taxes

= 37.1% of FNSB Tax & Fee Revenue



FNSB 2019 Budget by Department



Total FY 19 Budget: \$165.2 million



Course of Action(s) Analysis

Reduction / Amount	Impact	Possible COA
Base Student Allocation \$26.1 million	Estimated 235 SD Staff - Class Sizes + Programs -	FSNB local contribution - <u>increase</u> to cover gap - Under tax cap, reductions to other services - Only about \$12mm til statutory max
		FNSB local contribution - <u>status quo</u> - SD will certainly endure staff & program reductions
School Bond Debt Reimbursement \$9.0 million	Bill is due...must be paid! Bond credit rating at risk	Increase tax cap ~ 1.1 mill property tax rate increase
		Cover or maintain under the tax cap - Keeps mill rate steady - Reductions to other services



Course of Action(s) Analysis

Reduction / Amount	Impact	Possible COA
Community & Unincorporated Community Assistance \$1.7 million	Revenue reduction in <u>Fy21</u>	Cover or maintain under the tax cap – something else must be reduced
	Small communities and service areas impacted most	Raise alternative revenue - User fee increase or sales/use tax
Human Services Community Matching Grants \$271,458	Directed to smaller, safety-net non profits	None. - FNSB required match requires the State HSS contribution. - Without the State contribution, program can't exist
	Small amount of grant \$\$ is leveraged with other grants	



Course of Action(s) Analysis

Reduction / Amount	Impact	Possible COA
SB57 – Municipal Tax on Oil and Gas Properties \$11.9 million	Decisions made under the tax revenue cap	Keep tax <u>rates</u> stable - Property tax revenue will decrease - something (BIG) must be reduced
	Net taxable decreases Potentially more burden on property owners	Keep tax <u>revenues</u> stable - Mill rate will increase (est. 1.5 mills)





City of Gustavus
P.O. Box 1
Gustavus, AK 99826
Phone: (907) 697-2451

March 11, 2019

Nils Andreassen
Executive Director, Alaska Municipal League
One Sealaska Plaza, Suite 200
Juneau, Alaska 99801

Dear Mr. Andreassen:

I write you today on behalf of our municipality and community, but also in support of so many others who share our dependence on the Alaska Marine Highway System (AMHS). We urge the Governor and the Legislature now to commit to long-term funding and to sustaining our vital ferry service in accordance with AS 19.65.050. Legislative findings, purpose, and intent for the AMHS and ask for your support. Specifically:

We strongly request that the AMHS be fully funded this year, next year, and every year in the future to provide the critical services provided to rural, coastal Alaskans.

Former Juneau Rep. Cathy Munoz once correctly termed the Alaska Marine Highway System *the lifeblood of Southeast Alaska*. The AMHS Strategic Business and Operational Plan Report, completed in November 2017 by the McDowell and Elliot Bay Design Groups, demonstrates the importance of the Alaska Ferry System in supporting travel, tourism and business *statewide*. Non-resident travel on the ferry amounts to 42% of operating revenues and many of those travelers drive as far as Fairbanks.

Ferries here move more than just cars. *They move our economy!* The ferry MV LeConte carries Gustavus residents to Juneau for shopping and home with purchases efficiently and economically. A resident here can buy a car, or a washing machine, or a load of building materials in Juneau because it can be shipped home by the ferry. Our local stores stock fresh produce and other goods that arrive reliably by ferry. When the ferry cancels a trip, our store shelves rapidly empty, as they did earlier this month. Residents plan frequent multiday trips by ferry to Juneau and beyond for medical appointments, cultural and sporting events, to visit friends and family, for work opportunities regionally or Statewide, and even to visit our Legislature. We all



City of Gustavus
P.O. Box 1
Gustavus, AK 99826
Phone: (907) 697-2451

count on the ferry to get us where we are going, and back home, safely, economically, and on time when weather keeps planes on the ground.

As with many Alaskan communities, *ours is a visitor economy*. The ferry enables a second travel channel for visitors from the Lower 48 to and throughout Southeast Alaska. They arrive here in Gustavus with motor vehicles, bicycles, boats on trailers, kayaks, fishing and hunting equipment. They hire our guides, our tour boats, stay at our lodges, explore Glacier Bay and Icy Strait, and visit our galleries and shops. Each trip generates business at both ends—business that supports employment and contributes vital local sales and bed tax revenue. *A trip not taken generates no business.*

The impacts of suggesting a reduction and/or removal of ferry service is already negatively impacting communities. Those looking to relocate, visit, or do business with communities that rely solely on the ferry services must take extra efforts to reassure those looking to change direction that adequate services will be provided. This is difficult with the press coverage of the budget exclaiming the dissolution of the AMHS.

Attached you will find a copy of a Resolution by the City of Gustavus communicating the importance for continued AMHS service for Gustavus, and all of Southeast communities. Please hear our voice as we emphasize the importance of this transportation backbone of rural coastal Alaska.

Sincerely,

Calvin Casipit
Mayor, City of Gustavus
Cc: U.S. Senator Murkowski
U.S. Senator Sullivan
U.S. Representative Young
Governor Dunleavy
Alaska State Senator Kiehl
Alaska State Representative Hannan
Southeast Conference

Encl: City of Gustavus Resolution CY19-07

**CITY OF GUSTAVUS, ALASKA
RESOLUTION CY19-07**

**A RESOLUTION BY THE CITY OF GUSTAVUS INFORMING THE GOVERNOR OF ALASKA
OF THE IMPORTANCE FOR CONTINUED ALASKA MARINE HIGHWAY SERVICE (AMHS)
FOR GUSTAVUS**

WHEREAS, Alaska Statute 19.65.050 dictates the Alaska Marine Highway System is an essential part of the state transportation system, and that it warrants continued and predictable state support with a steady, stable, and dependable marine highway system service level; and

WHEREAS, the Governor's budget proposal to eliminate AMHS services does not provide a fiscal analysis to justify such action; and

WHEREAS, the Governor's budget proposal does not take seriously the life-changing impacts to those who desperately rely on the ferries to survive in rural Southeast Alaska; and

WHEREAS, the AMHS provides life-saving transportation services for those in need of medical services; and

WHEREAS, the residents and businesses rely on the AMHS to provide adequate service to meet the health and lifestyle needs of Southeast Alaska customers, businesses, and residents; and

WHEREAS, the AMHS provides critical transportation to remote areas where primary and second-home populations reside and work; and

WHEREAS, the AMHS provides for a vital commuting workforce; and

WHEREAS, communities of Southeast Alaska's economy rely heavily on the independent traveler for whom the AMHS is the main transportation system; and

WHEREAS, AMHS service to Southeast Alaska communities provide for the expanding needs of the commercial sector, providing increased capacity for goods and services to and from neighboring locations, as well as the lower forty-eight; and

WHEREAS, the economic damage caused by eliminating ferry service to Southeast Alaska communities would be devastating.

NOW THEREFORE BE IT RESOLVED that the Gustavus City Council stresses to the Governor the need, in accordance with State Statute, to provide for the AMHS continuing essential services to the maritime communities of Alaska.

PASSED and **APPROVED** by the Gustavus City Council this 11thth day of March, 2019, and effective upon adoption.

Calvin Casipit
Calvin Casipit, Mayor

March 11, 2019
Date

Karen Platt
Attest: Karen Platt, City Clerk

03/11/19
Date

A Resolution of the Haines Borough Assembly Urging the Alaska Legislature to Pass a Balanced, Sustainable, and Predictable State Budget to Help Ensure Long Term Social and Economic Stability for the Communities and Citizens of the State of Alaska.

WHEREAS, the Governor's proposed budget would have significant adverse impacts in the lives of Haines residents, our community security, and the regional and statewide economy, and will require municipalities, including the Haines Borough, to abruptly adjust our budgets to support core services, like education, public health and safety; and

WHEREAS, negative impacts of the proposed budget directly reduce our existing local revenues, like sales and property taxes, that fund 66 percent of the Haines Borough's general government services and would drain our diligently saved cash reserves; and

WHEREAS, Haines could lose a significant number of jobs and more residents because the proposed budget prioritizes increased individual dividends over basic state services; and

WHEREAS, eliminating the School Construction Debt Reimbursement will cost Haines over 900,000 dollars annually, and moreover sets a precedent that future Governors and Legislators will not follow through on financial commitments that incentivize investment in all Alaskan communities; and

WHEREAS, the Haines Borough like all Alaskan communities, expects budget certainty from the Administration and the Legislature to allow for long term planning and the creation of sustainable local budgets that provide for reliable services, a stable business environment, and strong public schools; and

WHEREAS, the Haines Borough Assembly believes that coordination between state and local government is essential; and

WHEREAS, Haines has seen significant reductions to state services and restructuring of reserves over the last four legislative sessions; and

WHEREAS, the continued fiscal reality requires the Legislature to demonstrate strong leadership and bold action to pass a budget that creates a secure and hopeful future for all Alaskans from Headstart students to Pioneer Home residents,

NOW, THEREFORE, BE IT RESOLVED BY THE HAINES BOROUGH ASSEMBLY:

Section 1.

Requests that the Alaska State Legislature take immediate action to adopt a budget that will provide for a sustainable and predictable balanced state budget for the foreseeable future, and calls upon the Governor to partner with the Legislature and support its budget.

Section 2.

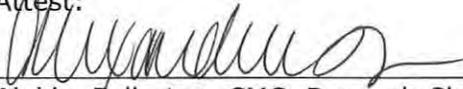
Requests that the improved State budget does not shift the funding burden for core services such as education and transportation from the State to local municipalities. We are opposed to the State seizing local sources of revenue from municipalities especially the raw fish tax which our community relies on, and urges the Alaska State Legislature to engage in meaningful discussions of all fiscal options (including broad based state taxes such as

Haines Borough
Resolution No. 19-03-798
Page 2 of 2

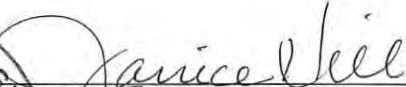
income or payroll) with the goal of providing a strong future to Alaska citizens with sustainable revenue sources that complement, rather than conflict with communities like Haines which has a long history of sales and property tax collection.

Adopted by a duly-constituted quorum of the Haines Borough Assembly on this 26th day of March, 2019.

Attest:


Alekka Fullerton, CMC, Borough Clerk




Janice Hill, Mayor



City of Homer

www.cityofhomer-ak.gov

Homer City Council

491 East Pioneer Avenue
Homer, Alaska 99603

(p) 907-235-3130

(f) 907-235-3143

March 11, 2019

Honorable Governor Dunleavy
Alaska State Legislature, State Capitol
120 4th St.
Juneau, Alaska 99801

RE: City of Homer Municipal Impact Statement

Honorable Governor Dunleavy and Members of the Alaska State Legislature,

We appreciate the State's commitment to sustainable spending but want to draw attention to the unsustainable impact the proposed FY20 budget will have on local governments in Alaska and offer our support for considering revenue solutions. We believe the information below needs to be considered by you before these very drastic cuts occur.

REVENUE SOLUTIONS

The Homer City Council wants to be proactive and is supportive of a sincere and honest look at new revenue for the State of Alaska. This includes:

- Examining the oil tax credit structure to ensure oil and gas exploration is not being subsidized by citizens
- Exploring an income tax
- Using our largest asset, the Permanent Fund, to fund essential government services by capping the Permanent Fund Dividend

IMPACT OF PROPOSED CUTS IN HOMER

The City of Homer is responsible for municipal governance in our community of 5,313 residents. We have 101.5 full time employees who fulfill the obligations of a local government. Our ability to do so is limited by statute, public interest, and available resources. Traditionally those resources have included State and Federal funding, which offset the burdens that might otherwise be felt by a local tax base.

On average our tax revenue comprises 72% of our total General Fund budget, and any impact from State decision-making on Alaska's economy further weakens the City's ability to sustainably serve our community. The City of Homer is very concerned about the impact cuts to the University, Alaska Marine Highway System, education, and Medicaid will have on our local economy. You need to know that just stopping these services will have a direct impact on the quality of life for Alaskans.

- The Kachemak Bay Branch of the Kenai Peninsula College is part of the fabric of Homer. It educates students in a formal learning environment and the community through diverse programming. It provides critical job training for everyone from fisherman to nurses and employs 56 full and part-time professionals.
- The City of Homer is the Home Port to the M/V Tustumena. In addition to employing local residents, the

Alaska Marine Highway System brings visitors and residents into town as a gateway to Seldovia, Kodiak, and Western Alaska. The ferry port in Homer is also a freight destination for cars and trucks from Kodiak, Seldovia, and the Aleutians. Fishermen use the ferry to move gear, groceries are transported to and from the outlying villages, and mail is sent using the marine highway.

- South Peninsula Hospital is the largest employer in Homer with over 400 professional jobs. The Hospital provides critical care to our residents; the Kenai Peninsula Borough has the fastest growing senior population in the State.
- Without adequately funded schools, families will leave Homer. Cuts to the Kenai Peninsula Borough will have a direct impact on the City of Homer and our residents. We are especially concerned about \$20 million in cuts to the Kenai Peninsula Borough School District that will force the closure of schools and compromise the quality of education. Without good schools, people will leave Homer which will further effect our local economy and erode our tax base.

Based on the proposed FY20 budget, we have highlighted below some of the areas that will be directly impacted based on your administration's proposed budget:

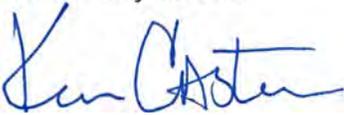
- Our Community Assistance funding was \$177,172 in State FY2019.
- Our receipt of the Petroleum Property Tax was \$5,998 in 2018.
- We received \$62,069 in 2018 in Fisheries Taxes from the State. These funds are invested directly back into our public access fish dock to support fishing industry infrastructure.

The City of Homer was hit hard in 2015 when the State reduced the contract with communities for shared prisoner space by 45% and we removed Community Assistance from our operating budget due to the uncertain future of the fund. Also during this time, the City Council cut the budget, which included staff reductions, and with voter approval, restructured sales tax to cover municipal operations. Recognizing the need to pay our own way, voters approved a .35% sales tax increase in 2018 to fund a long overdue police station. The City of Homer and its residents have stepped up to the plate. There is no room in our budget or tax base for further cost shifting.

We believe the proposed FY20 budget and approach that you have outlined reflects little concern for the burden that you have passed on to the residents of Alaska and the local governments that serve them. The City of Homer will work to mitigate the damage from these administrative actions while partnering with our legislative leaders to develop solutions that protect the public's interest.

Sincerely,

Homer City Council



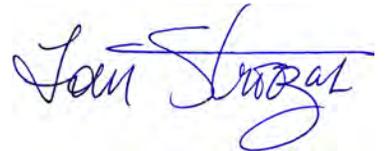
Mayor Ken Castner



Donna Aderhold



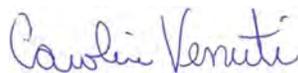
Heath Smith



Tom Stroozas



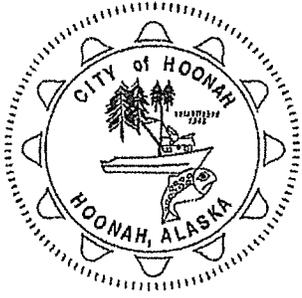
Shelly Erickson



Caroline Venuti



Rachel Lord



City of Hoonah

P.O. Box 360 Hoonah, AK 99829 (907) 945-3663 Fax (907) 945-3445

Senator Bert Stedman
Representative Jonathan Kreiss-Tomkins
Alaska State Legislature
120 4th Street
State Capitol Room 3
Juneau, AK 99801-1182

March 6, 2019

RE: Hoonah Opposition to Governor Dunleavy's proposed FY20 Budget

The City of Hoonah strongly opposes a number of cost-cutting provisions in Governor Dunleavy's proposed 2020 operating budget (HB 20/SB 39). The reason is simple: Hoonah and its 773 residents – individuals, schools and businesses alike – will suffer disastrous consequences.

Here are a few examples, with specific impacts:

- The proposed cuts to education would mean a \$506,224 cut to our school budget, leading to the loss of half of the 11 teachers in our K-12 school system. Our school is already operating at a minimum and can withstand no further funding reductions. Hoonah already contributes \$458,000 toward our school. Our local government cannot sustain a higher contribution – the likely result of the massive cost-shifting from the State that would occur under the FY20 operating budget as it currently stands.
- Elimination of the Alaska Marine Highway System or loss of its winter service would also be disastrous for our community. Hoonah receives barge service seven months out of the year, and relies on the ferry system to provide freight for the other five months. In addition, Hoonah would lose the ability for our residents to travel to Juneau for medical and other purposes on days that planes cannot fly. In one instance this past winter, we had five days of no flights and the only way in and out was by ferry. We cannot overstate the importance of our marine highway to the outside world.

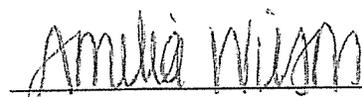
- Power Cost Equalization provides \$613,081 of value to our community, primarily in the form of reduced power rates on our residents' first 500 kilowatt hours of electricity. That means those living here are able to spend those savings on food, clothing and other essentials. The average Hoonah resident only consumes 750 kwh of electricity per month, where the national average is 2,000 kwh.
- Shared Fisheries Business tax represented \$76,350 in 2019 revenue assistance for the Hoonah. While may seem a small number to some, it represents a large financial assist for our small community. This loss would force the City to look at recovering that much more revenue locally to keep our budget on track. This would be unfair and unacceptable.

There are other examples but we in Hoonah believe those stated above illustrate the dire – and unprecedented – situation the City of Hoonah and the people who live here would be placed in should the sweeping changes proposed in the Governor's presently proposed operating budget for FY20 come to pass. Please do not let this happen.

Respectfully,



Gerald Byers, Mayor



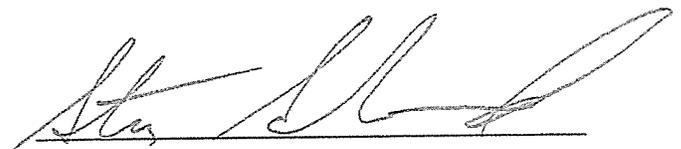
Amelia Wilson, Vice-Mayor



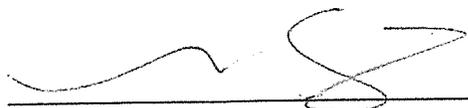
Shawn McConnell, Council Member



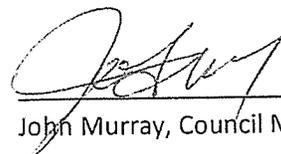
Gus Skaflestad, Council Member



Stan Savland, Council Member



Mark Smith, Council Member



John Murray, Council Member



We appreciate the State's commitment to sustainable spending but want to draw attention to the unsustainable impact the proposed FY20 budget will have on local governments in Alaska.

The City of Hoonah is responsible for municipal governance in this community of 773. We have 26 employees who fulfill the obligations of a local government. Our ability to do so is limited by statute, public interest and available resources. Traditionally those resources have included State and Federal funding, which offset the burdens that might otherwise be felt by a local tax base.

In FY17, our tax revenue was 56% of our total budget, and any impact from State decision-making on local economies further weakens our sustainability. This includes cuts to the University, AMHS, and Medicaid (which impacts municipal-owned hospitals).

Based on the proposed FY20 budget, we have highlighted below some of the impacts that your decisions will have on our residents.

- Our Community Assistance funding has been \$89,865.24 and is 5.7% of our budget
- Our School Bond Debt expected to be retired in FY 20 is \$14,350 and the total is \$14,350, which would fall back on local taxpayers
- Our current Local Contribution to education is \$215,990 and additionally we contribute \$242,500
 - Our contribution is 11.36% of what the State contributes
- Our residents depend on \$613,081.96 in PCE funding to afford high energy costs
- Our share of the Shared Fisheries Business Tax is \$76,350 and our share of the Fish Landing Tax is \$1,615.47
- The anticipated cuts to our school district are \$506,224

While PCE and Community Assistance remain funded, we are concerned for their long-term viability.

The combined reductions and cost-shifting will mean that the City of Hoonah anticipates:

- Taxes would need to increase to offset these decisions

We believe the proposed FY20 budget and approach that you have outlined reflects little concern for the burden that you have passed on to residents of Alaska. The City of Hoonah will work to mitigate the damage from these actions, including to work with legislative leaders to develop solutions that reflect the public interest.

Two handwritten signatures in black ink. The first signature is cursive and appears to read "Gerald". The second signature is also cursive and appears to read "Boyer".



City of Hoonah | P.O. Box 360 | 300 Front Street | Hoonah, AK 99829
Phone: (907) 945-3663 Fax: (907) 945-3445 Email: info@cityofhoonah.org

March 6, 2019

Senate and House Finance Committee

RE: School bond debt reimbursement

To whom it may concern:

656,000 Alaskans voted over the last decade for new or improved schools. This occurred in fifteen of Alaska's nineteen boroughs, and in six of its cities. The promise made to voters was that the State would pick up 60-70% of the school bond debt and those taxpayers would pay for the rest. Yes, there's a provision in the agreement that this is subject to appropriation, but there was no reason to believe that this commitment would change, until now.

The Governor has promised to restore "trust in government." His first step toward doing so is by breaking a promise the State made to those voters and to those local governments. Alaska residents and municipalities made their decision to support schools in good faith, faith that has been broken. The message to Alaska voters and to taxpayers is that the State cannot be a trusted partner, and that trust in government cannot go beyond a two-year election cycle, or an annual appropriation.

It is evident that the Governor is committed to balancing the budget, a campaign promise that rested on a higher price of oil than we're currently experiencing. Similarly, local governments have responsibility for the budgets that they deliver to taxpayers. For those 21 municipalities with school bond debt, which this year will be \$100 million, those budgets will be negatively impacted. Not only is the Governor proposing that today's bond debt can't be paid, but an entire repeal of that obligation will shift more than \$900 million to local taxpayers.

Balancing the State's budget on the backs of local governments cannot restore trust in government. In fact, taxpayers and voters will clearly feel like their trust has been misplaced.

The Governor has said that he cannot be responsible for how local governments respond. The truth is there is no common response. Local governments are incredibly diverse, and the State shifting almost a billion dollars their way will be met with a different approach across the state.

Some of the options are straightforward. The Mat-Su, Haines and Ketchikan have some room to increase taxes, but the scale will mean that they run up against their caps before their obligations are met. Anchorage, Fairbanks and Juneau, for instance, can raise taxes outside the cap if it is for debt obligations. The Kenai can choose to spend from reserves or shift current services back to the State. In the Northwest Arctic, the borough would have to renegotiate its PILT agreement with the Red Dog mine. Again, there's no easy or across the board solution. One thing is for sure, taxpayers are less likely to approve increased taxes for bond debt than they are for new and improved schools.



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While options to address this vary, they are limited by voter approved tax caps, available cash reserves or tax bases, and participation in State pension programs. What happens in some municipalities, where there isn't a property tax, and the State preempts collection of fisheries taxes that they depend on? What happens when the outcomes of the budget reductions are that residents leave, and the tax base is further deteriorated? What happens to credit ratings, when receipt of State funding was pledged as part of the moral obligation of the State? What are the legal ramifications for the municipality and the State?

These questions raise the issue that the repeal of school bond debt reimbursement is not singular; municipalities face multiple impacts from the Governor's proposals. Reduced ability to collect taxes from some sectors, which drives the need to tax other sectors or additionally in the form of a new tax. Increased expectations to pick up the costs of education reductions. Loss of State supported services, and any number of different smaller programs which enhance community development. The combination of cuts and cost-shifting make dealing with any single issue that much more challenging.

The State must not renege on its promises. A commitment to school bond debt reimbursement should be treated just like its contracts with oil companies or investment firms. If we are to restore trust in government, then following through on promises – especially when it comes to schools – must be at the top of the list.

Respectfully,

A handwritten signature in black ink that reads "Gerald Byers". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Gerald Byers, Mayor
City of Hoonah
PO Box 360
Hoonah, AK 99829
PH: 907-945-3663
Fax: 90943445
Email: mayor@cityofhoonah.org

Municipal Impact Statement: **City of Hughes**



We appreciate the State's commitment to sustainable spending but want to draw attention to the unsustainable impact the proposed FY20 budget will have on local governments in Alaska.

The City of Hughes is responsible for municipal governance in this community of 104. We have 12 employees who fulfill the obligations of a local government. Our ability to do so is limited by statute, public interest and available resources. Traditionally those resources have included State and Federal funding, which offset the burdens that might otherwise be felt by a local tax base.

We don't have any current taxes, based on our economic base, and any impact from State decision-making on local economies further weakens our sustainability.

Based on the proposed FY20 budget, we have highlighted below some of the impacts that your decisions will have on our residents.

- Our Community Assistance funding has been \$76,826.90 and is 10.87% of our budget
- Our residents depend on \$118,435.36 in PCE funding to afford high energy costs

While PCE and Community Assistance remain funded, we are concerned for their long-term viability.

The combined reductions and cost-shifting, if PCE and Community Assistance went away in the long term, will mean that the City of Hughes anticipates:

- Potential staff reductions = 4-5 individuals.
- Public Works budget reduced by 100%.

We believe the proposed FY20 budget and approach that you have outlined reflects little concern for the burden that you have passed on to residents of Alaska. The City of Hughes will work to mitigate the damage from these actions, including to work with legislative leaders to develop solutions that reflect the public interest.



We appreciate the State's commitment to sustainable spending but want to draw attention to the unsustainable impact the proposed FY20 budget will have on local governments in Alaska.

The City of Huslia is responsible for municipal governance in this community of 293. We have 0.09 employees who fulfill the obligations of a local government. Our ability to do so is limited by statute, public interest and available resources. Traditionally those resources have included State and Federal funding, which offset the burdens that might otherwise be felt by a local tax base.

We don't have any current taxes, based on our economic base, and any impact from State decision-making on local economies further weakens our sustainability.

Based on the proposed FY20 budget, we have highlighted below some of the impacts that your decisions will have on our residents.

- Our Community Assistance funding has been \$80,634.56 and is 29.71% of our budget
- Our residents depend on \$161,373.46 in PCE funding to afford high energy costs

While PCE and Community Assistance remain funded, we are concerned for their long-term viability. The combined reductions and cost-shifting will mean that the City of Huslia anticipates:

- Public Safety budget reduced by 50%
- Public Works budget reduced by 50%

We believe the proposed FY20 budget and approach that you have outlined reflects little concern for the burden that you have passed on to residents of Alaska. The City of Huslia will work to mitigate the damage from these actions, including to work with legislative leaders to develop solutions that reflect the public interest.

Presented by: The Mayor and
Deputy Mayor
Introduced: 03/04/2019
Drafted by: The Manager

RESOLUTION OF THE CITY AND BOROUGH OF JUNEAU, ALASKA

Serial No. 2850(am)

A Resolution Urging the Alaska Legislature to Pass a Balanced, Sustainable, and Predictable State Budget to Help Ensure Long Term Fiscal and Economic Stability for the Citizens of the State of Alaska.

WHEREAS, the Governor's proposed budget would have significant adverse impacts to local residents, municipalities, Alaskan businesses, and the local and statewide economy, and will require local municipalities, including the City and Borough of Juneau, to abruptly adjust their budgets to support core services, like education and healthcare; and

WHEREAS, negative impacts to the economy directly reduce existing local revenues, like sales and property taxes, that fund 90 percent of the City and Borough of Juneau's general government services and would drain diligently saved cash reserves; and

WHEREAS, Juneau could lose hundreds of public sector and private sector jobs and residents because the Governor's budget prioritizes significantly increased individual dividends over basic state services such as transportation and education; and

WHEREAS, eliminating the School Construction Debt Reimbursement is an indication that future governors and legislators will not follow through on financial commitments that incentivize investment in Alaska; and

WHEREAS, Alaska's municipalities and economy need budget certainty from the Administration and the Legislature to allow for budget planning and the development of sustainable local budgets that provide predictable public services; and

WHEREAS, the City and Borough of Juneau believes that coordination between state and local government results in effective outcomes; and

WHEREAS, Alaska's reliance on oil revenues to fund state programs and services has been significantly compromised due to lower oil prices and reduced production; and

WHEREAS, there have been significant reductions to state services and restructuring of reserves over the last four legislative sessions; and

WHEREAS, the State has wisely saved and invested oil revenues and placed them into the Permanent Fund which is currently valued at greater than \$60 billion dollars; and

WHEREAS, the continued fiscal reality requires the Legislature to demonstrate strong leadership and bold action to pass a budget that creates a vibrant and thriving future for all Alaskans.

NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE CITY AND BOROUGH OF JUNEAU, ALASKA:

Section 1. The Assembly of the City and Borough of Juneau calls upon the Alaska State Legislature to take affirmative and immediate action to adopt a budget that will provide for a sustainable and predictable balanced state budget for the foreseeable future and the Assembly further calls upon the Governor to partner with the Legislature and support its budget.

Section 2. The Assembly of the City and Borough of Juneau requests a budget that does not shift the funding burden for core services, such as education and healthcare, from the State to local municipalities. The Governor's budget would force municipalities to raise taxes. The Assembly is adamantly opposed to the State seizing local sources of revenue from municipalities; if the State determines it needs new revenue sources, it should not use the taxation measures that have been given to municipalities.

Section 3. The Assembly of the City and Borough of Juneau requests that if significant reductions are proposed, then a transition plan be presented for consideration and that any transition plan show a proposed implementation over several years to minimize the shock to the economy and the citizens of Alaska.

Section 4. The Assembly of the City and Borough of Juneau calls upon its citizens to respectfully voice their opinions regarding the budget to the Governor and Legislators throughout the State.

Section 5. The Assembly of the City and Borough of Juneau urges that the Alaska State Legislature engage in meaningful discussion of all fiscal options (including broad based state taxes and substantial use of permanent fund earnings as originally intended by the voters in 1976) with the goal of providing a strong future to Alaska citizens and to take an assertive role to implement its duty of appropriation.

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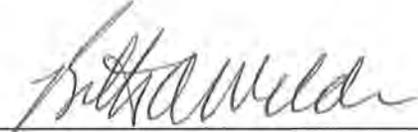
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Section 6. Effective Date. This resolution shall be effective immediately after its adoption.

Adopted this 4th day of March, 2019.



Beth A. Weldon, Mayor

Attest:



Elizabeth J. McEwen, Municipal Clerk

Municipal Impact Statement: **City of Kasaan**



We appreciate the State's commitment to sustainable spending but want to draw attention to the unsustainable impact the proposed FY20 budget will have on local governments in Alaska.

The City of Kasaan is responsible for municipal governance in this community of 80. We have 2 employees who fulfill the obligations of a local government. Our ability to do so is limited by statute, public interest and available resources. Traditionally those resources have included State and Federal funding, which offset the burdens that might otherwise be felt by a local tax base.

Based on the proposed FY20 budget, we have highlighted below some of the impacts that your decisions will have on our residents.

- Our Community Assistance funding has been \$76,538.45 and is 29.23% of our budget
- Our share of the Shared Fisheries Business Tax has been \$2,914.98

While PCE and Community Assistance remain funded, we are concerned for their long-term viability. The combined reductions and cost-shifting will mean that the City of Kasaan anticipates:

- Potential staff reductions by 30%
- Public Safety budget reduced by 30 %
- Taxes would need to increase to around 50% to offset these decisions

We believe the proposed FY20 budget and approach that you have outlined reflects little concern for the burden that you have passed on to residents of Alaska. The City of Kasaan will work to mitigate the damage from these actions, including to work with legislative leaders to develop solutions that reflect the public interest.



Municipal Impact Statement: **City of Kenai**

We appreciate the State's commitment to sustainable spending but want to draw attention to the unsustainable impact the proposed FY20 budget will have on local governments in Alaska.

The City of Kenai is responsible for municipal governance in this community of 7038. We have 106.8 employees who fulfill the obligations of a local government. Our ability to do so is limited by statute, public interest and available resources. Traditionally those resources have included State and Federal funding, which offset the burdens that might otherwise be felt by a local tax base.

In FY17, our tax revenue was 75.12% of our total budget, and any impact from State decision-making on local economies further weakens our sustainability. This includes cuts to the University, AMHS, and Medicaid (which impacts municipal-owned hospitals).

Based on the proposed FY20 budget, we have highlighted below some of the impacts that your decisions will have on our residents.

- Our Community Assistance funding has been \$210,344.79 and is 1.42% of our budget
- Our receipt of the Petroleum Property Tax, totaling \$220,436, represents 1.46% of our budget
- Our share of the Shared Fisheries Business Tax is \$126,185 and our share of the Fish Landing Tax is \$3,000.

While Community Assistance remain funded, we are concerned for their long-term viability.

The combined reductions and cost-shifting will mean that the City of Kenai anticipates:

- Potential staff reductions by 6-7 fulltime positions.
- Public Safety budget reduced by TO BE Determined.
- Public Works budget reduced by TO BE Determined.
- Quality of Life programs potentially eliminated include ski trails, outdoor ice skating, and possible reduction in park maintenance and beautification.
- Taxes would need to increase by 0.63mills to offset these decisions

We believe the proposed FY20 budget and approach that you have outlined reflects little concern for the burden that you have passed on to residents of Alaska. The City of Kenai will work to mitigate the damage from these actions, including to work with legislative leaders to develop solutions that reflect the public interest.



Sponsored by: Mayor Gabriel and City Council Members
Suggested by: Council Member Peterkin and Mayor Gabriel

CITY OF KENAI

RESOLUTION NO. 2019 - 17

A RESOLUTION OF THE COUNCIL OF THE CITY OF KENAI, IN SUPPORT OF MODIFYING SB 57 AND HB 59 TO RESTORE LOCAL MUNICIPALITIES' AUTHORITY TO TAX OIL AND GAS PROPERTY TAXABLE UNDER AS 43.56 TO A MAXIMUM OF 15 MILLS.

WHEREAS, Governor Michael Dunleavy has transmitted SB 57 and HB 59 to the legislature which creates a new mandatory municipal tax exemption on oil and gas exploration, production and pipeline transportation property; and,

WHEREAS, as a result this bill removes local tax authority and shifts all revenue from property in the municipalities to the state on oil and gas, exploration, production and pipeline transportation property which would provide estimated additional tax revenues of \$450,000,000 to the state next fiscal year; and,

WHEREAS, removing revenue sources from municipalities and forcing them to increase the burden on residents to provide similar service does not equate to cutting the State budget; and,

WHEREAS, Article X, Section 1, of the Alaska Constitution provides for maximum local self-government and a liberal construction applied to the powers of local government; and,

WHEREAS, prohibiting municipalities from taxing or sharing in revenue from taxes on property within municipal jurisdictions that burden local resources is not only unreasonable, but flies in the face of Article X, Section 1, of the Alaska Constitution; and,

WHEREAS, City of Kenai revenues from oil and gas properties are estimated at \$274,455 for fiscal year 2020 and the Kenai Peninsula Borough's revenues from the same are estimated at \$14,784,733; and,

WHEREAS, this reduction in revenues would burden the City of Kenai's ability to fund, maintain, and improve roads, provide other services including 911, police, fire, and emergency medical, senior citizen, and recreational services to visitors and residents; and,

WHEREAS, this measure would cause the City of Kenai to seek other sources of revenue to fund basic services which would likely be in the form of significant increases in local taxes and fees; and,

WHEREAS, this would also drastically affect other municipalities in the state with oil and gas properties, severely impairing their ability to provide education and other services to their residents; and,

WHEREAS, allowing municipalities to collect taxes on oil and gas property in their boundaries is just, equitable, and appropriate as municipalities are impacted by their presence including incurring costs of providing education to their employees and their families, fire and emergency

medical services, law enforcement, solid waste services, road services, hospital services, recreational services, 911 services, and many other services; and,

WHEREAS, the general property tax rate levied by the City is currently 4.35 mills on property located in the City which is a reasonable and responsible rate; and,

WHEREAS, the highest property tax rate levied against any oil and gas property in the Kenai Peninsula Borough is currently 10.33 mills and the lowest such rate is 4.70 mills; and,

WHEREAS, a more equitable approach would be to allow municipalities to levy a tax under AS 43.56 of up to 15 mills on oil and gas property thereby ensuring that the State of Alaska would receive tax revenue allowed under AS 43.56 from these properties and continuing to provide much needed funding for the affected municipalities.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF KENAI, ALASKA:

Section 1. That Governor Dunleavy and the state legislature are strongly encouraged to modify SB 57 and HB 59 to allow municipalities to continue to levy local property taxes on AS 43.56 oil and gas properties at a rate up to 15 mills.

Section 2. That a copy of this resolution shall be sent to Governor Dunleavy, all members of the Alaska House of Representatives and all members of the Alaska State Senate.

Section 3. That this resolution takes effect immediately upon adoption.

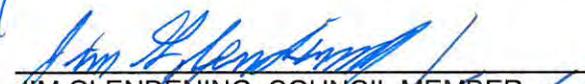
ADOPTED BY THE COUNCIL OF THE CITY OF KENAI, ALASKA, this 20th day of March, 2019.


BRIAN GABRIEL SR., MAYOR


TIM NAVARRE, VICE MAYOR

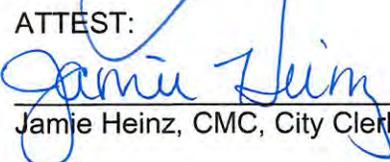

ROBERT MOLLOY, COUNCIL MEMBER


GLENEASE PETTEY, COUNCIL MEMBER


JIM GLENDENING, COUNCIL MEMBER


ROBERT PETERKIN II, COUNCIL MEMBER


HENRY KNACKSTEDT, COUNCIL MEMBER

ATTEST:

Jamie Heinz, CMC, City Clerk





"Village with a Past, City with a Future"

210 Fidalgo Ave, Kenai, Alaska 99611-7794
Telephone: (907) 283-7535 | Fax: (907) 283-3014
www.kenai.city

MEMORANDUM

TO: Members, Kenai City Council
FROM: Mayor Brian Gabriel and City Council Member Robert Peterkin
DATE: March 14, 2019
SUBJECT: **Resolution No. 2019 – 17 in Support of Modifying SB 57 and HB 59**

Governor Michael Dunleavy has transmitted Senate Bill 57 and House Bill 59 to the legislature for their consideration. These bills specifically exempt oil and gas, exploration, production and pipeline transportation property from taxation by municipalities while preserving the States right to tax those properties.

The Constitution of the State of Alaska was crafted to create a strong, fiscally sound system of local government. Specifically, the first section of the Local Government Article of the Alaska Constitution states: "The purpose of this article is to provide for maximum local self-government with a minimum of local government units, and to prevent duplication of tax-levying jurisdictions. A liberal construction shall be given to the powers of local government". By imposing exemptions and limiting the ability to generate revenues, the State is weakening a municipality's ability to provide for maximum local self-governance; an important tenant of our Constitution.

We recognize the difficulties the State is facing, with falling oil revenues and dwindling savings, however, replacing those revenues by undermining the ability of local municipalities to generate revenues to provide essential services does not resolve the State's fiscal issues, it simply shifts the burden to the local level. This Resolution recommends a more equitable approach to the taxation of oil and gas properties, protecting a municipality's right to levy tax on these properties at a reasonable level up to 15 mills, while providing an opportunity for the State to receive tax revenues on the same property.

Your consideration is appreciated.





Sponsored by: Mayor Gabriel and City Council Members
Suggested by: Council Member Peterkin and Mayor Gabriel

CITY OF KENAI

RESOLUTION NO. 2019 - 18

A RESOLUTION OF THE COUNCIL OF THE CITY OF KENAI, OPPOSING SB 63 AND HB 65 REPEALING FISHERIES BUSINESS TAX REFUNDS TO MUNICIPALITIES AND REVENUE SHARING FOR FISHERY RESOURCE LANDING TAXES.

WHEREAS, Governor Michael Dunleavy has transmitted SB 63 and HB 65 to the legislature which would remove local municipalities' ability to receive local fisheries business taxes and fishery resource landing taxes; and,

WHEREAS, these bills shifts local tax authority and revenue from the City of Kenai to the state; and,

WHEREAS, the taxes are based on fish landed or processed within the municipal jurisdictions; and,

WHEREAS, Article X, Section 1, of the Alaska Constitution provides for maximum local self-government and a liberal construction applied to the powers of local government; and,

WHEREAS, removing revenue sources from municipalities and forcing them to increase the burden on residents to provide similar service does not equate to cutting the State budget and is inconsistent with Article X Section 1 of the Alaska Constitution; and,

WHEREAS, the State of Alaska Department of Commerce, Community and Economic Development Division of Community and Regional Affairs webpage provides, that the Department's Shared Fishery Business tax Program was created to help municipalities impacted by the effects of the rapidly expanding offshore fish processing industry; and,

WHEREAS, the City provides numerous resources to the commercial fishing industry including a dock, police, fire, emergency medical, planning, senior housing and care, water, sewer, library and road services; and,

WHEREAS, in fiscal year 2019 the City received approximately \$128,000 from the fishery business tax and fishery resource landing tax; and,

WHEREAS, this reduction in revenue would burden the City's ability to fund services to this industry and/ or force the City to seek other revenue services potentially further burdening the industry.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF KENAI, ALASKA:

Section 1. That Governor Dunleavy and the state legislature are strongly encouraged to rescind or not support SB 63 and HB 65 and continue to allow local municipalities to receive raw

fish taxes and fisheries business taxes and provide services to the commercial fishing industry without additional burden.

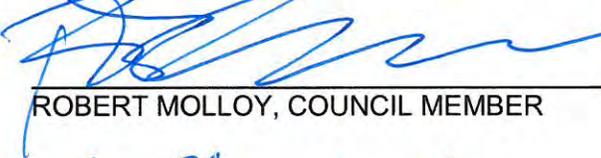
Section 2. That a copy of this resolution shall be sent to Governor Dunleavy, all members of the Alaska House of Representatives and all members of the Alaska State Senate.

Section 3. That this resolution takes effect immediately upon adoption.

ADOPTED BY THE COUNCIL OF THE CITY OF KENAI, ALASKA, this 20th day of March, 2019.


BRIAN GABRIEL SR., MAYOR

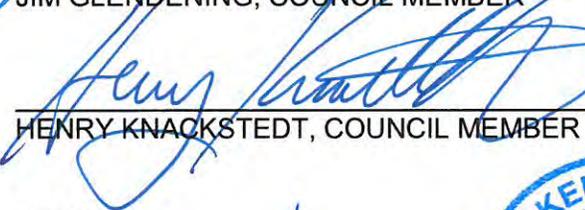

TIM NAVARRE, VICE MAYOR

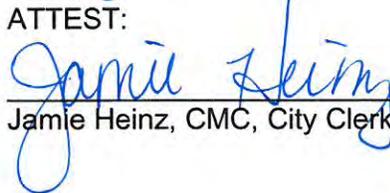

ROBERT MOLLOY, COUNCIL MEMBER


GLENEISE PETTEY, COUNCIL MEMBER


JIM GLENDENING, COUNCIL MEMBER


ROBERT PETERKIN II, COUNCIL MEMBER


HENRY KNACKSTEDT, COUNCIL MEMBER

ATTEST:

Jamie Heinz, CMC, City Clerk





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MEMORANDUM

TO: Members, Kenai City Council
FROM: Mayor Brian Gabriel and Council Member Robert Peterkin
DATE: March 14, 2019
SUBJECT: **Resolution No. 2019 – 18 Opposing SB 63 and HB 65**

Governor Michael Dunleavy has transmitted Senate Bill 63 and House Bill 65 to the legislature which would remove local municipalities' ability to receive local fisheries business taxes and fishery resource landing taxes. These two taxes are collected by the State and shared with municipalities in order for those local governments to provide services, strengthen infrastructure and build capacity for the industry to operate effectively in these communities.

These revenues are an important component of the City of Kenai's annual budget, equating to \$128,000 in fiscal year 2019. Other years, this revenue is more significant. For example, in fiscal year 2016 revenues for fisheries business taxes and fishery resource landing taxes exceeded \$198,000.

Because the impacts associated with these fisheries is most significant where the landings occur, it is fair and reasonable that the revenue generated from these taxes goes to those communities. Maintaining the current methods of sharing these revenues is important to the City of Kenai and to many other communities across the State.

This Resolution strongly encourages Governor Dunleavy and the state legislature to rescind or not support Senate Bill 63 and House Bill 65.

Your support is appreciated.





Office of the Borough Mayor

144 N. Binkley Street, Soldotna, Alaska 99669 • (907) 714-2150 • (907) 714-2377

Charlie Pierce
Mayor

1 March 2019

Municipal Impact Statement Regarding the State of Alaska FY20 Proposed Budget

The Kenai Peninsula Borough is responsible for municipal governance that authorizes Borough departments and service areas to provide public services to our citizens. Some of the public services or programs include public schools, solid waste, emergency services, roads, flood protection and economic development. A full list of the Borough's powers can be found in the annual budget document. Approximately 290 employees fulfill these obligations, and our ability to do so is limited by state or local regulations and available resources. Traditionally, these resources have included state and federal funding, which offset the fiscal burdens that might otherwise be generated by the local tax base.

Our tax revenue is ~73% of the total budget projected for FY19. Any impact from the state decision making on local economies further weakens our ability to provide public services. Based upon the State of Alaska proposed FY20 budget, we have highlighted some of the impacts that final decisions will have upon our residents:

- FY19 Community Assistance Program includes pass-through funds; of the \$1,459,007, \$426,303 was allocated to 27 unincorporated communities. The remaining \$1,032,704 went to the general fund.¹
- The School Bond debit reimbursement is \$2,648,719 for FY20, even though we will retire \$4.04M in school debt in FY20. Additionally, a total of \$28,261,374.68 is the potential debt reimbursement loss over the remaining life of the outstanding bonds.
- For FY19, the Borough's proposed contribution to public education is \$49,738,432; the cap amount is \$51,796,193. The Borough's sales tax revenue is estimated to fund \$30,578,706 of that amount; the balance of \$19,159,726 will come from other sources including property taxes and interest earnings (100% of borough sales taxes goes to fund education).
- The Petroleum Property Tax (AS 43.56), totaling \$14,784,733 equals 11% of our budgeted \$137.9M in revenues for FY19.
- The Shared Fisheries Business Tax collected by year was FY18 = \$727,284; FY17 = \$771,171; and FY16 = \$860,097
- The anticipated cuts to our school district are \$20,957,907

The combined reductions and cost-shifting will mean that the Borough anticipates staffing reductions, delaying construction projects and reducing essential services. The Kenai Peninsula Borough administration will work to mitigate the damage from these actions, including working with legislative leaders to develop solutions that reflect public interest.

¹ While the Power Cost Equalization (PCE) and Community Assistance Programs remain funded, we are concerned for their long-term viability. The Borough does not receive PCE funds; however, eliminating the PCE may generate impacts to the utilities that serve the Borough.

Introduced by: Bagley, Smalley, Ogle
Date: 03/05/19
Action: Adopted
Vote: 8 Yes, 0 No, 1 Absent

**KENAI PENINSULA BOROUGH
RESOLUTION 2019-021**

A RESOLUTION SUPPORTING THE KENAI PENINSULA COLLEGE

- WHEREAS,** Kenai Peninsula Borough (“KPB”) has supported Kenai Peninsula College (“KPC”) since 1964 when the college was founded and the borough was formed; and
- WHEREAS,** on July 24, 1971, the City of Soldotna signed a quit claim deed transferring property for \$1 to the State of Alaska for 171 acres to be used for the purpose of higher education; and
- WHEREAS,** this land is the site of KPC’s Kenai River Campus (“KRC”); and
- WHEREAS,** the Kenai Peninsula Borough School District (“KPBSD”) leased the Homer Elementary school to KPC for \$1/year from 1997-1999 and in 1999, KPBSD gave the school to the City of Homer and the city provided the same support (\$1/year) to KPC until 2001; and
- WHEREAS,** KPBSD has provided KPC with two offices and use of classrooms at Seward High School in the evening (all free of charge) at KPC’s Resurrection Bay Extension Site (“RBES”) in Seward; and
- WHEREAS,** KPBSD provides KPC’s Kachemak Bay Campus (“KBC”) in Homer free use of their welding lab, pottery studio and wood shop in Homer High School and has for many years; and
- WHEREAS,** KPC is responsible for all University of Alaska postsecondary education within KPB’s boundaries; and
- WHEREAS,** KPC serves the borough at KRC, KBC and RBES; and
- WHEREAS,** KPC enrolls on average 5,700+ students annually; and
- WHEREAS,** the college is the largest University of Alaska community campus and larger than the Juneau Campus in enrollment and student credit hours; and
- WHEREAS,** last year KPB provided \$817,755 to KPC to support postsecondary education to borough residents; and

WHEREAS, these funds have supported the following programs:

- Jump Start which is a tuition waiver program for high school seniors and juniors, students pay \$71 per credit versus \$212 per credit
- Adult Basic Education and GED outreach to villages
- Low enrolled classes at RBES
- KPC recruiter and Peer Ambassador Scholars
- KPC veterans' affairs coordinator and safety officer
- KBC instructional support position and registration clerk
- KBC student advisor
- KRC evening coordinator
- KRC developmental student advisor
- KBC library support

WHEREAS, since 1992 KPB has provided KPC with \$12,714,226 via a 1/10th mill rate assessed on property values; and

WHEREAS, KPB and the City of Valdez are the only municipalities to provide monetary funding to their local colleges;

NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:

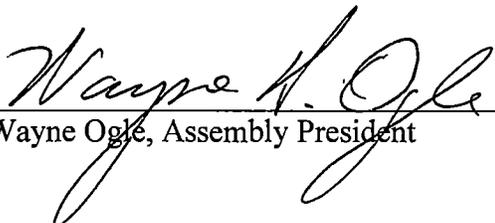
SECTION 1. That the Kenai Peninsula Borough Assembly supports the Kenai Peninsula College.

SECTION 2. That the Kenai Peninsula Borough respectfully requests that the State of Alaska continue to fund the Kenai Peninsula College and all Kenai Peninsula campus locations at the current funding level as a strong and healthy local college option is a priority.

SECTION 3. That a copy of this resolution will be provided to Governor Dunleavy, the Alaska State Legislature, and the University of Alaska Board of Regents.

SECTION 4. That this resolution takes effect immediately upon its adoption.

ADOPTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS 5TH DAY OF MARCH, 2019.


Wayne Ogle, Assembly President

ATTEST:


Johni Blankenship, Borough Clerk

Yes: Bagley, Blakeley, Carpenter, Cooper, Fischer, Hibbert, Smalley, Ogle
No: None
Absent: Dunne

Introduced by: Mayor, Bagley, Ogle
Date: 03/05/19
Action: Adopted as Amended
Vote: 8 Yes, 0 No, 1 Absent

**KENAI PENINSULA BOROUGH
RESOLUTION 2019-023**

**A RESOLUTION IN SUPPORT OF MODIFYING SB 57 AND HB 59 TO ALLOW
LOCAL MUNICIPALITIES TO TAX A MAXIMUM OF 15 MILS ON OIL AND GAS
PROPERTY TAXABLE UNDER AS 43.56**

- WHEREAS,** Governor Michael Dunleavy has transmitted SB 57 and HB 59 to the legislature which would repeal the levy of tax by municipalities on oil and gas exploration, production and pipeline transportation property and repeal the credit for municipal payments against the state levy of tax on oil and property; and
- WHEREAS,** additionally this bill provides that the state would retain all tax on oil and gas, exploration, production and pipeline transportation property which would provide estimated tax revenues of \$450,000,000 to the state next fiscal year; and
- WHEREAS,** Kenai Peninsula Borough revenues from oil and gas properties are estimated at \$14,784,733 for this fiscal year which is approximately 18.3 percent of the borough's revenues for FY 2020; and
- WHEREAS,** this reduction in revenues would cripple the Kenai Peninsula Borough's ability to fund education, maintain and improve roads throughout the borough outside of the cities, provide other services including 911, hospital, solid waste, fire and emergency medical, senior citizen, and recreational services to visitors and residents in the borough and its service areas; and
- WHEREAS,** this measure would cause the Kenai Peninsula Borough to seek other sources of revenue to fund basic services which would likely be in the form of radical increases in local taxes and fees; and
- WHEREAS,** this would also drastically affect other municipalities in the state with oil and gas properties, severely impairing their ability to provide education and other services to their residents; and
- WHEREAS,** allowing municipalities to collect taxes on oil and gas property in their boundaries is just, equitable and appropriate as municipalities are impacted by their presence including incurring costs of providing education to their employees and their families, fire and emergency medical services, law enforcement, solid waste services, road services, hospital services, recreational services, 911 services, and many other services; and

WHEREAS, the general property tax rate levied by the borough is currently 4.7 mils with service area mils added on to property located in service areas and city taxes added on to property located in cities; and

WHEREAS, the highest property tax rate levied against any oil and gas property in the Kenai Peninsula Borough is currently 10.33 mils and the lowest such rate is 4.70 mils; and

WHEREAS, a more equitable approach would be to allow municipalities to levy a tax under AS 43.56 of up to 15 mils on oil and gas property thereby ensuring that the State of Alaska would receive half of the 20 mils allowed under AS 43.56 from these properties and continuing to provide much needed funding for the affected municipalities; and

WHEREAS, to be workable any such measure would also have to allow a municipality to tax oil and gas properties at a rate less than that charged to other property in the municipality to enable them to raise sufficient funds to continue providing services;

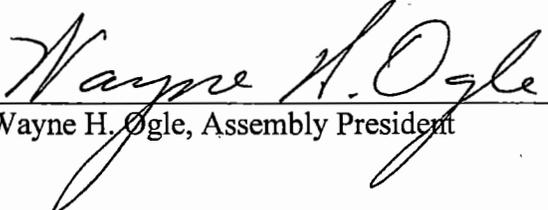
NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:

SECTION 1. That Governor Dunleavy and the state legislature are strongly encouraged to modify SB 57 and HB 59 to allow municipalities to continue to levy local property taxes on AS 43.56 oil and gas properties at a rate up to 15 mils, and to charge oil and gas property a lower rate than that charged for other properties in the municipality.

SECTION 2. That a copy of this resolution shall be sent to Governor Dunleavy, all members of the Alaska House of Representatives and all members of the Alaska State Senate.

SECTION 3. That this resolution shall become effective immediately upon its adoption.

ADOPTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS 5TH DAY OF MARCH, 2019.


Wayne H. Ogle, Assembly President

ATTEST:


John Blankenship, MMC, Borough Clerk

Yes: Bagley, Blakeley, Carpenter, Cooper, Fischer, Hibbert, Smalley, Ogle
No: None
Absent: Dunne

**KETCHIKAN GATEWAY BOROUGH
CITY OF KETCHIKAN
CITY OF SAXMAN
KETCHIKAN GATEWAY BOROUGH SCHOOL DISTRICT**

**BOROUGH RESOLUTION NO. 2804A;
CITY OF KETCHIKAN RESOLUTION NO. 19-2727;
CITY OF SAXMAN RESOLUTION NO. 3-2019-41
KETCHIKAN GATEWAY BOROUGH SCHOOL DISTRICT RESOLUTION NO. 19-03**

A Joint Resolution of the Assembly of the Ketchikan Gateway Borough, Council of the City of Ketchikan, Council of the City of Saxman, and Board of Education of the Ketchikan Gateway Borough School District, Opposing Governor Dunleavy's FY 2020 Budget Proposal which Would Irreparably Harm Ketchikan's Economy and Shift State Expenses onto Local Taxpayers

RECITALS

- A. WHEREAS**, on February 13, 2019, Governor Dunleavy released his FY 2020 draft State budget which proposed \$1.6 billion in State funding cuts while appropriating nearly \$2 billion for Alaska Permanent Fund dividends; and
- B. WHEREAS**, while it is recognized that the State of Alaska must align its spending and revenue, the governing bodies of the Ketchikan Gateway Borough, City of Ketchikan, City of Saxman, and Ketchikan Gateway Borough School District oppose Governor Dunleavy's budget proposal which would irreparably harm Ketchikan's economy and shift State expenses onto local taxpayers; and
- C. WHEREAS**, Governor Dunleavy proposed more than \$300 million in cuts to K-12 education, which would effectively result in a loss of approximately \$6.4 million in State funding for the Ketchikan Gateway Borough School District. To absorb these reductions, the Ketchikan Gateway Borough School District would need to eliminate approximately 70 teaching positions or the equivalent of 208 support staff positions. Even if every non-personnel budget item of the District was eliminated, the District would still need to make an additional \$2.4 million in cuts; and
- D. WHEREAS**, the Ketchikan Gateway Borough School District estimates that if the Governor's budget proposal is adopted, the average elementary classroom size in Ketchikan would increase by 10 to 12 students. The District would also be looking at eliminating vocational education classes, music and physical education programs, and school counselors; and

- E. WHEREAS**, Governor Dunleavy's draft budget eliminates all funding for the School Bond Debt Reimbursement Program. The Ketchikan Gateway Borough received approximately \$2.6 million from the State of Alaska through this program in FY 2019 and was anticipating to receive another approximately \$2 million in FY 2020 for projects planned and commenced years ago. The elimination of this program disrupts the district's long-term financing of important capital projects and further shifts the cost of education to local taxpayers; and
- F. WHEREAS**, the Governor proposed elimination of 75 percent of State funding for the Alaska Marine Highway System. As a result, the Marine Highway is no longer taking reservations past October, 2019. A total of 253 AMHS workers and their families reside in Ketchikan. The Marine Highway System has provided essential transportation services in Alaska since 1963. The system serves 33 Alaska communities, only five of which are connected to the Alaska road system; and
- G. WHEREAS**, the Marine Highway accounts for approximately 80 percent of the workload at the Ketchikan Shipyard. There are currently 133 workers employed by Vigor Alaska LLC – one of the largest private employers in the First City. The proposed cuts to the AMHS would have extremely negative impacts on business operations of the Ketchikan Shipyard; and
- H. WHEREAS**, Governor Dunleavy is proposing to eliminate a \$250,000 State subsidy for the Inter-Island Ferry Authority. It is currently unclear to IFA administration whether the ferry system could continue to operate without the \$250,000 subsidy. The ferry system provides daily roundtrip service between Prince of Wales Island and Ketchikan, carrying 50,000 passengers and 12,000 vehicles annually. According to an economic impact study prepared by Rain Coast Data in 2016, the IFA generates \$21.6 million of economic activity in Ketchikan annually; and
- I. WHEREAS**, the Governor's draft budget reduces State funding for the University of Alaska system by approximately 41 percent. The University of Alaska President has publicly stated that some university campuses would be closed if the 41 percent reduction were adopted. It is unclear whether the UAS Ketchikan Campus – which employs 40 full-time and 15 part-time workers and provides classes to approximately 600 students per semester – would remain open. Further, the UAS Ketchikan Campus trains over 300 maritime and welding students each year and a cut of this magnitude would significantly impact the Ketchikan Campus' ability to continue training Ketchikan residents for maritime and marine fabrication jobs in Ketchikan; and
- J. WHEREAS**, Governor Dunleavy's budget proposal would divert raw fish taxes from local communities to the State of Alaska. The City of Ketchikan and Ketchikan

Gateway Borough received more than \$4 million in raw fish taxes over the past five years. Historically, half of the revenue is shared with the city and/or borough where the fish are processed; and

- K. WHEREAS**, the Governor's proposed budget reduces funding to healthcare statewide by 25.6 percent or \$714 million. This could significantly impact the PeaceHealth Ketchikan Medical Center's ability to provide the current breadth of medical care and service to our community; and
- L. WHEREAS**, the Dunleavy Administration is proposing to dramatically increase rates at State-operated Pioneer Homes by between 40 and 140 percent. The State operates six Pioneer Homes in Alaska, including a facility in Ketchikan which has a 45-resident capacity; and
- M. WHEREAS**, Governor Dunleavy has also proposed eliminating all funding for the arts and public broadcasting. The proposal would shutter KRBD FM, which has operated in Ketchikan since 1976. The public radio station employs four people, provides volunteer opportunities for 55-60 residents, and is a significant local news media outlet and the primary emergency alert provider in Ketchikan.

NOW, THEREFORE, IN CONSIDERATION OF THE ABOVE FACTS, IT IS RESOLVED BY THE ASSEMBLY OF THE KETCHIKAN GATEWAY BOROUGH, COUNCIL OF THE CITY OF KETCHIKAN, COUNCIL OF THE CITY OF SAXMAN, AND BOARD OF EDUCATION OF THE KETCHIKAN GATEWAY BOROUGH SCHOOL DISTRICT as follows:

Section 1. The Ketchikan Gateway Borough, City of Ketchikan, City of Saxman, and Ketchikan Gateway Borough School Board, oppose Governor Dunleavy's budget proposal in favor of an incremental approach to balancing the State of Alaska budget.

Section 2. The Borough Clerk shall transmit a copy of this resolution to Governor Dunleavy, Senator Bert Stedman, Senate President Cathy Giessel, Senate Majority Leader Mia Costello, Senate Minority Leader Tom Begich, Representative Dan Ortiz, Speaker of the House Bryce Edgmon, House Majority Leader Steve Thompson, and House Minority Leader Lance Pruitt.

Section 3. Effective Date. This resolution shall be effective upon adoption by the Ketchikan Gateway Borough Assembly, Ketchikan City Council, Saxman City Council, and Ketchikan Gateway Borough School Board.

ADOPTED by the Borough Assembly this 11th day of March, 2019.

ADOPTED by the Ketchikan City Council this 21st day of March, 2019.

ADOPTED by the Saxman City Council this 20th day of March, 2019.

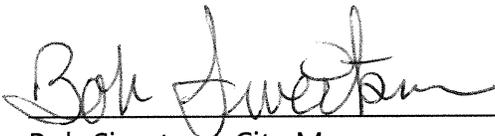
ADOPTED by the Ketchikan Gateway Borough School Board this 27th day of March, 2019.

Ketchikan Gateway Borough Signatures:

City of Ketchikan Signatures:

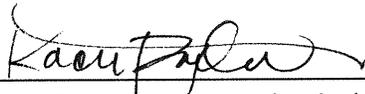


David Landis, Borough Mayor



Bob Sivertsen, City Mayor

ATTEST:



Kacie Paxton, Borough Clerk

ATTEST:



Kim Stanker, City Clerk

APPROVED AS TO FORM:



Glenn Brown, Borough Attorney

School District Signatures:

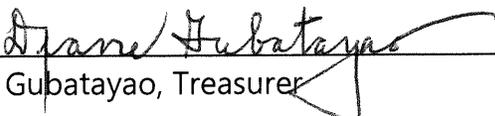
City of Saxman Signatures:



Matt Eisenhower, Board President



Frank Seludo, City Mayor



Diane Gubatayao, Treasurer

ATTEST:



Lori Richmond, City Clerk



TRANSMITTAL MEMORANDUM

TO: The Honorable Mayor and City Council

FROM: Karl R. Amylon, City Manager

DATE: March 5, 2019

RE: **Impacts of Governor Dunleavy's Amended FY 2020 State Budget to City of Ketchikan and Ketchikan Public Utilities**

As the City Council is aware, Governor Dunleavy's Amended FY 2020 State Budget proposes significant across the board reductions and shifts significant funding responsibilities from the state to local municipalities. Staff has done an initial review of the spending plan and has identified \$477,931 in potential reductions in state assistance that General Government and KPU may incur. Of this amount, up to \$58,931 in reductions could be realized by the General Fund. The actual extent of these reductions has yet to be determined for specific municipalities.

The largest reduction is the proposed elimination of the Shared Fisheries and Raw Fish taxes, which is distributed to the Harbors Department (Fund 240), the Harbors Department's Construction Fund (Fund 320) and the KPU Enterprise Fund (520). The City's state lobbyist Ray Matiashowski had advised my office that companion legislation would have to be approved by the Senate and the House to reallocate such fish tax revenues from municipalities back to the state.

I have attached a table detailing potential cuts to General Government and KPU program revenues. An analysis of potential impacts to Senate District R, which was compiled by Senator Stedman's Office, is also attached. Lastly, I have attached an overview of the Governor's Amended FY 2020 State Budget, which has been prepared by the Alaska Municipal League.

As the details of the Governor's budget become clearer, my office will keep the City Council advised accordingly.

2019 Intergovernmental Revenue Detail

			Budgeted/	Budgeted
Library	State - Public Library Assistance*	101	Budgeted	7,000
Museum	Museums Alaska - Oral History*	101	Budgeted	1,680
Museum	Museums Alaska - Digitizing*	101	Budgeted	9,882
Museum	Grant-in Aid*	101	Budgeted	7,669
Undesignated	State Shared Liquor License**	101	Budgeted	31,000
Undesignated	State Shared Marijuana License**	101	Budgeted	1,700
Harbor	State - Shared Fisheries***	240	Budgeted	15,000
Harbor	Raw Fish Tax - local waters***	320	Budgeted	311,000
Water	Raw Fish Tax - local waters***	520	Budgeted	93,000
			Sub-total Budgeted	<u>477,931</u>

*Specific Reductions By Municipality Have Yet To Be Defined

**Program Reductions Have Yet To Identified

***Will Require Approval Of Companion Legislation

Municipal Impact Statement: **City of Kodiak**

We appreciate the State's commitment to sustainable spending but want to draw attention to the unsustainable impact the proposed FY20 budget will have on local governments in Alaska.

The City of Kodiak is responsible for municipal governance in this community of 5942. We have 130 full-time equivalent employees who fulfill the obligations of a local government. Our ability to do so is limited by statute, public interest and available resources. Traditionally those resources have included State and Federal funding, which offset the burdens that might otherwise be felt by a local tax base.

In FY2018, our actual tax revenue received was 63.0% of our general fund budget and 35.44% of our total operating budget, and any impact from State decision-making on local economies further weakens our sustainability. This includes cuts to the University, AMHS, and Medicaid (which impacts municipal-owned hospitals).

Based on the proposed FY20 budget, we have highlighted below some of the impacts that your decisions will have on our residents.

- Our Community Assistance funding for FY 2018 is \$226,722 and is 10.99% of our general fund budget
- Our current Local Contribution to education is \$-0- however, the City maintains all port and harbor facilities including float plane facilities, and emergency 911 systems for Kodiak. In FY 2018, the City subsidized the Port and Harbor facilities an additional \$500,000 and the Trident Basin float plane facility \$245,585. For FY 2019, the City budgeted a subsidy to the emergency 911 systems for approximately \$150,000.
- The City operates the community jail correctional facility that is partially funded by contract from the State of Alaska in the amount of \$1,017,708 for FY 2018. However, the community jail corrections department total costs for FY 2018 was \$1,263,012. Therefore, \$245,304 was funded through local sales tax.
- Our FY 2019 receipt of Shared Fisheries Business/Landing Tax is \$74,185 / \$859,223 – down from FY2018 receipts of \$86,508 / \$926,525.
- The City currently has approximately \$296 million in capital infrastructure needs with \$ 61 million in immediate needs for Fire Station, Harbor, and Waste Water Treatment Facility.

While PCE and Community Assistance remain funded, we are concerned for their long-term viability.

The combined reductions and cost-shifting will mean that the City of Kodiak anticipates:

- Potential staff reductions by 13
- Public Safety budget reduced by 8%
- Public Works budget reduced by 8%

KODIAK TOWN HALL, MARCH 30, 2019
RE: GOVERNOR DUNLEAVY'S PROPOSED BUDGET
IN THE AFOGNAK BUILDING ON NEAR ISLAND

Introductions

Alaska Municipal League (AML) Executive Director Nils Andreassen introduced himself. He explained AML is a statewide organization that supports the 165 cities and boroughs in Alaska. At the February AML conference, several municipality leaders requested AML assist with hosting town hall meetings to give residents an opportunity to respond to Governor Dunleavy's proposed budget. He stated he is happy to be in Kodiak and invited the other speakers at the table to introduce themselves:

Mayor Pat Branson thanked everyone for attending the Town Hall on a beautiful, sunny Saturday afternoon. She stated the goal is to give everyone a chance to speak. Notes are being taken as well as a recording and a copy will be sent to the Governor. She showed attendees a bumper sticker that Representative Stutes printed, which read, "I believe in Ferries".

Representative Louise Stutes introduced herself. She stated she is happy to be in Kodiak and she brought the sunshine with her from Juneau.

Senator Gary Stevens stated he represents Kodiak, Homer, Cordova, Yakutat, and several smaller communities.

Borough Mayor Dan Rohrer thanked everyone for attending and said the speakers here wanted to make sure they could hear the public opinion regarding the proposed budget and how it could be perceived to impact Kodiak and other communities.

Kodiak Island Borough (KIB) School Board Chairman Duncan Fields stated Alaska is in a crisis relative to the Governor's proposed budget and it makes it difficult for the school board to plan, budget, and commit to hiring teachers among other issues.

Legislative Staff Member Pam Murray introduced herself and stated she works for Representative Louise Stutes.

Opening Comments From Legislators

Mr. Andreassen invited Senator Stevens to start the Town Hall with opening comments.

Senator Stevens stated there is good news regarding the state budget. He shared that last session, the legislature passed a Percent of Market Value (PoMV). 4.25% will come out of the Dividend account and earn compound interest to later be used as government spending. This will add 3 billion dollars into government spending from the dividend in 2020. He shared that education is

pre-funded for the following two fiscal years, including \$20 million extra for the current fiscal year and \$30 million for 2020.

Representative Stutes handed out information and presented slides about the history of funding state services in Alaska and demonstrated specific service cuts that will occur based on PFD amounts.

Public Comments

Doug Pengilly supported a smaller PFD as a short-term solution, but opposed it as a long-term solution. He stated rural communities will be affected more by budget cuts due to smaller tax base, and families with less wealth will be disproportionately affected by smaller PFDs.

Representative Stutes stated Alaska is the only state that doesn't have a state tax like an income tax or state sales tax.

Teresa Storch opposed using state money to fund abortions.

Mike Milligan expressed concern about Alaska exporting wealth out of state and gave examples such as talk of private prisons or Pebble Mine. He expressed preference to increased taxes such as a fish tax but at a local level so the revenue benefits the local communities. He asked the question, "Will this policy increase goods and services? If we (Alaska) collect an income tax, will it export wealth?"

Dana Carros echoed Mike Milligan's concern of exporting wealth, and opposed tax breaks for oil companies. He asked if Alaskan's are getting a fair share of oil profits and suggested a 50/50 split of sharing profits for Alaskan's and oil companies.

Carolyn Heitman opposed the proposed budget. She supported the Alaska Marine Highway, education, and free meals at schools for students. She speculated that the free meals at school might be the only meal some students will receive that day if their parents struggle financially. She stated she would rather have those programs than a \$3,000 PFD. She supported a sales tax to earn revenue from tourism, and she supported a "schools tax".

Senator Stevens stated he believed the lunch money program is a federal program, and he wasn't sure how much state funding went into the program, if any, but he would look into it.

Mr. Andreassen asked for a show of hands in the room of who would prefer a small PFD. The majority of the room raised their hands. When asked the same question about a mid-sized PFD, approximately \$1,600, some raised their hands. When asked the same about the proposed \$3,000 PFD, a few hands were raised.

Renee Darrenkamp opposed tax increases. She supported the Ferry system becoming for-profit to make it more financially independent from state funding. She stated education is very important,

and supported “thinking outside the box” to find a way for Alaska to benefit from the increasing the amount of students taking courses online.

Representative Stutes stated she didn't think the ferry will ever be financially self-sufficient and still be able to serve the communities in Alaska. She supported the idea of having a ferry service two times a week instead of three as a means to cut down on costs, as long as the service is still dependable.

Mayor Branson stated that no public transit system whether it is a bus, marine highway, or a train operates with a profit. She agreed that the ferry system budget needs to be reviewed.

Cheryl Boehland opposed the current state of government spending, stating “Alaska Legislature put the one big egg in one basket.”

Dick Rohr stated Alaska has weathered a lot of downturns over the years, and Kodiak has done well compared to other communities. He said Kodiak will likely do worse this time than in the past. He opposed the current proposed budget.

Mark commented on an earlier statement by the speakers that the Legislature is using a previous fiscal year's state budget as a template to create a new budget to counter the Governor's budget. He opposed this action, stating there is a need for new ideas and to start a new budget from scratch.

Jake Jacobson supported oil taxes on oil companies.

Jeffrey Stewart opposed a large PFD. He stated the PFD is not something he feels entitled to.

Matthew Jones, Ouzinkie Mayor, stated the proposed budget would negatively impact smaller, rural villages. He supported the fish tax.

Larry Ledoux stated the community needs to come together to find a solution. He thanked Representative Stutes and Senator Stevens for their service and leadership.

Bill Oliver opposed a \$3,000 PFD. He supported developing a welfare plan to provide a PFD for those who need it, such as low-income families.

Elaine O'Brien opposed the Governor's proposed budget, a \$3,000 or a \$1,600 PFD. She supported a state income tax and a minimal PFD during fiscal crisis.

Kate Ballenger supported smaller state budget in some areas, including local municipalities. She agreed the PFD is not an entitlement; however, some people depend on it. She supported a smaller PFD to help balance the budget.

Brian Himelbloom supported cutting the Governor's Operating budget. He stated that he is concerned about Alaska Global Food production cuts, DNR Agriculture budget for FY2020 cuts, and ferry cuts.

Kelly Foreman stated she is trying to start a Grade A Certified Goat Dairy operation and have it certified in Kodiak. She said it will be negatively impacted by the proposed budget. She supported early childhood state grants.

Mike Sirofchuck supported taxing extractors of nonrenewable resources. He also supported public radio funding, citing KMXT's role of informing the public during the recent tsunami warning. He stated Alaska depends on public media.

Pat Holms thanked the speakers for attending the Town Hall. He urged the public to utilize the local Legislative Information Office and to participate in the meetings that occur there.

Linda McCool stated the cuts in the budget following the last two years have been devastating as a local resident. She said she wants students to receive a quality education in Alaska and to remain residents after obtaining it. She supported an income tax or an alternate source of revenue.

Colleen Ford opposed the proposed Governor's budget. She supported a state income tax.

Katie Oliver supported an income tax.

John Whiddon stated Kodiak has the largest residential seafood related work force and encouraged legislative representatives to reach out to that demographic and inquire how they will be affected by the proposed budget. He also suggested reaching out to the United States Coast Guard and their spouses, as they will be affected by education and ferry cuts.

Sue Jeffrey supported the raw fish tax but only if the funds collected are returned to the communities. She opposed cuts to education funding and supported public radio.

Leann expressed concern in the education quality students will receive if the proposed budget cuts go through.

Martha McKinney supported a state alcohol tax and state funding for the ferry system. She opposed the \$3,000 PFD.

Scott Arndt thanked Representative Stutes and Senator Stevens for attending the Town Hall. He supported the lower PFD alternative as well as some tax increases such as highway fuel, state income with equity. He said he supported the oil property tax as long as the state returns 50% of the income to the communities that share the property.

Monty Hawver stated the elderly will be negatively affected by the proposed budget and that the budget deficit is a management issue.

Carleen McChesney opposed the proposed budget. She stated the lower and middle class is hurting from economic downturn.

James Turner stated many in Kodiak will be negatively impacted if they don't receive a PFD this year. He supported a state income tax for those who make \$75,000 a year and above. He opposed taxing the middle and lower class.

Travis Westby opposed budget cuts to education.

Closing

Representative Stutes thanked everyone for attending on a sunny Saturday afternoon. She encouraged the public to email not just the representatives of their districts, but representatives across Alaska.

Senator Stevens summarized legal and political obstacles the proposed budget faces. He stated forward funding for education will not be cut as it's already been passed and budgeted.

Mayor Rohr thanked everyone for attending and stated it is likely taxes of some sort will rise as a result of budget cuts.

Duncan Fields thanked the public for supporting education.

Mr. Andreassen thanked the public for attending.

Mayor Branson thanked the City and Borough Clerks for staffing the Town Hall. She also thanked Representative Stutes and Senator Stevens for attending. She stated we all share a responsibility for making our quality of life and encouraged everyone to keep testifying at the local Legislative Information Office.

My name is Kate Loewen, and I have been an Alaskan resident for 49 years, living in Juneau, Fairbanks, the Northwest arctic, and Kodiak Island. Governor Dunleavy has certainly gotten our attention. Thank you to the Municipal League for giving quiet people like myself an opportunity to comment. My concerns are with education, fisheries, the Marine Highway, and the PFD issue.

Education: I am a UAF graduate. My three children are graduates of Kodiak High School and UAF. They have all turned out to be responsible contributing citizens. This is what an education should prepare them for. Locally our class size needs to remain manageable and our teachers need and deserve ongoing professional training. Our university system needs to be able to offer the scope and quality of classes which keep our young people enrolled. If they have to go out of state to get the classes they need, they probably stay out of state. They find partners elsewhere, they find jobs elsewhere. And we have then *lost one of our most important resources-young adults with the commitment and energy to put down roots in Alaskan communities, the "movers and shakers" of the future.*

Fisheries: Another resource, now being affected by a changing ocean and climate. Our state has a worldwide reputation for the research and management they have supported in the Dept of Fish and Game. The budget for Fish and Game has been reduced every year. I don't see how they can work any closer to the bone without sacrificing the future health of this industry. We all know the adverse effects of a fisheries collapse-from net to boat to dock to the neighborhood and beyond; it's not just in our coastal communities.

The Marine Highway: Here in Kodiak we've had to get used to weeks without service because of boat maintenance. It's a pain, but we know it's temporary. Reduced service, OK- months without service- not OK! Flying in southeast is just as expensive and hazardous as it is here. Equate lack of marine service to closing the Richardson or Glenn Highways for a couple of months, or no summer barge service on the Yukon. It shouldn't happen.

We have been told repeatedly that we can't just slash our way out of this hole. I used to pay an income tax and a school tax. Bring them back! Our PFD's have been wonderful and useful- an exceptional bonus for living in Alaska, but that's what it is - a bonus. (so is our local senior citizen tax exemption) A perk, not a right. Dunleavy's proposal of a retroactive PFD payment may be popular, but I find it ridiculous and ill timed.

In Congress, the lack of civility, refusal to compromise, rigidity of party lines on issues has embarrassed me for our country. I hear a similar pattern emerging in our state, which used to be a place of tolerance and optimism, and it saddens me beyond words. Thank you to Louise and Gary for listening to us, for doing a hard job with moderation, respect and empathy as their guidelines.

Changing Values in Alaska

Life and philosophy have unfortunately changed since statehood. It is indeed sad that some new comers have turned away from the positive perspectives and values we had at Statehood.

I can recall: Bill Egan (our first Governor) coming to Fairbanks in 1960 and saying: "It was hard"... "But we balanced the budget, with consensus and compromise". "The goals of education, public safety, transportation (including ferries), Fish & Game and public health were covered!"

"*Our common good*" was the philosophy that guided Alaska from the beginning. "*Fiscal conservative*" didn't have a political party assignment. The Governor and majority of both houses was democrat. Jack Coghill (a family hero) was the lone republican in the Senate; yet the democrats worked toward his priorities as well. We had a balanced budget using the "OLD" state income and school head tax plus small fisheries, forestry, and mining surtaxes. Why are they *verboden* to even discuss now? Why not go back to our basic tools and values?

In contrast to present day; Jay Hammond often flew his own Cessna 170, or drove himself, to host town meetings. He came to Kodiak and other towns, on his own hook, staying in local's homes. (No drivers, body guards or PAC \$.) You could talk to him on the street, or send him a letter to express your thoughts (he'd answer, eventually). "My Door in Juneau & the lake is always open". A straight-forward, open and honest guy!

The *Texas oiler* philosophy that now prevails is sad. It screams "*Me first, right now*"; instead of *we, for the long run*. Yes, it is wise to trim the fat; a lot has been cut already. The So. E. Municipal Conf. and the House are working on solving ferry problems. The majority of the proposed Governor's budget will hurt rural Ak. much more than the rail belt. The ferry cuts will eviscerate Gulf of Alaska communities. It's easy to overlook that coastal and rural folks spend hundreds of thousands in Anchorage and the mainland: for cars, groceries, building and business supplies. Economists have noted: "they are a big part of the mainland and state's economy!"

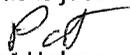
At the recent hearings on ferries and senate bills on the PFD, questions and solutions were raised. From Unalaska to Annett Island and Utqiavik (Barrow) the majority of folks still believe in our "*goals at statehood*" and "were willing to accept the old tax structure", "forgo the permeant fund buy off," in order to make things work in the long run. "Why give the oil companies more? They pay less royalties here than in Texas!" "Don't forget the 60,000 people involved in Alaska fisheries". Many spoke "on the negative budget impacts to schools, municipalities and village governments."

The budget provokes an emotional response from many rural and coastal folks: **If we are going to become *Ultra- conservative* and cut programs we value, then for parity, let's have toll roads on the mainland, it's only fair.** Other conservative states do that and have higher income taxes as well.

A "sensitive" Matanuskan gave a counter point at the ferry hearings: "I've worked in every place in SE (where the ferry goes). I understand where you are coming from, your problems. Cut the program. Move to the mainland and get a real Job".

Do we really need to be so radical with cuts and not increase revenue in a balanced manner? It is sad that we are becoming so divided and loose the values that helped Alaska grow to be a great place to live.

This is just a tide pool reflection.


Pat Holmes

*No to the Governors Budget!
+3K PFD*

**LAKE AND PENINSULA BOROUGH
RESOLUTION 19-09**

**A RESOLUTION SUPPORTING THE FUNDING THE ALASKA MARINE HIGHWAY
SYSTEM OPERATING BUDGET AND THE FUNDING FOR REPLACEMENT OF THE M/V
TUSTUMENA**

WHEREAS, the Alaska Marine Highway System (AMHS) has been providing essential transportation to Alaska's coastal communities since 1963; and

WHEREAS, the AMHS has 11 vessels that serve 33 Alaskan communities stretching from Metlakatla to Unalaska, including service to Kodiak Island; and

WHEREAS, the AMHS is vital for coastal Alaskan communities, particularly those that are not located on the State's road system; and

WHEREAS, the AMHS has already sustained significant funding reductions that have reduced service throughout the system; and

WHEREAS, further reductions in the AMHS will harm tourism, commerce, economic development, and quality of life for nearly 100,000 Alaskans; and

WHEREAS, the Governor's proposed FY20 budget proposes a 68.4% cut in the AMHS budget and a likely discontinuation of service on October 1, 2019, the hiring of a "qualified marine consultant" to recommend cuts the ferry system, and reallocation of about \$25 million in state match to leverage federal funds to build a badly needed replacement for the M/V Tustumena; and

WHEREAS, cuts that lead to discontinuation of AMHS service will do damage to rural communities, governments, schools, and businesses that have few transportation alternatives.

NOW BE IT RESOLVED that the Lake and Peninsula Borough supports sustainable funding for the AMHS for FY20.

BE IT FURTHER RESOLVED that any newly formed governing board for the AMHS include at least one representative from the Southwest Alaska region.

BE IT FURTHER RESOLVED that the State keep funding for replacement of the M/V Tustumena in place to replace a vessel that is operating beyond its intended life and has a recent history of extensive repairs that has kept the vessel out of service for extended periods of time.

PASSED AND APPROVED by a duly constituted quorum of the Lake and Peninsula Borough Assembly this 19th day of March, 2019.

IN WITNESS THERETO:

ATTEST:


Glen Alsworth Sr., Mayor


Kate Conley, Borough Clerk

**LAKE AND PENINSULA BOROUGH
RESOLUTION 19-10**

A RESOLUTION REQUESTING THE ALASKA LEGISLATURE AND GOVERNOR TO ADEQUATELY FUND THE ALASKA DEPARTMENT OF FISH & GAME (ADF&G) BUDGET AND PARTICULARLY THE DIVISION OF COMMERCIAL FISHERIES

WHEREAS, subsistence, sport, and commercial harvests of Alaska's fish and game resources are vital to the social, cultural, and economic health of the State of Alaska; and

WHEREAS, the summer salmon season is critical to fishermen, processors, and communities in Southwest Alaska; and

WHEREAS, the Alaska seafood industry is the second largest contributor to Alaska's economy; and

WHEREAS, the Alaska seafood industry provides over 60,000 direct jobs and thousands more indirectly, making it the largest private-sector employer in the State; and

WHEREAS, Alaska's commercial seafood industry directly pays over \$250 million annually in taxes and fees which exceeds current State commercial fisheries management spending; and

WHEREAS, Alaska's seafood industry pays business and landing taxes that directly benefit over 65 communities and boroughs in Alaska and reduces community dependence on State funds; and

WHEREAS, the seafood industry relies on strong State commercial fishery research and management programs to provide that economic benefit; and

WHEREAS, the Commercial Fisheries Division budget has been reduced significantly the past four years, which includes offsets from CFEC funding and the unrestricted general fund has been reduced by 30%; and

WHEREAS, the State has joint management agreements with the National Marine Fisheries Service and funding reductions could negatively impact these agreements; and

WHEREAS, when the Division of Commercial Fisheries budget is reduced, the seafood industry loses research and resource management programs that are necessary to allow for harvest opportunities; and

WHEREAS, reduced harvest opportunities in any fishery result in fewer jobs, less income, and decreased tax revenue for the State of Alaska and coastal communities.

NOW THEREFORE BE IT RESOLVED that the Lake and Peninsula Borough strongly requests the Alaska Legislature and Governor Dunleavy to not impose any further cuts to the ADF&G budget and particularly to the Division of Commercial Fisheries budget.

BE IT FURTHER RESOLVED that the Lake and Peninsula Borough urges the Legislature to guarantee that the 2019 summer salmon season will be staffed and fully managed even if the Legislature runs into special Legislative sessions in summer with no budget in place.

PASSED AND APPROVED by a duly constituted quorum of the Lake and Peninsula Borough Assembly this 19th day of March, 2019.

IN WITNESS THERETO:

ATTEST:



Glen Alsworth Sr., Mayor



Kate Conley, Borough Clerk

**LAKE AND PENINSULA BOROUGH
RESOLUTION 19-11**

**A RESOLUTION TO PRESERVE THE POWER COST EQUALIZATION ENDOWMENT FUND
FOR ITS INTENDED PURPOSE OF ASSISTING ALASKANS AND ALASKAN COMMUNITIES
WITH THE HIGH COST OF ELECTRICITY**

WHEREAS, the Power Cost Equalization (PCE) Program was established in 1985 as part of a Statewide Energy Plan to provide for a long-term stable funding source for provision of affordable levels of electric utility costs in high-cost service areas of the State; and

WHEREAS, the PCE program was established to assist rural residents at the same time state funds were used to construct major energy projects like the Four Dam Pool projects, Bradley Lake, and Alaska intertie that benefited more urban areas of Alaska; and

WHEREAS, in FY 2001 a PCE Endowment Fund was created and capitalized from the Constitutional Budget Reserve and Four Dam Pool proceeds and further capitalized in FY 2007 with General Funds; and

WHEREAS, the PCE Endowment Fund is invested and managed by the Alaska Department of Revenue on behalf of the Alaska Energy Authority with a goal of earning enough income to fund PCE payments to rural communities and residents that pay three to five times or more for electricity than urban residents pay; and

WHEREAS, the PCE program serves 91 utilities, 194 communities (14 in the Lake and Peninsula Borough), and 83,510 customers; and

WHEREAS, the PCE Endowment has been very successful in growing to a level of a perpetual fund with a balance of \$1.01 billion as of November 30, 2018; and

WHEREAS, the PCE Endowment Fund is the source of funding for the Community Assistance Program that provides funding to municipalities, reserves, and communities; and

WHEREAS, the Governor is proposing to dismantle the PCE Endowment Fund to help fill the State's budget gap and replace the endowment funding stream with annual appropriations from the general fund; and

WHEREAS, this proposal by the Governor is contrary to the original intent of PCE program to remove uncertainty and competition with other State needs and goes against the promise to rural residents to have a sustainable program for energy assistance in lieu of the benefits of expensive hydroelectric projects and interties.

NOW THEREFORE, BE IT RESOLVED, the Lake and Peninsula Borough fully supports continuation of the Power Cost Equalization Program with the PCE Endowment Fund kept intact to fulfill the historical intended purpose of the program and the promise made to rural Alaskans of assisting rural residents and communities in offsetting high electricity costs.

PASSED AND APPROVED by a duly constituted quorum of the Lake and Peninsula Borough Assembly this 19th day of March, 2019.

IN WITNESS THERETO:



Glen Alsworth Sr., Mayor

ATTEST:



Kate Conley, Borough Clerk

**LAKE AND PENINSULA BOROUGH
RESOLUTION 19-12**

**A RESOLUTION SUPPORTING FUNDING FOR K-12 PUBLIC EDUCATION AT LEVELS
PROJECTED IN THE ORIGINAL STATE OF ALASKA FY20 OPERATING BUDGET AND
MAINTAINING THE SCHOOL DEBT REIMBURSEMENT PROGRAM**

WHEREAS, Article 7, Section 1 of the Alaska Constitution provides that the State of Alaska will establish and maintain a system of public schools; and

WHEREAS, a sound public-school system is vital to produce qualified workers and attract new businesses to locate in Alaska, two important tenants of economic development; and

WHEREAS, schools located in the Lake and Peninsula Borough are more expensive to support and operate due to small population bases spread out over a large rural area not connected to the Alaska road system; and

WHEREAS, historically, based on its constitutional mandate, the State of Alaska has provided significant support for urban and rural school districts; and

WHEREAS, the Governor's proposed FY20 budget calls for a 25.7% cut in unrestricted general funding for the School Foundation formula totaling \$303,648,200; and

WHEREAS, the Governor's proposed FY20 budget calls for a 100% cut of \$30,000,000 in unrestricted general funding in the original FY20 budget to supplement the School Foundation formula; and

WHEREAS, these combined cuts reduce State School Foundation funding for the 12 schools in the Lake and Peninsula Borough by an estimated \$1,910,004; and

WHEREAS, the Governor's proposed FY20 budget introduces legislation, SB 64 and its companion HB 66, in the 31st Legislature to repeal the State reimbursement for municipal school construction programs; and

WHEREAS, the Lake and Peninsula Borough constructed school facilities in recent years in reliance on receiving significant reimbursement from the State based on a population-based formula; and

WHEREAS, these State cuts will force Lake and Peninsula Borough and School District and around the State to raise local taxes and fees significantly to adequately fund public education or allow education programming to deteriorate due to larger class sizes, increased teacher and administrator turnover, fewer key support personnel, and less preventive maintenance for school facilities; and

WHEREAS, reduced resources for public education will significantly affect the quality of life in Alaska communities, the education of Alaska's next generation of workers and citizens, and competitive compensation for teachers, administrators, and key school personnel.

NOW THEREFORE BE IT RESOLVED that the Lake and Peninsula Borough urges the Governor to work with the 31st Legislature to restore undesignated general funding to the School Foundation program to adequately fund Alaska's public schools.

BE IT FURTHER RESOLVED that the Lake and Peninsula Borough opposes enactment of SB 64 or HB 66 repealing the State reimbursement for municipal school construction programs.

PASSED AND APPROVED by a duly constituted quorum of the Lake and Peninsula Borough Assembly this 19th day of March, 2019.

IN WITNESS THERETO:



Glen Alsworth Sr., Mayor

ATTEST:



Kate Conley, Borough Clerk

- Harbor budget reduced by 1 FTE (lack of need for officers at AMHS Terminal and loss of revenue (\$ 50,000) at Pier I and II
- Quality of Life programs potentially eliminated include the Kodiak Public Library and Parks and Recreation programs.
- Taxes would need to increase to offset these decisions. The City of Kodiak underwent a strenuous evaluation of sales tax during the FY2016-2018 fiscal years. The sales tax cap was increased at that time. Future adjustments to sales tax would include taxing internet sales, eliminating exemption programs, and compliance audits. Other adjustments to sales tax would come as cuts of City services to residents.

We believe the proposed FY20 budget and approach that you have outlined reflects little concern for the burden that you have passed on to residents of Alaska. The City of Kodiak will work to mitigate the damage from these actions, including to work with legislative leaders to develop solutions that reflect the public interest.

IMPACT OF GOVERNOR DUNLEAVY'S STATE FISCAL FY2020 BUDGET CUTS ON NWAB RESIDENTS

Proposed legislation that funds the state government through the fiscal year 2020 cuts funding to all programs and services in the amount of \$1.6 Billion dollars. These reductions in State spending could increase unemployment and weaken the State of Alaska's economy in the long term. This budget will also significantly decrease funding for programs and services that invest in our state's long term economic health and in the well-being of our residents.

Below is a brief description of how some cuts could affect **Northwest Arctic Borough** Residents:

Withdraw State Grant for the Alaska Public Broadcasting: The KOTZ Radio Station that is located in Kotzebue, Alaska provides an essential public service for rural Alaskans by broadcasting essential information regarding the public safety, health and economic well-being of our residents. It is not mere entertainment. Public broadcasting plays a central role in emergency communication services such as public safety warnings, weather advisories, and warnings of life-threatening conditions and dangers to the public. It also conveys general public services announcements to Borough residents, community events, meetings, job announcements, and much more. In rural Alaska, public broadcasting is a life line for our communities.

Power Cost Equalization: Currently, no reduction in PCE funding is proposed for the next fiscal year. However, legislation has been introduced to eliminate the PCE endowment fund. The creation of PCE and the endowment fund was part of a compromise between urban and rural areas regarding energy needs around the state. The PCE Endowment Fund provides a stable yearly funding source for PCE funding through its investment returns. Additionally, investment returns can also be used to provide funding for community revenue sharing under certain investment return scenarios. Eliminating the PCE Endowment Fund would be short-sighted, eliminate a stable funding source for two valuable programs, and an unjust breach of the compromise reached years ago. A change in how PCE is managed and funded will be devastating to the many households who receive an electric utility bill reduction on the first 500 KWH utilized, which aggregates to an estimated \$1,000.00 dollars per utility customer. The money saved through the PCE program is used to provide for other basic living expenses.

Reduction in Public Assistance, Senior Benefits and Medicaid Programs: While Maniilaq Association is responsible for Medicaid and public assistance benefits, any reduction to those programs and services impacts all residents. Our elders have paved the way for Alaskans making sacrifices to grow our State in the early years. In their lifetime, our elders have made valuable contributions to Alaska that we have all benefited from. The benefits our elders receive from the State of Alaska only help to pay for very basic living expenses and should continue as previously promised. When funding is cut or reduced, many look to the Borough for medical and public assistance donations causing a further strain on Borough finances.

Public Safety: Any cuts in funding to the public safety department reduces the presence of VPSO's in our communities and increases the risk of harm to our residents. Recently, the Northwest Arctic Borough Assembly made providing public safety to all Borough communities a top priority. Our VPSO's are often first responders, and they can act quickly in emergencies to ensure the safety of our residents and property. VPSO officers build relationships with our residents and communities and work proactively to reduce crime and the impacts from crimes. The NWAB serves 11 communities, however, even with current funding our

communities only have a part-time public safety presence. Cutting funding means that the Borough will have even less of a public safety presence in our communities. Providing public safety is an essential public service that address the safety needs of our residents, it should not be dependent on where you live. All funding should be resorted for public safety.

School Bond Debt Reimbursement Program: As of January 2019, the NWAB bond debt balance is \$29.4 million, of which \$8.8 million is due in FY19. Of the \$8.8 million owed in FY19, \$6 million is payable by the Borough, with \$1.9 million being reimbursed by the State of Alaska's Department of Education. If the bond debt reimbursement program is eliminated, it will have a drastic negative impact on Borough finances. The Borough would be required to supplant the funding previously committed to be paid by the State. Essential Borough services which help protect the life, health and safety of our residents would have to be reduced or eliminated. The State is responsible for funding schools, not local governments. The State has made a prior commitment to reimburse a portion of school bond debt and local governments have relied on that commitment in good faith. Any change in the State's commitment on school bond debt reimbursement poses a significant financial burden on local communities.



Municipal Impact Statement: Petersburg Borough

We appreciate the State's commitment to sustainable spending but want to draw attention to the unsustainable impact the proposed FY20 budget will have on local governments in Alaska.

The Petersburg Borough is responsible for municipal governance in this community of 3198 residents. We have 112 employees who fulfill the obligations of a local government. Our ability to do so is limited by statute, public interest and available resources. Traditionally those resources have included State and Federal funding, which offset the burdens that might otherwise be felt by a local tax base.

In FY18, our tax revenue was 67% of our total budget, and any impact from State decision-making on local economies further weakens our sustainability. This includes cuts to the University, AMHS, and Medicaid (which impacts municipal-owned hospitals).

Based on the proposed FY20 budget, we have highlighted below some of the impacts that your decisions will have on our residents.

- Our Community Assistance funding has been \$360,114 and is 3.8% of our budget. While it remains funded, we are concerned for its long-term viability.
- Our School Bond Debt expected to be paid in FY 20 is \$466,050 and the total is \$3,582,299, which would fall back on local taxpayers.
- Our current Local Contribution to education is \$1,800,000 (\$1,400,000 from Property Taxes and \$400,000 from SRS Funds).
 - Our contribution is 20% of what the State contributes
- Our share of the Shared Fisheries Business Tax is \$890k and our share of the Fish Landing Tax is \$3.9k. 35% of these funds support our general fund, the remaining currently go to our harbor to help pay for maintenance, operations and capital projects. In addition, the loss of the Harbor Facility Matching Grant program of \$7.5M further reduces the ability of the Borough to support our commercial and sport fishing fleet.
- The anticipated cuts to our school district are about \$1.43M which the Borough cannot help offset due to the Borough's other State cuts.
- If our community operated hospital sees a 38% reduction in Medicaid reimbursement, it would reduce our annual cash receipts by nearly \$2M per year which represents 14% of our total cash collections for all payors. This would essentially cripple the hospital and severely impact the healthcare and economy of our community.

As a community hospital established since 1917 and with no additional subsidy PMC runs extremely lean with narrow profit margins, some months less than 1%. Any reduction in Medicaid funding will erode this already narrow margin as each 1% reduction in Medicaid reimbursement will reduce cash and profit margin by approximately \$50,000 per year.

Economically, PMC has 108 FTE's with 95% living and working in Petersburg—meaning we utilize minimal locum or outside agency staffing. The salary and wages are 47% of the PMC budget and contribute significantly to the economy of the community.

- Reduction in Police Standards Council will have a \$20-30,000 a year local impact.
- Elimination of the Local Emergency Planning will have a \$12K a year local impact
- Loss of the Ferry System has an unknown fiscal impact, but we expect it would cost 10-12 local jobs, and increase transportation costs and add costs to the school, businesses and local government.
- University System is likely cutting one local Alaska Sea Grant Marine Advisory Agent position that works with the school, local fishermen and on Economic Development issues
- The combined reductions and cost-shifting will mean that the Petersburg Borough anticipates:
 - Property Taxes would need to increase by 1.7 mills in service Area 1 to offset the elimination of the State school bond debt reimbursement.
 - The current property tax levy for Education of 4.35 mills would need to double to make up the lost funding from the State. Due to the Borough's tax cap of 10 this would not be possible as we are already at 9.25 for school and general services. This would mean drastic cuts to our school and local government, including:
 - Quality of Life programs potentially eliminated including our community aquatic center, reduced hours to the library and to our Parks & Recreation Department.
 - Loss of School Activities (sports, music, etc), and increase in classroom sizes.
 - Reduction of staff Borough wide (Borough, School and Hospital).
 - Major rate increase for Harbor moorage and its resulting impact on the economic engine of the Borough.

We believe the proposed FY20 budget and approach that you have outlined reflects little concern for the burden that you have passed on to residents of Alaska. The Petersburg Borough will work to mitigate the damage from these actions, including to work with legislative leaders to develop solutions that reflect the public interest.

Municipal Impact Statement: **City of Quinhagak**



We appreciate the State's commitment to sustainable spending but want to draw attention to the unsustainable impact the proposed FY20 budget will have on local governments in Alaska.

The City of Quinhagak is responsible for municipal governance in this community of 745. We have 11 employees who fulfill the obligations of a local government. Our ability to do so is limited by statute, public interest and available resources. Traditionally those resources have included State and Federal funding, which offset the burdens that might otherwise be felt by a local tax base.

In FY18, our sales tax revenue was 37.86% of our total budget, and any impact from State decision-making on local economies further weakens our sustainability. This includes cuts to the University, AMHS, and Medicaid (which impacts municipal-owned hospitals).

Based on the proposed FY20 budget, we have highlighted below some of the impacts that your decisions will have on our residents.

- Our FY18 Community Assistance funding has been \$93,210 and is 23.76% of our budget
- Our residents depend on \$265,129.00 in PCE funding to afford high energy costs
- The anticipated cuts to our school district are what LKSD has to pass down to each community school within the LKSD area.

While PCE and Community Assistance remain funded, we are concerned for their long-term viability. The combined reductions and cost-shifting will mean that the City of Quinhagak anticipates:

- Potential staff reductions of 3
- Public Works budget reduced by 25% or up to 100%
- Quality of Life programs potentially eliminated include trash pick-up for elders and reduction of community's trash hauling to the landfill which is 4 miles away from the village.
- Taxes would need to increase by 50% to offset these decisions, currently the sales tax rate is 3% which may need to increase to 5% to offset the \$93,210 of the FY18 Community Assistance.

We believe the proposed FY20 budget and approach that you have outlined reflects little concern for the burden that you have passed on to residents of Alaska. The City of Quinhagak will work to mitigate the damage from these actions, including to work with legislative leaders to develop solutions that reflect the public interest.



CITY OF
Saint Paul
ALASKA

Municipal Impact Statement
City of Saint Paul



We appreciate the State's commitment to sustainable spending but want to draw attention to the unsustainable impact the proposed FY20 budget will have on local governments in Alaska.

The City of Saint Paul (City) is responsible for municipal governance in this community of 388 full time residents with a seasonal population of 500. We currently have 35 employees who fulfill the obligations of a local government, which include public safety and public works functions and services. The City also owns and operates several public utilities, which include electric, water, wastewater, refuse and fuel utilities and services. Our ability to do so is limited by statute, public interest and available resources. Traditionally those resources have included State and Federal funding, which offset the burdens that might otherwise be felt by a local tax base and consumer rates.

In CY17, our total tax revenue (local sales and shared State) was 80.27% of our total budget, and any impact from State decision-making on local economies further weakens our sustainability.

Based on the proposed FY20 budget, we have highlighted below some of the impacts that your decisions will have on our residents.

- In CY17 our Community Assistance funding was \$82,480.69 and is 3.25% of our budget. This funding went to provide public safety services in our community.
- In CY17 our residents depended on \$249,681.02 in PCE funding to afford high energy costs.
- In CY17 our share of the Shared Fisheries Business Tax is \$892,296 and our share of the Fish Landing Tax is \$9,833.
- The anticipated cuts the Pribilof School District for FY20 are \$313,554.

While PCE and Community Assistance remain funded at least for FY20, we are concerned for their long-term viability.

We are also troubled by the governor's directive to look into ways to reduce the number of public airports owned by the state. The Saint Paul Airport is literally the community's lifeline to the rest of Alaska and the world.

Lastly, we are extremely disappointed that for the past three years there has been no funding available to St. Paul Island for capital improvement projects submitted through the CAPSIS system. Last fiscal year the City requested approximately \$3.5 million for relocation of our Harbor Road and construction of a new harbor office. Both these projects are critical to serve our fishing industry. Given the proposed FY20 budget it appears our CAPSIS request for FY20 of approximately \$5.2 million for the previous projects, sewer lift station upgrades, and an emergency generator for City Hall will go unfunded for another year.

The combined reductions and cost-shifting will mean that the City of Saint Paul anticipates:

- Potential staff reductions of 3 to 4 full time positions with a reduced work week from 40 hours per week to 35 hour per week.
- Public Safety budget reduced by 7 to 11%.
- Public Works budget reduced by 18 to 22%.
- Travel and training budgets reduced by 90 to 100%.
- General fund capital improvement budget reduced by 100%.
- Local sales tax would need to increase by 90 to 95% to offset these decisions.
- An increase in utility (electric, water, sewer, and refuse) rates to cover the administrative costs for operation of these utilities.

Since the phase-out of the commercial fur seal harvest in 1983, and in recognition of its unique history, State and Federal investments and policies towards St. Paul Island have been designed to develop a self-sustainable economy that is dependent on the surrounding commercial fisheries. To this effect over \$100 million in State, Federal, and local funds were invested in harbor infrastructure alone, making St. Paul Island one of the most important fishing industry ports in the Bering Sea. Legislation from the CDQ Program, to the Crab Rationalization Program, to the Pribilof Island Transition Act, to numerous infrastructure appropriations have provided a legal and economic regime that has enabled this success and attracted private sector investment. The proposed budget and cuts in fish tax revenue-sharing, would starve St. Paul of a continued return on these investments, depriving St. Paul Island of the resources necessary to maintain local infrastructure, and undermining four decades of to date successful policies.

We believe the proposed FY20 budget and approach that you have outlined reflects little concern for the burden that you have passed on to residents of Alaska. The proposed FY20 budget does not include any capital improvement project funding, which is critical and essential to maintaining quality public safety and public works services, safe drinking water, sewer and refuse systems in our community. The proposed cuts would have a negative impact on our community that would translate to direct and indirect impacts on our residents, local businesses, tourism industry, fishing industry, Federal and State agencies that operate in St. Paul. The City of Saint Paul will work to mitigate the damage from these actions, including to work with legislative leaders to develop solutions that reflect the public interest.



CITY OF SAINT PAUL

ALASKA

March 14, 2019

Governor Michael J. Dunleavy
Office of the Governor
PO Box 110001
Juneau, Alaska 99811-0001

Dear Governor Dunleavy:

Allow me to introduce myself and the unique community I have the honor of representing. My name is Jacob Mercurief. I am lifelong resident of Saint Paul Island. I am also a fisherman and subsistence hunter. The City of Saint Paul is a community of approximately 388 residents, who like me are mostly Unangax (Aleut), and a seasonal population of 500.

Background:

Historically, Saint Paul Island's economy was dependent on the commercial fur seal harvest, a highly profitable operation which the federal government inherited and managed when the United States purchased Alaska from the Russian Empire in 1867. The Saint Paul Island Aleuts were essentially brought as slaves by Russian colonizers from the Aleutian Chain to harvest fur seal pelts. Our conditions did not change significantly under U.S. rule, until 1983 when the U.S. Congress mandated the development of a "stable, diversified, and enduring fisheries-based economy" on Saint Paul Island not dependent on commercial fur sealing. I lived through this transition period from fur sealing to fishing as a young man.

To this effect, close to \$150 million were invested on Saint Paul Island by the U.S. and State of Alaska governments over the course of three decades to build the infrastructure (breakwater, harbor and small boat harbor, airport, landfills, fuel farm, power plant, water tanks, outfall and sewer) necessary to develop a fisheries-based economy. In addition to securing appropriations for these investments, our very effective Alaska congressional delegation helped enact legislation such as the Pribilof Island Transition Act of 2000, the Crab Rationalization Program of 2004, and the amended CDQ Program of 2006 to create a favorable legal regime. Although, Saint Paul Island was a late entrant into the Bering Sea's commercial fisheries, this multiyear effort succeeded as Saint Paul Island, thanks to its privileged location, became one of the most important crab delivery and processing harbors in Alaska's commercial crab fisheries. During the 1990's Trident Seafoods, Unisea, and Icicle Seafoods invested on Saint Paul Island locating shoreside processing facilities within the Saint Paul Harbor to tap into the crab resource.

In addition, Saint Paul Island residents successfully transformed themselves from harvesters of fur seal pelts into small boat halibut fishermen, myself included. The completion of the Small Boat Harbor in 2010 and more recently the Vessel Repair Shop were important milestones in the consolidation of our local fishery which employs between 15-18 vessel owners and their crews, a total of 80-100 persons during the summer months.

Although crab processing activity decreased dramatically after the collapse of the crab stocks in 2000, Trident Seafoods maintains a plant on Saint Paul Island that is critical to our community. The activity surrounding the Trident Plant and its workers drives the economy of Saint Paul Island and generates most of Saint Paul Island's tax revenues, including the fisheries taxes that are shared with the State of Alaska. The halibut harvested by local fishermen is also processed at the Trident Plant.

Impacts of Ending the Fisheries Taxes Revenue Sharing and the Proposed FY20 Budget:

Ending the revenue sharing derived from the collection of raw fish taxes (fisheries landing and business taxes), as is being proposed, would significantly impair the City's ability to maintain local infrastructure, including the harbor facilities needed by the fishing industry, and to provide services to both residents and businesses that operate on Saint Paul Island, such as the Trident Plant -- undermining over three decades of to date successful policies by the U.S. Congress, the federal government, and the State of Alaska.

While the City appreciates the State's commitment to sustainable spending, I would like to draw attention to the impact the proposed FY20 budget would have on Saint Paul Island. In CY17, local tax revenue made up approximately 50% of its total budget and state contributions covered about 30%, therefore any cuts to these revenues would dramatically impact the City's economic well-being and survival. The City currently employs 35 residents who fulfill the obligations of a local government, which include public safety and public works functions and services. The City also owns and operates several public utilities, which include electric, water, wastewater, refuse and fuel utilities and services. The City's ability to do so is limited by statute, public interest and available resources. Traditionally those resources have included State and Federal funding, along with local tax revenues contributed by the community.

Based on the proposed FY20 budget, the City has highlighted below some of the impacts that the State's proposals would have on Saint Paul Island's residents.

- In CY17 the City's Community Assistance funding was \$82,480.69 and is 3.25% of its budget. This funding went to provide public safety services on Saint Paul.
- In CY17 Saint Paul residents depended on \$249,681.02 in PCE funding to afford high energy costs.
- In CY17 the City's share of the Shared Fisheries Business Tax was \$892,296 and its share of the Fish Landing Tax was \$9,833.
- The anticipated cuts to the Pribilof School District for FY20 would be \$313,554. The Pribilof School District budget is approximately \$1.6 million per year. The Pribilof School District is now a combined district, since neighboring St. George closed its school because it lacked the minimum 10 students. The proposed cut in education

funding would cut approximately 16% from its total budget, which would significantly impact the school, its operations and ability to provide quality education.

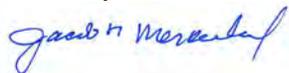
While PCE and Community Assistance remain funded for at least FY 20, the City is concerned for their long-term viability. The combined reductions and cost-shifting will mean that the City anticipates:

- Potential staff reductions of 3 to 4 full time positions with a reduced work week from 40 hours per week to 35 hour per week.
- Public Safety budget reduced by 7%.
- Public Works budget reduced by 19%.
- Travel and training budgets reduced by 90%.
- General fund capital improvement budget reduced by 100%.
- Local sales tax increases by 90 to 95% to offset these decisions.
- An increase in utility (electric, water, sewer, and refuse) rates to cover the administrative costs for operation of these utilities.

As I understand it, the proposed FY20 budget does not include any capital improvement project funding, which is critical and essential to maintaining quality public safety and public works services, safe drinking water, sewer and refuse systems in our community. The proposed cuts would translate to direct and indirect impacts on our residents, local businesses, the tourism industry, and the fishing industry, as well as the federal and state agencies that operate on Saint Paul Island.

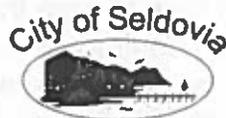
I look forward to working with you and your administration to develop a budget that is sustainable while recognizing the contributions and realities of communities such as Saint Paul Island to our great state.

Sincerely,



Jacob Mercurief
Mayor, City of St. Paul Island, Alaska

Cc. Senator Lyman Hoffman
Representative Bryce Edgmon
Senator Bert Stedman
Senator Natasha von Imhof
Representative Neal Foster
Representative Tammie Wilson
Senator Lisa Murkowski
Senator Dan Sullivan
Representative Don Young
Saint Paul City Council
Amos Philemonoff, President, Aleut Community of St. Paul Island
Phillip Lestenkof, President, Central Bering Sea Fishermen's Association
Brett Agenbroad, Superintendent, Pribilof School District



www.cityofseldovia.com

P.O. Drawer B Seldovia, Alaska 99663 Phone: (907) 234-7643, Fax: (907) 234-7430

March 11, 2019

Honorable Governor Dunleavy
Alaska State Legislature, State Capitol
120 4th Street
Juneau, Alaska 99801

Re: City of Seldovia Municipal Impact Statement

Honorable Governor Dunleavy and Members of the Alaska State Legislature,

We appreciate the State's commitment to sustainable spending; however, we like so many others around the state want to draw attention to the unsustainable impact the proposed FY20 budget will have on local governments in Alaska.

The City of Seldovia is responsible for municipal governance in our community of 216. We have seven full time employees and ten to fifteen seasonal/part time employees who fulfill the obligations of a local government. Our ability to do so is limited by statute, public interest and available resources. Traditionally those resources have included State and Federal funding, which offset the burdens that might otherwise be felt by a local tax base.

On average, our tax revenue comprises 72% of our total General Fund budget, and any impact from State decision-making on local economies further weakens Seldovia's ability to sustainably serve our community. This includes cuts to the AMHS, education, and public safety and Community Assistance.

Based on the proposed FY20 budget, we have highlighted below some of the impacts that your decisions will have on our residents.

- Our Community Assistance funding in FY19 was \$78,008 and comprises 13.5% of our General Fund budget. These funds support our Fire and EMS services, our Police department, our Public Works Department and our City Office Staff.
- The City of Seldovia is serviced by the Alaska Marine Highway System; it is a central mode of transportation for residents and visitors to Seldovia which is located off the road system. The docking fees received from AMHS goes into our dock fund for operational expenses; the ferry provides year around employment for several members of our community. Our economy and business owners heavily depend on the ferry system to transport goods and services, the ability to transport goods and services is directly related to our

sales tax revenues. A loss in ferry service translates into less sales tax revenues, loss of business and commerce, loss of economic growth. Seldovia will be stunted in an already underdeveloped economy. While our community and its council understand that there needs to be cutbacks to the state's operating budget including to the Alaska Marine Highway System, our community cannot tolerate large gaps in service which the current proposed budget presents. In order for Seldovia to continue to operate at a minimum level, we require the Alaska Marine Highway Ferry Service on a regular basis throughout the entire year.

- The Kenai Peninsula Borough's receipt of the Petroleum Property Tax, totaling 15 million dollars, and represents a significant portion of their budget; cuts to this program would eventually trickle down to Seldovia in the form of higher property taxes and sales taxes from the Borough.
- Our share of the Shared Fisheries Business Tax in FY19 is \$2,341; these funds are invested directly into our fish dock to support our commercial fishing industry.
- The anticipated cuts to our school district are detrimental to our community as our school is already existing on a minimal budget; it continues to face low enrollment and high operating costs. Cuts to education mean cuts to Alaska's success in the future.

While Community Assistance remains funded, we are concerned for its long-term viability as it consists of 13.5% of our General Fund Budget. In FY17, Community Assistance, or Revenue Sharing as it was referred to then, was cut 34% to our community. This assistance is essential to our General Fund and our ability to provide essential services. We managed the significant cut back then by cutting our expenditures, implementing staff reductions, and significantly raised our mil rate. The increase in property tax was a difficult decision for our community, but was a necessary means to bridge the budget deficit and provide essential services to our community members. During the FY17 budget session, council and community members recognized the requirement to manage our budgets without depending on outside assistance, however, there will always be a call to the State for support of our Alaskan community. Seldovia has been taking the initiative to minimize expenditures and create revenues at a municipal level, as a result, there is no room from our tax base or budget for further cost shifting.

The combined reductions and cost-shifting will mean that the City of Seldovia anticipates:

- Potential staff reductions = 2 FTEs; less workforce=less services
- Public Safety budget reduced by 13%
- Public Works budget reduced by 13%
- Reductions in Staffing would lead to potential deficiencies in health and welfare, including monitoring our water utility and preservation of our safe working environment.
- Important significant programs potentially eliminated include Seldovia Senior Meal Program, quality of life to Medicaid recipients, Parks and Recreation, and overall quality of life for Seldovians and visitors alike.

We believe the proposed FY20 budget and approach that you have outlined reflects little concern for the burden that you have passed on to residents of Alaska. The City of Seldovia is committed to work together with our legislative leaders to mitigate the damage from the administrative actions, including to develop solutions that reflect the public's interest. We recognize and understand the immense challenge that is before the state's administration, we also recognize that the challenges may be better resolved collectively amongst all Alaskans with all Alaskans in mind.

Very Sincerely,

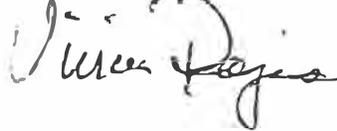
Seldovia City Council

Mayor Dean Lent



Kris Lethin

Vivian Rojas



John Colberg

Bobbi Sweatt



Jeremiah Campbell

Perley Morrison



**CITY OF SELDOVIA
RESOLUTION 19-17**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SELDOVIA, ALASKA
REQUESTING THE ALASKA LEGISLATURE TO ACT ON BEHALF OF THE
COMMUNITIES OF ALASKA TO PASS A FAIR BUDGET THAT WILL NOT PLACE
SUCH AN ENORMOUS BURDEN TO FUND ESSENTIAL SERVICES ON LOCAL
BOROUGH AND MUNICIPAL GOVERNMENTS, AND TO THE DETRIMENT OF
ALASKA'S SMALL RURAL COMMUNITIES- *Amended***

WHEREAS In February, 2019 the Governor of Alaska, Michael J. Dunleavy, proposed an FY20 State of Alaska Budget that included substantial cuts across state funding in order to close a 1.6 billion dollar deficit; and

WHEREAS the proposed budget puts the burden on local and borough and municipal governments to fund necessary services being cut; and

WHEREAS 55% of the State of Alaska's 162 municipalities have a population of less than 500 residents, including the City of Seldovia; and

WHEREAS the proposed budget will cut the Alaska Marine Highway funding by 75%; and

WHEREAS the City of Seldovia is one community among 86% of the State of Alaska communities that are not connected to the road system; and

WHEREAS the Alaska Marine Highway system has been operating year-round since 1963, providing regular scheduled passenger and vehicle service to over 30 communities in Alaska, many of which are not accessible via the road system; and

WHEREAS the City of Seldovia is one among many other small rural communities that depend on the Alaska Marine Highway for employment, transportation, groceries, supplies, and their connection to the rest of the State of Alaska that cannot be readily reached without the assistance of boats or planes; and

WHEREAS the State of Alaska's K-12 education formula will be cut \$303 million dollars in the proposed budget, a \$20.9 million dollar cut to the Kenai Peninsula Borough School District and a direct impact to all the schools they fund, including the City of Seldovia's only school, Susan B. English School, K-12; and

WHEREAS the proposed budget eliminates the State of Alaska Senior Benefits program and severely diminishes the Medicaid program, eliminating needed services that municipalities, including the City of Seldovia, provide for their aging population and Medicaid benefit recipients; and

WHEREAS the proposed budget cuts 11.5% from the Public Safety Budget, potentially diminishing funding received by small municipalities, including the City of Seldovia, in order to

facilitate public safety for the entire community, including those who reside outside of city limits, in a community that is not readily accessible by the Alaska State Troopers; and

WHEREAS the City of Seldovia recognizes that Governor Dunleavy's FY20 proposed budget for the State of Alaska impacts the entire state and asks for recognition that the proposed cuts put the burden of necessary services on local borough and municipal governments, potentially diminishing small rural communities to the point of detriment; and

WHEREAS the City of Seldovia is committed to working together with the State of Alaska and its leaders to find a joint solution that may include consideration of a broad-based tax structure to address the state's fiscal challenge where the impacts will not be cost shifting to local borough and municipal governments.

NOW, THEREFORE, BE IT RESOLVED THAT: The City Council of the City of Seldovia, requests the Alaska Legislature to act on behalf of the communities of Alaska to pass a fair budget that does not place such an enormous burden to fund essential services on local borough and municipal governments, and to the detriment of Alaska's small rural communities.

BE IT FURTHER RESOLVED THAT: copies of this resolution be sent to U.S. Senator Lisa Murkowski, U.S. Senator Dan Sullivan, U.S. Congressman Don Young, Alaska Governor Dunleavy, Alaska Senator Peter Micciche, Alaska Senator Gary Stevens, Alaska Representative Gary Knopp, Alaska Representative Sarah Vance, Alaska Representative Ben Carpenter, and Alaska Representative Louise Stutes.

PASSED AND APPROVED by a duly constituted quorum of the City Council of the City of Seldovia on this 11th day of March, 2019

ATTEST:

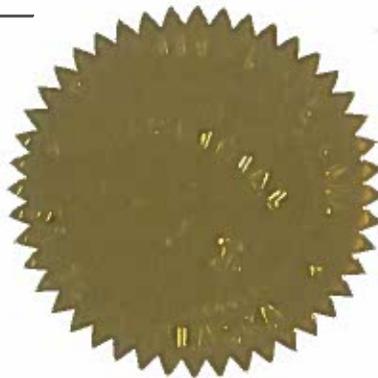


Heidi Geagel, City Clerk

APPROVED:



Dean Lent, Mayor



Municipal Impact Statement: **City & Borough of Sitka**

Governor Dunleavy's Amended FY2020 State of Alaska Budget, released on February 13, 2019, proposes cutting State of Alaska expenditures by almost one third, while also preserving the Permanent Fund Dividend ("PFD") and not imposing any new broad-based taxes.

In addition to cutting State expenditures, Governor Dunleavy has requested that legislation be introduced to permanently change or eliminate a wide variety of State programs which impact and benefit Municipalities. Governor Dunleavy has also proposed several constitutional amendments pertaining to the Permanent Fund and broad-based taxes.

The effect of the Governor's Budget will have profound implications on Municipalities and the **City and Borough of Sitka**. The Budget represents a profound and unparalleled cost shifting from the State to municipalities and will severely impact the ability of the CBS to deliver services to its citizens.

The Governor has stated that a key goal of his budget is to force a conversation among Alaskans as to what level of services – State and municipal – that they are willing to pay for.

This white paper describes the direct, indirect, and tangential impacts of the Governor's proposed budget on the City and Borough of Sitka. A key attachment is a Summary prepared by the Alaska Municipal league, entitled "Severing a 60-Year Partnership", which provides detail as to the broad range of proposed expenditure cuts in the Budget.

1. Direct Impacts on CBS –Loss of Direct Financial Support of \$5.9 Million/Yr.

- Elimination of School Bond Debt Reimbursement - \$2 Million/Yr.
- Elimination of Raw Fish Tax Revenue Sharing - \$1 Million/Yr.
- Reduction of K-12 Base Student Allocation - \$2.9 Million/Yr.

Loss of State Assistance in Harbor Funding – Elimination of Municipal Harbor Matching Grant Program – Variable from Year to Year

2. Indirect Impact on CBS –Loss of State Jobs/Reduction of State Spending In Sitka – Estimated at \$1.3 Million Year

State Jobs and Functions in Sitka, Along with Proposed State-Wide Cut

- Alaska Marine Highway System – 66.8%
 - Sitka Ferry Terminal employees
- Alaska Pioneer Homes – 2%
 - Sitka Pioneer Home
- Mount Edgecumbe High School - 5.1% operations/31.5% maintenance
 - Sale or transfer of Aquatic Center proposed
- State Trooper Academy
- Fish and Wildlife – 6.6%
 - Biologists
 - Fish and Wildlife Enforcement
- University of Alaska Southeast
 - Sitka Campus
 - On-line Education
- Department of Transportation

- Halibut Point Road and Sawmill Creek Road plowing and maintenance
 - Sitka Airport
- Alaska Court System

3. Ancillary Detrimental Effects on Sitka

Proposed Sale/Privatization/Transfer/Elimination of Alaska Marine Highway System

- Effect on visitor industry
- Effect on local commerce – sales tax revenue
- Effect on student activities

Loss of related jobs & tax revenue from reduction of State spending and State jobs in Sitka
Impacts to public health and SEARHC through cuts to Medicaid reimbursement, and, similar
Adverse impacts to Sitka Community Hospital if it operates independently in any
portion of FY2020
Impacts on most vulnerable in Sitka through cuts to Public Assistance



Municipality of Skagway

Gateway to the Klondike

P.O. Box 415

Skagway, Alaska 99840

Phone: (907) 983-2297 Fax: (907) 983-2151

www.skagway.org

Governor Dunleavy's FY20 Budget Proposal Anticipated Impacts

The proposed FY20 Governor's Budget would greatly impact the Municipality of Skagway in multiple areas.

SCHOOL FUNDING

School funding is a huge concern, as the Governor is proposing to reduce the Basic Student Allocation (BSA) formula by 23.13%, resulting in a loss for Skagway of \$304,700 in FY20. The proposed reduction of 'one-time' FY20 school supplemental funding would result in the loss of an additional \$33,931 for Skagway, for a **total loss to Skagway of \$338,631**. Total FY20 proposed school funding for Skagway before budget reduction was estimated at \$1,720,827. Under the foundation formula, Skagway's required local match to receive state funds was \$738,561, or 42.9%. Factoring in the governor's proposed FY20 reduction and holding the minimum required local effort contribution fixed, Skagway's contribution would increase to **51.9% of the school funding cost**.

MEDICAID / SENIOR BENEFITS

Budget cuts to the Department of Health and Social Services would have an impact on Dahl Memorial Clinic (DMC) and its patients. Many families in Skagway rely on Medicaid for their health care. With the proposed FY20 budget, the Medicaid program for the State of Alaska is being cut by 33%. These cuts are mainly through reduced reimbursement to medical providers. **This will impact the payments DMC receives for Medicaid patient treatment, and require more Municipal support to operate at the current level.** Additionally, these patients will have a harder time finding specialists that will treat them. The already long processing time for patients to be approved for Medicaid will be even longer with the 33% overall cut from the DHSS budget.

The Senior Benefits Program is another area the Governor is proposing to cut out completely. This program provides additional funding for those 65 and older that are low income. Many of the Seniors in Skagway rely on that additional \$175-250 per month for grocery money, as the food stamp program only provides most seniors who qualify with \$18 a month.

ALASKA MARINE HIGHWAY SYSTEM

The budget cuts proposed for the Department of Transportation, specifically the Alaska Marine Highway System, would have detrimental impacts to the quality of life and economy of Skagway. The ferry system provides an affordable option for travelers coming to Skagway for events or to access the Klondike Highway. **In 2018 Skagway received an estimated 18,647 visitors via the State ferry**, and these visitors help support Skagway businesses year-round, especially during the slower winter months. The proposed discontinuance of the ferry system in October will directly affect Skagway's economy with the loss of these visitors.

Our region is coastal in nature, and Skagway's economy, like the economies of its neighbors, has evolved around reliable and predictable patterns of marine transportation. We depend upon the Alaska Marine Highway for access to medical services, school travel, commerce with other communities and the industry brought by thousands of independent travelers who embark and disembark in our communities annually. While fewer in numbers than the cruise ship passengers, these independent travelers spend more money per capita than other visitors, providing a valuable counter balance to total reliance on cruise ship traffic.

The ferries provide a key link between the "Lower 48," Canada, and the rest of Alaska. Studies have shown that the travelers arriving in Skagway and Haines provide economic benefit to small businesses as far north as Fairbanks and beyond.

The Marine Highway also plays a critical support role to the thriving cruise ship industry. Businesses, employees, and vehicles mobilize each spring in preparation for the summer visitor season. Any proposal that would disconnect or bottleneck this connection would cause significant harm to this important market as was clearly evident in 2014 when the Skagway ferry float sank at the beginning of the busy cruise ship season.

During the winter months the weather in Skagway can affect the ability of airplanes to fly in and out, and there are times when the ferry provides the only "Plan B" for Skagway residents to travel to Juneau. Also, the U.S. Postal Service occasionally ships out and receives mail using the ferry; many residents receive critical medication through the mail. Skagway's air service providers strive to provide excellent service to Skagway, but sometimes the weather is just too extreme. For example, a local provider saw 42 flights affected in January of 2019 due to weather, over the course of 19 days.

The potential lack of ferry service creates a dire scenario in Skagway that could actually affect lives and public safety. Discontinuing the State ferry service will drastically undercut the local economy beyond the detrimental effects of reductions in School and municipal services, and could be the deciding factor for families to move away.

MUNICIPAL ASSISTANCE

The Municipality is concerned with the provision in the Governor's proposed FY20 budget that would appropriate \$60 million from the Community Assistance fund and deposit it to the general fund, which significantly risks future year distributions to communities. The Department of Commerce, Community, and Economic Development Community Assistance Program provides the Municipality approximately \$300,000 in funding for general government services on an annual basis. With the elimination of this funding, services would need to be reduced substantially. This would affect basic services provided in the areas of Public Safety and Public Works as well as quality of life areas including Library, Recreation and Museum services.

PUBLIC BROADCASTING

The Municipality is concerned with the provision in the Governor's proposed FY20 budget that would eliminate funding for the Public Broadcasting – Radio program which would greatly impact the operation of the public radio stations providing service for Skagway residents.



MEMBERSHIP RESOLUTION FY19-01

A RESOLUTION BY THE SOUTHWEST ALASKA MUNICIPAL CONFERENCE MEMBERSHIP REQUESTING THE ALASKA LEGISLATURE AND GOVERNOR TO ADEQUATELY FUND THE ALASKA DEPARTMENT OF FISH & GAME (ADF&G) BUDGET AND PARTICULARLY THE DIVISION OF COMMERCIAL FISHERIES

WHEREAS, subsistence, sport, and commercial harvests of Alaska’s fish and game resources are vital to the social, cultural, and economic health of the State of Alaska; and

WHEREAS, the summer salmon season is critical to fishermen, processors, and communities in Southwest Alaska; and

WHEREAS, the Alaska seafood industry is the second largest contributor to Alaska’s economy; and

WHEREAS, the Alaska seafood industry provides over 60,000 direct jobs and thousands more indirectly, making it the largest private-sector employer in the State; and

WHEREAS, Alaska’s commercial seafood industry directly pays over \$250 million annually in taxes and fees which exceeds current State commercial fisheries management spending; and

WHEREAS, Alaska’s seafood industry pays business and landing taxes that directly benefit over 65 communities and boroughs in Alaska and reduces community dependence on State funds; and

WHEREAS, the seafood industry relies on strong State commercial fishery research and management programs to provide that economic benefit; and

WHEREAS, the Commercial Fisheries Division budget has been reduced significantly the past four years, which includes offsets from CFEC funding and the unrestricted general fund has been reduced by 30%; and

WHEREAS, the State has joint management agreements with the National Marine Fisheries Service and funding reductions could negatively impact these agreements; and

WHEREAS, when the Division of Commercial Fisheries budget is reduced, the seafood industry loses research and resource management programs that are necessary to allow for harvest opportunities; and

WHEREAS, reduced harvest opportunities in any fishery result in fewer jobs, less income, and decreased tax revenue for the State of Alaska and coastal communities.

NOW BE IT RESOLVED that the Southwest Alaska Municipal Conference Membership strongly requests the Alaska Legislature and Governor Dunleavy to not impose any further cuts to the ADF&G budget and particularly to the Division of Commercial Fisheries budget.

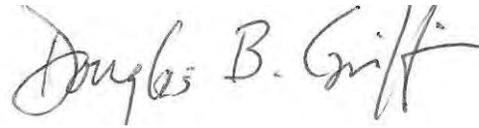
BE IT FURTHER RESOLVED that SWAMC urges the Legislature to guarantee that the 2019 summer salmon season will be staffed and fully managed even if the Legislature runs into special Legislative sessions in summer with no budget in place.

PASSED AND ADOPTED by the Southwest Alaska Municipal Conference Membership this 28th day of February 2019.

IN WITNESS THERETO:



Mary Swain, SWAMC Board President



Doug Griffin, SWAMC Executive Director



MEMBERSHIP RESOLUTION FY19-02

A RESOLUTION BY THE SOUTHWEST ALASKA MUNICIPAL CONFERENCE MEMBERSHIP SUPPORTING FUNDING FOR K-12 PUBLIC EDUCATION AT LEVELS PROJECTED IN THE ORIGINAL STATE OF ALASKA FY20 OPERATING BUDGET AND MAINTAINING THE SCHOOL DEBT REIMBURSEMENT PROGRAM

WHEREAS, Article 7, Section 1 of the Alaska Constitution provides that the State of Alaska will establish and maintain a system of public schools; and

WHEREAS, a sound public-school system is vital to produce qualified workers and attract new businesses to locate in Alaska, two important tenants of economic development; and

WHEREAS, schools located in the SWAMC region are more expensive to support and operate due to small population bases spread out over a large rural area not connected to the Alaska road system; and

WHEREAS, historically, based on its constitutional mandate, the State of Alaska has provided significant support for urban and rural school districts; and

WHEREAS, the Governor's proposed FY20 budget calls for a 25.7% cut in unrestricted general funding for the School Foundation formula totaling \$303,648,200; and

WHEREAS, the Governor's proposed FY20 budget calls for a 100% cut of \$30,000,000 in unrestricted general funding in the original FY20 budget to supplement the School Foundation formula; and

WHEREAS, these combined cuts reduce State School Foundation funding for the nine school districts in the SWAMC region by an estimated \$15,175,253; and

WHEREAS, the Governor's proposed FY20 budget introduces legislation, SB 64 and its companion HB 66, in the 31st Legislature to repeal the State reimbursement for municipal school construction programs; and

WHEREAS, several school districts in the SWAMC region constructed school facilities in recent years in reliance on receiving significant reimbursement from the State based on a population-based formula; and

WHEREAS, these State cuts will force local governments in the SWAMC region and around the State to raise local taxes and fees significantly to adequately fund public education or allow education programming to deteriorate due to larger class sizes, increased teacher and administrator turnover, fewer key support personnel, and less preventive maintenance for school facilities; and

WHEREAS, reduced resources for public education will significantly affect the quality of life in Alaska communities, the education of Alaska's next generation of workers and citizens, and competitive compensation for teachers, administrators, and key school personnel.

NOW BE IT RESOLVED that the Southwest Alaska Municipal Conference Membership urges the Governor to work with the 31st Legislature to restore undesignated general funding to the School Foundation program to adequately fund Alaska's public schools.

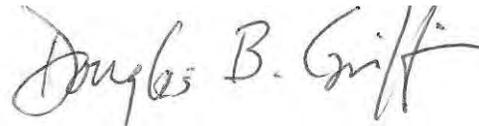
BE IT FURTHER RESOLVED that the Southwest Alaska Municipal Conference Membership opposes enactment of SB 64 or HB 66 repealing the State reimbursement for municipal school construction programs.

PASSED AND ADOPTED by the Southwest Alaska Municipal Conference Membership this 28th day of February 2019.

IN WITNESS THERETO:



Mary Swain, SWAMC Board President



Doug Griffin, SWAMC Executive Director



MEMBERSHIP RESOLUTION FY19-03

**A RESOLUTION BY THE SOUTHWEST ALASKA MUNICIPAL CONFERENCE MEMBERSHIP SUPPORTING
ADEQUATE FUNDING FOR THE UNIVERSITY OF ALASKA**

WHEREAS, a strong university system is integral to an environment of economic and business development;
and

WHEREAS, the University of Alaska system provides a wide variety of course offerings with tuition rates that
are competitive with other institutions of higher learning; and

WHEREAS, the University of Alaska is rated as the number one Arctic research university in the U.S., does
work in Alaska fisheries, and economic and business development; and

WHEREAS, any State that wishes to claim it is open for business to diversify its economy must have a vibrant
and distinguished University system to support advances in technology and innovation; and

WHEREAS, the University of Alaska has had to absorb \$246 million in cuts since 2015; and

WHEREAS, the Governor's FY20 budget calls for a reduction of \$134 million in the University of Alaska
budget; and

WHEREAS, University President Jim Johnson testifying before the Senate Finance Committee says the
University system has dealt with funding cuts in recent years by reducing its workforce by about 1,300
employees, has raised tuition by about 8 percent over the past five years, and reduced classes and programs;
and

WHEREAS, Johnson further warned the Senate Finance Committee that the cuts proposed by the Governor
in his FY20 budget, if adopted, could push the university system into a self-perpetuating downward spiral of
more layoffs, tuition hikes, and cutbacks in classes, programs, and research; and

WHEREAS, the rural University campuses in the SWAMC region are important resources for residents and
contribute a great deal toward economic and workforce development; and

WHEREAS, it is unclear how these cuts will be allocated throughout the university system, but SWAMC
members fear that rural campuses in its region may be eliminated or severely restructured.

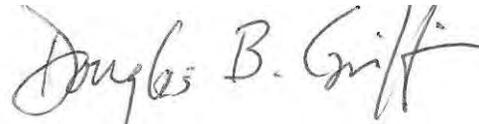
NOW BE IT RESOLVED that the Southwest Alaska Municipal Conference Membership supports continued
funding for the University of Alaska to maintain the level of academic programming and research in which it
is presently engaged and provide additional time to seek other revenue sources and cost containment
measures that do not impact the quantity and quality of service it delivers.

PASSED AND ADOPTED by the Southwest Alaska Municipal Conference Membership this 28th day of February 2019.

IN WITNESS THERETO:



Mary Swain, SWAMC Board President



Doug Griffin, SWAMC Executive Director



MEMBERSHIP RESOLUTION FY19-04

A RESOLUTION BY THE SOUTHWEST ALASKA MUNICIPAL CONFERENCE MEMBERSHIP SUPPORTING CONTINUATION OF SHARED FISHERIES TAX PROGRAMS AND OPPOSING HB 65 AND SB 63 REPEALING THE SHARING OF FISHERIES TAX PROGRAM TAXES WITH QUALIFYING MUNICIPALITIES

WHEREAS, the State of Alaska collects various taxes and fees on businesses engaged in the fishing and fish processing activities in Alaska; and

WHEREAS, under provisions of AS 43.75.130 the State provides a “Refund to local governments” of Fisheries Business Taxes of up to 50% of taxes collected to municipalities where fishery resources are processed; and

WHEREAS, under provisions of AS 43.77.060 the State provides for “Revenue Sharing” with municipalities of the Fisheries Resource Landing Tax of up to 50% of taxes collected on floating fisheries where fishery products are landed; and

WHEREAS, these two Fisheries Tax programs are a means of taxing fishing economic activity and reflect the partnership between State and municipalities in providing services that support the fishing industry in Alaska; and

WHEREAS, municipalities receiving these Shared Fisheries Taxes provide services like water, wastewater collection and treatment, road maintenance, docks, ports, boat harbors, fire protection, police services, emergency medical services, electricity, and education in support of the fishing industry; and

WHEREAS, in FY18 over \$20.8 million dollars were shared with municipalities in the SWAMC region through these Shared Fisheries Taxes; and

WHEREAS, these Shared Fisheries Taxes are significant general fund revenues that municipalities rely on as part of their tax base to provide municipal services that benefit residents and the fishing industry; over \$20.8 million was shared with SWAMC municipalities; and

WHEREAS, many SWAMC municipalities have sold bonds and entered other long-term obligations in anticipation of receiving Shared Fisheries Taxes revenues; and

WHEREAS, proposed legislation HB 65 and its companion bill SB 63 in the 31st Legislature would repeal the provisions in the Shared Fisheries Taxes that share these State-collected taxes with qualified municipalities that support the fishing industry; and

WHEREAS, this legislation would shift more costs for services like education to municipalities while at the same time reducing general tax revenue by in effect reducing municipal tax bases.

NOW BE IT RESOLVED that the Southwest Alaska Municipal Conference Membership supports continuation of the Fisheries Business and License Tax and Fisheries Resource Landing Tax programs as currently operated to share proscribed taxes collected with qualifying municipalities.

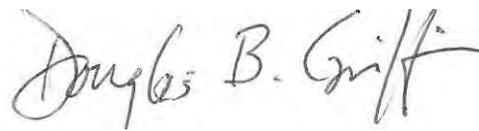
BE IT FURTHER RESOLVED that the Southwest Alaska Municipal Conference Membership opposes passage of HB 65 and SB 63 that would repeal the sharing of State-collected Fisheries Business and License Tax and Fisheries Resource Landing Tax with qualifying municipalities.

PASSED AND ADOPTED by the Southwest Alaska Municipal Conference Membership this 28th day of February 2019.

IN WITNESS THERETO:



Mary Swain, SWAMC Board President



Doug Griffin, SWAMC Executive Director



MEMBERSHIP RESOLUTION FY19-05

A RESOLUTION BY THE SOUTHWEST ALASKA MUNICIPAL CONFERENCE MEMBERSHIP SUPPORTING A PROGRESSIVE GRADUATED STATEWIDE INCOME TAX AS PART OF A SUSTAINABLE BUDGET FOR THE STATE OF ALASKA

WHEREAS, the Southwest Alaska Municipal Conference recognizes that the State of Alaska may consider raising revenues as part of a comprehensive plan to address the State’s budgetary shortfall; and

WHEREAS, broad based taxes have previously been identified as part of a potential revenue package to close the State’s fiscal gap and construct a sustainable budget; and

WHEREAS, options for a broad-based tax include a graduated income tax and a State sales tax; and

WHEREAS, the amount of sales tax paid increases with the price of goods being purchased and penalizes rural residents of Alaska already facing higher prices for goods and services; and

WHEREAS, a sales tax uniformly imposed Statewide would require rural residents to shoulder a disproportionate share of any such tax; and

WHEREAS, a sales tax is a regressive tax that would disproportionately burden low income Alaskans, especially Alaskans with large families; and

WHEREAS, imposing a sales tax would raise the already high cost of living for rural Alaskans and further jeopardize the viability of rural cities and villages; and

WHEREAS, sales taxes have historically been levied by municipal governments to pay for vital public services such as public safety, transportation, infrastructure maintenance, and education; and

WHEREAS, a progressive graduated income tax would tax Alaskans based on income and ability to pay; and

WHEREAS, a progressive income tax based on a percentage of Federal tax paid would tax all income earned in Alaska allowing the State to collect from out-of-state seasonal and year-round income earners that now benefit from government services without contributing toward this service support.

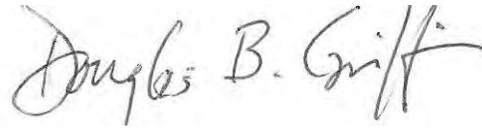
NOW BE IT RESOLVED that the Southwest Alaska Municipal Conference Membership supports a progressive graduated income tax rather than a sales tax as part of any comprehensive plan to enact a sustainable State budget.

PASSED AND ADOPTED by the Southwest Alaska Municipal Conference Membership this 28th day of February 2019.

IN WITNESS THERETO:



Mary Swain, SWAMC Board President



Doug Griffin, SWAMC Executive Director



MEMBERSHIP RESOLUTION FY19-06

A RESOLUTION BY THE SOUTHWEST ALASKA MUNICIPAL CONFERENCE MEMBERSHIP SUPPORTING THE FUNDING OF THE ALASKA MARINE HIGHWAY SYSTEM OPERATING BUDGET AT SUSTAINABLE LEVELS UNTIL REFORM RECOMMENDATIONS ARE ENACTED AND MAINTAINING FUNDING FOR REPLACEMENT OF THE M/V TUSTUMENA

WHEREAS, the Alaska Marine Highway System (AMHS) has been providing essential transportation to Alaska's coastal communities since 1963; and

WHEREAS, the AMHS has 11 vessels that serve 33 Alaskan communities stretching from Metlakatla to Unalaska, including service to Kodiak Island; and

WHEREAS, the AMHS is vital for coastal Alaskan communities, particularly those that are not located on the State's road system; and

WHEREAS, the AMHS has already sustained significant funding reductions that have reduced service throughout the system; and

WHEREAS, further reductions in the AMHS will harm tourism, commerce, economic development, and quality of life for nearly 100,000 Alaskans; and

WHEREAS, the Southeast Conference is completing an AMHS Reform Plan to recommend changes in the way the AMHS is structured and managed to provide system services without increasing State contributions; and

WHEREAS, the Governor's proposed FY20 budget proposes a 68.4% cut in the AMHS budget and a likely discontinuation of service on October 1, 2019, the hiring of a "qualified marine consultant" to recommend cuts the ferry system, and reallocation of about \$25 million in state match to leverage federal funds to build a badly needed replacement for the M/V Tustumena; and

WHEREAS, cuts that lead to discontinuation of AMHS service prior to completion of the AMHS Reform Plan and recommendations from a "qualified marine consultant" are premature and will do damage to rural communities, governments, schools, and businesses that have few transportation alternatives.

NOW BE IT RESOLVED that the Southwest Alaska Municipal Conference Membership supports sustainable funding for the AMHS for FY20 pending completion and implementation of the AMHS Reform Plan.

BE IT FURTHER RESOLVED that any newly formed governing board for the AMHS include at least one representative from the Southwest Alaska region.

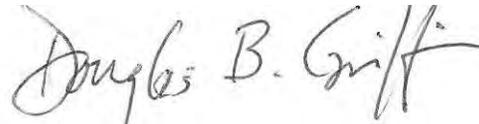
BE IT FURTHER RESOLVED that the State keep funding for replacement of the M/V Tustumena in place to replace a vessel that is operating beyond its intended life and has a recent history of extensive repairs that has kept the vessel out of service for extended periods of time.

PASSED AND ADOPTED by the Southwest Alaska Municipal Conference Membership this 28th day of February 2019.

IN WITNESS THERETO:



Mary Swain, SWAMC Board President



Doug Griffin, SWAMC Executive Director



MEMBERSHIP RESOLUTION FY19-07

A RESOLUTION BY THE SOUTHWEST ALASKA MUNICIPAL CONFERENCE MEMBERSHIP TO PRESERVE THE POWER COST EQUALIZATION ENDOWMENT FUND FOR ITS INTENDED PURPOSE OF ASSISTING ALASKANS AND ALASKAN COMMUNITIES WITH THE HIGH COST OF ELECTRICITY

WHEREAS, the Power Cost Equalization (PCE) Program was established in 1985 as part of a Statewide Energy Plan to provide for a long-term stable funding source for provision of affordable levels of electric utility costs in high-cost service areas of the State; and

WHEREAS, the PCE program was established to assist rural residents at the same time state funds were used to construct major energy projects like the Four Dam Pool projects, Bradley Lake, and Alaska intertie that benefited more urban areas of Alaska; and

WHEREAS, in FY 2001 a PCE Endowment Fund was created and capitalized from the Constitutional Budget Reserve and Four Dam Pool proceeds and further capitalized in FY 2007 with General Funds; and

WHEREAS, the PCE Endowment Fund is invested and managed by the Alaska Department of Revenue on behalf of the Alaska Energy Authority with a goal of earning sufficient income to fund PCE payments to rural communities and residents that pay three to five times or more for electricity than urban residents pay; and

WHEREAS, the PCE program serves 91 utilities, 194 communities (37 in the SWAMC region), and 83,510 customers; and

WHEREAS, the PCE Endowment has been very successful in growing to a level of a perpetual fund with a balance of \$1.01 billion as of November 30, 2018; and

WHEREAS, the PCE Endowment Fund is the source of funding for the Community Assistance Program that provides funding to municipalities, reserves, and communities; and

WHEREAS, the Governor is proposing to dismantle the PCE Endowment Fund to help fill the State's budget gap and replace the endowment funding stream with annual appropriations from the general fund; and

WHEREAS, this proposal by the Governor is contrary to the original intent of PCE program to remove uncertainty and competition with other State needs and goes against the promise to rural residents to have a sustainable program for energy assistance in lieu of the benefits of expensive hydroelectric projects and interties.

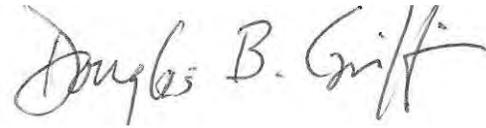
NOW BE IT RESOLVED, the Southwest Alaska Municipal Conference Membership fully supports continuation of the Power Cost Equalization Program with the PCE Endowment Fund kept intact to fulfill the historical intended purpose of the program and the promise made to rural Alaskans of assisting rural residents and communities in offsetting high electricity costs.

PASSED AND ADOPTED by the Southwest Alaska Municipal Conference Membership this 28th day of February 2019.

IN WITNESS THERETO:



Mary Swain, SWAMC Board President



Doug Griffin, SWAMC Executive Director



MEMBERSHIP RESOLUTION FY19-08

A RESOLUTION BY THE SOUTHWEST ALASKA MUNICIPAL CONFERENCE MEMBERSHIP SUPPORTING CONTINUED SUSTAINABLE FUNDING FOR THE ALASKA PUBLIC BROADCASTING COMMISSION AND PUBLIC BROADCASTING IN ALASKA

WHEREAS, public broadcasting plays a vital role in Alaska, particularly in rural parts of the State that often have no practical alternative for information; and

WHEREAS, State of Alaska support provided through the Alaska Public Broadcasting Commission (APBC) is vital for rural radio stations that provide life-saving weather forecasting and warnings for mariners and fishermen, support and information for search and rescue efforts, public safety notifications serving as the emergency broadcast system, community announcements, state and national news, and local programming that fosters a sense of community in isolated cities and villages in Alaska; and

WHEREAS, many rural communities served by public broadcasting do not have private radio stations or other sources of news, weather, sports, and entertainment; and

WHEREAS, the Governor’s proposed FY20 budget cuts about \$3.6 million to totally eliminate the APBC and all State support for public broadcasting in Alaska; and

WHEREAS, the loss of this valuable asset of local and regional public broadcasting will probably close down rural stations that provide information to improve the safety, health, and well-being of rural Alaskans.

NOW THEREFORE BE IT RESOLVED that the Southwest Alaska Municipal Conference Membership supports continued sustainable funding for the Alaska Public Broadcasting Commission that provides timely, life-saving information, news, and entertainment to the residents of Alaska.

PASSED AND ADOPTED by the Southwest Alaska Municipal Conference Membership this 28th day of February 2019.

IN WITNESS THERETO:

Mary Swain, SWAMC Board President

Doug Griffin, SWAMC Executive Director



MEMBERSHIP RESOLUTION FY19-09

A RESOLUTION BY THE SOUTHWEST ALASKA MUNICIPAL CONFERENCE SUPPORTING THE CONTINUATION OF THE CURRENT EXPANSION OF STATE MEDICAID FUNDING

WHEREAS, access to affordable health care for all Alaskans is important for the economic vitality of all regions of Alaska; and

WHEREAS, as of 2018, Medicaid covered over 210,000 Alaskans, including 92,556 children and 8,478 residents of the SWAMC region; and

WHEREAS, in 2015, the State of Alaska expanded Medicaid coverage under the Patient Protection and Affordable Care Act which covered an additional 1,777 SWAMC area residents and over 50,000 Alaskans statewide as of 2018; and

WHEREAS, Medicaid expansion resulted in a huge economic boost to the Alaska economy by injecting over \$1 billion in Federal dollars during a recession in Alaska; and

WHEREAS, a recent study by Halcyon estimates that elimination of Medicaid expansion will cost the State of Alaska nearly 3,700 jobs, \$267 million in annual labor income, and \$556 million in annual total economic output; and

WHEREAS, the Governor's FY20 proposed operating budget cuts about \$225 million in the State's Medicaid budget, a reduction of more than 33%; and

WHEREAS, the Alaska State Hospital and Nursing Home Association responded to Medicaid cut proposals by saying these cuts and the loss of Federal match would amount to about \$700 million in reduced Medicaid spending, would cause some hospitals to close, health care specialists to leave the State, reduce access to addiction and behavioral health treatment, cost between 8,000 and 10,000 health care related jobs, and "fundamentally restructure" Alaska's health care system; and

WHEREAS, the rural hospitals in Kodiak and Dillingham are threatened by closure and 39 other health care providers in the SWAMC region would be negatively impacted by proposed Medicaid cuts; and

WHEREAS, we anticipate additional proposed legislation to revise the State's entire Medicaid program and seek new ways of providing Medicaid coverage at a reduced cost to the State; and

WHEREAS, the approach of cutting State funding that leverages substantial Federal match to support Alaska's health care system prior to restructuring the Medicaid program in Alaska creates an environment of uncertainty in the delivery of health care services in rural Alaska and the SWAMC region; and

WHEREAS, this uncertainty will deter health care delivery investment, recruitment, and service delivery in rural Alaska and the SWAMC region.

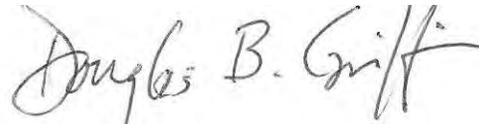
NOW BE IT RESOLVED that the Southwest Alaska Municipal Conference Membership supports the continuation of the current expansion of State Medicaid match spending.

PASSED AND ADOPTED by the Southwest Alaska Municipal Conference Membership this 28th day of February 2019.

IN WITNESS THERETO:



Mary Swain, SWAMC Board President



Doug Griffin, SWAMC Executive Director

Municipal Impact Statement City of Tenakee Springs

The City of Tenakee Springs appreciates the State's commitment to sustainable spending. However, we would like to draw attention to the unsustainable impact the proposed FY20 budget will have on local governments in Alaska.

The City of Tenakee Springs, which operates on a bare-bones city budget, is responsible for municipal governance in this community of 135 residents.

We have 4.1 full-time employees who fulfill the obligations of a local government, with our ability to do so limited by statute, public interest, and available resources. Traditionally, those resources have included State and Federal funding, which offset the burdens that might otherwise be felt by a local tax base.

In FY 17, our tax revenue was 11.57% of our total budget. This revenue was from our city sales tax, the only taxation that is economically feasible for a community of our size.

Any drastic reductions in funding for local economies due to State decision-making would further weaken our sustainability.

Based on the proposed FY20 budget, we have highlighted below the impacts that your decisions will have on our residents.

Alaska Marine Highway System

The ferry is critical to commerce throughout southeast Alaska. In Tenakee Springs most residents rely on the ferry to travel in and out of the community. The ferry is a reliable mode of transportation for passengers as well as U.S. Mail when flights are subject to the winter's often-harsh weather conditions. The city further depends on the state ferry to ship food and goods as well as some construction supplies, bring visitors to support local bed and breakfasts and other businesses. The system is also vital to residents for access to medical needs as well as for students to compete in sports events.

Power Cost Equalization:

Our residents depend on \$79,532.34 in PCE funding to afford high energy costs. The PCE program was initiated to equalize the cost of power to smaller communities after the State allocated funds to larger cities to provide affordable electricity to residents. In the event, PCE funding becomes unavailable the high cost of power to our small community may cripple some residents, with rates essentially tripling for residential electricity.

Revenue Sharing:

Our community assistance funding has been \$77,596.13 and is 68.15% of our city budget. While currently, this assistance remains funded we are concerned for its long-term viability. The reductions proposed would mean that the City of Tenakee Springs would lose its ability to operate most services.

Fish Tax

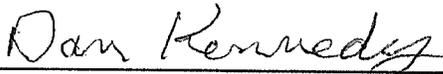
This tax is an equitable revenue source shared by all communities. Its loss would be felt drastically across S.E. Alaska.

The City of Tenakee Springs believes the proposed FY20 budget and approach that the governor has outlined reflects little concern for the burdens required of residents and municipalities of Alaska.

The City of Tenakee Springs looks forward to working with legislative leaders to develop a budget within a reasonable time that reflects the public interest.

We believe that such a budget should include looking at the revenue as well as spending side of the budget, including the possibility of state sales tax, income tax or both.

Sincerely,

A handwritten signature in cursive script that reads "Dan Kennedy". The signature is written in black ink and is positioned above a horizontal line.

Dan Kennedy, Mayor Tenakee Springs

March 16, 2019



CITY OF THORNE BAY

P.O. BOX 19110
THORNE BAY, ALASKA 99919
(907) 828-3380
FAX (907) 828-3374

State of Alaska
Legislative Offices
Juneau, AK 99811-0001

March 5, 2019

To whom it may concern:

We appreciate the State's commitment to sustainable spending but want to draw attention to the unsustainable impact the proposed FY20 budget will have on local governments in Alaska.

The City of Thorne Bay is responsible for municipal governance in this community of 533. We have 9 employees who fulfill the obligations of a local government. Our ability to do so is limited by statute, public interest and available resources. Traditionally those resources have included State and Federal funding, which offset the burdens that might otherwise be felt by a local tax base.

In FY17, our tax revenue was 32.20% of our total budget, and any impact from State decision-making on local economies further weakens our sustainability. This includes cuts to the University, AMHS, and Medicaid (which impacts municipal-owned hospitals).

Based on the proposed FY20 budget, we have highlighted below some of the impacts that your decisions will have on our residents.

- Our Community Assistance funding has been \$85,249.90 and is 6.41% of our budget
- Our residents depend on \$35,431.68 in PCE funding to afford high energy costs
- Our share of the Shared Fisheries Business Tax is and our share of the Fish Landing Tax is \$3,500.00
- The anticipated cuts to our school district are 25% equating to 1.3 million dollars, a cut of 13 teachers out of the 21 teachers that SISD has in their 8 sites.

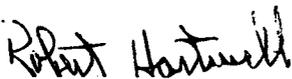
While PCE and Community Assistance remain funded, we are concerned for their long-term viability. The combined reductions and cost-shifting will mean that the City of Thorne Bay anticipates:

- Potential staff reductions would include two full time positions. Thorne Bay currently has nine full-time employees providing only the essential services to our community. A loss in employees would be devastating to our municipal departments but would be required to make up for the \$85,000 in lost revenue from the Community Aide Assistance.
- Public Safety budget reduced by 100%. Thorne Bay currently funds our Public Safety Officer (VPSO), Emergency Medical Services and Fire departments with the revenue from the Community Aide Assistance. Loss of the Community Aide Assistance would eliminate these essential services.
- Quality of Life programs potentially eliminated include Library and Parks and Recreation departments.
- Taxes would need to increase by 2% to offset these decisions

Thorne Bay relies heavily on the operations of the Marine Highway System. The Inter-Island Ferry Authority is currently self-funded by approximately 70%, but relies greatly on the annual support from the State of Alaska to make up the additional 30% in daily operational costs. Without the Marine Highway System, residents are left with the only option to fly, which is costly and depending on the weather sometimes impossible. Not only does the Governor's proposed budget reduce or eliminate the Marine Highway system funding, but it cuts deeply into the small airport funding as well. This coupled with the crippled Marine Highway impacts residents will find themselves stranded with no way off the island.

We believe the proposed FY20 budget and approach that you have outlined reflects little concern for the burden that you have passed on to residents of Alaska. The City of Thorne Bay will work to mitigate the damage from these actions, including to work with legislative leaders to develop solutions that reflect the public interest.

Respectfully,



Robert Hartwell
Mayor Pro-Tempore

Cc: State of Alaska Finance Committee
Alaska Municipal League



CITY OF UNALAKLEET

P. O. BOX 28
UNALAKLEET, ALASKA
99684
PH: (907) 624-3531
FAX: (907) 624-3130

March 25, 2019

Alaska Municipal League
One Sealaska Plaza, Suite 200
Juneau, Alaska 99801

To Whom it May Concern,

We are writing to express our concerns over the unsustainable impact the proposed FY20 Governor's budget will have on our local government. As a rural village community, we depend on assistance from the State of Alaska to operate in many aspects. Unalakleet is 51.9% Low income community with a population of 745. We have 11 employees who fulfill the obligations of our local government. In FY17, our tax revenue was 25.52% of our total budget, and any impact from State decision-making on local economies further weakens our sustainability. Our community relies on the fishing industry as a major income source. During the winter months there is lack of employment, so therefore the residents depend on subsistence and public assistance to get them through the hard months.

Based on the proposed FY20 budget, we have highlighted below some of the impacts that your decisions will have on our residents.

Community Assistance Program – Our municipality depends on the Community Assistance Program to help with operating costs for our water, sewer and solid waste utility. Our Community Assistance funding has been \$89,326.78 and is 5.80% of our budget. With the assistance of the CAP we can pay our taxes, employees, help with insurance costs and make much needed repairs to our failing infrastructure. Our water/sewer infrastructure is over 50 years old. Unalakleet was a test community for water and sewer for rural Alaska, and we have been “band-aiding” our system to keep it functioning. The life expectancy of our system was 20 years; we are 30 years past that. With the cost of sewer pumps ranging from \$1,500.00-\$10,000.00 it puts a big hole in our repair and replacement funds to operate the sewer system. Our water transmission line is failing and environmentally threatened by storms. The need for a new water source that will not be impacted by storms is a critical necessity. In FY17, our tax revenue was 25.52% of our total budget, and any impact from State decision-making on local economies further weakens our sustainability.

PFD – The permanent fund, we feel should remain the same. We do not see this benefiting the members of our community except for the initial disbursement of the monies. This will not help our community members in the long run.

Power Cost Equalization – This program is a huge benefit to our village. Our residents depend on \$213,538.72 in PCE funding to afford high energy costs. The program in place has helped with a huge portion of the City's Electrical expenses. The City's electricity bill runs between \$7,000 and \$10,000.00 a month. Without the assistance of the PCE program our electricity bill would double! This will impact the municipality in more ways than just residential/office costs. Our Sewer Lift Stations, Water Plant, Water Source, Public Safety Building, Baler Facility, and Street lights will also be affected. In the end, the people affected by these budget cuts are the residents of our community. This expense will have to be passed on to the residents who already cannot afford the cost it takes to live in rural villages. A customer who pays \$100.00/month for water/sewer/solid waste will have to pay \$180.00-\$200.00 because of the increases that will be made to the City's electricity bill. Where is this extra money going to come from when the residents barely make their monthly payments with little to no income?

Education – In our community of approximately 750-800 people we have a K-12 school with approximately 180 students which depend heavily on funded programs through the State of Alaska. Education is important in our communities. These children are our future, and we feel they should get the best education they possibly can. They should be able to go on to college, receive degrees, and return home to provide the expertise from the education they receive which is much needed to help grow our communities.

VPSO – Our community has two (2) Village Police Officers and we are currently looking for a Police Chief. It is extremely difficult to find qualified officers who want to move and live in Rural Alaska. We depend on the VPSO program to fill the void of not having enough law enforcement in Unalakleet and the other rural communities. The VPSO program allows for officers to get the proper training needed to fill these positions and aid in Law enforcement, Fire and ETT services.

Health - Most of our residents rely on the Medicare/Medicaid program for health-related issues. As stated before, the cost of living in rural Alaska is high, and compounded by the fact that many residents do not have year-round jobs, with the high cost of insurance, residents of smaller communities depend on Medicare/Medicaid to get the proper medical care needed. We are fortunate to have a sub-regional clinic in Unalakleet staffed by health aides and a PA (physician's assistant). Even though we have this facility, we have members in our community who require more than a PA's expertise to facilitate their health care needs. We have cancer patients who need to travel for chemo treatments into Anchorage. If there is an emergency, such as a vehicle accident, patients must be transported to larger facilities in Anchorage or even Seattle that can accommodate the patients' needs such as major surgeries. A patient with appendicitis for example, cannot get treated in our facility and without proper treatment can die, most rural communities do not have a PA and are required to be transported to a hospital outside the community for medical care.

We believe the proposed FY20 budget and approach that you have outlined reflects little concern for the burden that you have passed on to residents of Alaska.

Sincerely,



Wade Ryan, Mayor



Municipal Impact Statement: **City of Unalaska**

We appreciate the State's commitment to sustainable spending but want to draw attention to the unsustainable impact the proposed FY20 budget will have on local governments in Alaska.

The City of Unalaska is responsible for municipal governance in this community of 4341. We have 173.17 employees who fulfill the obligations of a local government. Our ability to do so is limited by statute, public interest and available resources. Traditionally those resources have included State and Federal funding, which offset the burdens that might otherwise be felt by a local tax base.

In FY17, our tax revenue was 68.22% of our total budget, and any impact from State decision-making on local economies further weakens our sustainability. This includes cuts to the University, AMHS, and Medicaid (which impacts municipal-owned hospitals).

Based on the proposed FY20 budget, we have highlighted below some of the impacts that your decisions will have on our residents.

- Our Community Assistance funding has been \$158,479.93 and is 0.49% of our budget
- Our School Bond Debt expected to be retired in FY 20 is \$670,819 and the total is \$945,709, which would fall back on local taxpayers
- Our current Local Contribution to education is \$4,352,255.
- Our residents depend on \$627,396 in PCE funding to afford high energy costs
- Our share of the Shared Fisheries Business Tax is \$3,300,000 and our share of the Fish Landing Tax is \$5,000,000.
- The anticipated cuts to our school district are \$1,226,464

While PCE and Community Assistance remain funded, we are concerned for their long-term viability.

We believe the proposed FY20 budget and approach that you have outlined reflects little concern for the burden that you have passed on to residents of Alaska. The City of Unalaska will work to mitigate the damage from these actions, including to work with legislative leaders to develop solutions that reflect the public interest.



City of Valdez
Public Information Office
P.O. BOX 307
Valdez, AK 99686
(907) 834-3468
afenko@valdezak.gov

PRESS RELEASE

For immediate release: 02/27/2019 11:00 a.m.

Valdez, AK – Valdez City Council passed a resolution Tuesday opposing proposed state legislation which would prevent Alaskan municipalities from continuing to levy and collect property tax on oil and gas properties within their boundaries.

During a special meeting on February 26, 2019, the Valdez City Council unanimously passed Resolution No. 19-09, opposing Senate Bill No. 57 and House Bill No. 59, “An Act repealing the credit for municipal payments against the state levy of tax on oil and gas exploration, production and pipeline transportation property; repealing the levy of tax by a municipality on oil and gas exploration, production and pipeline transportation property; and providing for an effective date” (“SB 57” & “HB 59”).

The proposed legislation, introduced by Governor Dunleavy on February 13th in the Senate and February 20th in the House, would allow an historic overreach by the state of Alaska by seizing municipal property taxes from oil and gas property within the Fairbanks North Star Borough, Matanuska-Susitna Borough, Municipality of Anchorage, Kenai Peninsula Borough, City of Cordova, and City of Valdez.

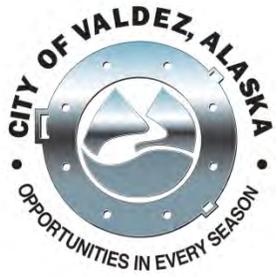
Alaskan municipalities rely on property taxes to fund essential municipal services, including emergency response, police and fire protection, public works, water and sanitation, roads, harbors and public education. The right of municipalities to collect taxes on property within their boundaries has been an essential part of government structure in Alaska since at least 1912.

Upon adoption of Alaska’s oil and gas laws, the value of oil and gas properties became centrally assessed by the state with legal protections built in to ensure assessments were done properly and uniformly across jurisdictions. While the state of Alaska determines the value of these types of properties, municipalities maintain the right to collect property taxes based upon that valuation to fund municipal services and to address the substantial risks and costs associated with transportation of crude oil within municipal boundaries.

“Seizing municipal taxes from oil and gas property within Valdez city limits essentially eliminates 90 percent of our annual operating budget, prevents us from meeting existing contractual and debt obligations, and devastates our ability to provide municipal services and emergency response for our rural community”, said Jeremy O’Neil, mayor of Valdez. “SB 57 and HB 59 would also set dangerous precedent where the state might then begin to seize municipal property taxes from other types of property to fund state deficits. The City of Valdez is committed to working alongside our colleagues from municipalities around the state to oppose SB 57 and HB 59 and evaluate all available means of challenging the legislation.”

Upon passage of Resolution No. 19-09, the Valdez City Council petitioned the Alaska Senate and Alaska House of Representatives to reject Senate Bill No. 57, House Bill No. 59 and any legislation limiting the right of Alaskan municipalities to continue to levy property tax on oil and gas property.

##



Valdez, Alaska

- Full-Service Government
- Home to TAPS Marine Terminal – Alaska’s Primary Revenue Source
- Partnership with Industry
- Support for Education
- Quality-of-Life Initiatives
- Cooperation with State and Federal Governments

INFRASTRUCTURE

Road Maintenance

Snow Removal

Water Delivery

Sewer Infrastructure

Refuse and Landfill

Equipment and Machinery

Water Main Replacement

Landfill Closure

Flood Mitigation

EDUCATION

Obligatory Core Curriculum

Educators

Students

Facilities

Food Service

Technology

Transportation

Athletics, Music, Art

Vocational Education

PUBLIC SAFETY

Police and Dispatch

EMS

Fire Volunteers

Fire Staff

Regional Jail

Civilian Bomb Squad

Industry First-Responder

Backcountry Rescue

Coast Guard Support

State Trooper Support

PORTS AND HARBOR

Freight

SERVS Facilities

Tanker Contingency Dock

North Slope Cargo

Fairbanks Mining Supplies

MARAD Alternate Strategic Port

Primary Port for DOD Materials

Green Initiatives

Recreational Boating

Airport Terminal Support

CULTURAL SERVICES

Library Core Services

Civic Center

Community Events

Children's Library

Non-Profit Support

Museum

Recreation Trails

Ski Area

Cemetery

Recreation Center

CITY OF VALDEZ

Revenue

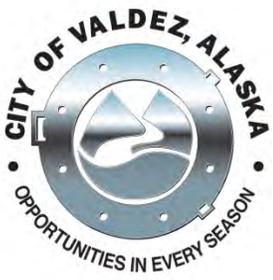
Expenses

City Employees

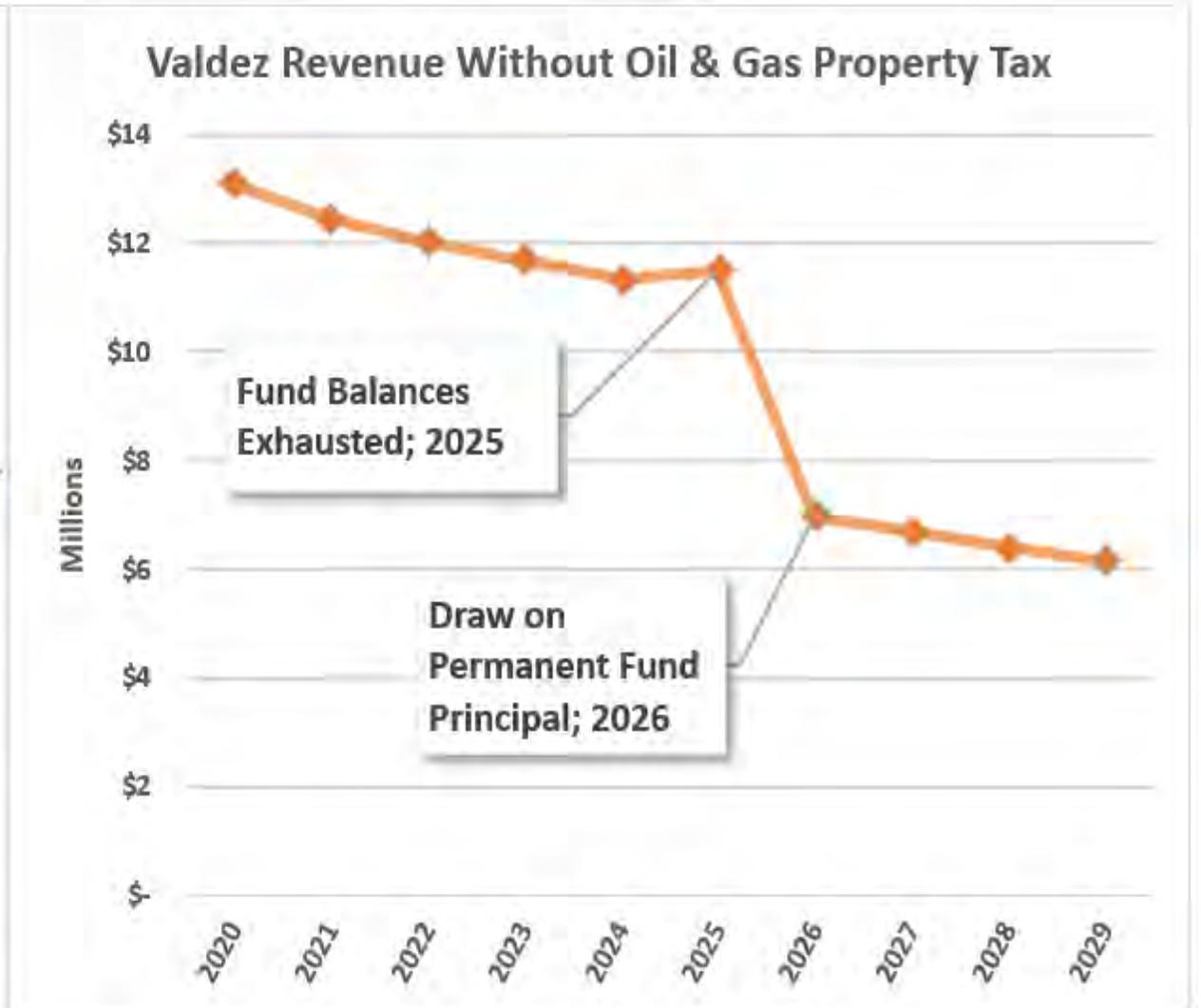
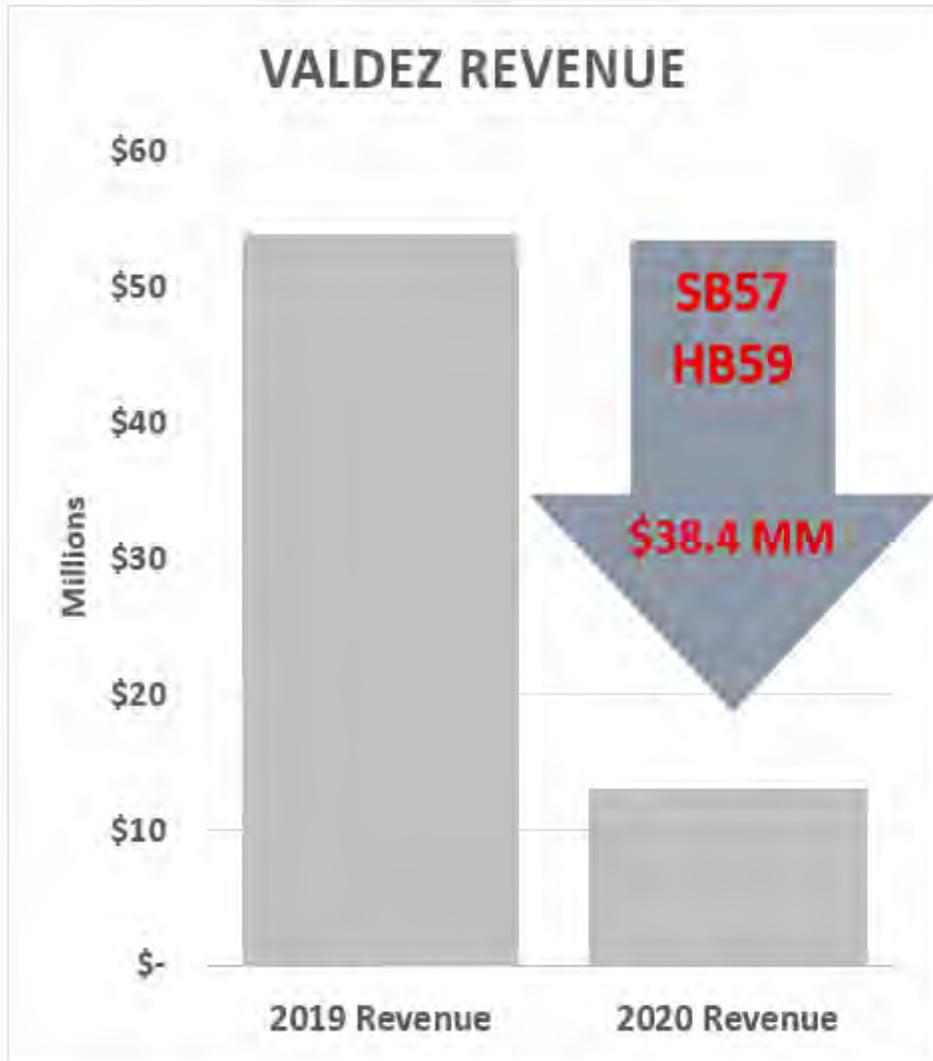
Population

RAVN Airlines

Post-Secondary Education

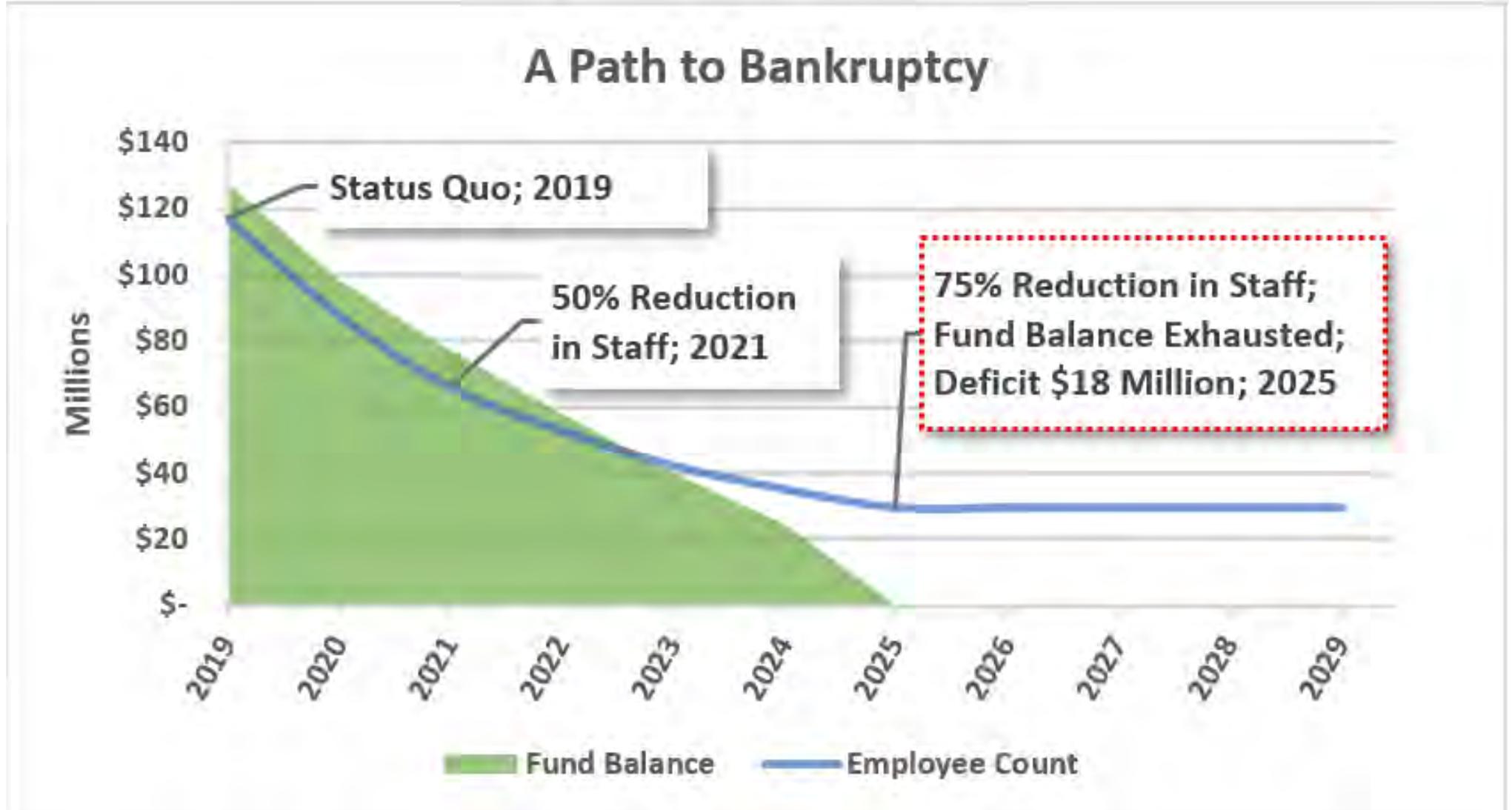


Impact to Annual Revenue





Impact to Fund Balances



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CITY OF VALDEZ

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City Employees

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Post-Secondary Education

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Cemetery
~~Recreation Center~~

CITY OF VALDEZ

Revenue
Expenses
City Employees
Population
~~RAVN Airlines~~
~~Post-Secondary Education~~



CITY & BOROUGH of YAKUTAT

P.O. Box 160
Yakutat, Alaska 99689
Phone (907) 784-3323
Fax (907) 784-3281

We appreciate the State's commitment to sustainable spending but want to draw attention to the unsustainable impact the proposed FY20 budget will have on local governments in Alaska.

The City & Borough of Yakutat is responsible for municipal governance in this community of 526. We have 17 employees who fulfill the obligations of a local government. Our ability to do so is limited by statute, public interest and available resources. Traditionally those resources have included State and Federal funding, which offset the burdens that might otherwise be felt by a local tax base. In FY17, our tax revenue was 33.97% of our total budget, and any impact from State decision making on local economies further weakens our sustainability. This includes cuts to the University, AMHS, and Medicaid (which impacts municipal owned hospitals).

Based on the proposed FY20 budget, we have highlighted below some of the impacts that your decisions will have on our residents.

- Our Community Assistance funding has been \$310,615.28 and is 10% of the budget
- Our current Local Contribution to education is the max amount allowed of \$503,849. Our contribution is 45.45% of what the State contributes
- Our residents depend on \$351,731.65 in PCE funding to afford high energy costs
- Our share of the Shared Fisheries Business Tax is \$218,773 and our share of the Fish Landing Tax is \$39,078
- The anticipated cuts to our school district are \$252,220
- Senior Services cuts are expected of \$100,000

While PCE and Community Assistance remain funded, we are concerned for their long-term viability. The combined reductions and cost shifting will mean that the City & Borough of Yakutat anticipates:

- Potential staff reductions = 3 of 17 or 17% reduction in staff.
- Public Safety budget reduced by 20%
- Public Works budget reduced by 20%
- Taxes would need to increase by 300% to offset these decisions

We believe the proposed FY20 budget and approach that you have outlined reflects little concern for the burden that you have passed on to residents of Alaska. The City & Borough of Yakutat will work to mitigate the damage from these actions, including to work with legislative leaders to develop solutions that reflect the public interest.

RESOLUTION NO. 4870

**A RESOLUTION REQUESTING THE STATE LEGISLATURE TO
SUPPORT ALASKA PIONEER HOMES, EDUCATIONAL FUNDING,
AND THE UNIVERSITY OF ALASKA IN ITS FY2020 BUDGET**

WHEREAS, Governor Dunleavy's FY2020 budget proposal includes funding cuts to Alaska Pioneer Homes, to education, and to the University of Alaska; and

WHEREAS, Alaska Pioneer Homes have a proud history of service to Alaskans that predates statehood; the first Pioneer Home was established in 1913 in Sitka; and

WHEREAS, today Alaska Pioneer Homes serve over 460 Alaska seniors in six Homes throughout the state – in Fairbanks, Palmer, Anchorage, Sitka, Juneau, and Ketchikan; and

WHEREAS, the concept of the Pioneer Homes, state-owned and operated assisted living residences for seniors, is unique and recognizes a commitment by Alaska to its seniors, to help care for them and to help make it possible for them to remain living in the state they helped to build; and

WHEREAS, the proposed budget cuts and rate increases undermine the history and purpose of Alaska's Pioneer Homes; and

WHEREAS, the University of Alaska faces severe cuts under the Governor's budget proposal; and

WHEREAS, funding for the University system has already experienced \$195 million in cumulative budget cuts over the last four years; and

WHEREAS, the Governor's proposed cuts to base student allocation and the elimination of school bond debt reimbursement will have a devastating effect on K through 12 education here in the Fairbanks North Star Borough and throughout the state; and

WHEREAS, these budget cuts will not only have a direct adverse effect on education, Pioneer Homes, and the University but will also result in unknown collateral adverse impacts throughout the community.

NOW, THEREFORE, BE IT RESOLVED that the Fairbanks City Council reaffirms its support for education, for Alaska's seniors, and for the University of Alaska and requests the legislators in the Alaska House and Senate to reject the proposed cuts to education, to Alaska Pioneer Homes, and to the University of Alaska in the Governor's FY2020 budget proposal.

PASSED and APPROVED this 25th day of March 2019.



Jim Matherly, Mayor

AYES: PASSED and APPROVED on the CONSENT AGENDA
NAYS: None
ABSENT: Cleworth
APPROVED: March 25, 2019

ATTEST:

APPROVED AS TO FORM:



D. Danyielle Snider, CMC, City Clerk



Paul Ewers, City Attorney

A Resolution of the Haines Borough Assembly Urging the Alaska Legislature to Pass a Balanced, Sustainable, and Predictable State Budget to Help Ensure Long Term Social and Economic Stability for the Communities and Citizens of the State of Alaska.

WHEREAS, the Governor's proposed budget would have significant adverse impacts in the lives of Haines residents, our community security, and the regional and statewide economy, and will require municipalities, including the Haines Borough, to abruptly adjust our budgets to support core services, like education, public health and safety; and

WHEREAS, negative impacts of the proposed budget directly reduce our existing local revenues, like sales and property taxes, that fund 66 percent of the Haines Borough's general government services and would drain our diligently saved cash reserves; and

WHEREAS, Haines could lose a significant number of jobs and more residents because the proposed budget prioritizes increased individual dividends over basic state services; and

WHEREAS, eliminating the School Construction Debt Reimbursement will cost Haines over 900,000 dollars annually, and moreover sets a precedent that future Governors and Legislators will not follow through on financial commitments that incentivize investment in all Alaskan communities; and

WHEREAS, the Haines Borough like all Alaskan communities, expects budget certainty from the Administration and the Legislature to allow for long term planning and the creation of sustainable local budgets that provide for reliable services, a stable business environment, and strong public schools; and

WHEREAS, the Haines Borough Assembly believes that coordination between state and local government is essential; and

WHEREAS, Haines has seen significant reductions to state services and restructuring of reserves over the last four legislative sessions; and

WHEREAS, the continued fiscal reality requires the Legislature to demonstrate strong leadership and bold action to pass a budget that creates a secure and hopeful future for all Alaskans from Headstart students to Pioneer Home residents,

NOW, THEREFORE, BE IT RESOLVED BY THE HAINES BOROUGH ASSEMBLY:

Section 1.

Requests that the Alaska State Legislature take immediate action to adopt a budget that will provide for a sustainable and predictable balanced state budget for the foreseeable future, and calls upon the Governor to partner with the Legislature and support its budget.

Section 2.

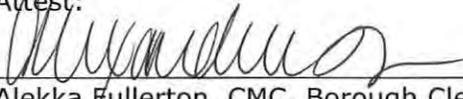
Requests that the improved State budget does not shift the funding burden for core services such as education and transportation from the State to local municipalities. We are opposed to the State seizing local sources of revenue from municipalities especially the raw fish tax which our community relies on, and urges the Alaska State Legislature to engage in meaningful discussions of all fiscal options (including broad based state taxes such as

Haines Borough
Resolution No. 19-03-798
Page 2 of 2

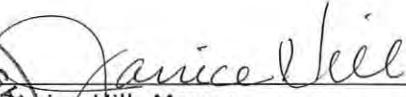
income or payroll) with the goal of providing a strong future to Alaska citizens with sustainable revenue sources that complement, rather than conflict with communities like Haines which has a long history of sales and property tax collection.

Adopted by a duly-constituted quorum of the Haines Borough Assembly on this 26th day of March, 2019.

Attest:


Alekka Fullerton, CMC, Borough Clerk




Janice Hill, Mayor

**KETCHIKAN GATEWAY BOROUGH
CITY OF KETCHIKAN
CITY OF SAXMAN
KETCHIKAN GATEWAY BOROUGH SCHOOL DISTRICT**

**BOROUGH RESOLUTION NO. 2804A;
CITY OF KETCHIKAN RESOLUTION NO. 19-2727;
CITY OF SAXMAN RESOLUTION NO. 3-2019-41
KETCHIKAN GATEWAY BOROUGH SCHOOL DISTRICT RESOLUTION NO. 19-03**

A Joint Resolution of the Assembly of the Ketchikan Gateway Borough, Council of the City of Ketchikan, Council of the City of Saxman, and Board of Education of the Ketchikan Gateway Borough School District, Opposing Governor Dunleavy's FY 2020 Budget Proposal which Would Irreparably Harm Ketchikan's Economy and Shift State Expenses onto Local Taxpayers

RECITALS

- A. WHEREAS**, on February 13, 2019, Governor Dunleavy released his FY 2020 draft State budget which proposed \$1.6 billion in State funding cuts while appropriating nearly \$2 billion for Alaska Permanent Fund dividends; and
- B. WHEREAS**, while it is recognized that the State of Alaska must align its spending and revenue, the governing bodies of the Ketchikan Gateway Borough, City of Ketchikan, City of Saxman, and Ketchikan Gateway Borough School District oppose Governor Dunleavy's budget proposal which would irreparably harm Ketchikan's economy and shift State expenses onto local taxpayers; and
- C. WHEREAS**, Governor Dunleavy proposed more than \$300 million in cuts to K-12 education, which would effectively result in a loss of approximately \$6.4 million in State funding for the Ketchikan Gateway Borough School District. To absorb these reductions, the Ketchikan Gateway Borough School District would need to eliminate approximately 70 teaching positions or the equivalent of 208 support staff positions. Even if every non-personnel budget item of the District was eliminated, the District would still need to make an additional \$2.4 million in cuts; and
- D. WHEREAS**, the Ketchikan Gateway Borough School District estimates that if the Governor's budget proposal is adopted, the average elementary classroom size in Ketchikan would increase by 10 to 12 students. The District would also be looking at eliminating vocational education classes, music and physical education programs, and school counselors; and

- E. WHEREAS**, Governor Dunleavy's draft budget eliminates all funding for the School Bond Debt Reimbursement Program. The Ketchikan Gateway Borough received approximately \$2.6 million from the State of Alaska through this program in FY 2019 and was anticipating to receive another approximately \$2 million in FY 2020 for projects planned and commenced years ago. The elimination of this program disrupts the district's long-term financing of important capital projects and further shifts the cost of education to local taxpayers; and
- F. WHEREAS**, the Governor proposed elimination of 75 percent of State funding for the Alaska Marine Highway System. As a result, the Marine Highway is no longer taking reservations past October, 2019. A total of 253 AMHS workers and their families reside in Ketchikan. The Marine Highway System has provided essential transportation services in Alaska since 1963. The system serves 33 Alaska communities, only five of which are connected to the Alaska road system; and
- G. WHEREAS**, the Marine Highway accounts for approximately 80 percent of the workload at the Ketchikan Shipyard. There are currently 133 workers employed by Vigor Alaska LLC – one of the largest private employers in the First City. The proposed cuts to the AMHS would have extremely negative impacts on business operations of the Ketchikan Shipyard; and
- H. WHEREAS**, Governor Dunleavy is proposing to eliminate a \$250,000 State subsidy for the Inter-Island Ferry Authority. It is currently unclear to IFA administration whether the ferry system could continue to operate without the \$250,000 subsidy. The ferry system provides daily roundtrip service between Prince of Wales Island and Ketchikan, carrying 50,000 passengers and 12,000 vehicles annually. According to an economic impact study prepared by Rain Coast Data in 2016, the IFA generates \$21.6 million of economic activity in Ketchikan annually; and
- I. WHEREAS**, the Governor's draft budget reduces State funding for the University of Alaska system by approximately 41 percent. The University of Alaska President has publicly stated that some university campuses would be closed if the 41 percent reduction were adopted. It is unclear whether the UAS Ketchikan Campus – which employs 40 full-time and 15 part-time workers and provides classes to approximately 600 students per semester – would remain open. Further, the UAS Ketchikan Campus trains over 300 maritime and welding students each year and a cut of this magnitude would significantly impact the Ketchikan Campus' ability to continue training Ketchikan residents for maritime and marine fabrication jobs in Ketchikan; and
- J. WHEREAS**, Governor Dunleavy's budget proposal would divert raw fish taxes from local communities to the State of Alaska. The City of Ketchikan and Ketchikan

Gateway Borough received more than \$4 million in raw fish taxes over the past five years. Historically, half of the revenue is shared with the city and/or borough where the fish are processed; and

- K. WHEREAS**, the Governor's proposed budget reduces funding to healthcare statewide by 25.6 percent or \$714 million. This could significantly impact the PeaceHealth Ketchikan Medical Center's ability to provide the current breadth of medical care and service to our community; and
- L. WHEREAS**, the Dunleavy Administration is proposing to dramatically increase rates at State-operated Pioneer Homes by between 40 and 140 percent. The State operates six Pioneer Homes in Alaska, including a facility in Ketchikan which has a 45-resident capacity; and
- M. WHEREAS**, Governor Dunleavy has also proposed eliminating all funding for the arts and public broadcasting. The proposal would shutter KRBD FM, which has operated in Ketchikan since 1976. The public radio station employs four people, provides volunteer opportunities for 55-60 residents, and is a significant local news media outlet and the primary emergency alert provider in Ketchikan.

NOW, THEREFORE, IN CONSIDERATION OF THE ABOVE FACTS, IT IS RESOLVED BY THE ASSEMBLY OF THE KETCHIKAN GATEWAY BOROUGH, COUNCIL OF THE CITY OF KETCHIKAN, COUNCIL OF THE CITY OF SAXMAN, AND BOARD OF EDUCATION OF THE KETCHIKAN GATEWAY BOROUGH SCHOOL DISTRICT as follows:

Section 1. The Ketchikan Gateway Borough, City of Ketchikan, City of Saxman, and Ketchikan Gateway Borough School Board, oppose Governor Dunleavy's budget proposal in favor of an incremental approach to balancing the State of Alaska budget.

Section 2. The Borough Clerk shall transmit a copy of this resolution to Governor Dunleavy, Senator Bert Stedman, Senate President Cathy Giessel, Senate Majority Leader Mia Costello, Senate Minority Leader Tom Begich, Representative Dan Ortiz, Speaker of the House Bryce Edgmon, House Majority Leader Steve Thompson, and House Minority Leader Lance Pruitt.

Section 3. Effective Date. This resolution shall be effective upon adoption by the Ketchikan Gateway Borough Assembly, Ketchikan City Council, Saxman City Council, and Ketchikan Gateway Borough School Board.

ADOPTED by the Borough Assembly this 11th day of March, 2019.

ADOPTED by the Ketchikan City Council this 21st day of March, 2019.

ADOPTED by the Saxman City Council this 20th day of March, 2019.

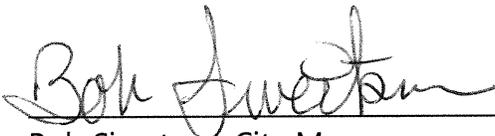
ADOPTED by the Ketchikan Gateway Borough School Board this 27th day of March, 2019.

Ketchikan Gateway Borough Signatures:

City of Ketchikan Signatures:

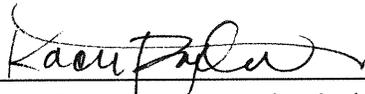


David Landis, Borough Mayor



Bob Sivertsen, City Mayor

ATTEST:



Kacie Paxton, Borough Clerk

ATTEST:



Kim Stanker, City Clerk

APPROVED AS TO FORM:



Glenn Brown, Borough Attorney

School District Signatures:

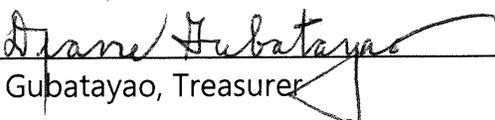
City of Saxman Signatures:



Matt Eisenhower, Board President



Frank Seludo, City Mayor



Diane Gubatayao, Treasurer

ATTEST:



Lori Richmond, City Clerk