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Member of the National League of Cities and the National Association of Counties

The Honorable Peter Micciche, Senate President
The Honorable Tom Begich, Senate Minority Leader
The Honorable Louise Stutes, Speaker of the House
The Honorable Cathy Tilton, House Minority Leader

September 23, 2021

Dear Legislative leadership,

The Alaska Municipal League thanks legislators for again passing a balanced budget and for making progress on a fiscal plan. AML recognizes the challenges that Alaska's legislators faced in trying to accomplish much in a short time frame. In the interest of stability, we're also glad to hear that the Governor did not veto this latest appropriations bill.

Less than a month ago the Alaska Conference of Mayors called for legislative leadership and action to provide fiscal stability for Alaskans. Today, we acknowledge that our sense of urgency should not come without the care and due diligence it deserves. This Legislature has worked through a pandemic and structural budget deficit to do what it can, with the tools it had at its disposal. We can imagine that the Legislature needs time to rebuild relationships and regroup, so that it may conduct the State's business through long and carefully vetted deliberations.

Yes, it is critical that Alaska's revenue shortfall be addressed but this may not be solved quickly with a significant restructuring of State policy that has just 30 days of review. If we are to restart and rechart Alaska's future, then let's take the time to do so well. An effective Legislature can build on the work of the Fiscal Policy Working Group, toward a comprehensive fiscal plan that is vetted and tested, carefully evaluating proposals to ensure that it works well to support good and efficient governance.

Clearly, some of that work has begun. As this conversation begins again in a fourth special session, AML stands ready to contribute constructively to a dialogue that includes robust participation, invited and public testimony, and analysis. However, it is also not clear to us that a fourth special session has everything it needs to be successful, or that everything can be accomplished within it.

AML submits the following questions that might be helpful in thinking about next steps:

- Is a fiscal policy solution necessary by the end of October? Why? Are there alternatives?
- What is the sequence of events necessary to achieve a comprehensive fiscal plan?
- Are there pros and cons to the timing or extent of a special session compared to a regular session?
- How can the Legislature mobilize the resources needed to be successful?

AML believes that while there are benefits to addressing single-subject, timely, solutions-oriented bills within a special session – especially when that session is convened by the Legislature itself – the broad nature of the current challenge is better addressed with the time and will necessary to accomplish sweeping change

In a special session focused on fiscal policy, how can more than a small group of legislators be actively engaged in committee work? The more that the full Legislature can have a role in the deliberations, the better. In a special session, it may be that the public is less engaged or not fully invited into the process, given that much of the work isn't taking place within a committee structure but through negotiation instead. We hope that you will consider ways where within a legislative session of any kind you can bring in more to work with – actively engaged legislators, a full complement of staff, multiple other pieces of interrelated legislation that can be leveraged toward consensus on this primary goal, and public participation in decisions of such import.

Yes, there is urgency to addressing Alaska's structural budget deficit. Timely decisions need to be made in this fiscal year, yes, but they may not be confined to the next month. Not only is there urgency, but there is also complexity. We cannot imagine passage of a comprehensive fiscal plan, or even pieces of one, without the time to conduct a full analysis of its impacts. A spending cap may carry the same weight as a broad-based tax as a component of Alaska's fiscal policy, but neither can move forward without a meticulous understanding and debate about their construct and outcomes.

In terms of next steps, over whatever amount of time is needed, we ask the Legislature to consider:

- Macro impacts - Conduct an updated REMI or similar analysis of potential choices that include budget reductions, PFD reductions, and various broad-based or other tax measures.
- Micro impacts - Evaluate the distributional impact of different choices as they relate to individual or household income levels.
- Regional impacts - Analyze the ways in which State budget or tax decisions impact different borough or census areas, and communities.
- Long-term impacts - Define long-term and come to consensus about how to project inflation, population, and unmet needs to revenues and expenditures.
- Short-term impacts - Define short-term risks that may outweigh long-term planning.

Addressing the State's structural budget deficit goes well beyond trying to balance the budget. In fact, we encourage the Legislature to be mindful of just what balance may mean to residents, businesses, families, and so many others. Balance is one goal. Other goals or considerations are also important, including economic development, sustainable communities, maintenance of facilities, active workforce, population growth, and improved social services.

AML recognizes the hard work that has gone into improving Alaska's fiscal condition. We would be concerned, however, if that work isn't complemented by the effort – and the time – to connect a right-sized budget to everything else that is at stake.

As we've said, AML looks forward to being part of the solution, willing to contribute both the effort and time to get this right.

Respectfully,

A handwritten signature in blue ink, appearing to read 'Nils Andreassen', with a long horizontal flourish extending to the right.

Nils Andreassen
Executive Director