Strengthening Local Governments

Alaska Municipal League * Senate Finance
Fiscal crisis hits home with a drastic FY19 budget proposal

Supreme Court Wayfair case opens up opportunity for remote sales tax collection

Public health emergency and economic crisis

Federal relief packages - $1 billion to local governments

Infrastructure package results in five years of formula and competitive grant cycle

Looking Back

2018 ARSSTC
2019 VBB
2020 COVID CARES
2021 ARPA
2022 BIL

AML ORGANIZATIONAL DEVELOPMENT
Remote Sales Tax Implementation

- Statewide Sales Tax Totals FY21: $240 million (of Total Revenue $2.5 billion)
- Remote Sales Tax Collected 2022: $20 million or 8% (about equal to alcohol tax)
- Community level difference: 5 to 20% of physical collection
Federal Funding Coordination

- Collaborative approach to maximizing the benefits that could come to Alaska from the IIJA
- Work within and across regions to identify barriers, priorities, and solutions
- Foster opportunities for intergovernmental collaboration, including between local and Tribal governments
- Anticipate problem-solving needs and mechanisms to reduce costs, overcome challenges, and make the most of this investment
Back to Baseline

FY23
- Full funding of Community Assistance, including recapitalization of the Community Assistance Fund.
- Full funding of School Bond Debt Reimbursement and Harbor Debt Reimbursement.
- Back payments of Community Assistance and School Bond Debt Reimbursement, which will allow for deferred maintenance, avoided property tax increases, and general support
- $3M increase to Community Jails, which helps with continued services by these municipalities
- Harbor Matching Grants – a great partnership between the State and local governments.
- Funding for school construction and major maintenance

FY23 a corrective for underfunded years
- Placed communities on firm footing for recovery
- Address deferred maintenance, workforce, capital needs
- Enable consideration of matching funds for infrastructure bill

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

Inflation Is Cutting Into States’ Big Infrastructure Windfall

Projects Affected by Supply Chain Issues

Annual components of Alaska population change

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Kevin Powell / Anchorage Daily News
ECONOMIC DEVELOPMENT

**Economic Development**

**Housing**
- AML conducting statewide review of municipal code, fees, and processes
- Ensure State investment into access and utilities on developable State lands
- Review of intergovernmental regulatory alignment

**Child Care**
- Evaluate public sector role in managing assets or employing workforce, thereby extending benefits and cost consolidation
- Ensure effective State-level distribution of resources
- Review of intergovernmental regulatory alignment

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**Average sales price changes for single-family homes, 2013-2022**

<table>
<thead>
<tr>
<th>Year</th>
<th>Alaska</th>
<th>U.S.</th>
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<tbody>
<tr>
<td>2013</td>
<td>0%</td>
<td>5%</td>
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<tr>
<td>2014</td>
<td>5%</td>
<td>10%</td>
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<tr>
<td>2015</td>
<td>10%</td>
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<tr>
<td>2016</td>
<td>15%</td>
<td>20%</td>
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<td>2017</td>
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<td>2018</td>
<td>25%</td>
<td>30%</td>
</tr>
<tr>
<td>2019</td>
<td>30%</td>
<td>35%</td>
</tr>
<tr>
<td>2020</td>
<td>35%</td>
<td>40%</td>
</tr>
<tr>
<td>2021</td>
<td>40%</td>
<td>45%</td>
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</tbody>
</table>

*Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section and Alaska Housing Finance Corporation, 2012-2022 Rental Market Surveys; and S&P/Case-Shiller U.S. National Home Price Index*

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**SPENDING BREAKDOWN FOR U.S. PARENTS**

- Housing: 30%
- Food: 16%
- Health Care: 18%
- Child Care & Education: 18%
- Transportation: 14%
- Clothing: 6%
- Miscellaneous: 8%

• Home Rules shall regulate land use/subdivision consistent with AS 29.40.
  • Full economic development authority
• First and Second Class Boroughs shall regulate land use/subdivision
  • Economic development consistent with AS 29.35.210(a)(8)
• Hot topics
  • Unit-lot subdivisions (hybrid between condo & traditional sub.)
  • Short term rental restrictions
  • Rezoning – Density and Infill
  • Accessory apartments
  • Parking requirements
  • Senior Housing and Affordable Housing
  • Subdivision and access – utilities and roads
  • Blighted properties
  • Public private partnerships and Evaluating fee structures
State Action - Housing

- Expedite Land Conveyances
- State revolving loan fund for roads and utilities
- Evaluate State Special Committee on Housing
- Examine State Credits for Developers
- Allow AHFC to bond for large housing developments for employee housing for essential services or in distressed communities with a declared housing shortage
- Increase AHFC professional housing grant limit beyond $500k
Municipal Lands
• Entitled by law – AS 29.65.010, 020, 030
• Patented - deed secured
  • Local government can subdivide, sell, develop
• Approved = no deed but planning can begin

Barriers to development
• Survey costs + local capacity
• DNR capacity and focus

### Economic Development

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

Figure 5. How Does Pay of State and Local Government Workers Compare With Pay in Private Industry?
(All resident wage and salary workers in private industry and state and local government, average 2009-2013)

On average for all occupations, government workers earn 8% less. But the higher average value of government benefits means there is no significant difference in total compensation.

No significant difference in total compensation

In many lower- and mid-pay occupations, government wages are lower, but the higher value of benefits makes government compensation equal to or higher than private.

Personal care/service wages much lower in government
Installation and repair wages lower in government
Building and grounds maintenance wages not significantly different in government and private
Office and admin wages not significantly different in government and private
Health-care support jobs are exceptions

Both government wages and total compensation much higher

In higher paying occupations, both government pay and total compensation are considerably less than private pay and compensation.

Life, physical, social sciences
Management

Source: A Wage and Compensation Analysis of Alaska Public Sector Employees, author's calculations with data from American Community Survey, 2009-2013

FY11 FY12 FY13 FY14 FY15 FY16 FY17 FY18 FY19 FY20 FY21 FY22

PERS DB PERS DC TRS DB TRS DC

PERS Active Over Time

Local Government Priorities

Workforce Recruitment and Retention

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PERS DB PERS DC TRS DB TRS DC

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PERS Active Over Time

Local Government Priorities

Workforce Recruitment and Retention
Pension System Considerations

- Update to 2008 floor: move forward / rolling average
- Termination studies for State and by employee (+ evaluate vacancy rates)
- 22% a cap not a floor - $10 million for 1% (non-State employers) - Increase additional state contribution
- Retiree hiring ability without accrued liability
- Exit strategy for small or stressed employers
- Five-year audit of terminated employer net pension liability
- Adjust high interest rate (11-15%) on past due payments
- Locked in net pension liability option, ability to pay down, and exit date
Defined Benefit

- AML members divided on question
- Real and valid concerns expressed by educators and public safety employees
- Resolution expressing concern about liability exposure
- If specific to employee group, opt in at employer level
- For employers it applies to, ringfence liability

Fundamentally:
- Address systems issues
- Free up greater % of employer payrolls

AML - Salary Survey

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Employers</td>
<td>67%</td>
</tr>
<tr>
<td>Social Security</td>
<td>42%</td>
</tr>
<tr>
<td>Deferred Comp</td>
<td>35%</td>
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Fiscal Policy

Mandatory Exemptions

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

Presumption Trust

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

Ensure Sustainability of Community Assistance
• $30 million shortfall for recapitalization minimum
• Allow Fund to accrue return on investments
• Provide for non-federal match access beyond formula

Failure to recapitalize
• Fund depleted to $60 million in FY24
• A third distributed in FY25 = $20 million, or reduction of $10 million
• Mostly impacts those with high per capita
  • Anchorage reduced by 90%
  • Mat Su, KPB, FNSB, Fairbanks reduced by 70-85%
  • Juneau, Bethel, Kodiak, Homer, Kenai, Palmer, Soldotna, Unalaska, Utqiagvik, Valdez, reduced by 50%
  • Kotzebue, Nome reduced by 40%
  • Houston, North Pole, Sitka reduced by 25%
Education

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

1. Leverage local assets to reduce budget estimates higher than local planning

2. Negotiate transfer of ownership and maintenance requirements

3. Remove ICAP rates on transit pass-through

4. Increased need for higher contingency due to inflation pressures

5. Fund Municipal Harbor Facility Matching Grants

6. Amend statute to allow Regional Transportation Planning Organizations (RTPOs)
Energy

1. Renewable Energy Fund
   • Ensure adequately funded for community-level projects

2. PCE
   • Reimburse municipal investments that bring down cost below PCE subsidy threshold

3. Bulk Fuel Loan
   • Increasing cap and lowering rates

4. Grid Resilience
   • State funding from IIJA to support local utilities
Strengthening Local Governments
AML – Pulling Together

• Increasing collaboration with State agencies:
  • Agreement in place to facilitate greater intergovernmental cooperation and benefits
  • DOT&PF planning – support implementation of regional planning organizations

• Investment into direct support for strengthening governance and financials
  • Build out model of providing shared services for communities

• More attention to revenue collection and compliance with local codes and law
  • Sales tax code updates and management, short term rentals, etc.

• Proactive support for funding needs of disadvantaged communities
  • Bundled applications for heavy equipment, public safety capital needs
  • Grant writing and technical assistance

• Shared procurement of services for project management, quality improvements

• Health insurance, retirement, investment, unemployment, leadership development, liquidity analysis, federal compliance, etc.
Questions or Follow up
Nils Andreassen, Executive Director
nils@akml.org