



To: House Finance

March 14, 2025

RE: Operating Budget

The partnership between local governments and the State remains as important as ever. Thank you for your continued efforts to meet the needs of Alaska's cities and boroughs, who are providing such critical services to Alaskans.

Please consider the following in your deliberations as it relates to the FY26 Operating, and to the extent that it applies to FY25.

- **Community Assistance** – The budget includes the \$30 million recapitalization for FY26, but does not address the deficit created in this fiscal year when the Governor vetoed FY25 recapitalization. If this isn't addressed within this fiscal year, only \$23.3 million (instead of \$30 million) will be available for distribution next year.
- **PERS** – We would argue that the amount of the State's additional contribution of \$79 million is insufficient to meet the obligations it has to address the net pension liability. The ARM board proposal only leaves the fund at 92% funded in 2039.
 - There is nothing in the budget to make up for lost earnings while the State was unable to accept employer contributions, the bulk of which are applied to the net pension liability. With layered amortization, these lost earnings are estimated to add to unfunded liability after 2039 of almost \$100 million, as it compounds over time.
- **SRS** – Since Congress has failed to reauthorize Secure Rural Schools, local governments will lose about \$12 million in National Forest Receipts that are critical funding. This could be made up for by the Legislature, replacing the fund source with UGF as a backup contingent Congressional action.
- **Community Jails** – This applies to about a dozen members, who are spending about \$3.5 million more to provide these services than the State makes available to them. The budget was plussed up in subcommittee by about \$500k, which is much appreciated, but still leaves that difference.
- **LEPCs** - Currently, there is no baseline funding for LEPCs and these LEPCs are acting on an unfunded statutory mandate, and which has precipitated growing dormancy. Prior to a FY20 line item veto, the SERC had ~\$200,000 - \$300,000 in state appropriations to provide "baseline funding" that supports the various core activities of LEPCs. This veto is the subject of AML's [Resolution #2021-07](#).

The following is a list of draft appropriations that seem consistent with AML member interests:

- DCRA, OWL, VPSOs, AMHS, Code Blue
- Human Services Community Matching Grants and Community Initiative Matching Grants
- Child care assistance, senior benefits, and public assistance
- DOT&PF abandoned vehicle removal and snow removal
- Shared taxes
- Local government debt reimbursement, a statutory obligation
- School bond debt reimbursement is fully funded at \$46 million. For reference, that obligation was \$100 million six years ago, which reflects the impact of the moratorium
- REAA and small municipal school district fund

AML and members are mindful of the State's continuing fiscal challenges, and the constraints you are working within. We appreciate the delicate balance you must strike in balancing this budget, even as you remain aware of the gap between needs and available resources.