

**CITY OF KODIAK
RESOLUTION NUMBER 2016–24**

**A RESOLUTION OF THE COUNCIL OF THE CITY OF KODIAK EXPRESSING
A DEEP SENSE OF URGENCY FOR THE ALASKA STATE LEGISLATURE TO TAKE
IMMEDIATE ACTION DURING THE FIFTH SPECIAL SESSION OF THE 29TH
LEGISLATURE TO PASS ALL NECESSARY FISCAL LEGISLATION REQUIRED TO
PROVIDE FOR A FAIR, BALANCED, AND SUSTAINABLE STATE BUDGET**

WHEREAS, Alaska has relied predominantly on the development of its vast oil reserves to fund the majority of state government expenditures over the past 35 years, yet production of Alaskan North Slope crude oil has steadily decreased over the past 25 years; and

WHEREAS, global oil prices have dropped significantly over the past two years and are projected to remain relatively low for the foreseeable future; and

WHEREAS, the combination of reduced oil production, reduced oil prices, and an over reliance on oil revenue as state government’s primary source of funding has resulted in a massive state fiscal deficit; and

WHEREAS, the State of Alaska’s credit rating has dropped due to the current fiscal imbalance and will continue to be downgraded if the Legislature fails to take appropriate action in 2016; and

WHEREAS, major business leaders in the state have warned they would be unlikely to continue making significant commercial investments in Alaska if the Legislature fails to address the fiscal deficit in 2016; and

WHEREAS, Governor Walker has introduced a complete fiscal plan to provide for a sustainable and predictable balanced budget, using the strength of our existing financial assets, a balanced blend of spending reductions, and additional new revenues; and

WHEREAS, following adjournment of the 2016 regular session and fourth special session of the 29th Legislature, the Legislature failed to enact any component of any fiscal plan, and instead continued past practice of funding the FY2017 budget from dwindling cash reserves; and

WHEREAS, cash reserves typically used to cover budget deficits are now depleted such that they are insufficient to cover next year’s budget, threatening the state’s annual dividend program and potentially the state’s Permanent Fund itself; and

WHEREAS, every dollar of cash reserves spent on one-time budget shortfalls is then unavailable to continue working for the state as an ongoing income-producing asset in the future; and

WHEREAS, since spending down cash reserves reduces the amount of sustainable revenue we can generate from our financial assets in the future, increases in other sources of revenue (taxes) will become necessary to compensate; and

WHEREAS, without immediate enactment of a balanced fiscal plan, the Permanent Fund Dividend program will end in approximately four years, and the inevitable dramatic state cost shifts to municipalities will require significant local tax increases, endangering the viability of many Alaskan communities; and

WHEREAS, with no action plan, the CBR will be completely depleted in FY2018; and

WHEREAS, the budget would be one-third of the current FY2017 budget and only one-quarter of the FY2015 budget; and

WHEREAS, most government agency operating budgets would be 10 to 20% of current levels, a level similar to state spending experienced in the late 1960's; and

WHEREAS, school funding would be reduced to 32% of the current \$1.25 billion, dropping to \$400 million; and

WHEREAS, local education employment would fall from the current 24,400 to an estimated 10,000 statewide; and

WHEREAS, the Alaska Performance Scholarship and Power Cost Assistance would end in FY2019; and

WHEREAS, Medicaid and other health formula funding would be reduced by 25% to maintain as much federal coverage as possible; and

WHEREAS, all other health programs would be shut down, privatized, or significantly reduced, including senior benefits, child care benefits, homeless assistance, victims assistance, housing programs, pioneer homes, health clinics, public health labs, etc; and

WHEREAS, Fish and Game, Environmental Conservation, and Natural Resources combined would have \$18 million in operating revenue compared to \$134 million total in FY2017, representing less than 10% of the FY2015 funding level; and

WHEREAS, transportation's operating budget would be less than \$40 million compared to the \$218 million; and

WHEREAS, road maintenance and ferry service would end for some segments and be significantly curtailed on others; and

WHEREAS, many of the 240 state maintained airports would be closed, and the rest would have reduced operations; and

WHEREAS, the legislature would have a budget of \$11.6 million compared to the current \$64 million 15% of FY2015.

WHEREAS, the current budget is just over \$1 million per legislator, and it would drop to \$193,000 per legislator; and

WHEREAS, there would be no “on behalf” retirement payments, no school debt reimbursement, and no community revenue sharing, shifting all those costs to local governments; and

WHEREAS, there would be no rural school construction funding or rural school maintenance; and

WHEREAS, most prisons would be closed, and prisoners either released early or sent to out-of-state facilities as a result of funding at 25% of current level; and

WHEREAS, public safety would be 25% of current level, leaving most areas without trooper presence; and

WHEREAS, the capital budget would be less than \$20 million, costing the state federal highway match funding.

WHEREAS, AVTEC and most University campuses would lose all state funding and any remaining campuses would receive one-third or less of current revenue; and

WHEREAS, up to 50% of state and university facilities would need to be sold or shuttered; and

WHEREAS, state library and museum facilities would operate only at the level that could be sustained by earned revenue and fund raising; and

WHEREAS, state employment would drop by an estimated 12,000 employees (25,000 total, ~13,000 UGF funded, cut 70% of UGF employees, and cut 25% of state employees on other fund sources due to lack of matching funds); and

WHEREAS, the drop in state and education employment plus the reduction in Medicaid would precipitate significant reduction in health care spending, compounding overall state job losses; and

WHEREAS, the amount spent for the Permanent Fund Dividend would nearly match the total state budget; and

WHEREAS, 67% of City of Kodiak general fund revenues come from local sales tax; and

WHEREAS, now more than ever is the time for statesmanship, not provincial politics or electioneering rhetoric. Politically difficult, but financially sound decisions are required immediately.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Kodiak, that:

Section 1. The Council of the City of Kodiak calls upon the Alaska State Legislature to take affirmative and immediate action during the fifth special session of the 29th Legislature to enact a comprehensive package of initiatives that will provide for a sustainable, balanced state budget for the foreseeable future.

Section 2. The Council of the City of Kodiak appreciates the difficult work of the Administration to put forth one possible comprehensive fiscal solution; and while the Council may not support every aspect of this plan, does recognize it as the appropriate foundation for legislative deliberation.

Section 3. The Council of the City of Kodiak insists that the Alaska State Legislature engage in meaningful discussions of all fiscal options without regard to perceived negative political fallout, except a State sales tax.

Section 4. The City Clerk in conjunction with the City lobbyist will transmit a copy of this resolution to every member of the Alaska State Legislature, the Governor, and local and statewide media outlets.

CITY OF KODIAK



MAYOR



ATTEST:



DEPUTY CLERK

Adopted: July 14, 2016