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July 11, 2016

Honorable Governor Bill Walker  
Alaska State Capitol Building  
3<sup>rd</sup> Floor  
Juneau, Alaska 99811

OFFICE OF THE GOVERNOR  
MAILROOM  
JUL 14 2016

Dear Governor Walker,

Thank you for all of your hard work and commitment for and to the State of Alaska.

As far back as February, 2015, when the Alaska Municipal League realized that the financial situation of the state could have devastating effects on Alaska's municipalities, we took immediate action to form a "Sustainability Committee" to address a potential pathway based on a municipal viewpoint.

This committee met many times and put in an enormous amount of effort in analyzing, discussing, and weighing all facets of the issue, to include cuts and increasing or new revenues. After the plan was finalized by the committee, it was put in front of the entire AML membership during our 2015 November Annual Meeting, where after a lively discussion, with some changes and edits, it was adopted by the AML membership, along with an accompanying resolution (attached).

Those documents were sent to your office and to each and every Legislator, along with a cover letter. Staff and members met with your office and individually with all key legislators to discuss these documents. We also made a point to have local government representation at almost each and every presentation by the Department of Revenue and the Office of Management and Budget. We will be sending our Sustainability Plan and our resolution to each and every Legislator before the session begins on July 11<sup>th</sup>.

Staff has always attempted to be as pro-active as possible in dispersing all information that might help lead to a wise decision. AML has paid for travel and expenses for our members to come to Juneau during the session(s) to advocate for a plan that includes all items we have listed in our Sustainability Plan.

After many discussions with our Board of Directors with regards to what we more we can do, we would like to reiterate our support for our original plan, adopted in November of 2015. While we are disappointed that further progress has not been made, to date, we will continue to advocate for a plan that is similar to what we have laid out and one that will lead our state to a sustainable future. Our Sustainability Committee made a

concerted effort to NOT be specific in exact ways to get to a sustainable budget, as our members represent over 160 municipalities, homes to diverse populations each needing different amenities to improve their quality of life. However, we feel that our plan allows for many scenarios that can and will work.

Thank you again for all of your dedication to our great state.

Sincerely,

A handwritten signature in cursive script that reads "Bob Harcharek".

Mayor Bob Harcharek  
President, Alaska Municipal League



## ALASKA MUNICIPAL LEAGUE

### SUSTAINABILITY COMMITTEE RECOMMENDATIONS

#### Endowment/Permanent Fund

- Imperative to protect corpus of Permanent Fund;
- Support and move to Permanent Fund Board's position on Endowment Fund or similar approach that sustainability utilizes earnings;
- Continue to ensure growth of the permanent fund, continue to inflation proof, and set a minimum floor on the Permanent Fund Dividend;
- Continue to pay permanent fund dividends without a cap while enabling an adjustable Percent of Market Value (POMV) or other sustainable system that allows a portion of permanent fund dividend earnings to support state government, benefitting all Alaskans.
- Using part of the permanent fund dividend payout, as one piece of a larger balanced and sustainable state fiscal plan, is now a necessary consideration;
- Action on a comprehensive state fiscal plan is required in the 2016 legislative session

#### Income Tax

- Income tax captures out-of-state employees
- Income leaving state is 20% of total Alaska income
- Income tax is deductible from Federal Income Tax
- Income Tax gives Alaska residents skin-in-the-game

#### Sales Tax

- This would be last choice of Alaska's municipalities
- Would erode tax base and simply shift revenue from one entity to another
- We believe it should remain a local government power
- Municipalities will, however, not take it off the table and agree to work on solutions revolving around Sales Tax

#### Other Revenues

- School Tax
- Collatorization of Assets is too risky
- Consider adjusting oil tax credits

A successful solution to our financial challenges involves shared sacrifices from Alaskans, resources industries and in finding government efficiencies.



## **ALASKA MUNICIPAL LEAGUE**

### **SUSTAINABILITY PLAN**

The Alaska Municipal League appointed a committee of interested local elected and appointed officials tasked with the goal of helping to identify available options through a municipal perspective that will allow our State to remain financially healthy. As local elected officials, we are adamant that local governments are in great need of stability and predictability, a luxury that we do not have at the present time.

We believe that the leaders of our State, as they find ways to lower the cost of government, must also identify ways in which our State can raise revenues. Cuts can only accomplish a portion of the answer to our problems and cuts without restraint will have a serious impact on the credit rating of our state and will cause massive economic dislocation issues. The choices made by the Legislature and the Administration will have a huge impact on the viability of municipalities.

Local governments have only three ways in which to raise revenue:

- Taxation (sales/property)
- Fees
- Revenue passed down from the federal or state government

As the revenues from the federal or state government decrease, the gap must be filled through taxation and/or an increase in fees.

While we agree with the Governor that our fiscal situation is an “opportunity” to rethink how we spend money, local governments must still provide basic and essential services to their citizens.

We have discussed our findings at great length. While many of the revenue options are painful, we believe it is time to make the decisions that will bring us back to the path that will allow Alaska to remain a viable, inviting, safe and healthy state in which to live. Alaska’s municipalities are ready and willing to step up and be part of the solution rather than part of the problem. While we believe decisions to address this situation must be made immediately, we believe the actions themselves can be spread over a number of years in order to soften the effects to some degree.



## ALASKA MUNICIPAL LEAGUE

### RESOLUTION #2016-01

#### **A RESOLUTION URGING THE ALASKA LEGISLATURE TO ADOPT A SUSTAINABLE BUDGET PLAN FOR FY2017 AND BEYOND; WHILE GIVING SERIOUS CONSIDERATION TO THE SUSTAINABILITY PLAN SUBMITTED BY THE ALASKA MUNICIPAL LEAGUE.**

**WHEREAS**, due to the drop in the price of oil, coupled with the decreased amount of oil in the pipeline, the State of Alaska has found itself with a \$3.5 billion gap in its budget for FY16; and

**WHEREAS**, last year, the Legislature alleviated some of the problem by severely cutting the capital budget; and

**WHEREAS**, substantial cuts were also made to the operating budget; and

**WHEREAS**, cutting either of those budgets as a sole means to solving our fiscal challenge will only serve to push our state into an economic recession; and

**WHEREAS**, the majority of the Legislature continues to feel that the solution is more government cuts; and

**WHEREAS**, historically the Legislature has felt the solution is more government cuts; and

**WHEREAS**, the President of the Alaska Municipal League created an ad hoc committee to address this issue from the perspective of local government; and

**WHEREAS**, this committee is cognizant of the fact that municipalities must have a sustainable commitment from the Legislature in order for municipalities to remain sustainable; and

**WHEREAS**, despite a fiscal challenge, municipalities must continue to provide basic and essential services; and

**WHEREAS**, with these facts in mind, the AML Sustainability Committee has developed a plan from the perspective of local government; and

**WHEREAS**, AML believes that the leaders of our state should immediately adopt changes to not only lower the cost of government, but move quickly to raise revenues; and

**WHEREAS**, at the same time, Alaska's local governments realize we must understand the state and/or federal government will no longer continue to fund local government as before; and

**WHEREAS**, as more responsibilities are passed down to the subdivisions of the state during this fiscal challenge, we must be given the "tools" to allow that to happen.

**NOW, THEREFORE BE IT RESOLVED** that the Alaska Municipal League urges the Alaska Legislature to adopt a sustainable budget plan for FY 2017 and beyond; while giving serious consideration to the Sustainability Plan submitted by the Alaska Municipal League.

**PASSED AND APPROVED** by the Alaska Municipal League on this 20<sup>th</sup> day of November, 2015.



Signed: \_\_\_\_\_

Bob Harcharek, President, Alaska Municipal League

Attest: \_\_\_\_\_



Kathie Wasserman, Executive Director, Alaska Municipal League