

**CITY OF UNALASKA
UNALASKA, ALASKA**

RESOLUTION 2017-12

A RESOLUTION URGING THE ALASKA STATE LEGISLATURE TO ADOPT A SUSTAINABLE FISCAL PLAN FOR FISCAL YEAR 2017 AND BEYOND.

WHEREAS, the Unalaska City Council acknowledges that due to the drop in the price of oil, coupled with the decreased amount of oil in the pipeline, the State of Alaska has a significant gap in its budget; and

WHEREAS, 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 the State's fiscal challenge will serve only to potentially push our state into an economic recession; and

WHEREAS, the Unalaska City Council believes it necessary to create new revenue sources for the State; and

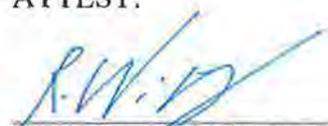
WHEREAS, despite a fiscal challenge, the State and municipalities must continue to provide basic and essential services.

NOW, THEREFORE BE IT RESOLVED that the Unalaska City Council urges the Alaska State Legislature to develop and adopt a sustainable fiscal plan, incorporating a combination of sensible spending cuts and new revenue sources, for Fiscal Year 2017 and beyond.

PASSED AND ADOPTED BY A DULY CONSTITUTED QUORUM OF THE CITY COUNCIL OF THE CITY UNALASKA THIS 14th DAY OF FEBRUARY 2017.


FRANK KELTY
Mayor

ATTEST:


ROXANNA WINTERS
Acting City Clerk



MEMORANDUM TO COUNCIL

TO: MAYOR AND CITY COUNCIL MEMBERS
FROM: DAVID MARTINSON, CITY MANAGER
DATE: FEBRUARY 14, 2017
RE: RESOLUTION ON SUSTAINABLE FISCAL PLAN

SUMMARY: This memo discusses the need for a resolution requesting the State Legislature develop a sustainable fiscal plan for FY17 and beyond.

PREVIOUS COUNCIL ACTION: The City Council discussed the need for a resolution to send to the State Legislature asking them to develop a sustainable fiscal plan to aid in ensuring the future of State and Municipal services.

BACKGROUND: Last year the Council chose not to send forward a resolution on the issue of the fiscal plan. It is recommended by our lobbyist that we develop a resolution and send it to the Legislature. The Council has a choice to either go into details of what we believe the Legislature should and should not do with regard to cuts and revenues or create a more general resolution giving the Legislature maximum flexibility in the development of a sustainable fiscal plan.

DISCUSSION: On January 24, 2017 the Council discussed the need to approve a resolution asking the State Legislature to develop a sustainable fiscal plan that not only addressed budget cuts but also developed other revenue sources. A sustainable fiscal plan will aid in the State and Municipalities in providing basic and essential services. The attached resolution is general in nature so we do not tie the hands of the Legislature with items that we desire to be off limits thereby giving them maximum flexibility to resolve the fiscal crisis.

ALTERNATIVES: The alternative is to develop a resolution explaining to the Legislature what to cut and where to get more revenue.

FINANCIAL IMPLICATIONS: None

LEGAL: None.

STAFF RECOMMENDATION: Approve the attached resolution.

Memorandum

To: Unalaska City Council
CC: City Manger Martinson, City Clerk Hazen,
From: Mayor Frank Kelty,
Date: January 20, 2017

Subject: Discussion on City of Unalaska taking positions in areas that would help reduce the 3.0 billion dollar budget deficit facing the State of Alaska.

I bring this issue to the Council to see if we can come to consensus on some major areas being proposed to address the 3.0 billion dollar budget deficit facing the State of Alaska. This would allow us to give direction to our legislators who are both in powerful positions in the legislature and to Ray Gillespie our State of Alaska lobbyist. Areas to discuss are listed below. I look forward to the discussion and I attached some other document to review for this discussion.

- Support for board based moderate taxes on personal income tax or sales tax.
- Use of the Permanent Fund earnings account including a change in how the dividends are calculated and maintaining at least \$1,000 per year dividend.
- Oppose the continued oil and gas tax credit policy that is costing 700 million per year to some of the riches corporations in the world.
- Continue to look for areas that state spending can be cut and further budget reductions realizing that we can't cut are way out of the this deficit.
- Increase in the motor fuels, sin taxes and possibly industry specific taxes.

Best Regards



Mayor Frank Kelty

ALASKA CONFERENCE OF MAYORS

POSITION STATEMENT

The Alaska Conference of Mayors believes that, with the combination of low oil production, the significant drop in oil prices, and a long-term budget shortfall in the billions, it is imperative that the Alaska State Legislature adopt a long-term fiscal plan during the 2017 Legislative Session.

The Conference of Mayors also believes that the plan must include elements of revenue generation, budget cuts and the use of earnings from the permanent fund. This legislative action simply must not be put off for another fiscal year.

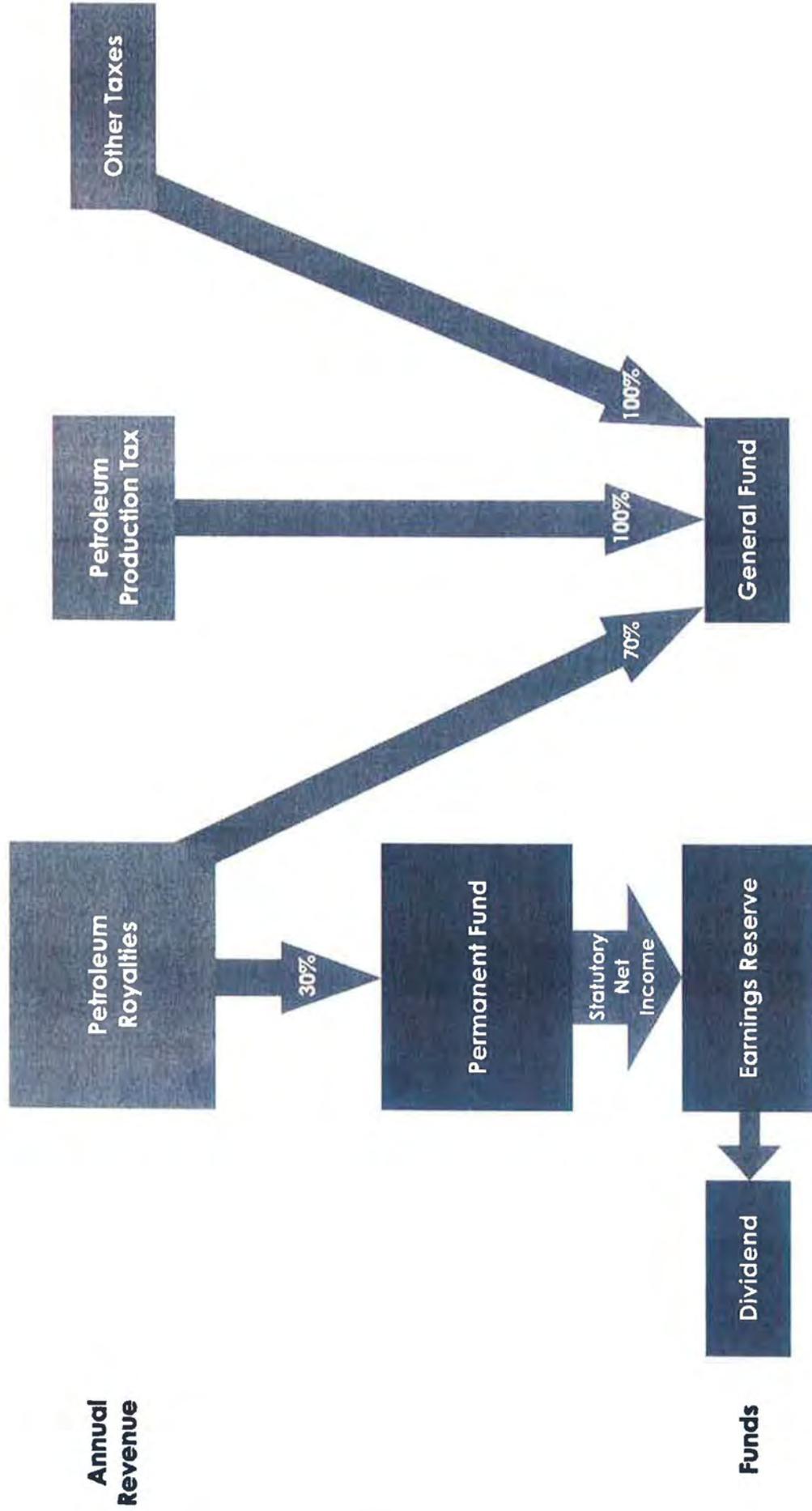
Adopted by the Alaska Conference of Mayors
November 15, 2016

Signed:

A handwritten signature in black ink, appearing to read 'Rick Robb', written over a horizontal line.

Mayor Rick Robb, President, Alaska Conference of Mayors

The Existing Framework



Lawmakers must decide on fiscal plan this session

- Author: Ed Rasmuson, Jeff Cook, Bill Corbus, Gail Schubert, Mike Navarre
- Updated: 5 days ago
- Published 5 days ago

We know each of you wants to do what is best for our state's long-term future. We all want jobs for Alaskans, a healthy economy, a stable state fiscal structure that helps attract private investment to Alaska, and quality education and public services to serve the needs of our residents.

We are encouraged when we hear legislators talk about Alaska's long-term economic health. But we are discouraged that we are running out of time to accomplish the one goal that must underpin all the others — a stable fiscal structure for our state treasury.

We write you today to once again offer our encouragement, with an emphasis on the urgency of the situation as you prepare for the 2017 legislative session.

We are sharing this with the public because Alaskans need to understand this is a critical time for our state. We've grown wealthy from oil development, and we all hope for decades more of oil and gas production in Alaska.

But the time has come for a diversified revenue stream into the state treasury, and Alaskans must support their legislators in making the hard decisions ahead.

[State budget targets are easy, but lawmakers need to identify cuts first]

The facts are clear:

- The fiscal 2017 state unrestricted general fund budget is about \$4.36 billion.
- Even with higher oil prices of recent weeks, it looks like that budget will draw on savings. The budget will total close to \$2.92 billion.
- With that math, the state expects to start the fiscal year 2018 on July 1, 2017, with perhaps \$3.7 billion remaining in the Constitutional Budget Reserve.

- Prudent fiscal and cash management requires we keep at least \$2 billion in the budget reserve, which means Alaska must make changes to its fiscal structure during the 2017 legislative session.

- If the budget reserve disappears as an option for covering the state's needs, the Permanent Fund earnings reserve becomes the only alternative.

As of Nov. 30, 2016, at approximately \$8.8 billion in realized gains, that reserve account looks healthy but is always susceptible to investment volatility, and any unplanned withdrawals could jeopardize the Permanent Fund dividend.

It appears to many Alaskans that nibbling at the edges of the problem in the 2017 legislative session and drawing \$2 billion to \$3 billion from the budget reserve for one more year would bring the state perilously close to writing unplanned checks out of the Permanent Fund.

It's time for a managed answer, not a default answer, and we urge you to take action and assure you we will support you in that effort.

[Alaska budget crisis hits lawmakers where it hurts: Their stomachs]

The options for a long-term fiscal plan are the same ones Alaska has been looking in the past several years. We see four major pieces to any solution:

- An orderly, responsible, managed use of Permanent Fund earnings, including a change in how the dividends are calculated. We cannot spend the same dollar twice, which means a dollar that goes to schools, roads, troopers, the courts and other public services cannot also go to dividends. Legislators are fully aware that choices must be made. If, for example, the Legislature adopted a percent-of-market-value approach to limiting the annual withdrawal from the Permanent Fund, and if that were set at 4.5 percent of the fund's average market value looking back five years, the maximum draw for fiscal 2018 would be about \$2.43

billion. And if, for example, you wanted to maintain a \$1,000-per-person dividend from that total, that would leave about \$1.73 billion for public services.

- An orderly, responsible, managed examination of state spending and potential for further budget reductions in the range of \$250 million to \$500 million implemented over two to three years to lessen harm to the economy and allow the public, municipalities and businesses time to prepare for reduced services.

- A responsible broad-based tax, such as a modest personal income tax on Alaska's higher income earners and/or a sales tax that would accomplish several goals: 1) Give all Alaskans a personal stake in how state money is spent; 2) Collect income from nonresidents who come to Alaska to work, and go home to spend their money; and 3) Help diversify state revenues from our total dependence on natural resource prices and investment earnings.

- Excise and industry-specific taxes of perhaps \$100 million a year on motor fuels, alcohol, tobacco, fisheries and mining.

Here is the math for the current set of options:

\$4.36 billion fiscal 2018 state unrestricted general fund budget using fiscal 2017 as the base.

- \$1.59 billion in general fund revenues (assuming today's improved oil prices remain)

- \$250 to \$500 million in additional budget cuts, including re-examining oil and gas tax credit policy

- \$1.73 billion in Permanent Fund earnings, after paying a \$1,000 dividend

- \$500 million in new revenues (income and/or sales tax, higher excise taxes and industry taxes, including expansion of the corporate income tax to cover LLCs and S Corps.)

That still leaves a \$40 million to \$290 million shortfall, which we could work to close over the next few years.

By taking action on the major pieces above, we gain some time. Meanwhile, we should not forget that the state needs to deal with the hundreds of millions of dollars we owe to companies for unpaid oil and gas tax credits. We need to resolve that debt if we're to truly solve our fiscal problems.

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And we need to remember that, because it will take time to implement any new taxes and to collect on other changes in Alaska's tax structure, we should expect a larger drawdown on our budget reserves in fiscal 2018 as the changes take effect.

The budget reserve, however, can only afford a limited future drawdown, so we need to make the big decisions in 2017 that will extend the life of the reserve to give us the time to put our state on a path to fiscal stability.

There isn't enough time for new oil or triple-digit prices to save us. That's wishful thinking, and we need responsible decisions based on today's reality.

We support you in the challenges ahead, and urge you to make those decisions in 2017. Anything else puts the future of our state at risk.

Ed Rasmuson is a retired banker. ***Bill Corbus*** is a former commissioner of the Alaska Department of Revenue. ***Jeff Cook*** is an energy consultant. ***Gail***

Schubert is CEO of Bering Straits Native Corp. **Mike Navarre** is mayor of the Kenai Peninsula Borough.

About this author

Ed Rasmuson

Jeff Cook

Gail Schubert

Gail Schubert is president and CEO of Bering Straits Native Corporation.

Mike Navarre

Mike Navarre is mayor of the Kenai Peninsula Borough. He served in the Alaska House of R



Alaska News

Walker renews call for budget reforms: 'Denial doesn't make the problem go away'

✍ Author: [Nathaniel Herz](#) ⌚ Updated: 18 hours ago 📅 Published 1 day ago

JUNEAU — Alaska Gov. Bill Walker made a renewed call for state budget reforms to a new Legislature in his annual State of the State speech Wednesday night, telling lawmakers that "denial doesn't make the problem go away."

Walker's speech, delivered at the start of his third year in office, came after two years of discord and gridlock in Juneau, with state savings dwindling as lawmakers largely dismissed his deficit-reduction plans and failed to make much of a dent in the deficit.

With 15 new legislators in Juneau, Walker, a Republican-turned-independent, pitched a stripped-down version of his budget package from last year and left room for adaptation — all while ratcheting up his rhetoric.

In last year's speech, Walker referred to Alaska's "cash flow problem." Now, he says the state is in a full-blown "crisis" — a word he'd previously avoided, but used seven times Wednesday night.

"Hope doesn't pay the bills," said Walker, dressed in a plain white shirt, jacket and red striped tie. "We need to pass a plan to stabilize our fiscal future. And we need to do it now."

[Alaska lawmakers begin 2017 session cheerfully, but rifts lurk below the surface]

[Read the governor's speech.]

Walker, an oil and gas attorney, was elected in 2014 after campaigning on his ideas to spur construction of a long-sought natural gas pipeline from the North Slope.

But he's been spending much of his political capital on the state's budget problem instead, and barely mentioned the state's pipeline plans Wednesday other than a few pledges: The project won't require any new money this year, and it won't be pursued "at all costs," or with cash from the Permanent Fund, Walker said.

Instead, the governor's focus was largely on the budget.

Pre-empting criticism from conservatives that he hasn't cut Alaska's spending deeply enough, Walker, in his 45-minute address, ticked through some of the reductions that he and lawmakers put in place over the past two years — slicing agency spending by 13 percent.

The state is selling ferries and search and rescue aircraft, Walker said. It's closed seven troopers posts and a prison in the Mat-Su, and the state workforce has dropped by 3,000, to 24,000.

Walker is also proposing legislation this year to freeze the salaries of some state employees. But those proposals alone won't come close to eliminating Alaska's \$3 billion deficit.

The state's budget, which has long been balanced with oil taxes and royalties, has been hammered by the two-year slump in prices and now uses savings to pay 70 cents of each dollar spent.

A recent, modest recovery in oil prices offers a dose of good news, Walker said. But current prices of roughly \$50 a barrel would still need to double to solve the state's budget problem, he added, or the flow of oil in the trans-Alaska oil pipeline would have to triple.

"Neither is expected any time soon," he said.

Last year, **House lawmakers from both parties balked** at Walker's plan to raise new revenue by restructuring the Permanent Fund — a proposal that could slice the deficit by more than half, but also reduce Alaskans' annual dividend checks.

Republicans also rejected Walker's proposed taxes, including one on personal income. He urged lawmakers Wednesday to substitute their own proposals if they don't like his.

"If you believe we need to cut more, identify your cuts and put them on the table. If you think the solution is a different kind of tax than I have proposed, put your tax proposal on the table," Walker said. "Whatever your plan may be, put it out there, and let's get to work on the solution."

Walker balanced his dire description of Alaska's finances by touting elements of the state's economy, as well as his accomplishments — and those of the Legislature — over the past year.

[The Alaska Legislature returns with a new House majority, but it faces the same old budget problem]

He also unveiled a new initiative to tackle Alaska's opioid epidemic. Deaths in the state from heroin overdoses shot up to 36 in 2015, up from single digits just a few years before, with prescription opioid overdose deaths also on the rise.

Walker's new initiative has five parts: limiting the amount of opioids doctors can prescribe; strengthening a prescription drug monitoring program; improved screening and enforcement to stop drugs from getting to rural areas; required addiction education for medical workers; and adding regulatory flexibility to restrict new types of opioids as they emerge.

Walker's communications director, Grace Jang, said the proposals would be pulled together into a bill that would be introduced later this year.

Kim Whitaker, a recovery advocate in Anchorage who has a daughter addicted to heroin, said the proposals were "great, great news" — particularly the piece to strengthen prescription drug monitoring.

Addicts, she said, can get one prescription, and "then they can go down the street or across the city or to another town in the same state and do the same thing."

"There's got to be a way of having a database that can stop people from doctor shopping," she said in a phone interview.

Lawmakers offered mixed assessments of the full speech. Members of the House's majority coalition, made up of Democrats and a few moderate Republicans who are generally aligned with Walker's budget proposals, were enthusiastic.

Anchorage Democratic Rep. Andy Josephson cited a section of the speech in which Walker asked the state's elected officials to act like police officers who run toward problems.

"I thought it was very inspiring, and moving," Josephson said. "He's providing leadership and asking us to follow."

At least one Republican who last year opposed Walker's budget reforms didn't seem to have been swayed Wednesday.

"Maybe we should just wait for a new governor if we have to have new revenue streams," said Big Lake Republican Rep. Mark Neuman, a member of the House's GOP minority.

Neuman rejected Walker's use of the term "crisis," noting that the state still has close to \$10 billion in the Permanent Fund's earnings reserve account — the one used to pay residents' dividends.

"This is not an emergency," he said.

Eagle River Republican Sen. Anna MacKinnon, a member of the Senate's GOP leadership, said she agreed with Walker's general theme.

"I think that everyone wants to solve the fiscal foundation for Alaska," she said. "We have a problem; we need to address it."

Something needs to change, MacKinnon said. But each person would solve the state's budget problem differently, she added.

"The devil is in the details," she said.

[Alaska Budget Crisis](#)

[Alaska Legislature](#)

[Gov. Bill Walker](#)

About this author

Nathaniel Herz

Nathaniel Herz covers politics and general assignments.





ONE SEALASKA PLAZA, SUITE 200 0 • Juneau, Alaska 99801

Tel (907) 586-1325 • Fax (907) 463-5480 • www.akml.org

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 20th day of November, 2015.

Bob Harcharek

Signed: _____
Bob Harcharek, President, Alaska Municipal League

Attest: *Kathie Wasserman*

Kathie Wasserman, Executive Director, Alaska Municipal League