



Presentation to RDC

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Alaska's Fiscal Regime: Does it work for Industry and Communities?

- State Long-range thinking – a community must
- Local tax relief for business and citizens
- Alaska is one highly connected Urban-Rural economic community



Rural Fiscal Issues

Local Government Study 1979

- Lack of a tax base “chronic and obvious problem”
- Inability to raise even minimum \$...
- “backlash...financial inequities seen in the provision of education...”
- “Question of village, as well as individual, survival is a critical one”



Why Can't Rural AK pay its bills?

- **Extremely High Costs** Gas \$5.15 -\$6.00/gal
- **Extremely High Unemployment** up to 50%
- **Inadequate Property Tax Base** E.g., Ambler is assessed at \$3.5 million (i.e. low property values and much non-taxable land.)
- **Low revenue from sales tax** E.g., Each 1% of sales tax in Ambler nets \$7500/year.



How Are Things Today?

- **2003 Average Operating Budget for two thirds of AK Cities = \$164,000/year**
- **Approx 03-04 cuts/cost increases: (\$70,000)**
 - 03-04 Eliminate Revenue Sharing (\$30,000)
 - Fuel/electricity/goods/insurance (\$30,000)
 - State mandated increases (PERS) (\$8,000)
 - State fees, service transfers, etc. (\$2,000)
- **Far worse in 05-06**



Loss of City Governments

Per DCCED as of 3/05

- 13 cities no longer functioning
- 18 cities in deep debt
- 39 cities have terminated key local services this year (e.g. police, road/utility/facility maintenance)



Should Anyone Help?

AK is one economic community

- Alaskans care about Alaskans – failing public safety, utilities, road maintenance, grantwriting, etc.
- Future in rural AK – tourism, resources, etc.
- Urban centers are economic “downtown” for rural AK. E.g. Rural AK supports 1 in 5 jobs in Anch/Mat-Su. (Distance draws us closer economically)



What about larger cities and boroughs?

- Among higher per capita local taxes (sales + property) in U.S.
- “No place to go” for many communities due to PERS, oil, rising local % of school operations, etc.
- Local/State tax revolts looming
- Impact on business competitiveness?



PERS/TRS Increases FY 06

Angoon	+\$	16,000
Craig	+\$	91,000
Kenai (city)	+\$	270,000
Fairbanks – Schools/munis	+\$	2,400,000
Anchorage – Schools/muni	+\$	10,000,000

**\$3 billion School/Community debt = \$5,000
per man, woman, child.**



Revenue Sharing History

(Straight \$, Not adjusted for inflation)

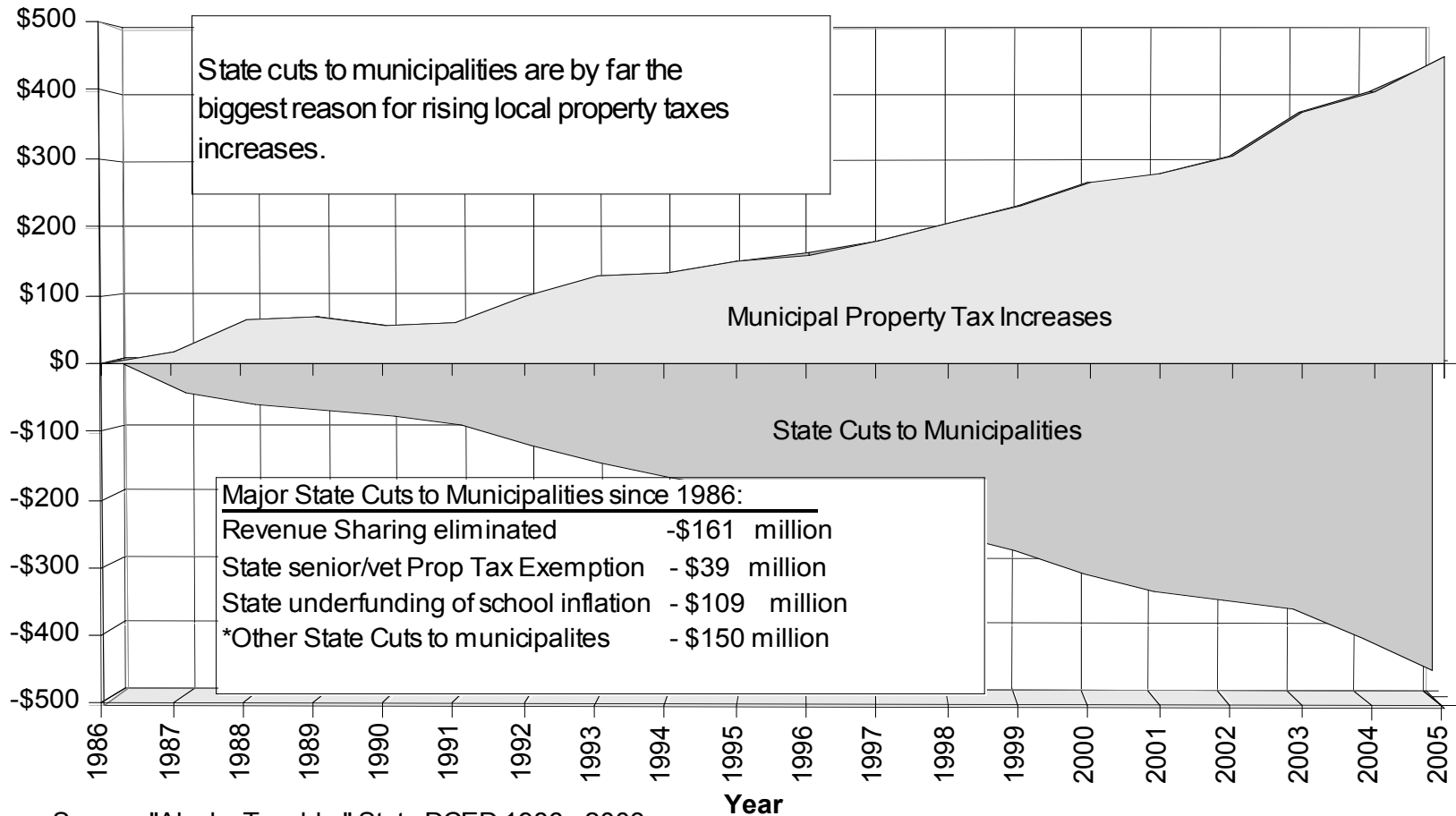
- 1985 \$141,656,800
- 1990 \$ 91,094,000
- 1995 \$ 62,613,500
- 2003 \$ 29,630,700
- 2004 \$ 17,900,000 (1time Fed Funds)
- 2005 \$ 0 (+ emergency oil purchases)



Why Property Taxes Go Up

State Cuts to Municipalities vs Local Property Tax Increases 1986-2005

Millions



Source: "Alaska Taxable," State DCED 1986 - 2003

* "Other State cuts" include: cuts to assistance for libraries, fire services, road maintenance, school bond debt, public



Current Oil Revenue Boom - Burdens all Alaskans

Every \$1 increase per barrel=

- State Revenue = **\$60 million per \$1** (OMB)
- Cost to cities, boroughs, schools, families, businesses = **\$20 million per \$1** (US Census)

So, \$30 per barrel/yr. increase =

State Gov't + \$1.8 billion

Alaskans (- \$600 million) (highest per capita increases to remote areas)



SOLUTIONS

- **Community Dividend**

- Local tax relief for families & business
- Save small communities

- **Jobs through Regional Economic Development**

- Plan/act regionally - nurture local entrepreneurs

- **Develop business/community platform**



Thank You!

- Work with your community
- Thank legislators/Gov. – How aid helps.
- Please encourage people to talk to their legislators/Governor