



City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

To: Mayor Paxton and Assembly Members
Keith Brady, Municipal Administrator

From: Jay Sweeney, Chief Finance and Administrative Officer

Date: February 21, 2019

Subject: White Paper on Effects of Governor Dunleavy's FY2020 Budget on Sitka

Summary

Governor Dunleavy's Amended FY2020 State of Alaska Budget, released on February 13, 2019, proposes cutting State of Alaska expenditures by almost one third, while also preserving the Permanent Fund Dividend ("PFD") and not imposing any new broad-based taxes.

In addition to cutting State expenditures, Governor Dunleavy has requested that legislation be introduced to permanently change or eliminate a wide variety of State programs which impact and benefit Municipalities. Governor Dunleavy has also proposed several constitutional amendments pertaining to the Permanent Fund and broad-based taxes.

The effect of the Governor's Budget will have profound implications on Municipalities and the City and Borough of Sitka. The Budget represents a profound and unparalleled cost shifting from the State to municipalities and will severely impact the ability of the CBS to deliver services to its citizens.

The Governor has stated that a key goal of his budget is to force a conversation among Alaskans as to what level of services – State and municipal – that they are willing to pay for.

This white paper describes the direct, indirect, and tangential impacts of the Governor's proposed budget on the City and Borough of Sitka. A key attachment is a Summary prepared by the Alaska Municipal league, entitled "Severing a 60-Year Partnership", which provides detail as to the broad range of proposed expenditure cuts in the Budget.

1. Direct Impacts on CBS – Loss of Direct Financial Support of \$5.9 Million/Yr.

- Elimination of School Bond Debt Reimbursement - \$2 Million/Yr.
- Elimination of Raw Fish Tax Revenue Sharing - \$1 Million/Yr.
- Reduction of K-12 Base Student Allocation - \$2.9 Million/Yr.

Loss of State Assistance in Harbor Funding – Elimination of Municipal Harbor Matching Grant Program – Variable from Year to Year

2. Indirect Impact on CBS – Loss of State Jobs/Reduction of State Spending In Sitka – Estimated at \$1.3 Million Year

State Jobs and Functions in Sitka, Along with Proposed State-Wide Cut

Alaska Marine Highway System – 66.8%

- Sitka Ferry Terminal employees

Alaska Pioneer Homes – 2%

- Sitka Pioneer Home

Mount Edgecumbe High School - 5.1% operations/31.5% maintenance

- Sale or transfer of Aquatic Center proposed

State Trooper Academy

Fish and Wildlife – 6.6%

- Biologists
- Fish and Wildlife Enforcement

University of Alaska Southeast

- Sitka Campus
- On-line Education

Department of Transportation

- Halibut Point Road and Sawmill Creek Road plowing and maintenance
- Sitka Airport

Alaska Court System

3. Tangential Detrimental Effects on Sitka

Proposed Sale/Privatization/Transfer/Elimination of Alaska Marine Highway System

- Effect on SEARHC
- Effect on visitor industry
- Effect on local commerce – sales tax revenue
- Effect on student activities

Loss of related jobs & tax revenue from reduction of State spending and State jobs in Sitka

Impacts to public health and SEARHC through cuts to Medicaid reimbursement

Impacts on most vulnerable in Sitka through cuts to Public Assistance