



Nils Andreassen
Executive Director

“Strengthening Alaska’s
Local Governments”

Value vs. Cost

The Alaska Marine
Highway System



Municipal Perspective

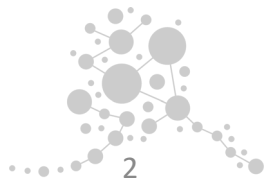
Since 1959 (voter-approved bond package)

- Of 34 port communities, 23 local governments incorporated in current form post-AMHS
- Responsibilities of cities and boroughs range from police to hospitals, water and wastewater to schools
- Ferry-dependent for business, safety, schools, and health

33 cities
and
boroughs

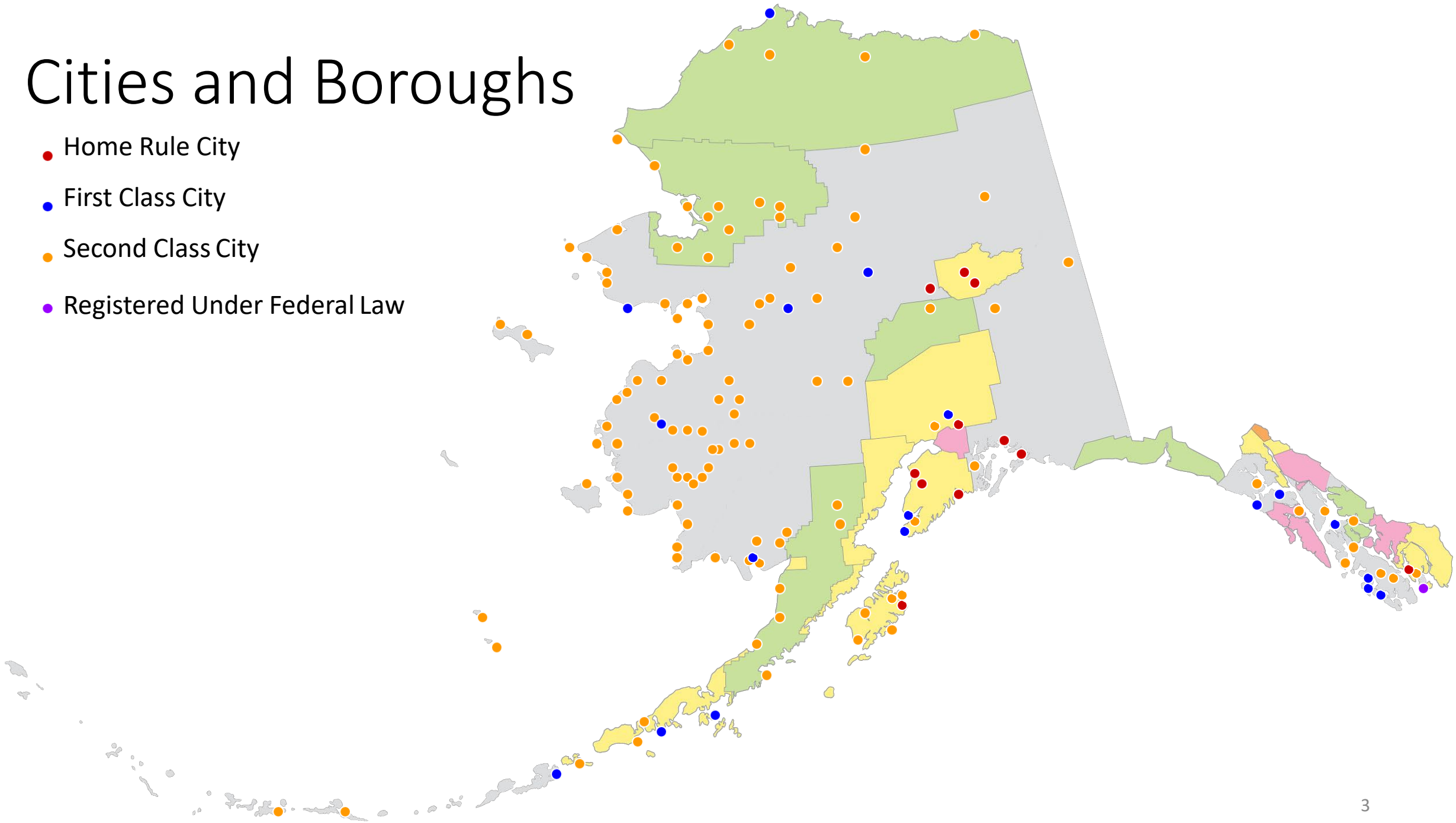
119,170
Alaskans

\$584
million

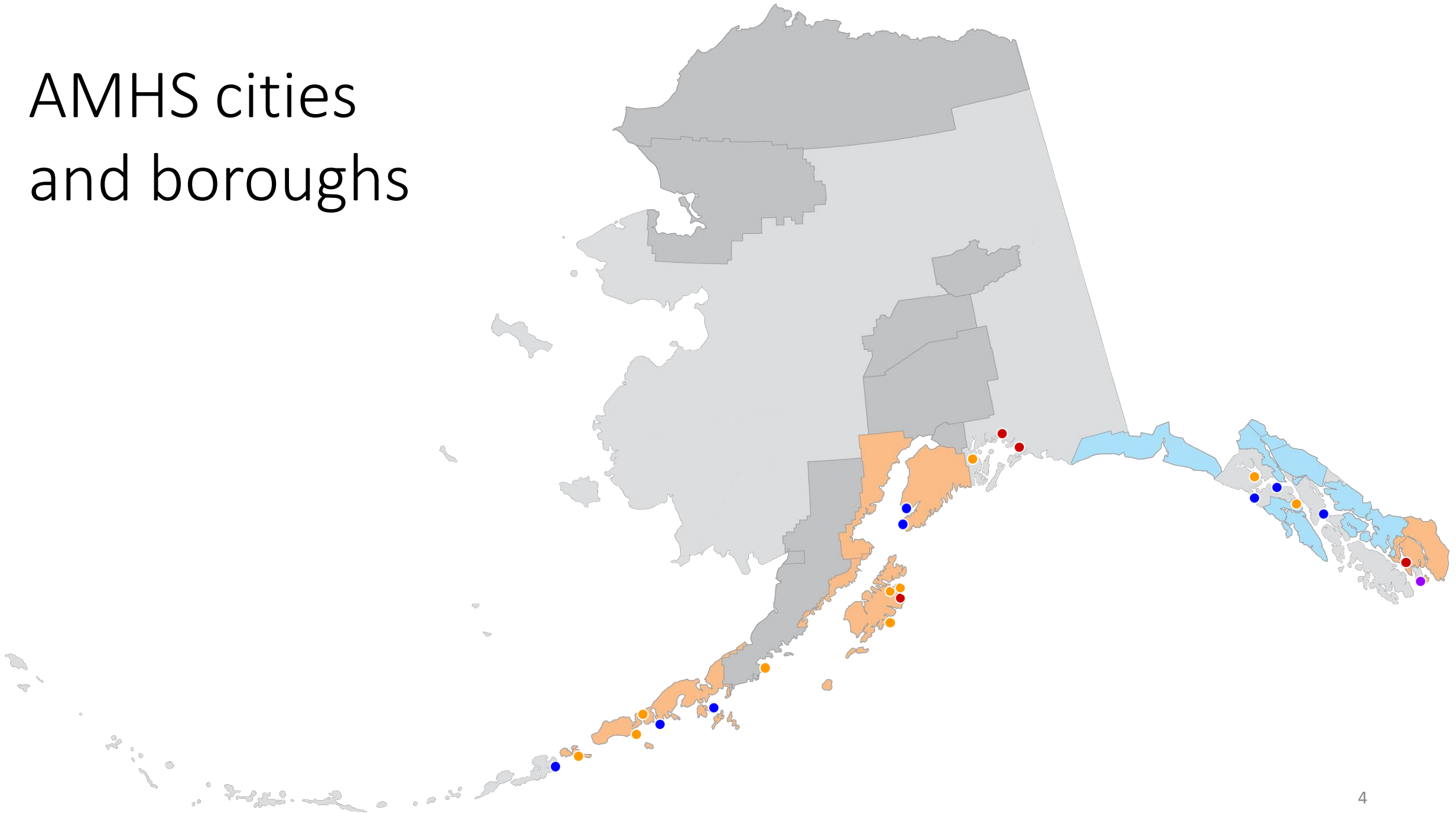


Cities and Boroughs

- Home Rule City
- First Class City
- Second Class City
- Registered Under Federal Law



AMHS cities and boroughs



Budgets

Combined budgets of \$584 million

AMHS as part of tax base = \$33 million

Carry \$720 million in GO, Revenue and School Bond Debt

Contribute \$73 million to schools

15 are PCE communities

Receive \$24 million in fisheries taxes

“

COST

Cuts will ultimately come back to the State as costs, if the ability of local governments to provide services is impacted by a reduction in tax base.



Responsibilities

AMHS Port Cities and Boroughs

Education – only 3 as part of an REAA

- The greatest proportion of regional municipal school districts in the State

Public Safety – 20 have police powers

Hospitals – 8 manage their own hospitals

PERS – 25 municipalities participating in PERS

2,275
employees

“

COST

Cuts, including vetoes, have created an emergency for communities that has no clear resolution. This leaves local leaders challenged to carry out their responsibilities.

But what about...

106 cities served only by air

- 62,795 residents
- 1064 employees
- \$54 million in taxes
- \$137 million budgets
- Tax as % of budget = 39%
- \$6.5 million to education
- 43 have police powers (40%)
- 34 are PERS employers (32%)
- 94 receive a total of \$16.3 million in PCE
- \$25 million in Bond debt
- \$4.2 million in fisheries taxes



But what about...

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33 AMHS port communities

- 119,170 residents
- 2,275 employees
- \$332 million in taxes
- \$584 million budgets
- Tax as % of budget = 56%
- \$73 million to education
- 20 have police powers (60%)
- 25 are PERS employers (75%)
- 15 receive \$3.7 million in PCE
- \$720 million in Bond debt
- \$24 million in fisheries taxes



The Value of the AMHS

Industry

Health and Safety

Residents

Coast Guard

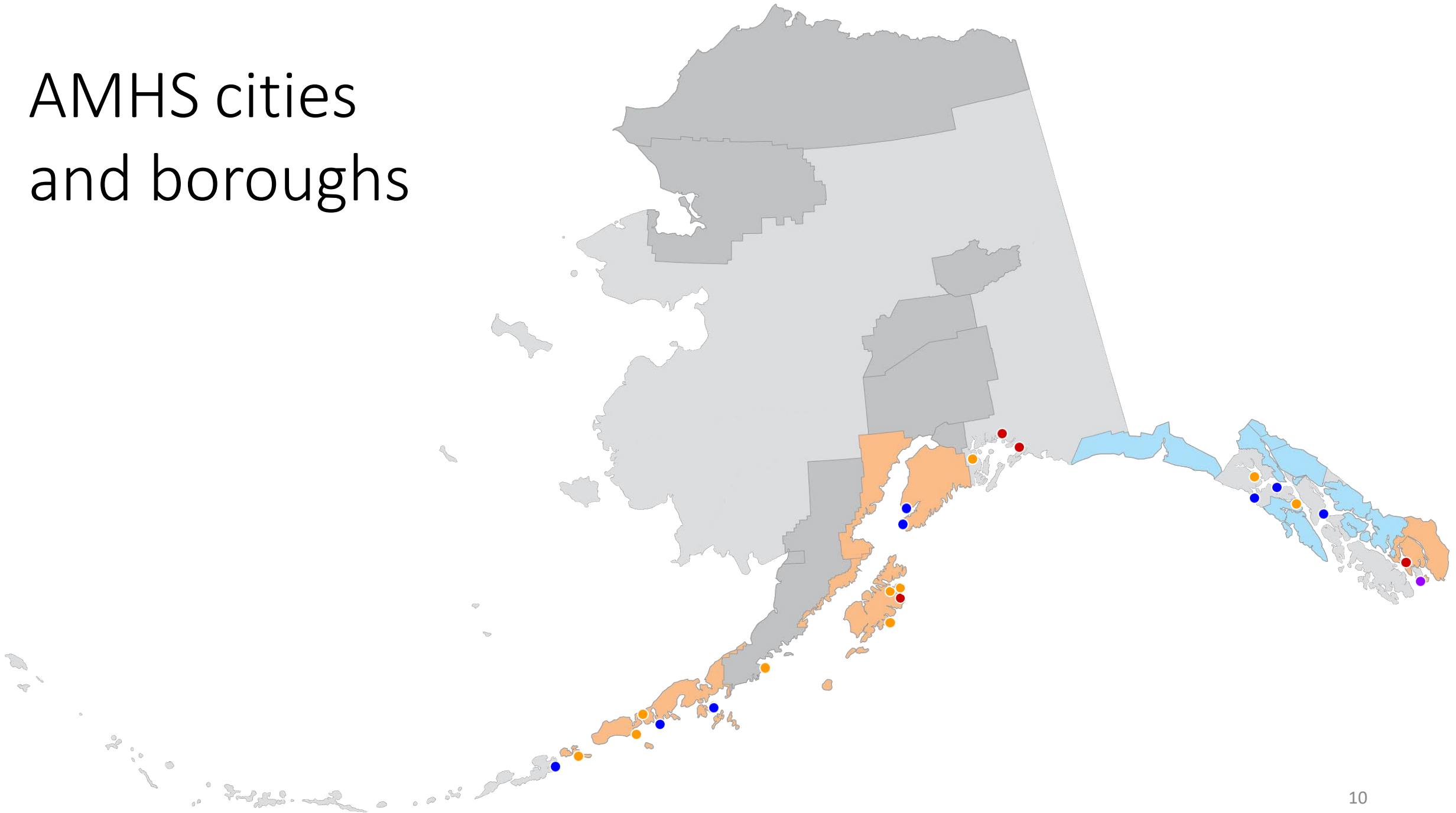
**State and Federal
Construction**

Education

Tax Base



AMHS cities and boroughs



Indirect Benefit

658,959
Alaskans

Chart 14. Top 10 Alaska Communities Visited by Non-Resident AMHS Passengers, 2011

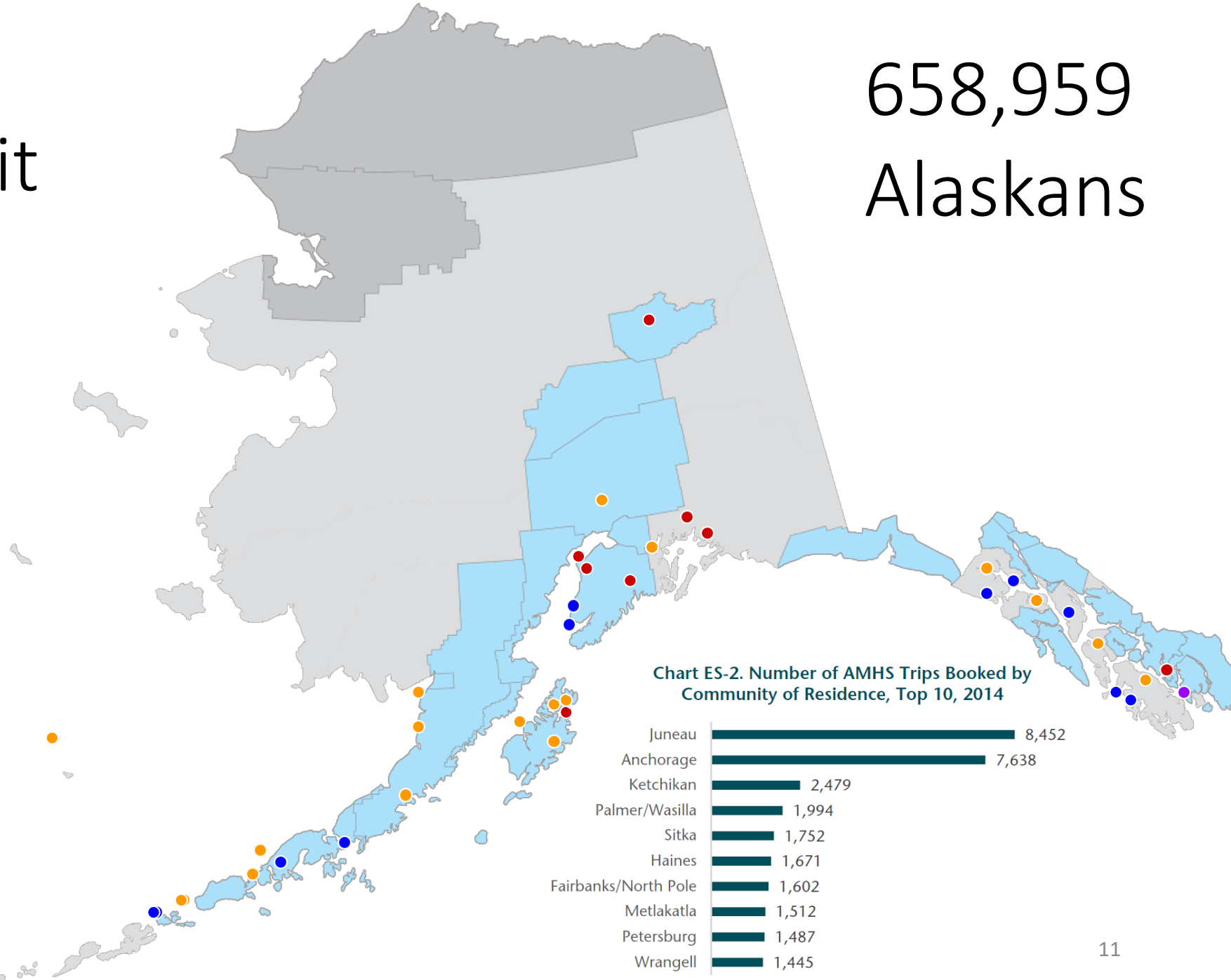
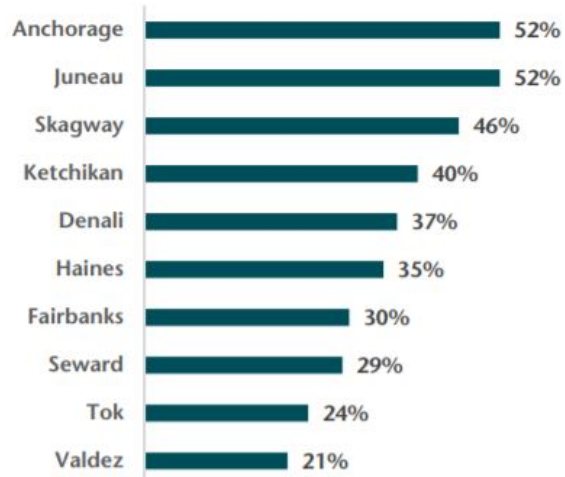
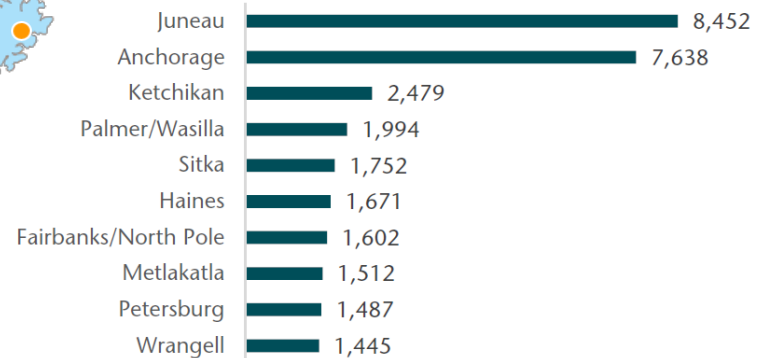


Chart ES-2. Number of AMHS Trips Booked by Community of Residence, Top 10, 2014



Statewide Impact

1,700 Alaskan jobs

- In 44 Alaska communities

\$104 million in Alaskan wages

\$273 million in economic impact

\$84 million spent with 500 Alaska companies

2/3 of 319,000 passengers are Alaskans

- Anchorage, Mat Su and Fairbanks in Top 10

AMHS spending per passenger vs other tourist

- \$1,700 to \$941

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COST

Reductions resulted in a threat to the sustainability of coastal communities, reducing the public benefit and the return on investment by the State.



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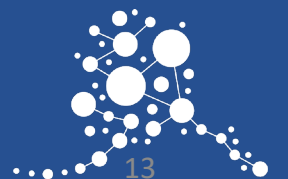
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Value vs. Cost

What is the role of the State?

- Insufficient – “the intent of reducing the State’s financial obligation and/or liability”
- Beyond transportation – cuts threaten community and economic development
- Reductions limit the ability to provide adequate and reasonable service
- Local return = State return

Considerations

- Assess value to State instead of cost, based on avoided costs
- Return is the combined potential decrease in local ability to offset State costs
- Include municipal officials in decision-making process
- Build from the ground up – scenarios of service that are consistent with local needs
- Consider needs of and business models for micro-systems within the System
- Explore models that include local and regional port authorities, and/or an independent State corporation
- Consider bonds for future capital improvements, and better represent AMHS and port needs in STIP
- The State should always have a financial obligation, but should it have an administrative role?

- A better system may mean one that meets the needs of the communities it serves and enables the delivery of State obligations to public safety, health, education, and commerce



Why?



Questions

Contact Nils Andreassen at nils@akml.org or 907-790-5305

AML is a member-service organization comprised of 165 local governments in Alaska. It is unique in the nation serving both cities and boroughs. Our mission is to strengthen local governments.

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