



## City of Homer

[www.cityofhomer-ak.gov](http://www.cityofhomer-ak.gov)

## Homer City Council

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Honorable Governor Dunleavy  
Alaska State Legislature, State Capitol  
120 4<sup>th</sup> St.  
Juneau, Alaska 99801

*RE: City of Homer Comments on the Alaska We Want*

Honorable Governor Dunleavy,

Thank you for the opportunity to participate in the conversation about the Alaska we want. At the City of Homer, we want an Alaska that has quality education, a robust transportation network, regulations and enforcement that protect the health and safety of Alaskans and the environments we depend on, and diverse local economies. Furthermore, we understand that all Alaskan citizens need to be part of a revenue solution to get there. This letter provides the Homer City Council's responses to the questions you posed in your January 3<sup>rd</sup> opinion piece in the *Anchorage Daily News*, "Time for a conversation about the Alaska we want."

*How do we want to pay for government going forward if oil revenue is not enough to pay for the government we have?*

The Homer City Council reiterates its previous position that we want to be both proactive about revenue solutions and supportive of a sincere and honest look at new revenue for the State of Alaska. This includes:

- Examining the oil tax credit structure to ensure oil and gas exploration is not being subsidized by citizens
- Exploring an income tax
- Using our largest asset, the Permanent Fund, to fund essential government services and ensure the long term sustainability of the corpus by capping the Permanent Fund Dividend.

The City of Homer is supportive of a broad-based tax in which all Alaskans and non-residents who benefit from the resource wealth of our great state pay their fair share of the services provided by State government but we hesitate when it comes to a statewide sales tax initiative. Municipalities such as Homer depend on sales tax to provide essential services such as police protection; water, sewer, and road infrastructure; and emergency

services. Homer shoppers pay 7.85% in sales tax (which includes Kenai Peninsula Borough and City of Homer sales taxes). A statewide sales tax hurts our residents who can least afford it and has the potential to be devastating to municipalities like Homer whose residents are already paying for government services through their purchases. Please consider the regressive nature of sales tax, the need to capture income from non-residents, and the impact to municipalities when debating sales tax proposals.

We understand that it will take a combination of revenue solutions to close the fiscal gap but believe that Alaskans are committed to working together for a fiscally healthy and stable future for Alaska.

*What programs and services do we wish to preserve?*

All State programs provide important services to different sectors of the economy and constituent groups. State government has been cut to the bone and municipalities are seeing the effects of the cuts in reduced services, reduced State support, and increased costs. A few specific examples of the ways that State budget cuts have resulted in increased costs and disruptions to the City of Homer include: increased costs to train police officers; reductions in the State's contract with the City of Homer for Homer's community jail; and significant delays in the rehabilitation of Pioneer Ave. and Lake St., which are main roadways owned by the State in downtown Homer.

Homer's economy depends on healthy air and waters overseen by the Alaska Department of Environmental Conservation and the sustainable management of commercial and sport fisheries managed by the Alaska Department of Fish and Game. Our tourism economy also depends on adequate management of State parks, refuges, and critical habitat areas in the lower Cook Inlet and Kachemak Bay region.

While the City of Homer does not provide education services directly, we value and rely on our Kenai Peninsula Borough School District and University of Alaska Anchorage education systems. Families seeking to relocate to a new community assess the quality of the school district. Homer is proud of our public schools and we want them to maintain their high quality with State funding support. The Kachemak Bay Campus of Kenai Peninsula College allows local students of all ages to seek post-secondary degrees or pursue classes for life-long learning. Our local campus depends on services provided by the University of Alaska to remain successful and affordable.

As a community at the end of the road system, Homer is the launching point for the Alaska Marine Highway System, which has destinations across Kachemak Bay, the Kodiak Island archipelago, and southwest Alaska. Ferry workers live in Homer and passengers rely on

services provided by Homer businesses.

*What should the PFD look like going forward?*

The Homer City Council believes that using some portion of the Permanent Fund Earnings Reserve to help pay for government should be considered as part of a long term revenue solution. While this means a cap, or limit, on the Permanent Fund Dividend check, it also is a way all Alaskans can share in the responsibility of providing essential government services.

*Are we committed to developing our resources to provide jobs, wealth, and revenue for Alaskans or not?*

Responsible resource development is an essential component of the Alaskan economy. For example, Homer residents rely heavily on sustainable and well managed fisheries and the health of the ecosystems that support them. The City of Homer is working to do our share to develop the State's economy by partnering with State and Federal governments to build a Large Vessel Harbor that would home-port oil spill support, tugs, tourism and fishing vessels, among others.

*What sacrifices are we as Alaskans willing to make in order to leave a better Alaska for our children and grandchildren?*

Municipalities have already made sacrifices. The lack of State capital budgets in recent years have delayed important local capital projects, such as the new Homer Police Station. Cuts to municipal services such as community jails and the Community Assistance Program have affected our ability to provide local services. Municipalities are experiencing 'death by a thousand cuts' as fees from everything from grant management to permits and leases increase exponentially while State services and revenue contributions drop off.

On average, Homer's tax revenue comprises 72% of our total General Fund budget, and any additional cuts that weaken Alaska's economy will further weaken the City's ability to sustainably serve our community. The City of Homer is very concerned about the impact cuts to the University, Alaska Marine Highway System, education system, and Medicaid will have on our local economy.

- The Kachemak Bay Campus of the Kenai Peninsula College is part of the fabric of Homer. It educates students in a formal learning environment and the community through diverse programming. It provides critical job training for everyone from fisherman to nurses and employs 56 full and part-time professionals.
- The City of Homer is the home- port to the M/V Tustumena. In addition to

employing local residents, the Alaska Marine Highway System brings visitors and residents throughout town as a gateway to Seldovia, Kodiak, and Western Alaska.

- South Peninsula Hospital is the largest employer in Homer with over 400 professional jobs. The Hospital provides critical care to our residents; the Kenai Peninsula Borough has the fastest growing senior population in the State.
- Cuts to the Kenai Peninsula Borough and education will have a direct impact on the City of Homer and our residents. Without good schools, people will leave Homer which will further effect our local economy and erode our tax base.

We believe the municipalities of Alaska and the taxpayers who support them have sacrificed enough. It is time for broad-based revenue solutions that allow all Alaskans to participate in funding our State government.

Thank you for the opportunity to comment on the Alaska we want.

Sincerely,  
Homer City Council

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CC: Alaska State Legislature  
Alaska Municipal League