



City of Homer

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Homer City Council

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July 22, 2019

Honorable Governor Dunleavy
Senator Stevens
Representative Vance
Alaska State Legislature, State Capitol
120 4th St.
Juneau, Alaska 99801

RE: Effects of Line Item Vetoes on the Homer Community

Honorable Governor Dunleavy, Senator Stevens, Representative Vance, and Members of the Alaska State Legislature,

We appreciate the Governor and State Legislature's commitment to sustainable spending but want to draw attention to the unsustainable impact the Governor's line item vetoes will have on residents of Homer, encourage the Legislature and Governor to restore vetoed funding to the FY20 budget, and reiterate our support for considering revenue solutions.

IMPACT OF LINE ITEM VETOES ON THE HOMER COMMUNITY

The City of Homer is responsible for municipal governance in our community of 5,313 residents and is the economic hub of the surrounding southern Kenai Peninsula. Property and sales tax revenue comprises 72% of our total General Fund budget, and any line item vetoes that impact the Alaska's economy weakens the City's ability to sustainably serve our community. Local job losses related to the vetoes that force Homer residents to move away will impact property and sales tax revenues. The Homer Chamber of Commerce has documented that 60-65% of Homer's tourism is from fellow Alaskans, and economic impacts around that state that reduce in-state travel and tourism will impact Homer's sales tax revenues. Homer is home to many locally-owned small businesses, and local job losses and reduced tourism will negatively impact these drivers of our local economy.

Some of the line item vetoes that could negatively impact the economy of the Homer community include cuts to the university and school bond debt reimbursement.

- The more than \$130 million veto funding to the University of Alaska impacts Homer in multiple ways:
 - The University of Alaska Anchorage (UAA) Kachemak Bay Campus (KBC) of the Kenai Peninsula College is part of the fabric of Homer and its continued operation is threatened by the deep cuts to university funding. KBC educates students across the southern Kenai Peninsula through diverse programming. KBC allows students to earn degrees while working and staying close to home, receive General Education Development degrees, learn English as a second language, and learn relevant local skills related to fishing and boat building, among other things. It attracts people from across the state and the country to attend programs such as Semester by the Bay (marine biology) and the Kachemak Bay Writers' Conference. The campus employs 56 full and part-time professionals.

- The Kachemak Bay National Estuarine Research Reserve (KBNERR) is a partnership between the National Oceanic and Atmospheric Administration (NOAA) and the UAA Alaska Center for Conservation Science. KBNERR cannot exist without a state partner, and the depth of cuts to the university system threatens UAA's ability to maintain the partnership. Along with its ten professional employees, KBNERR brings significant federal and other matching dollars to Homer for valuable research, education, and coastal training related to Kachemak Bay and the surrounding watersheds. Among the important services provided by KBNERR are the Harmful Species Program that monitors for invasive marine species and harmful algal blooms that affect human health; research on sea level rise that has aided Homer in climate related decisions, bluff erosion which is used by Homer city staff to understand threats to our community, and salmon use of headwater streams and estuaries resulting in improved sustainability of this important economic and subsistence resource; environmental education that teaches residents and visitors of all ages about the valuable resources of Kachemak Bay; and a series of trainings on climate resilience and sustainability that Homer's planning commission is putting into action.
- The Kasitsna Bay Laboratory on the south side of Kachemak Bay is a 50-50 partnership between NOAA and the University of Alaska Fairbanks College of Fisheries and Ocean Sciences. Researchers come from across the country to study at the lab and recent studies have mapped the bathymetry of the bay; examined benthic habitats; and evaluated changes in the intertidal environment, the prevalence of paralytic shellfish poisoning in Kachemak Bay shellfish, and the effects of the recent Pacific marine heatwave. The loss of the university partner at the lab could significantly hamper the ability to maintain this important facility.
- The veto of almost \$49 million in school bond debt reimbursement statewide will require the Kenai Peninsula Borough School District to evaluate school consolidation and closures and reduce the number of teachers and support staff in order to redirect local funds to debt reimbursement. If schools are closed and consolidated, students will spend more time traveling to and from school (e.g., Anchor Point students traveling to Homer) and more students will be crammed into classrooms, reducing the effectiveness of teachers' ability to meet the varying needs of students. Good schools attract young families, contributing to a vibrant community; loss of teachers and schools will have the opposite effect.

Vetoes to health and social programs previously funded by the state (e.g., Medicaid, early childhood education, mental health grants, homeless assistance grants, and the senior benefits program) will negatively impact the Homer area economically, socially, and in ways not yet measurable.

- The veto of state Medicaid funding directly impacts numerous Homer organizations. Individuals who lose Medicaid benefits tend to ignore health concerns and avoid doctor visits to save money, often resulting in higher cost medical procedures that could have been avoided through prevention or early detection. Just two of the Homer organizations impacted by the Medicaid veto include Seldovia Village Tribe (SVT) and South Peninsula Hospital (SPH).
 - Some 300 adults who receive dental care through SVT Health Center each year will lose access to those services due to loss of the state's Medicaid adult dental benefit.
 - SPH will lose hundreds of thousands of dollars in revenue from the veto of Medicaid funding and previous reductions in funding by the legislature. SPH's Long Term Care Unit may need to reduce staff. The cuts will divert patients to the emergency room where care is more expensive and the hospital must cover the costs without reimbursement.

- The veto of early childhood education directly impacts Homer’s Head Start and other important early development programs for young children. Homer’s Head Start serves twenty children aged 3 to 5. Elimination of the Best Beginnings program could cut enrollment in half for the local Homer Imagination Library program.
- The veto of state mental health grants means that state-required services not covered by insurance (such as emergencies at the hospital or police station) are unfunded. The loss of state grants cuts up to \$250,000 to the South Peninsula Behavioral Health Services (SPBHS) budget. SPBHS just celebrated its 40th anniversary of operations in Homer.
- South Peninsula Haven House (SPHH) partners with Homer’s police department on issues related to domestic violence. The veto of the state’s homeless assistance grant program means SPHH will need to cut \$60,000 and its local homeless assistance program. Without assistance to avoid or recover from homelessness, the police department’s workload will likely increase.
- The veto of the state’s needs-based senior benefits program impacts one of our state’s most vulnerable populations. Monthly grants of \$76 to \$250 were used by seniors for food rent, and medicine. Approximately 1,200 seniors residing on the Kenai Peninsula received these benefits.

Homer will also be impacted by vetoes of the Alaska State Council on the Arts, Online with Libraries, and other line items.

The City of Homer was hit hard in 2015 when the State reduced the contract with communities for shared prisoner space by 45% and we removed Community Assistance from our operating budget due to the uncertain future of the fund. Also during this time, the City Council cut the budget, which included staff reductions, and, with voter approval, restructured sales tax to cover municipal operations. Recognizing the need to pay our own way, voters approved a 0.35% sales tax increase in 2018 to fund a long overdue police station. The City of Homer and its residents have stepped up to the plate. There is no room in our budget or tax base for further cost shifting by the State.

REVENUE SOLUTIONS

The Homer City Council encourages the legislature and the governor to sincerely seek new revenues 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 by capping the Permanent Fund Dividend

The Homer City Council asks State Legislators to restore state funding that was vetoed and asks Governor Dunleavy to maintain the restored funding.

Sincerely,

Homer City Council

Mayor Ken Castner

Donna Aderhold

Heath Smith

Tom Stroozas

Shelly Erickson

Caroline Venuti

Rachel Lord