

Budget crunch burdens villages

CUTS: Slashed state aid leaves small towns facing financial straits.

By JOEL GAY

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Anchorage isn't the only community struggling to fill the hole in its budget after Gov. Frank Murkowski and the Alaska Legislature axed state aid to cities and boroughs earlier this year.

They're dousing the streetlights in Huslia and laying off cops in Hooper Bay. Taxes may triple in White Mountain, while Coffman Cove can't pay its insurance bill. And more than one village could merge its municipal operations with the local Native tribe.

These are tough times for the state's smallest communities, said Larsen King, mayor of Me Koryuk, a community of 200 on Nunivak Island. In villages where jobs are scarce and expenses are high, the state grants of \$25,000 to \$50,000 kept the city office open and the bills paid, he said.

The already rocky financial footing of rural Alaska villages has dramatically worsened, said King and other community leaders. "How does anyone expect the little places to survive?" he asked.

The state has been providing grants to cities and boroughs since statehood, according to Bill Rolfzen of the state Division of Community Advocacy. The grant programs evolved and expanded as Alaska developed, and by 1985 the two main programs, Municipal Revenue Sharing and Safe Communities, paid out more than \$160 million.

Although Safe Communities grants were restricted to police, fire, emergency services or sanitation, Revenue Sharing could be spent on almost anything. That was the beauty of the program, Rolfzen said. The money might buy a winter's worth of diesel in one village and a year's worth of workers' compensation in another, he said.

Nearly 20 years of budget cuts eroded the two programs to \$25 million last year. But even that was more than Murkowski wanted, and he vetoed funding for both and for a third program that funded capital projects. "It is clear to me," Murkowski wrote to the communities, "that Alaska's fiscal situation requires us all to make the tough choices. ... We must take responsibility for prioritizing what our governments can do based on what we can afford."

Murkowski gave the municipalities a one-year reprieve, splitting \$15 million in federal funds among them. But for the fiscal year that begins next July, they're on their own. Throughout Alaska this winter, city administrators and councils are coming to grips with the looming shortfall.

Some officials are optimistic. "We'll just have to start tightening our belts and watch where our money goes," said Linda Getz, city clerk in Ouzinkie, a coastal village of 200 near Kodiak. It will mean making do with old equipment, scrimping on paper clips and saving this year's grant, she said. The city hasn't even talked about raising taxes. But Ouzinkie will survive, she said. "I think we can do it."

Other administrators fear the effect on their cities but are resigned to it. "When you don't have the money, you don't have the money," said Pete Platten, city manager in Tanana. The cuts to rural communities were shortsighted, Platten said, because rural Alaska spends its money in the cities. "Once they kill the Bush, they have no customers out here," he said. If villages shut down, "all that money is not going to Fairbanks anymore."

Rural communities are less able to cope than their urban cousins, said Raphael Murrin, city manager in Hooper Bay. The village of 1,100 on the Bering Sea coast has cut several city positions, including one police officer, and city employees have taken pay cuts.

But raising revenues will be difficult in Hooper Bay, Murran said. The city has a 4 percent sales tax, but increasing it won't yield much more. "We don't have that much economy."

And the city can't charge property tax because there is no private property, Murran explained. As in most rural villages, the land is owned by the village Native corporation or the federal government, which provides a small payment in lieu of taxes, or PILT.

During better times, the Yukon River village of Ruby built up a city savings account, said Mayor Donald Honea Sr., "but we've almost completely wiped the thing out now."

Ruby has reduced employee hours and city services, and now there's little left to cut, Honea said. It can no longer afford a public safety officer and may have to turn off the streetlights. Volunteers staff city hall, and the teen center remains closed unless an adult offers to open it for a night or two.

"We can't hire people to do a lot of the work we had before, like plowing snow," he said. "This year if we get a heavy snow, we have the guy do it when he can." Because the roads aren't getting plowed, Honea is nervous about house fires. "You'd have a hard time getting to the houses," he said. The city has no sales tax, and just 200 residents to pay it if the council decides a tax would help.

"Like all the small villages, there's no employment and there's no revenue coming in, so it's pretty hard," Honea said. Commercial salmon fishing has been poor for years, and firefighting wages have declined. "The only thing is the (Permanent Fund) dividend, and a lot of people use it to catch up with their light bills." But Ruby isn't throwing in the towel, Honea said. "We'll continue to exist. We've existed before when times were tough. We're just going to have to cut what we had before," he said, perhaps returning to the kind of village it was before streetlights and running water.

They're also at a crossroads in small villages like Ouzinkie, White Mountain, Koyuk and Kiana, municipal officials there said. Losing the state grants will force crucial decisions that affect their communities' survival, they said.

"Insurance -- that's the scary thing. It's pretty well mandated," said city administrator Judy Willis of Coffman Cove, a former logging camp in Southeast. "Do you run the risk of not having insurance?"

Small communities are in a tough spot, acknowledged Mike Black, community development chief for the Department of Community and Economic Development. State and federal agencies that have poured millions of dollars into water plants or health clinics want those facilities insured, he said.

"But when you're the mayor or council, you're going to have to make decisions based on what you think your residents will support," Black said. "Insurance is one of those costs that doesn't immediately provide the local residents a demonstrated product. It's not like buying another policeman."

Many small communities operate their own water, sewer or electric utilities, and customers pay for the plant operations. But state municipal grants often paid for the clerks who did the billing.

"That's what pays my salary," said Dorothy Barr, city administrator in White Mountain, a village near Nome. She also writes grants, which have provided services to White Mountain residents, such as a part-time librarian.

Her village voted down an increase to the 1 percent sales tax, and utility rates are as high as they can go, Barr said. She and other city employees have cut their hours.

"Right now we're looking at taxing pull-tabs and bingo winnings," she said. "We have to try to find different revenues."

State officials empathize with the ailing villages, but have little to offer except advice, said Rolfzen, with the state. Cities that can't afford to operate have few choices, he said. They can formally dissolve their municipal government, as several villages did as a statement of Native sovereignty in the 1980s or simply close the doors and stop functioning.

With the loss of municipal grants, Rolfzen said, "We might see a little of both, or a lot of both."

But some communities, including Mekoryuk, are considering a third option -- retaining the city government, but turning over the administration to the local tribe.

It may offer the best of both worlds, said Hultman Kiokun, administrator of the Native Village of Mekoryuk. The city can levy a sales tax -- it's 2 percent now -- and apply for grants available only to incorporated cities, while the tribe can tap federal resources.

"Having two governments in one small village, there's a lot of funds being wasted. We can eliminate those, and use that money for where it's needed most in the village," Kiokun said. "We need to make the best use of what little is coming to our village."

Mekoryuk's city and tribe are still negotiating, Kiokun said. The tribe doesn't want city liabilities to drag it down, he said, and may consider dropping money-losing services like cable television.

Nevertheless, the potential merger makes him more optimistic about Mekoryuk's future.

"It's got to change," Kiokun said. "The leaders have to understand that unless we make this change we're going to be stuck with the past, and possibly lose the services we have now."

Mekoryuk Mayor King agrees that a merger is likely, but isn't happy about it. He blames the village's poor financial condition on the "goody do-gooders" who brought water and sewer and other services to rural Alaska.

"These people bring these good things, but don't throw in operating and maintenance costs," King said. "There's no way the municipalities can survive if they cut revenue sharing off. If we raise funds like other little villages, with (bingo and pull-tab) gaming, we'll just exploit ourselves and make our community poorer and poorer."

Kiana and Koyukuk are also considering city/tribe mergers, and more villages could follow now that municipal funding is gone, said Anthony Caole, a former Quinhagak city and tribal administrator who is now an Anchorage consultant. The merger "is not an ideal arrangement," Caole said. It will create an unwieldy council of 10 to 14 members working in a gray area that is both city and tribe. "The ideal would be one form of government," he said. "It's just that nobody knows what that looks like."

And a merger is not for every community, he said. Some tribes may be reluctant to merge with their local municipality. Cities bring little to the bargaining table except sales tax powers, and many tribes are already overwhelmed with work, he said.

In addition, the future of tribal funding is uncertain. Sen. Ted Stevens has said it is increasingly difficult to secure funding for Alaska's 229 federally recognized tribes and has proposed they consider some form of consolidation.

In the meantime, the mergers may be the best option for foundering municipal governments, Caole said, though he doesn't see why it's necessary. "I just can't imagine the state not providing resources to keep their sister governments alive," he said.

State officials are sympathetic to the plight of Mekoryuk, Ouzinkie and other small municipalities. But like the state, they'll have to find their own ways of balancing local needs and revenues, said Edgar

Blatchford, commissioner of community and economic development. If that means dissolving their government because they can't afford it, "that's their decision," he said.

The Murkowski administration believes rural communities' fate lies with basic economics, Blatchford said. "If there's an economic base that local people can seize, there's hope for the future." But where the only income is state and federal grants, the future looks bleak, Blatchford said. "Sad to say," he said, "these are very challenging times for Alaska."

Daily News reporter Joel Gay can be reached at jgay@adn.com or at 257-4310.