

# Trust

Alaska Mental Health  
Trust Authority

Alaskan Seniors  
**Living Longer Growing Stronger**  
from the Alaska Commission on Aging



## Increase State Revenue to Maintain Community Support Services

The Alaska Mental Health Trust Authority and Partner Advisory Boards support using new state revenue resources in order to maintain programs and services that serve Alaskans.

Alaskans have relied on oil taxes to pay for state services for many years. Now that oil prices have gone down and oil companies are pumping fewer barrels, the state has taken a “pay cut” and can no longer keep up with its expenses. Policymakers have made deep cuts to state departments. Local governments are now paying a larger share to support local schools, police, fire and emergency services, water, power, and sewer — often through increased sales and property taxes.

### ***How Do State Funds Support Vulnerable Alaskans?***

State funding currently supports many programs and services that serve Trust beneficiaries (people with mental illness, intellectual-developmental disabilities, substance use disorders, Alzheimer’s disease and related dementia, traumatic brain injury, fetal alcohol spectrum disorders).

These include benefits for low-income seniors, Pioneer Homes, assisted living, nursing homes, and senior residential services; victim’s assistance program; housing programs and homeless shelters; community health programs and prevention; psychiatric hospitals and crisis intervention programs; grant programs for mental health and substance abuse treatment; respite for families and family caregivers; services for people with intellectual and developmental disabilities; residential and community-based care and more.<sup>1</sup>

### ***What Are The Effects of No New Revenue?***

According to the state’s Office of Management and Budget, in FY19 the impacts of no new income between now and 2018 will include the following changes to state government:<sup>2</sup>

- School budgets will be reduced by 32% and education employment will be reduced from 24,000 to 10,000 teachers and school workers and there will be no funds for rural school construction or maintenance. When school districts have to cut their budgets, support services for young Trust beneficiaries are often affected.
- Medicaid and other health formula funding that serves Alaska’s most vulnerable citizens would be reduced by 25%, and “all other health programs would be shut down, privatized, or significantly reduced—including senior benefits, child care benefits, homeless assistance, victim’s assistance, housing programs, pioneer homes, health clinics, public health labs, etc.” Medicaid expansion is bringing in federal funds and freeing up state

money for family caregivers, prisoner reentry support programs, Base Student Allocation (BSA) for school funding for children with special needs, and community revenue sharing (police, fire, emergency services, water and power, education).

- Road maintenance and ferry service would end for some communities and be significantly curtailed for others due to cuts in the Department of Transportation and Public Facilities.
- Community revenue sharing through the Department of Commerce and Economic Development would be eliminated. This program gives funding to communities for public services like police, road maintenance, fire and emergency, public transportation, public health, food pantries, water, sewer, and trash collection in urban communities, and in rural communities supports fuel and power, clean water, public health, and waste management. Local communities would have to find the funds to maintain these services, increasing the need to raise sales and/or property taxes.
- The Department of Corrections will close additional prisons after a 25% reduction in funding from its current level.
- The Department of Public Safety will reduce spending by 25%, leaving most areas without trooper presence.
- The University and AVTEC-Alaska's Institute of Technology would lose all state funding, and 50% of state and University facilities would need to be sold or shuttered. State Library and Museum facilities would operate only at the level sustainable through their own earned income and fundraising.
- State employment would drop by another 12,000 employees.

### ***How Can Alaskans Fill the Funding Gap?***

If Alaskans continue with our current revenue sources only — taxing industries, levying fees, licenses, etc. — the state will have to draw from its savings accounts, which, at the current rate of spending, will be depleted by 2018.

Alaskans have three savings accounts with just over \$61 billion in them: the Permanent Fund Earnings Reserve, Constitutional Budget Reserve (CBR), and Statutory Budget Reserve. Alaska's constitution allows spending some of these savings when oil prices are low.

According to the University of Alaska Anchorage, Institute of Social and Economic Research (ISER), in order not to see a drastic loss of state services, a combination of actions will need to happen that include: spending cuts, new revenue, and using the Permanent Fund earnings.<sup>3</sup> Some of the ideas that have been debated include:

#### **Spending Cuts**

- Cut the state budget and reduce state services

*Policymakers have been steadily cutting the state budget for the past five years. Additional cuts mean more state services will be decreased or eliminated.*

#### **New Revenues**

- Increase fees for state services
- Increase license fees
- Increase fuel taxes
- Increase industry taxes — natural resources, seafood, tourism, alcohol

- Create a state income tax
- Create a statewide sales tax

*Any new income option will take time to get up and running. Increasing taxes could affect future industry operations in Alaska, and some industries may not have the resources to pay additional taxes. Alaskans pay much lower broad-based state taxes than residents of any other state. Alaskans currently don't pay a state sales or income tax.*

#### **Use Permanent Fund Earnings**

- Spend the earnings from the Permanent Fund, and save the principal
- Cap the dividend and use the rest for government

*Currently the Permanent Fund distributes half its net income (based on a five-year average) as dividend checks to Alaskan residents. If dividends continue to be distributed to Alaskans annually under the current formula, the Permanent Fund will be depleted by 2022. Earnings from the Permanent Fund are legally allowed to be used for general government operations, when needed.*

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**ASK: Please support using new revenue resources so Alaska can maintain state programs and services that support Alaska's most vulnerable citizens.**

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<sup>1</sup> *State programs and services that serve Trust beneficiaries include Community Behavioral Health Grants, Senior Community-Based Grants, Aging and Disability Resource Centers, General Relief/Temporary Assisted Living, Community Developmental Disability (DD) Grants, Senior Residential Services, Nursing Homes, and Intermediate Care Facilities. State funds also provide the match for Medicaid programs that provide health care, as well as community based services through the Personal Care Assistant Program, Alaskans Living Independently Waiver, Children with Complex Medical Conditions Waiver, Intellectual and Developmental Disabilities Waiver, and Adults with Physical and Developmental Disabilities.*

<sup>2</sup> *"A View of Alaska's Budget Choices If...There Is No Action by the Legislature Or If Only The Permanent fund Restructure Is Passed But No Taxes," Alaska Office of Management and Budget, 2016.*

<sup>3</sup> *"An Introduction to Alaska Fiscal Facts and Choices," Gunnar Knapp, Director and Professor of Economics, Institute of Social and Economic Research (ISER), University of Alaska Anchorage, June 2015.*