

4. In Plaintiffs' view, the second special session of the Thirty-Fifth Legislature was unlawfully convened in Wasilla, the legislature has not yet had the constitutionally-mandated period to meet as a body to evaluate the Governor's vetoes. Five days are allotted by the Constitution.
5. However, the Governor, the Legislature, state agencies, state-funded entities and Alaska citizens mistakenly believe that veto period for the state operating budget (committee substitute for HB 39) permitted by Article II, Section 16 of the Constitution expired as of Friday, July 12, 2019.
6. In reliance upon that mistaken belief, the Defendant's Administration has begun implementing deep and devastating cuts in state services since the fiscal year for the State operating budget has already begun July 1, 2019.
7. According to economists with the Institute of Social and Economic Research (ISER), the budget vetoes of \$444 million by Alaska's governor could result in widespread job losses of 4,500 – 7,000 jobs statewide. ("Economic Impacts of the Vetoes on the Alaska Economy," Appendix A) Higher local property taxes could also result from the 182 line-item vetoes. (Id.)
8. Indeed, even before the final knell of midnight on Friday, July 12, agencies began radically curtailing services ("Brother Francis Shelter loses daytime services amid worries about cutbacks at

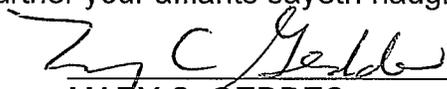
night”, KTVA news, July 11, 2019, Appendix B). Some agencies have since shuttered their doors (“State Council on the Arts closing its doors”, July 15, 2019, Appendix C). The University of Alaska governing board is considering whether to declare a “financial exigency” allowing UA officials to more quickly end academic programs and slash others and remove tenured faculty as they confront a 41 percent loss of state funding. (“University of Alaska governing board delays vote on whether to declare financial emergency,” July 16, 2019, Appendix D). UA action is imminent. Municipalities are confronting the need to increase property tax increases due to the projected loss of state funding for school debt reimbursement. (See, e.g. notice provided to home owners, like us, by the Municipality of Anchorage, Appendix E).

9. Consequently, a highly expedited consideration as to the lawfulness of the Governors’ June 13, 2019 Executive Proclamation is necessary given the number of jobs and services at stake. Given that public health (Medicaid funding) and public safety programs (the Village Public Safety Officer program) are among those many sources of state funding which would be cut as a consequence of allowing the vetoes to stand, it is not an exaggeration to say that lives hang in the balance here, pending the outcome of Plaintiffs’ motions as they seek to return the Governor, the Legislature and

the Alaska public to the status quo before the challenged proclamation was issued.

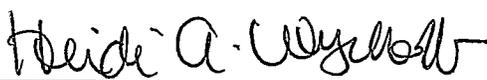
10. Responses to motions are typically ten days from service. The state's attorneys, attorneys for the Defendant, have been provided with courtesy electronic copies of all pleadings in this case. The Plaintiffs have asked to be similarly provided with electronic copies so as to expedite proceedings. Because this case involves a discrete noncomplex constitutional issue, with no disputed facts, it can be briefed, argued and decided with alacrity. The Plaintiffs have proposed to the State that their response be filed no later than Friday, July 19, 2019. The Plaintiffs' reply can be filed by noon on Monday, July 22, 2019, allowing this court to calendar the matter accordingly.
11. An early and expedited consideration will enable the Governor and the Legislature to move forward in accordance with the provisions of Article II, Section 16, so as to better serve the Alaska.

Further your affiants sayeth naught.

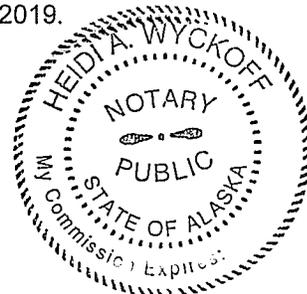


MARY C. GEDDES

Subscribed and sworn to before me this 15th day of July, 2019.



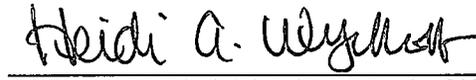
NOTARY PUBLIC IN AND FOR ALASKA
My commission expires: 7/1/2023



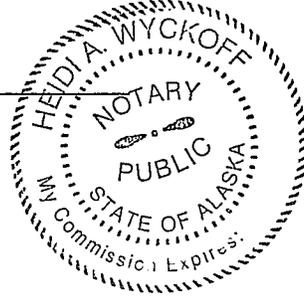


KEVIN F. MCCOY

Subscribed and sworn to before me this 15th day of July, 2019.



NOTARY PUBLIC IN AND FOR ALASKA
My commission expires: 7/11/2023



Economic Impacts of the Vetoes on the Alaska Economy

Mouhcine Guettabi ^{1*} Nolan Klouda ^{2,†}

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² Center For Economic Development, University of Alaska Anchorage

July 8, 2019

Abstract

On June 28, 2019 Governor Mike Dunleavy announced line-item vetoes totaling \$409 million from the State of Alaska budget for Fiscal Year 2020. These vetoes include significant cuts to the University of Alaska, Medicaid, payments to local governments, public assistance programs, state personnel headcounts, and numerous other categories. The full consequences of these cuts on the state economy, fiscal health, population, and policy outcomes will take years to develop. In this paper, we provide the short term impacts of the cuts, how they interact with the current state of the economy, and a descriptive outlook of the some of the future effects. We find the cuts will result in more than 4,000 jobs lost in the short run and will therefore return the Alaska economy into recession. While the short term losses represent a considerable negative shock to the economy, the consequences of these cuts on long term development could be even more pronounced.

Keywords: Economic impacts; Vetoes; Alaska.

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1 Introduction

In this briefing, we attempt to estimate the employment effects that may result from the cuts, using an input output model. After subtracting fund transfer vetoes of \$50 million (money transferred from one state fund to another rather than spent) the remaining \$360 million in cuts could result in a loss of about 4,200 jobs in the short run. It is important to note that the actual job losses in the short run could be smaller/larger depending on how agencies and other recipients decide to absorb the losses.

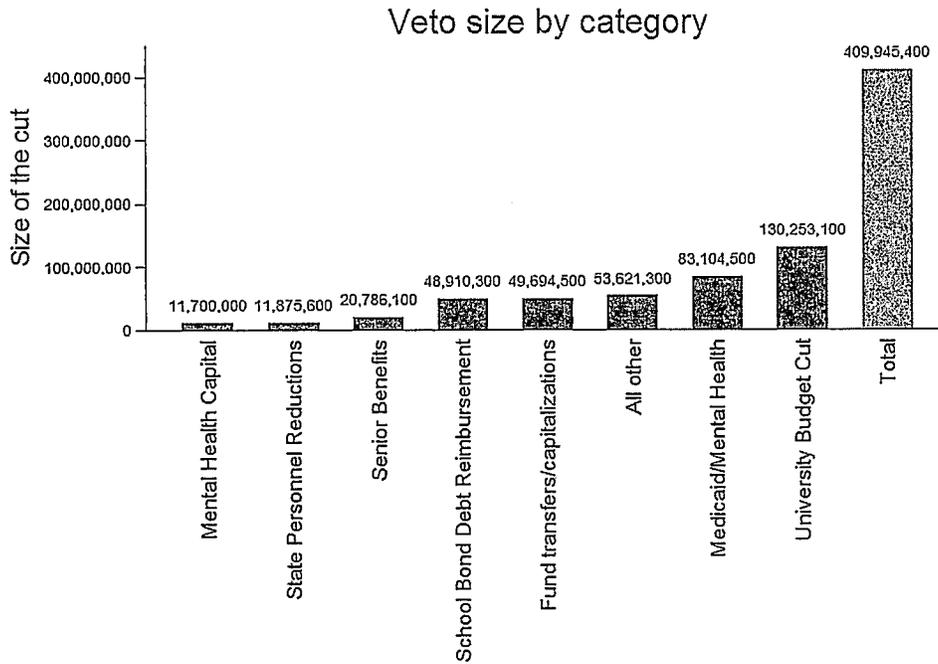
1.1 A breakdown of the cuts

Table 1: Table 1: Size of the cut by category

Category	Amount
University Budget Cut	\$130,253,100
Medicaid/Mental Health	\$83,104,500
Senior Benefits	\$20,786,100
School Bond Reimbursement	\$48,910,300
State Personnel Reductions	\$11,875,600
Mental Health Capital	\$11,700,000
All Other	\$53,621,300
Fund Transfers/Capitalizations	\$49,694,500
Total	\$409,945,400

In Table 1 and Figure 1, we show the distribution of cuts by category. The University cuts represent 31.73% of the total vetoes. Medicaid/Mental Health come in second at 20.27% of the total, and school bond reimbursements account for another 12%. These three categories, therefore, represent more than 62% of the overall amount vetoed.

Figure 1: Size of the cuts by category



2 Employment effects of the cuts

In Table 2, we show how the cuts presented in Table 1 translate to job losses. Direct employment refers to the immediate job losses within the organization subject to loss of funds. Multiplier effects cause further job losses referred to as indirect and induced jobs as the organization buys fewer goods and services and households suffering from loss of income spend less money in the economy. Total employment includes these jobs as well as the direct jobs. As the largest line item veto at over \$130 million, the University of Alaska would account for over 40% of the total job losses according to our analysis. Since 55% to 65% of the University operating budget goes to personnel, direct job losses would be necessary. Other cuts would have similar, if somewhat smaller, ripple effects on employment in Alaska. Medicaid reductions, for instance, would result in health care providers receiving less revenue, forcing them to cut costs by laying off workers. The Senior Benefits Program, which provides monthly payments of up to \$250 to low-income senior citizens, supports

household purchases of groceries and other staples that would be reduced. Reduction in school bond debt reimbursement paid to local governments would likely cause them to raise taxes, effectively reducing household consumption and revenue for the businesses that depend on it.

Table 2: Direct and Total Employment Losses by Category

Category	Direct Employment Losses	Total Employment Losses
University Budget Cut	1,300	2,024
Medicaid/Mental Health	575	890
Senior Benefits	–	141
School Bond Reimbursement	–	313
State Personnel Reductions	68	124
Mental Health Capital	101	149
All Other	–	576
Fund Transfers/Capitalizations	–	–
Total	1,943	4,217

3 How strong is the Alaska economy?

An important question is the extent to which these cuts will impact the overall economy and its fragile recovery. Before providing a look forward, we revisit the Alaska economy’s performance over the last three years. As a result of the severe oil price decline, Alaska has experienced its longest recession -3 years- when it had employment losses every month between October 2015 and September 2018. The cumulative losses between September 2015 and September 2018 amounted to 12,400 jobs.¹ Since October 2018, the Alaska economy seems to have turned the corner and employment has been positive for eight straight months. Relative to the same eight month span last year, employment is averaging about 1,325 more jobs.² The level of employment as of May 2019 is still, however, 11,600 below what it was in May 2015. Therefore, while the economy has come out of the recession it is still far from a full employment recovery.

¹ Source: Alaska Monthly Employment Statistics.

²This does not mean that the economy is adding 1,325 jobs every month. It simply means that the employment in, for example, March 2019 is 1,325 higher than March 2018.

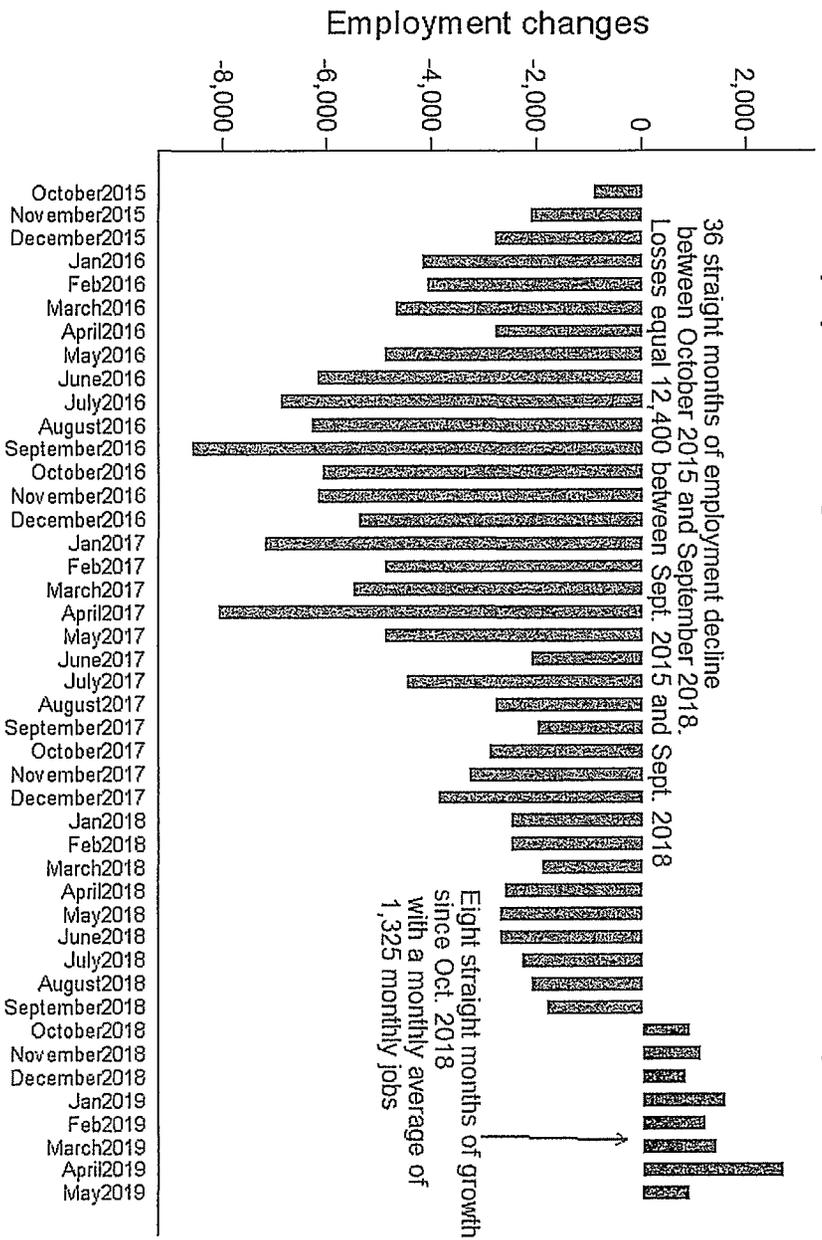


Figure 2: Employment changes between October 2015 and May 2019

Employment changes between October 2015 and May 2019

4 What do the cuts mean for the recovery?

For illustration purposes, we show how the average growth in the last eight months relative to the same period last year compare with the direct cuts that will be implemented at the University of Alaska. This is before taking into account the other direct losses, as well as the indirect and induced losses in the economy.

Figure 3: Employment change between October-May 2019 relative to UA direct job losses

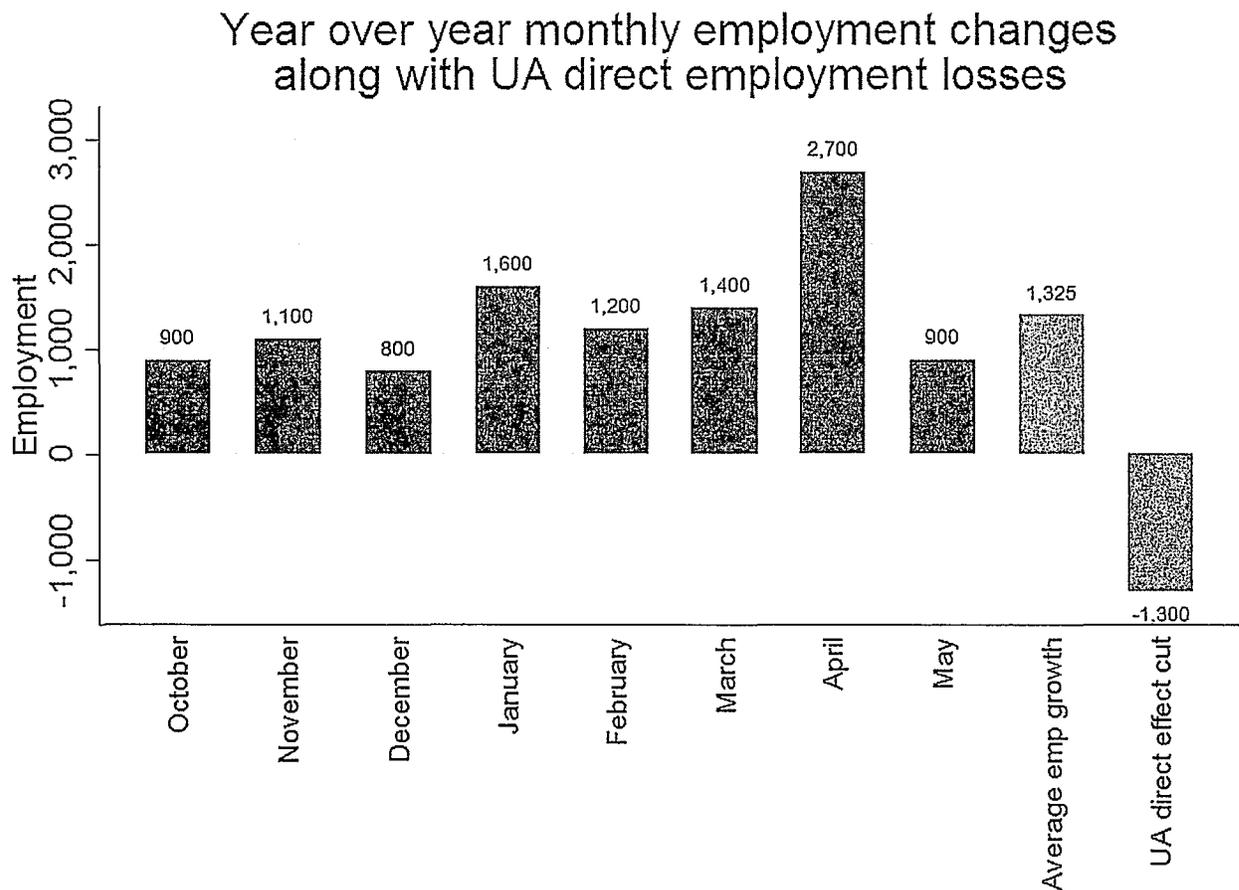
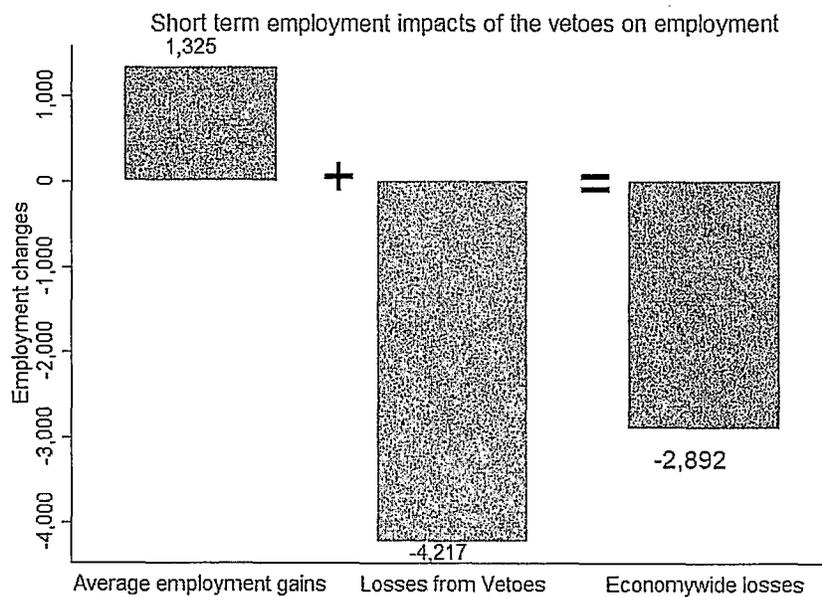


Figure 3 shows that the 1,325 employment gains the state has averaged in the last eight months would be completely offset by the UA direct job losses alone. It is important to note that these losses would take place immediately essentially resulting in the economy slipping back into a recession as soon as August.

4.1 What happens if we account for all the losses?

In Figure 4, we show that the economy would experience losses averaging more than 2,500 jobs even after accounting for the “other” gains unrelated to these cuts. This makes it clear that the economy will dip back into a recession as a result of this shock. It is important to note that this makes the strong assumption that other sectors of the economy will keep growing at the same rate as what they averaged in the last eight months. That is unlikely to happen given the amount of economic uncertainty the state is currently experiencing. In general, the economy would need to grow from “other” sectors at 4,200 jobs or higher to offset the losses we estimate. That level of growth has not occurred since May of 2014, when oil prices were well over \$100 per barrel.

Figure 4: Economy wide employment changes



4.2 What can we say about migration?

It is important to note that the job losses resulting from state budget cuts we evaluate will also differ in key respects from the employment declines of the oil driven recession. Many of the jobs lost since 2015 were held by non-locals (like North Slope oilfield workers) with

a limited economic footprint in the state.³ Jobs in state government or the University of Alaska, on the other hand, are held by residents who often own homes and send their kids to local schools. Additionally, the majority of university employees compete in national markets making the likelihood of out-migration high which can in turn affect housing prices.

5 University implications

5.1 What are the effects of the cuts on enrollment?

Deming and Walters (2017) find that a 10 percent budget cut reduces enrollment by 3 percent, BA degrees by 4.5 percent, and certs/AAs by 14 percent. Using these estimates, we can conclude that the University of Alaska will lose a considerable number of students, and that the number of degrees and certificates will be affected for years to come.

5.2 What about brain drain?

There is a concern that falling enrollment could result in brain drain which would affect the state for years to come. According to the Alaska Commission of Post Secondary Education, a majority of the students who attended postsecondary education chose to enroll in Alaska institutions (53%), while 29% chose to attend out-of-state institutions, and 18% had mixed in-state and out-of-state attendance after high school graduation. Importantly, those who attended Alaska institutions were considerably more likely to remain in state.

6 Takeaways and long run considerations

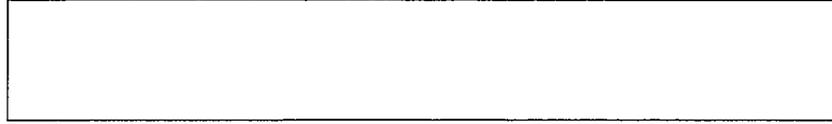
While short-term effects can be estimated through a set of tools familiar to specialists, long-term impacts of fiscal choices are much more variable and complicated to analyze. However, the professional practice of economic development recognizes the importance of education,

³Non-resident employment in the oil sector is around 30% according to the Alaska Department of Labor

human capital, and quality of life. One annual survey of corporate executives finds that the single most important factor when deciding to expand or relocate their firm to a given area is the availability of skilled labor, cited by over 90% of respondents. In the Anchorage Economic Development Corporations Business Confidence Index, four of the top 10 barriers described by businesses relate to workforce cost and availability. Public safety and housing availability are also among the high-ranked barriers. The university cuts harm the ability of employers to hire skilled graduates which will in turn harm Alaskas economic prospects. Should job losses result in out-migration (a near certainty) then the state's already small labor market would shrink further, worsening conditions for businesses. Below, we list a few other considerations worth taking into account:

- An out-migration of seniors caused by loss of Senior Benefit income and Medicaid cuts. A large economic footprint is associated with care for the elderly, employing thousands as nurses and other medical professionals with high wages. These jobs could be lost.
- Declining prospects for technology-led growth, if the University is forced to cut programs in STEM fields like engineering and computer science. The entrepreneurship community has already identified a shortage of programming talent as a major gap.
- A decline in the property tax base for local governments if the real estate market declines. This would jeopardize funding for public schools as well as core services like public safety.
- A spiraling effect at the University as departing faculty take their research grants with them, causing further loss of funding that supports jobs. At the same time, falling enrollments would cause decreasing tuition revenue, forcing increases in costs passed onto students
- Worsening of health care costs due to decreases in Medicaid reimbursements. Private insurance rates could grow as medical providers charge more to make up for lower Medicaid revenue.

(1)



NEWS

Brother Francis Shelter loses daytime services amid worries about cutbacks at night

Thursday, July 11th 2019, 8:05 PM AKDT
Updated: Thursday, July 11th 2019, 8:22 PM AKDT
By: Lauren Maxwell



Earlier this week, the Brother Francis Shelter closed its doors to most of its clients during the day. Catholic Social Services Executive Director Lisa Aquino said a one time grant from the Anchorage Assembly several years ago allowed them to offer services during the day, but that money has long run dry.

A health clinic run by the Southcentral Foundation remains open and anyone can use the restrooms, but Aquino said with the exception of a handful of clients who are enrolled in employment or housing programs at the shelter, clients are no longer able to access the shelter during the day.

Aquino said things like doing laundry, taking showers, using the computer room or visiting the donated clothing room are no longer possible except in the evenings when the shelter is open to all.

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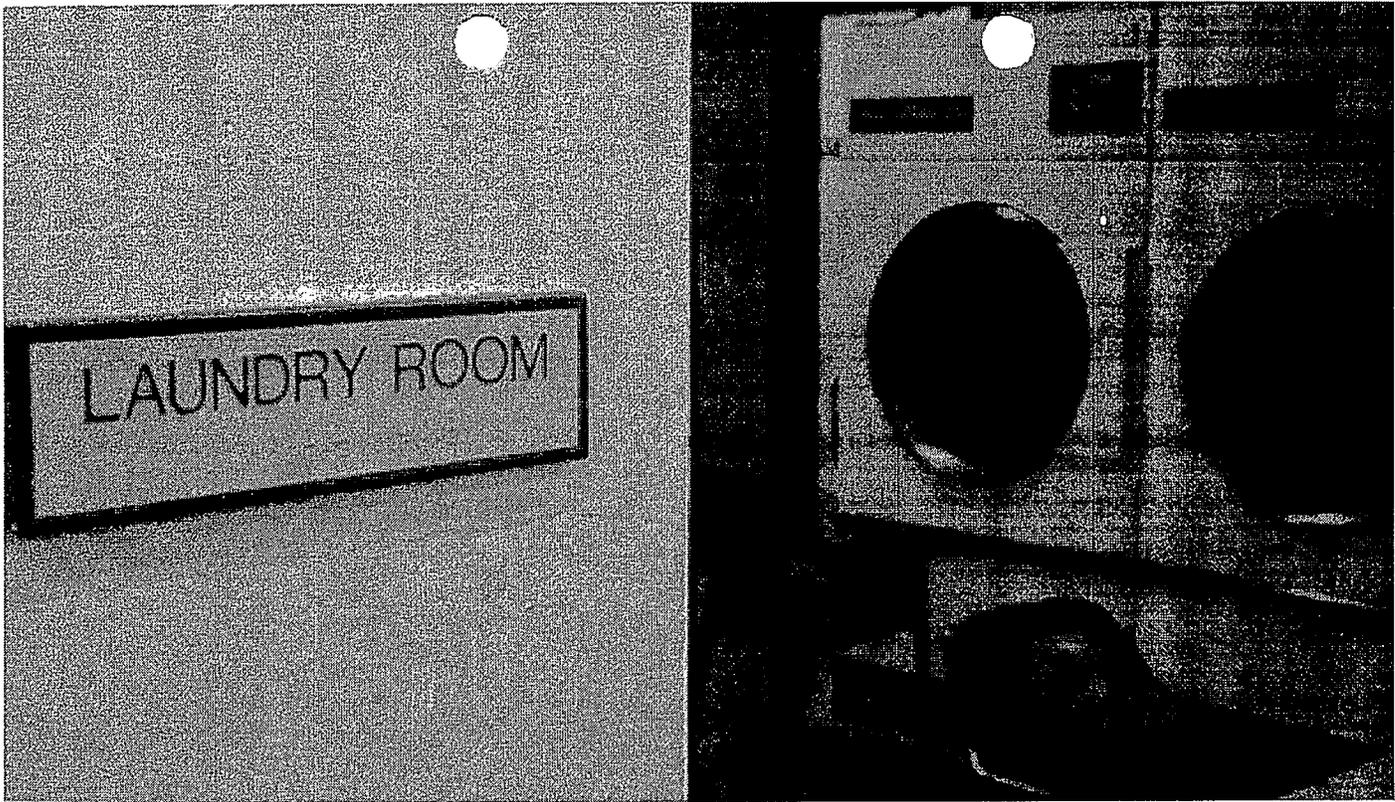
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Clients can no longer take showers or do laundry during the day at the Brother Francis Shelter

Lisa Sauder, the executive director of nearby Bean's Cafe, said the decision to cut day time services is a loss for the clients both nonprofits serve. She said it's led to an increase in the number of people in the parking lot and also in the cafe.

"Certainly we're seeing more people as well," she said. "And people with a lot of stuff, you know, people that were able to stay at the shelter with their items all day and not have to move back and forth. And that's a real hardship for a lot of people."

Aquino said the decision to cut day services wasn't easy, but she is worried about something else even more — what will happen if Gov. Mike Dunleavy's budget vetoes stand.

"What I see ahead of us is a big increase in the number of people experiencing homelessness outside," she said.

CSS estimates homelessness in Anchorage will increase by 48% if cuts to the nonprofit go through. She estimates Brother Francis Shelter would lose more than half its shelter beds, from a capacity of 240 down to just 100.

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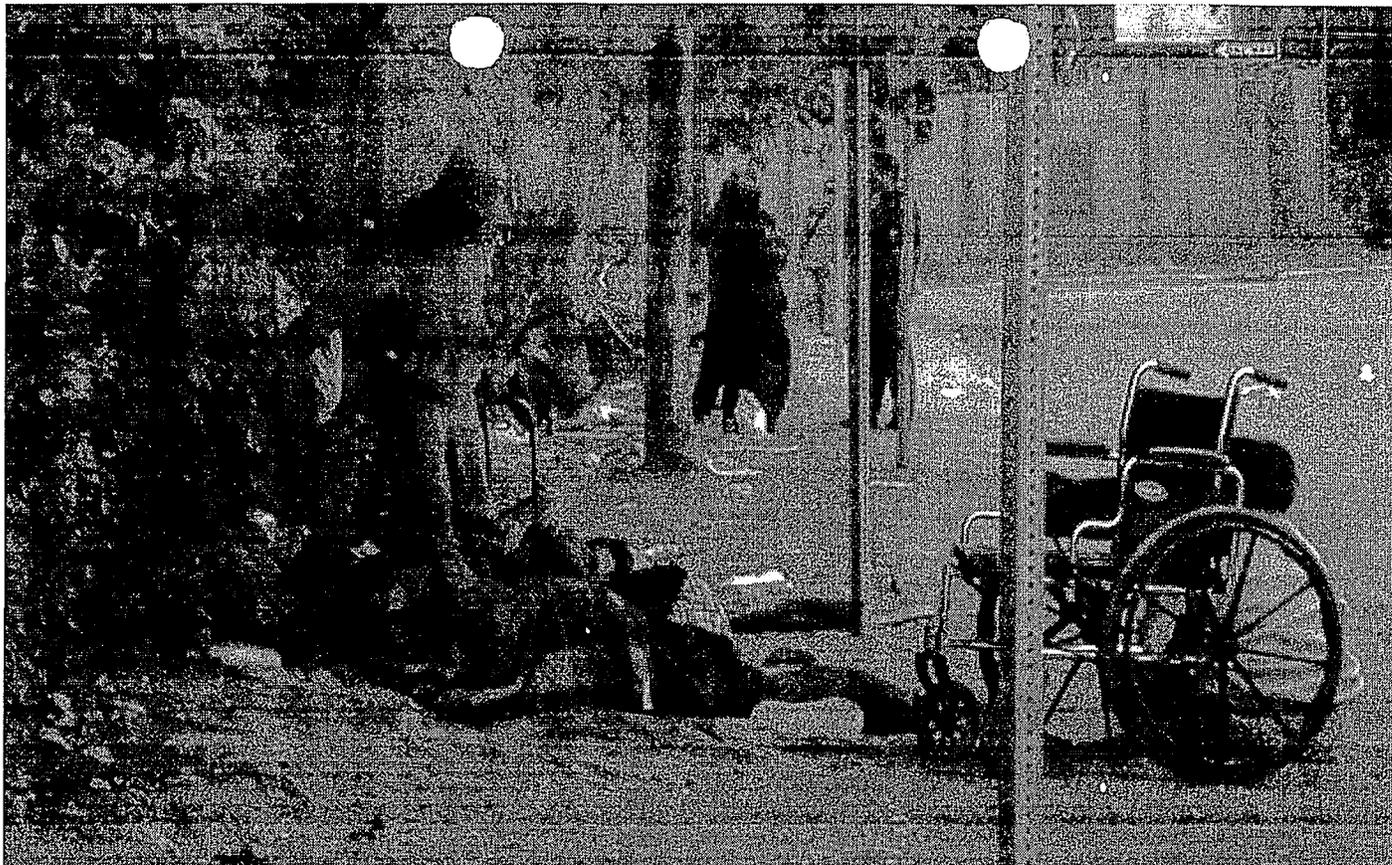
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"What I think is that they are going to go out into the community and we are going to see more people camping. I think that's the logical thing because there's really no other choices," she said.

Aquino said the situation will be even worse once winter rolls around and they'll have to decide who can come into shelter and who will be left in the cold.

"We are going to have to make decisions about who are the 100 people who get a bed, and who are the 140 who don't get bed. I don't know how to make those decisions," she said.

Aquino invited anyone who has an idea about how to solve the tough problems, to contact Catholic Social Services (<https://www.cssalaska.org/>) and join them in the conversation.

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MORE NEWS FROM KTVA:

How some Alaska residents help the Sinaloa Cartel smuggle drugs north (<http://www.ktva.com/story/40768037/how-alaska-residents-help-the-sinaloa-cartel-smuggle-drugs-north>)

Napaskiak man dead after drowning in Kuskokwim River (<http://www.ktva.com/story/40779513/alaskan-man-dead-after-drowning-in-kuskokwim-river>)

Wasilla man arrested for sexually abusing teenager for the past 3 years (<http://www.ktva.com/story/40779016/wasilla-man-arrested-for-sexually-abusing-teenager-for-the-past-three-years>)

Alaska State Council on the Arts closing its doors



Citizens write messages in chalk outside of the Alaska State Council on the Arts in Anchorage.

By Lex Treinen | Posted: Mon 5:35 PM, Jul 15, 2019 | Updated: Mon 8:30 PM, Jul 15, 2019

ANCHORAGE (KTUU) - Dozens of artists and citizens gathered outside of the Alaska State Council on the Arts to say farewell to the organization as it officially closed its doors today after the governor vetoed \$2.8 million in funding for the program in June.

Citizens painted messages in chalk on the sidewalk and musicians sang songs to the crowd at the ceremony on Monday evening.

Executive Director Andrea Noble-Pelant wrote to KTUU that "we have done everything possible to prevent this situation that will forever change our state," and that restoring funding to the program "is now in the hands of our elected officials through your voices and stories."

The council was given a two-week notice that it had to close after the governor's vetoes across a variety of state programs.

Among the programs administered by the council is the Alaska Contemporary Art Bank Loan Program, which loans out artwork to state agencies. All of the art that was loaned out is supposed to be returned "in the coming days pending a complete office shutdown."

It is currently unclear whether that artwork will be returned by the deadline.

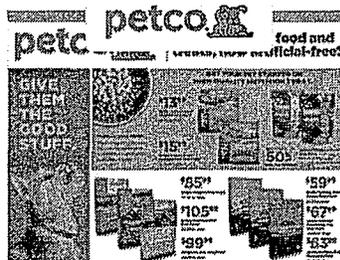
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ANCHORAGE DAILY NEWS

Alaska Legislature

University of Alaska governing board delays vote on whether to declare financial emergency

✍ Author: Tegan Hanlon ⓘ Updated: 16 minutes ago
📅 Published 47 minutes ago



Maria Williams, a professor of Alaska Native studies at UAA who chairs UA's Faculty Alliance, asks the Board of Regents to hold off on declaring exigency. The University of Alaska Board of Regents met to consider declaring financial exigency on Monday. (Marc Lester / ADN)

[Buy This Photo](#)

The University of Alaska governing board voted on Monday to delay a decision on whether to declare "financial exigency" — a rare and drastic step that would have allowed UA officials to more quickly end academic

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programs and remove tenured faculty as they grapple with a 41 percent cut to state funding.

In a 10-1 vote, the UA Board of Regents approved to delay a decision until July 30, with Regent Mary Hughes casting the dissenting vote after about 90 minutes of discussion. Questions remain about whether state lawmakers will reach some sort of deal this month, inserting funding for UA back into another bill.

“I think we owe it to ourselves to pause for a moment to ensure that we’re gathering the data and the information to make the best decision that we can,” said regent Sheri Buretta.

The regents’ vote follows Gov. Mike Dunleavy’s unveiling on June 28 of 182 line-item vetoes to the state operating budget. He erased an unprecedented \$130.25 million in funding for UA, on top of the \$5 million cut approved by the state Legislature.

In total, that’s a 41 percent cut to the public university system’s state funding compared to last year, and roughly 17 percent of its overall budget.

[House panel introduces legislation to reverse governor’s vetoes and fix other gaps in budget]

Very few public universities in the U.S. have declared financial exigency in the past, said Peter Lake, professor of law and director of the Center for Excellence in Higher Education Law and Policy at Stetson University in Florida. He couldn’t recall any other public university systems making such a declaration.

“I have no living memory, and I’ve been at this for 30 years, of an entire system declaring exigency,” he said. “That registers on the Richter scale.”

UA regents declared financial exigency in 1986 in response to budget cuts, said UA President Jim Johnsen. However, he said, the governor then dialed back some of the reductions, and exigency wasn’t implemented.

The UA Faculty Alliance had passed a resolution asking regents to delay voting on the declaration this year. Monday is too soon and the impacts of such a declaration are too severe, the chair of the alliance has said.

Impacts could include the loss of accreditation, dwindling student enrollment and more, Lake said.

['Despair, rage': University of Alaska community braces for big budget decisions ahead]

This is a developing story. Check back for updates.

About **Tegan Hanlon**

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Author

Tegan Hanlon covers education and general assignments. She joined the Daily News in 2013 after internships at the Dallas Morning News, Denver Post and Allentown (Pa.) Morning Call. She has covered the Iditarod Trail Sled Dog race the past four years. Reach her at 907-257-4589 or thanlon@adn.com.

Comments

Dear neighbor,

The Governor and members of the Legislature have announced intentions to sidestep their prior commitments to voter approved bond-debt reimbursement, shifting those costs to Anchorage taxpayers. If the State chooses to make this change, Anchorage property tax payers will be forced to assume an additional \$328 million in debt over 20 years, resulting in an additional payment next year of \$120 per \$100,000 of assessed valuation. This would mean an additional \$420 for the average home in Anchorage (\$350,000).

See Backside

This year, despite the cost-shifting taking place at the State, the Municipality of Anchorage is holding property taxes steady at the local level. We continue prioritizing public safety, and with 100 more police officers at APD, we are now assigning our patrol beats with Community Council boundaries—which means familiar APD faces in your neighborhood on a regular basis. Outside of our investment in public safety, the Municipality has reduced its overall general government spending and staffing levels. We will continue working to make Anchorage safe, secure and strong.

Regards,

A handwritten signature in cursive script, appearing to read "Ethan".

Ethan Berkowitz