

**Distributed via Ben Sparks on behalf of Alaska's Future Co-Chairs:
GCI President Ron Duncan and AFL-CIO President Vince Beltrami**

SB 114 Talking Points

Implementing SB 114:

Implementing SB 114, in addition to spending cuts and new revenues would:

- Protect our dividend, and ensure our checks don't fall below \$1,000
- Protect Alaska citizens and businesses from what would otherwise be larger tax increases
- Protect vital public services, like education, transportation, and veterans services
- Protect Alaska jobs
- Would back Alaska away from the edge of a fiscal cliff, and create an economic environment in which businesses can plan continued investment in Alaska

Background

What is SB 114?

SB 114 is a crucial part of the long-term solution to address our nearly \$4 billion budget deficit. SB114 would cut our deficit in half using 5% of our permanent fund earnings, while protecting the Permanent Fund itself and ensuring Alaskans will receive a dividend check of at least \$1,000.

SB 114 would do four things:

1. Protect our Permanent Fund
2. Ensure everyone continues to receive a PFD check
3. Cut our growing budget deficit in half
4. Reduce our reliance on oil and gas revenues to fund our government

How would SB 114 work?

Our Current System

1. Right now, our state budget is primarily funded from oil and gas revenue (a percentage of oil/gas/mineral royalties and rents)
2. Our PFD check is calculated based on a 5-year average of the fund's performance.
3. We are expecting a \$4 billion deficit this year because of low oil prices.

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In short, our current system is structured such that we'll run serious budget deficits whenever the price of oil drops. **SB 114 would reduce Alaska's dependence on the price of oil to balance our budget.**

Our System under SB 114:

1. **SB 114 would use our oil and gas revenue** (a percentage of oil/gas/mineral royalties and rents) **to pay our dividend, while ensuring our dividend checks do not fall below \$1,000.**

2. **SB 114 would take 5% of the value of the Permanent Fund, based on a 5-year rolling average, and use that to fund Alaska's budget.**

** SB 114 would not touch the Permanent Fund itself (corpus), and would only utilize a portion of the earnings to fund Alaska's government.

In conclusion: SB 114 would restructure the Permanent Fund so that Alaska's government is funded by a stable source, the Permanent Fund earnings, instead of our budget being tied to oil and gas revenue. SB 114 would increase the life of our savings (Constitutional Budget Reserve, or CBR) and put us on a path to financial security. It would provide for a dividend check of around \$1,000 and protect the PFD for generations to come.

Will SB 114 fix our budget deficit?

To fix our budget deficit, the legislature will need to cut spending and find new sources of revenue, but these alone will not come close to filling our budget deficit. That's why SB 114 needs to be implemented this year.

SB 114 will cut our deficit in half, and is the cornerstone of a comprehensive solution that will also need to include spending cuts and new sources of revenue.

What is the problem with Alaska and its budget?

From 2005-2014, oil revenues have averaged 90% of Alaska's operation budget. With the price of oil falling below \$30 a barrel, Alaska doesn't have enough money to pay its bills, creating a massive budget gap. At this rate, our savings will be gone in less than two years. We need to implement a common-sense, long-term solution that solves Alaska's budget challenge. The solution to our budget deficit requires a comprehensive solution including the implementation of SB 114, cutting the size of government, and finding new sources of revenue.

Why not cut more and/or find new sources of revenue?

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We understand there needs to be spending cuts, and our state will need new sources of revenue, but these alone will not come close to filling our nearly \$4 billion budget deficit. Solving our budget shortfall long-term will require a comprehensive solution of SB 114, spending cuts, and additional sources of revenue.

This will allow us to keep taxes low, preserve vital public services, and ensure we protect our Permanent Fund dividend for generations to come.

What would happen if we don't implement SB 114?

If we don't implement SB 114, our savings will be depleted in two years. Alaska will have no choice but to implement painful cuts to vital public services, coupled with painful tax increases that will hurt every Alaskan from every walk of life. We will face an almost certain recession, which will deal a crippling blow to Alaska's private sector.

Further, our Permanent Fund will be in jeopardy, and the Permanent Fund dividend program will almost certainly end in two to three years.

Does SB 114 keep the PFD in place for future generations?

If we don't implement SB 114, our PFD check will likely stop, and our Permanent Fund will be in danger.

SB 114 keeps the dividend payment intact for all Alaskans, ties it to resource development, and guarantees it will never fall below \$1,000. This creates a direct financial incentive to successfully develop our resources, leading to a higher individual payout.

SB 114 would protect the Permanent Fund itself, while ensuring every Alaskan continues to receive a PFD check for generations to come.

Can implementing SB 114 wait until next session?

No. This would lead to painful cuts to vital public services, on top of painful tax increases that would hurt every Alaskan from every walk of life.

We would then be in the exact same position we're in now, except half of our savings would be depleted, our credit would likely be downgraded, our private sector will have retracted, and our state would be on the brink of recession.

We need to act this session.