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Governor Bill Walker STATE OF ALASKA

March 23, 2016

Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear Alaskan Legislator:

As we move into the last few weeks of this legislative session, I felt it important to once again touch base with you regarding an “end game.” I have consistently expressed my expectation that this session must result in a complete solution to our fiscal situation. There is much uncertainty across our state due to the lack of a plan in place to achieve a balanced and sustainable budget in the future. The New Sustainable Alaska Plan does that. While it would not all be effective this year even if passed, it is a plan that gets us to a balanced and sustainable budget by 2019. Such a plan passed this year would remove the uncertainty over Alaska.

I continue to hear from many of you that a complete solution is not realistic this year; that if we can get to a partial solution, that should not only be acceptable, but celebrated. While I do not wish to diminish the tremendous effort necessary to get us to any part of the solution, I’m forced to point out that concluding the session with only a partial solution only creates great sacrifice for many Alaskans, without removing the uncertainty that a full plan will ever come to fruition.

Alaska’s future requires and deserves a 100 percent solution now (with a reasonable implementation horizon). Partial solutions that insist on continued draws from our reserves, without a solid plan toward self-sufficiency are wholly unacceptable, and will ultimately cause the system to fail. Partial solutions will keep the cloud of uncertainty over our economy and unnecessarily delay growth toward a prosperous and vibrant Alaska. Fixing our fiscal problem this year ensures we can once again get back to the business of building Alaska next year.

As I have mentioned to you before, failing to implement a complete package this year will compromise the sustainability of any endowment plan going forward. It will reduce the revenue that can be sustainably withdrawn from our fiscal assets in perpetuity. It will necessitate higher taxes in the future to compensate for less draw from our fiscal assets. It will drive down the State’s credit rating, inhibiting future investment and infrastructure development, and it will foster a general downward economic spiral throughout the entire state.

None of us want to see this happen, so that requires a new expectation for what is possible this year.

There are three things that must happen in 2016 to achieve the goal of a truly sustainable balanced budget: Reduced State spending, restructure of Permanent Fund Earnings and Dividend program, and new revenues to include some form of a broad-based tax. Make no mistake, I consider all these requirements written in pen; how they all come together, however, is still very much in pencil.

Working together in true collaboration, and aggressively pursuing this common goal, we can still get this difficult work done now to avoid the need for additional legislative sessions on this issue. My team and I are ready with specific ideas to help modify existing legislation to address some of the concerns already identified (see enclosures). There is still time before the regular session gavel out to meet with you on your plan for closing this gap.

I am looking forward to a spirit of cooperation and can't thank you all enough for taking this very challenging situation as seriously as you have.

Sincerely,



Bill Walker
Governor

Enclosures