

AN OPEN LETTER FROM ALASKA BUSINESS LEADERS:

As leaders representing diverse industries that provide thousands of jobs and billions of dollars of investment across the state, we ask all of our elected officials to think about Alaska's economic future and its long-term quality of life. We are concerned about the impasse over the operating budget and size of the Permanent Fund dividend. Until we can solve these standoffs, our state's long-term fiscal and political stability is at risk.

WE BELIEVE THE FOLLOWING:

1. Legislators need to convene in a single location so that all 60 members can vote Gov. Mike Dunleavy's budget vetoes up or down. Every legislator owes it to the public to go on the record on this important vote.
2. Lawmakers need to adopt and adhere to a new Permanent Fund dividend formula that will not draw down unsustainable amounts from the fund's earnings reserve this year, next year or in any future year.
3. The governor's more than \$400 million in budget vetoes, when combined with the \$190 million already cut out of the budget by the Legislature this year, go too far, too fast. Cuts of that size will eliminate critical public services and result in the loss of thousands of jobs, likely pushing Alaska into recession. The public wants a responsible, sustainable budget for years to come.
4. The current stalemate is bad for business and for a healthy Alaska where Alaskans want to live and work. The public needs decisions now, not later. And we need decisions that look long term, overlooking short-term politics. Nobody benefits from repeating this debate a year from now.



How did we get to today

- After cutting hundreds of millions from the state operating budget over his four years, Gov. Walker said 'enough' and proposed an essentially flat FY2020 budget for his successor
- Gov. Dunleavy took office, promising to restore a full dividend of \$3,000, and then proposed cutting public services and taking over \$400 million from municipalities to make it all balance
- Legislators rejected the governor's plan, but cut \$190 million
- The Legislature has been unable to agree on a dividend amount
- Gov. Dunleavy vetoed more than \$400 million from the budget
- The Legislature is back in special session — the second this year



Examples of budget vetoes

HOMELESS

- **Homeless Services** - \$11 million – over 80% of funding cut. Hits to Rural CAP \$1.6 million, Catholic Social Services \$1.4 million for Brother Francis Shelter and Clare House, \$700,000 from Covenant House, \$500,000 from the AWAIC shelter. At least 500 vulnerable adults and children will lose shelter.

HEALTH CARE

- **Behavioral Health** - \$6 million on top of the \$6 million cut last fiscal year. Deep cuts to mental health and substance abuse treatment programs.
- **Medicaid** - \$50 million, on top of the Legislature's \$75 million cut, totaling almost 25% of state funding.

Budget vetoes continued

EDUCATION

- **Early Childhood** - \$8.6 million - ELIMINATED. Head Start, early childhood education, Parents as Teachers.
- **Local school debt reimbursement** - \$49 million. Pushing the debt to municipalities, hitting property taxes.
- **University of Alaska** - \$130 million. A 41% reduction in state funding. The university already has sent furlough notices to 2,500 employees. The cut in state funding means a loss of \$44 million in federal grants.



What's the process this week

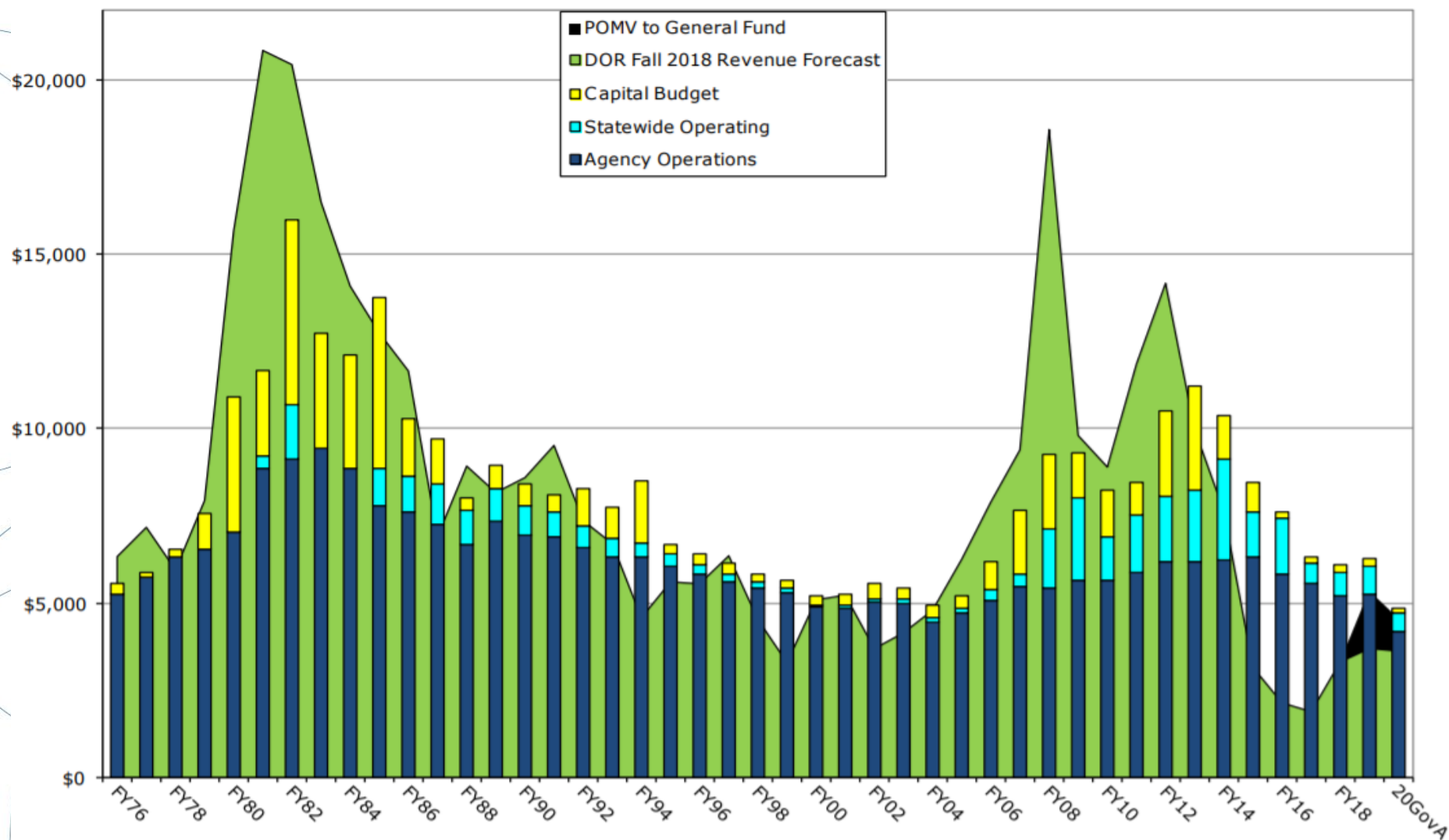
- Legislature convened in special session Monday, in Juneau (almost two-thirds of lawmakers were there)
- In calling the special session, the governor said, 'Work in Wasilla,' but most legislators said no thanks
- Legal arguments both ways, not an immediate concern
- Legislature has through the fifth day of special session to override budget vetoes (requires three-quarters majority)
- Is it five calendar days (ending at midnight Friday) or is it five 24-hour days (1 p.m. Saturday) — never been tested
- End game likely will include vetoes, PFD, capital budget



How much PFD can we afford

- About \$1,000 under the Legislature's budget, with no excess draw on Permanent Fund earnings reserve
- \$1,600 with an additional \$400 million in budget cuts on top of the \$190 million already adopted by legislators, or break the 5.25% Permanent Fund draw and go to 6%
- \$3,000 would leave a \$1.3 billion budget gap, requiring all of the governor's operating budget vetoes, a minimal statewide capital budget, plus taking an almost 7% percent-of-market-value draw on the Permanent Fund

Real general fund revenue/budget history (2018 dollars per person)





End-of-year reserve balances

Budget reserves and Permanent Fund earnings reserve
(billions of dollars)

