



March 3, 2016

Honorable Bill Walker
Governor of the State of Alaska
Third Floor, State Capitol
P.O. Box 110001
Juneau, Alaska 99811-0001

Dear Governor Walker,

The Alaska Chamber supports the State of Alaska achieving fiscal and economic stability by reducing spending to an affordable level on a sustainable basis. Uncertainty of the State's financial future harms Alaska families and businesses.

For this reason, the Chamber and its members strongly encourage you to first focus on addressing the State's unsustainable spending before enacting any new revenue measures.

The State is currently pulling \$9 million from Alaskans' savings account each day; nearly \$400,000 each hour of every day. New, proposed revenues on Alaska's citizens and businesses are estimated to bring in less than \$500 million, funding just seven weeks of State operations.

Spending must be brought in line while Alaska's savings are still available as a resource. To that end, we support efforts to:

1. Reduce the State's operating budget to a sustainable level by:
 - a. Prioritizing government services as defined by the constitution;
 - b. Eliminating services that are not a function of government;
 - c. Restructuring all formula-driven programs to align with projected revenues;
 - d. Vigorously pursuing efficiencies to ensure continued delivery of essential services, which may include privatization or other methods to deliver services; and
2. Create an endowment model or similar framework to use Permanent Fund earnings to support essential services; and
3. Only then explore introductions of new, broad-based taxes, if needed.

Budget policy should focus on reducing spending to a sustainable level, and Alaskans expect those changes from lawmakers in 2016. Last year two polls were conducted embracing the concept of a reduced State budget. In a statewide poll conducted by Dittman Research of Alaska voters, 57% of Alaskans said the State should live within its means. In an interactive poll at Meet Alaska 2015, 70%

supported deep cuts to the existing State budget as the first step in reaching a sustainable budget.

To secure a stable financial future for Alaskans, the State must align its spending to a level that it can afford. This requires the elimination of services and a multiyear series of annual reductions in the operating budget starting with the FY17 budget. Forgoing opportunities to reduce spending to a sustainable level is not an option. Reductions will become increasingly daunting if not enacted in the 2016 legislative session.

We believe the second step to securing Alaska's fiscal future is leveraging the State's fiscal resources to support essential services. More than \$60 billion in financial assets currently generate more income than the State receives from oil production. Governor Jay Hammond's vision for the Permanent Fund at its inception included the eventual use of its earnings to help pay for essential government services. Those earnings must be part of a long-term, sustainable solution.

Alaskans should fully understand all the ramifications of what new taxes will mean to them personally and to their employers. The Administration needs to conduct statistical modeling of each proposal and engage subject matter experts to avoid any unintended consequences. Businesses will not invest in an undisciplined state that continually returns to taxation as an answer. Working Alaskans will be unwilling to accept individual taxation without confidence that the State is only funding appropriate, efficient services. Taxes on Alaskans and Alaska's businesses should only be pursued when this is demonstrated. Therefore, the Chamber is opposed to all revenue bills that have been introduced by the Walker Administration this session.

The fiscal challenges currently facing the State are not new and the tools available to address the problems are well defined. However, without taking the appropriate steps the State's fiscal challenge will negatively impact Alaska's economic health. In addition, uncertainty regarding Alaska's business climate will discourage private investment in the state.

We believe this is the right approach and we are committed to supporting a responsible, steadfast effort to secure Alaska's fiscal and economic future.

Regards,



Curtis W. Thayer
President and CEO

cc: Alaska State Legislature