



May 13, 2022

Dear Honorable Members of the Alaska House of Representatives:

I write you today on behalf of the Board of Directors of the Anchorage Economic Development Corporation (AEDC) to urge you not to concur with the Senate approved version of the state's FY 2024 operating budget. We have reviewed the Senate's version of the budget and it is not consistent with AEDC's fiscal policy recommendations as communicated in our letter dated March 11, 2022 (attached). AEDC instead urges the passage of a budget that is not overly reliant on savings, optimistic revenue projections, or that risks current and future deficits requiring significant cuts to state services and increases in taxes on business that could significantly damage the Alaska economy at the beginnings of its long road to recovery.

As AEDC has advocated for the last 8 years, a budget passed this year by the legislature should be based in long-term prudent fiscal policy founded in a diversified revenue model, focused on providing sustainable government services, and targeting investments in key services such education, public safety, transportation, improves the health and wellbeing of Alaskans, and provides fiscal certainty that is vital to future investment from the private sector.

The fiscal path set forth in the Senate approved budget proposal puts Alaska on a potential path in future years to higher taxes for businesses, diminished services to taxpayers, and will significantly damage Alaska's future economic prospects as a result. AEDC urges you not to pass this version of the budget because it does not create a long-term sustainable plan and it puts the stability of the Alaska economy at risk by relying too heavily on unrealized revenue. We believe this is particularly poor judgement in these times of high inflation and federal spending

Sincerely,

A handwritten signature in blue ink, appearing to read 'Bill Popp', written over a white background.

Bill Popp  
President & CEO



## 2022 Voting Members

### Chair

Steven Noble  
DOWL

### Vice Chair

Martin Bettis  
Signature Flight Support

### Secretary/Treasurer

Laura Edmondson  
Bering Straits Native Corporation

### Immediate Past Chair

Michael Huston  
Northrim Bank

Dave Cavitt  
Furniture Enterprises of Alaska

Matt Clarkson  
Chugach Electric Association

Laura Edmondson  
Bering Straits Native Corporation

Walter Featherly  
Calista Corporation

Mark Filipenko  
Bond Filipenko Commercial Properties LLC

David Karp  
Saltchuk

Michelle Klouda  
Rim Architects

Ryan Strong  
First National Bank Alaska

Tim Thompson  
Alaska Airlines

William Wailand  
GCI Communications Corporation

Garret Wong  
Financial Advisor

## 2022 Ex-Officio Members Municipality of Anchorage

Mayor Dave Bronson  
Mike Robbins, ACDA-Mayor's Designee  
Assembly Member John Weddleton  
Assembly Member Meg Zaletel

March 11, 2022

Michael J. Dunleavy  
Governor of the State of Alaska  
Box 110011  
Juneau, AK 99811-0001

Louise Stutes  
Speaker of the House  
Alaska State Legislature  
State Capitol, Room 208  
Juneau, AK 99801

Peter Micciche  
President of the Senate  
Alaska State Legislature  
State Capitol, Room 111  
Juneau, AK 99801

Dear Governor Dunleavy, Speaker Stutes and President Micciche:

The Anchorage Economic Development Corporation (AEDC) is a leader in economic development for Southcentral Alaska. With more than 220 member companies, AEDC represents top businesses in every industry in the state as well as some of Alaska's largest employers since 1987.

Since 2015, AEDC has advocated for a balanced approach to addressing the fiscal policy crisis that has limited our state's ability to grow its economy and communities. We have encouraged responsible spending, new broad-based sources of revenue and sustainable management of the Permanent Fund. Despite six years of recession, the state has yet to develop a comprehensive, long-term strategy to address Alaska's ongoing fiscal uncertainty, and has nearly depleted Alaska's constitutional budget and earnings reserves. The COVID-19 pandemic has further threatened the economic well-being of our communities and businesses.

Following months-long effort made in 2021 by the AEDC Board and membership to evaluate additional options to resolve the crisis facing our state, the AEDC Board of Directors recommend the following strategies to both the Legislature and the Administration as key components of a solution to the state's ongoing fiscal policy crisis:

- Limited, targeted budget cuts while maintaining and improving essential programs and services
- A statewide sales tax that protects municipal sales tax collections and contributes new revenues to the state treasury
- Adopting a constitutional amendment incorporating a percent of market value (POMV) strategy into the state constitution to protect the Permanent Fund for current and future generations

The AEDC Board of Directors believes, as it has for the last 7 years, that there is an urgent need to address Alaska's ongoing fiscal crisis, even in the face of the current short-term fiscal circumstances of the state budget. We cannot once again kick the can down the road, and we cannot view one-time federal infrastructure funding and recent spikes

in oil prices as a solution to a state budget deficit. History has clearly demonstrated it is folly to base the long-term economic health of the state on these transitory circumstances. AEDC recognizes that a vital comprehensive solution will require several elements, including identification of stable revenue sources, disciplined budgeting, and measured spending.

The just released 2022 AEDC Business Confidence Survey (BCi) represents the views of a cross-section of Anchorage businesses. The survey identifies common themes in alignment with views held by the AEDC Board of Directors. When asked what issues were most important to the Anchorage economy, 81% of the businesses surveyed ranked “Sustainability of State of Alaska operating budget” as most important, a 2% increase over the previous year. Other key takeaways from the report are as follows:

- 72% of respondents support reductions to state spending
- 69% of respondents support a statewide sales tax
- 67% of respondents support a reduction of the Permanent Fund Dividend payout

While still supportive of measured and targeted budget cuts, the AEDC Board continues to see the need to deliver critical state and local services. We cannot cut our way out of the state’s fiscal crisis. Affordable health care, education, housing, community safety and workforce development are key elements to a sustainable, vibrant economy. Vital investments in quality education, from pre-K to the University of Alaska, not only prepare and train our future workforce, but are even more essential to attracting critical business investment and fostering thriving communities. State support of health care services improves our wellbeing while funding of social welfare programs addresses the challenges faced by our most vulnerable citizens. Current state spending remains insufficient in 2022 to support many of these essential services, and future cuts should be done with great care and moderation.

State government fiscal stability must consider new and sustainable sources of revenue. AEDC believes a statewide sales tax is the best option and should be designed in a less regressive manner, with exemptions on essential items and services such as non-prepared foods, housing and medical care, and priority given to local communities to levy a local sales tax. The addition of a statewide sales tax would provide a level of predictability to the state budgeting process, and Alaska would remain well-below national state tax burden averages.

A comprehensive fiscal strategy for Alaska must include consideration of the Permanent Fund, which is a critical component of the state’s overall fiscal health. Alaska has transitioned from a state reliant on oil revenues to a state reliant on the Permanent Fund for more than 70% of unrestricted state revenues. While the POMV plan adopted by the Legislature in 2018 promotes long-term sustainability of the Permanent Fund, future changes in leadership threaten the long-term fiscal discipline necessary to provide lasting protection of the fund for all future generations of Alaskans. The AEDC Board of Directors supports placing before the voters an amendment creating a constitutionally protected POMV policy to ensure protection of the fund in perpetuity and encourages the Legislature to act in time to get the issue on the 2022 ballot.

Our state may enjoy a respite from fiscal instability in the short-term. But for the long-term success of our state, new fiscal policies must be adopted that solidify Alaska’s fiscal footing for the benefit of future generations. The AEDC Board restates its support for a comprehensive strategy to end this fiscal crisis and asks for action to be taken now. Alaskans deserve economic stability, investment in our state and local economies, and continuity of disciplined spending to put Alaska on the path to sustained growth and prosperity. AEDC stands ready to collaborate with the Legislature and be an active participant in this process. We welcome the opportunity to support these recommendations with our organization’s perspectives, expertise, and leadership.

Respectfully,



Steve Noble  
Board Chair



Bill Popp  
President & CEO