



April 7, 2017

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Dear Legislator:

Alaska Common Ground focuses on public policy issues and seeks to build consensus through public forums including speakers with diverse perspectives. We have held over 30 such meetings about Alaska's fiscal gap and have put on more of them recently because of the urgency of the situation. These forums have been well received by the public and the media, in part because of participation by various legislators. Thank you for joining us!

We are gratified that both the House and the Senate are considering bills that include use of a portion of the Permanent Fund Earnings Reserve Account (ERA) as part of a fiscal plan, with an annual percent-of-market-value (POMV) calculation governing the amount of the draw for the state budget. That is an important step towards finding common ground, but, **as both houses recognize, the POMV is only part of the solution.**

A plan that is insufficient to fill the FY2018 budget gap - approximately two thousand eight hundred million dollars or \$2.8 billion - will cause more harm than good. **Postponing necessary decisions will perpetuate, even accelerate, Alaska's current economic recession.**

Important points to consider include:

1) Additional substantial budget cuts are likely to exacerbate the recession. A budget cut of \$100 million costs Alaska 1,000 to 1,250 jobs, according to ISER. Many Alaskans have not yet felt the bite of a serious recession, but, **without swift legislative action to stop sweeping cuts and adopt revenue measures, it is highly probable that job losses will continue, and negative impacts on the economy will multiply and become widespread and enduring.**

2) **Protecting the Permanent Fund Dividend protects the Permanent Fund**, as Governor Jay Hammond argued. Eliminating the Permanent Fund Dividend, on the other hand, would have a huge and unfair impact on lower-income Alaskans, including people in rural communities.

3) **A fiscal plan that is sufficient to fill the fiscal gap should include one or more broad-based sources of revenue in addition to the POMV.** A progressive income tax, set at levels that would have little or no effect on those with low to moderate incomes avoids competition with municipalities, and is preferable to a statewide sales tax. Note that Dillingham and Bethel, for example, each have six percent local sales taxes.

Many businesses seeking a startup or expansion in a new location look at quality of life factors such as good schools, universities, infrastructure, and public safety, that will help these businesses attract and retain employees. Those in the service sector—such as air transportation—are extremely reluctant to invest in a declining economy. This is yet another reason additional big budget cuts and a failure to establish an adequate revenue stream for the annual state operating budget will accelerate the downward spiral of Alaska's economy.

For Alaska to flourish, the state must have a stable revenue stream. To stabilize the revenue stream several sources are required. Diversity is the key to security. Please act now to adopt the essential fiscal measures that will give our  Alaska a positive future.

Respectfully,

A handwritten signature in blue ink that reads "Cliff Groh".

Cliff Groh, Chair
Alaska Common Ground Board of Directors

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