

2021 Voting Members

Chair

Michael Huston
Northrim Bank

Vice Chair

Steven Noble
DOWL

Secretary/Treasurer

Martin Bettis
Signature Flight Support

Immediate Past Chair

Marilyn Romano
Alaska Airlines

Dave Cavitt
Furniture Enterprises of Alaska

Jeff Davis
Providence Health & Services-Alaska

Laura Edmondson
Bering Straits Native Corporation

Walter Featherly
Holland & Knight LLP

Mark Filipenko
Bond Filipenko Commercial Properties LLC

Charles Grimm
BAC Transportation LLC

David Karp
Saltchuk

Michelle Klouda
Rim Architects

Peter Pounds
GCI

Ryan Strong
First National Bank Alaska

Garret Wong
Financial Advisor

2018 Ex-Officio Members Municipality of Anchorage

Mayor Austin Quinn-Davidson
Chris Schutte, OECD
Assembly Member John Weddleton
Assembly Member Jamie Allard

April 27, 2021

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 a recent months-long effort by the AEDC Board and membership to evaluate additional options to resolve the crisis facing our state, the AEDC Board of Directors today recommends the following strategies 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 there needs to be a sense of urgency in addressing Alaska’s ongoing fiscal crisis. We can no longer kick the can down the road, and we cannot view federal pandemic relief funding as a solution to a state budget deficit. AEDC recognizes that a comprehensive solution will require several elements, including identification of stable revenue sources, disciplined budgeting and measured spending.

The 2021 AEDC Business Confidence Survey (BCi) represents the views of 210 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, 79% of the businesses surveyed ranked “Sustainability of State of Alaska operating budget” as most important. Other key takeaways from the report are as follows:

- 73% of respondents support reductions to state spending
- 70% of respondents support a statewide sales tax
- 74% of respondents support a reduction of the Permanent Fund Dividend payout

While supportive of measured and targeted budget cuts, the AEDC Board also recognizes the need to deliver critical state and local services. We cannot cut our way out of the state’s fiscal crisis. Affordable health care, housing, community safety and workforce development are key elements to a sustainable, vibrant economy. Investments in quality education, from pre-K to the University of Alaska, not only prepare and train our future workforce, but they are also essential to attracting vital 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 is already insufficient to support many of these essential services, and future cuts should be done with great care and moderation.

If we are to take steps toward fiscal stability, we must consider new and sustainable sources of revenue. 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 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 current POMV 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 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 has suffered through fiscal instability long enough. The AEDC Board supports 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,

A handwritten signature in black ink that reads "Michael Huston".

Michael Huston
Board Chair

A handwritten signature in blue ink that reads "Bill Popp".

Bill Popp
President & CEO