

Governor Dunleavy Address to Alaskans
HB 2001
August 19, 2019
As Prepared for Delivery

“Good afternoon, Alaska. Thank you for tuning in. Today I come to you from my office in Anchorage to speak about our state's budget, the decision-making process we went through, and the status of the Permanent Fund Dividend distribution.

Let me begin by saying the budget presented in February was a very real, transparent approach to our state's billion-dollar-plus deficit. It forced Alaskans to begin the very difficult but necessary conversation about our state's finances and the fiscal situation we face today.

There is no doubt Alaskans got engaged, and a much needed and, at times, difficult conversation took place in the media, at the dinner table, and amongst friends and family. I believed, and still believe, that in order for this discussion to be successful and to be taken seriously, we have to show Alaskans exactly what our fiscal picture looks like and what it will take to solve it.

Alaskans need to understand that we can no longer afford to spend at our current rates. We can no longer afford to deplete our savings and hope for higher revenues. We must begin making the long-term changes to put ourselves on a path to a more sustainable future, and we can no longer pretend the problem will fix itself.

It will take difficult decisions to get us to a sustainable budget, and I am prepared to make those difficult decisions.

As a candidate, under a far more favorable revenue picture, I believed we could make significant changes to our budget through a series of cost savings, efficiencies and targeted reforms. In October of 2018, the price of oil was trending at nearly \$85 per barrel, but when we took office in December, oil prices had plummeted to near \$55 per barrel, cutting over \$1.7 billion in potential revenue in less than three months. This forced my administration to take a drastically different approach to the budget in which steeper reductions had to be made.

Previous legislators and governors tried to address the fiscal imbalance by proposing taxes and cutting the PFD. My approach was going to be different – one that would try to balance spending with existing revenues.

After months of discussion and deliberation with Alaskans and the legislature, the legislature instituted a 2.9%, or \$270 million, reduction to the state's overall budget. A good start at reductions, but still leaving a gap of well over \$1 billion. Based upon the size of the deficit and our revenue picture, it became clear that more needed to be done through the use of a veto, reductions that are reflected in today's budget.

As a result, I can say that important steps are being made to address our deficit, to right size our government and to put Alaska on a more sustainable path. Effective today, through the enactment of HB 2001, we have eliminated over 1/3 of the state's deficit through reduction of approximately \$650 million in state spending. Reforms have been initiated to make services and programs, such as Medicaid, University of Alaska, and the Alaska Marine Highway System more efficient and more sustainable.

The driver for these reductions continues to be Alaska's current fiscal outlook, requiring all of us to rethink the way we provide services, the way we prioritize limited state resources and the way we spend state dollars moving forward. While state savings will continue to be exhausted as we move into a multi-year step down, reducing our rate of spending must be a priority for all Alaskans. More must be done in the coming months, but we as Alaskans are resilient, and I honestly believe our future remains bright.

In the weeks since receiving the state's operating budget from the legislature, we have taken a serious look at restoring a number of programs and services Alaskans deem too important not to fund. As a result, you will see those restorations reflected in this budget.

I understand that this budget approach and timing, being so late in the legislative year, caused significant angst among Alaskans, I really do. This was certainly not our intention. However, certain programs, programs we value, got caught in a budget discussion that went on way too long. The seriousness of the deficit, the need to begin making reforms and the length of our legislative session all contributed to the level of uncertainty we experienced the past several months. We have listened and we have learned from this past year's budget process.

Moving forward, starting this fall, we'll be working diligently with Alaskans, our state agencies, service providers, legislators and stakeholders on a budget for the coming year that attempts to meet the needs of Alaskans within the prescribed 90-day session so all Alaska will know what the budget is well in advance of the start of the new fiscal year. My hope is to unveil a budget in December that reflects the values of Alaskans, and that the legislature acts upon this budget within the 90-day legislative session outlined in statute, not the drawn out process that we experienced this year.

Overall, this year's budget limited 1/3 of the deficit, reduced state spending by 8% and began the difficult process of changing the way we deploy limited state resources. The discussion that occurred ultimately helped Alaskans understand the seriousness of our challenges, forced the conversation about priorities and, in the end, helped shape this year's budget.

Lastly, on the very serious issue of the Permanent Fund distribution, something that has weighed on me and Alaskans greatly. Unfortunately, this process was thrown into chaos the past several years when oil prices fell. Too many in the legislature now treat the PFD as a political football, arbitrarily setting its amount rather than following the statutory formula Alaskans know and trust. For 35-plus years, Alaskans could rely on

the system we had in place, a process outlined in law and immune from politicians who wanted more for government spending.

Now some politicians in Juneau are attempting a complete takeover of the PFD, converting it into revenue for government and denying Alaskans their full statutory PFD. While there are some in the legislature that support the full statutory formula, unfortunately, majorities in both houses do not.

In this year's budget, the legislature sent me a \$1,600 appropriation for the PFD. Again, not following existing statutes that calculated the dividend for Alaskans of approximately \$3,000. If I had the authority to add more money to the budget for a full PFD, I would. However, only the legislature, by Constitution, can appropriate these funds. The legislature has once again denied the people of Alaska the full statutory PFD.

Many have asked me to veto this incomplete \$1,600 dividend passed by the legislature this year. Others have asked me to accept this partial dividend and to continue our fight for a full PFD. And while this decision was not easy, it's not easy at all, I decided that I will not veto this incomplete dividend. I and many others view this as a partial payment, not a full PFD, and we will continue to fight for a complete statutory dividend going into this fall.

This decision was based on three parts.

First, a veto today would have resulted in a zero dividend in October, leaving approximately 660,000 eligible Alaskans who expect the PFD with absolutely nothing, zero, not a dime. Over \$900 million would have been taken out of the economy if I veto the PFD, hurting Alaskans businesses and exacerbating our recession.

A veto would have been a win for those wanting to eliminate the PFD in its entirety. I'm not about to give them that win. Quite the contrary, I'll continue to fight and I will not let up for Alaskans until they receive what they are due.

Second, by funding an incomplete dividend, the legislature understands that their job is not finished. Many in the legislature know that this incomplete dividend must be fixed as soon as possible. I have begun the conversations with legislators to map out a path to appropriate the funds remaining for the full PFD.

I anticipate a special session this fall to complete this process. I'll introduce legislation to provide for a full statutory PFD through a payment from the Earnings Reserve Account.

Finally, now that the budget has been addressed, the full PFD will be the focus in this next special session, the sole focus. I will not let up until the remaining funds are appropriated for the full statutory PFD. I know Alaskans understand this decision and I appreciate all of your input.

While most of Alaska has been focused on the PFD and budget, and rightfully so, we have been moving ahead on other fronts, as well.

Since taking office in December, we have repealed SB 91 and put in place stronger laws to protect Alaskans, not the criminals.

We continue to make Alaska open for business by highlighting our resources and location on the globe, and making Alaska a better place to invest and develop.

We continue to work with our federal partners on regulatory reform, access to public lands, fulfilling our statehood selection and resource development, such as timber and mining.

We've seen a record year for tourism, new jobs being created, unemployment on the decline and several billion dollars in new investment on the North Slope being deployed.

We also saw record-setting numbers for fish caught in Bristol Bay and elsewhere in Alaska. And federal investment remains high, including for military construction and transportation projects.

While significant work remains, my commitment to you is to continue fighting on your behalf and to put our state on a path to a brighter future.

I want to thank all of you for your patience throughout this process and thank you for listening today. Have a great day."

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