

Alaska Municipal League
Resolution #2021-03

**In support for State policy and budget development that reflects a sustainable draw from
the Permanent Fund's Earnings Reserve.**

Whereas, the State has undergone significant and continuing fiscal challenges for at least the last five years; and

Whereas, deficit spending has contributed to loss of emergency reserves once found within the Constitutional Budget Reserve and Statutory Budget Reserve, both of which are at this point depleted; and

Whereas, of general fund revenues, competing priorities result in increased potential for the State to incur reductions to core programs that local governments and residents depend on; and

Whereas, those same budgetary pressures increase the likelihood the State may choose to shift costs to local governments, hoping that they will pick up the State's obligations; and

Whereas, lawmakers have a range of appropriation powers and tools at their disposal to meet this fiscal challenge; and

Whereas, one of the available options to lawmakers are the funds held within the Earnings Reserve Account (ERA), estimated to be approximately \$6 billion (realized, vs. \$12 billion unrealized); and

Whereas, the funds are accessible to lawmakers through a simple majority vote, though we understand that for every \$1 billion in funds drawn down today, the result is \$50 million less available in future years; and

Whereas, it may be tempting to utilize these funds for short-term needs, outside the current structure of a 5% POMV draw that makes available sustainable revenue to fund the State's obligations; and

Whereas, an unstructured draw has the potential to destabilize future budgets, pushes challenges to and impacts future generations, and leaves unresolved the many critical needs related to public health and welfare, public safety and education, and infrastructure; and

Whereas, while conditions have continued to deteriorate such that the State's fiscal situation is increasingly dire and additional solutions need to be presented as viable options, it remains critical that the State identify the means by which it addresses these issues; and

Whereas, a sustainable draw is a component of a sustainable State fiscal policy that includes revenues and expenditures that have been balanced, emergency reserves replenished, and a fund balance established.

Now, therefore be it resolved that AML commends to the Governor and Legislature support for State policy and budget development that reflects a sustainable draw from the Permanent Fund's Earnings Reserve.

APPROVED BY THE ALASKA MUNICIPAL LEAGUE ON THE 20th DAY OF NOVEMBER 2020.

Signed: Pete Petersen
President, Alaska Municipal League

Attest: M.A.
Executive Director, Alaska Municipal League