



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Revenue

COMMISSIONER'S OFFICE

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February 16, 2017

The Honorable Mike Dunleavy
Alaska State Senator
Chair, Senate State Affairs Committee
State Capitol Room 11
Juneau, AK 99801

Dear Senator Dunleavy:

The purpose of this letter is to provide you with a response to a question asked of the Department of Revenue (DOR) during our presentation to the Senate State Affairs Committee on February 7, 2017. Please see the question in italics and our response immediately below the question.

- 1. Why does DOR's modeling under the status quo show different results for the timing of earnings reserve depletion than modeling from the Alaska Permanent Fund Corporation (APFC)?*

The APFC modeling does not account for unplanned withdrawals from the Permanent Fund due to budget deficits. It assumes the budget deficit will be filled through unspecified new revenue sources or budget cuts. The DOR model assumes that budget deficits will be filled using Permanent Fund money in the absence of specific budget cuts or new revenue sources. Under the current budget projections from the Office of Management and Budget (OMB), the budget deficit will be large enough to deplete the earnings reserve by FY 2023, assuming status quo inflation proofing transfers to the principal.

I hope you find this information to be useful. Please do not hesitate to contact me if you have further questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Randall Hoffbeck".

Randall Hoffbeck
Commissioner