

## Promoting Fiscal Stability

*“In a time when our private economy has slowed and oil production has significantly decreased, we should not be increasing government spending. At the same time we need to make sure that we are spending our dollars wisely to stabilize our economy and revenue sources for future funding. One way is to access our natural resources to make the development of our natural resource industries economically feasible for the private sector.”*

**–Representative John Coghill, House Majority Leader**

*“Alaska is blessed with assets that other states could only dream of having. Our stability day in and day out, year after year, comes from understanding we have those assets, not only in the bank but also in the ground, to cover the four priorities of government: public safety, public health, education and transportation. As long as we stay focused on those four basic building blocks of the Alaskan society, we’ll have fiscal stability. Someday we may have to ask people to contribute more for their government, but today our stability rests in our assets, both realized and unrealized, and for that Alaskans should be very grateful.”*

**–Senator Gary Wilken, Co-Chair Senate Finance Committee**

The Twenty-third Alaska State Legislature fulfilled its commitment to prioritize state spending on those things that are most important to Alaskans. Since FY2003, the Republican-led majorities in the House and Senate have reduced appropriations from all state sources by \$92.4 million. At the same time, legislators passed the largest single increase to K-12 support in the state’s history, increased funding for the University of Alaska, put new troopers on the job, put more prosecutors in the court rooms, and absorbed an increase in retirement costs in excess of \$100 million.

During the session, Republican legislators worked with national experts to develop a constitutional spending limit that will work for Alaska. The measure passed the House of Representatives with support from 26 of the 27 Republican members of the body. On the Senate Floor, despite having all 12 of the Republican Senators' support, the measure failed by two votes.

At the same time, the majorities worked together to maximize the returns on Alaska's assets—the Permanent Fund, the Alaska Industrial Development & Export Authority, and our abundant natural resources.

### **2004 Second Session**

#### **HB 209: Municipal Tax: Property Affected By Disaster**

Allows municipalities to provide for a tax reduction for property destroyed, damaged or otherwise reduced in value as a result of a disaster.

*Sponsor: Rep. Mike Chenault*

**HB 375: Appropriations: Operating Budget/ Loans/ Funds**

Provides \$2.3 billion in general funds to operate State government. In addition to covering constitutionally mandated services, includes \$14.9 million to capitalize the SeniorCare Program to ensure funding until Medicare changes come on line in 2006; fully funds the Power Cost Equalization program at \$15.7 million; adds new troopers, six new public defenders, seven prosecutors and three child-in-need of aid attorneys. Provides funding for the agencies responsible for resource development such as increased land sales, improved permitting and review of gas line proposals. The Legislature also passed HB 377, which funds the State's comprehensive integrated mental health program, and SB 283 (see below).

*Sponsor: Hou. Rules Committee by Request Gov. Frank Murkowski*

**HB 419: Regional Seafood Development Associations/Tax**

Allows fishermen to form regional seafood development associations to tax themselves, providing a stable funding source for marketing efforts.

*Sponsor: Rep. Dan Ogg by Request Jnt. Salmon Industry Task Force Committee*

**HB 495: Four Dam Pool Joint Action Agency**

Allows the Four Dam Pool Power Agency to refinance their approximately \$73 million loan owed to the Alaska Industrial Development and Export Authority.

*Sponsor: Rep. Bill Williams*

**HB 556: AIDEA Bond for Lynn Canal Port**

Provides legislative approval for the Alaska Industrial Development and Export Authority to issue bonds or otherwise provide financing for a port development project at Lynn Canal. Limits funds for the project to bond sales. Specifies the location of the project at Slate Creek Cove and Cascade Point on Lynn Canal. The bonds would be retired using lease payments from the proposed Kensington Mine operation.

*Sponsor: Hou. State Affairs Committee*

**HCR 32: Alaska Info Infrastructure Policy Task Force**

Establishes the Alaska Information Infrastructure Policy Task Force to consider Alaska's role and interest in long-term information infrastructure development.

*Sponsor: Rep. Pete Kott*

**SB 183: Municipal Economic Development/Taxation**

Allows Second Class Boroughs to expend economic development funds collected inside the borough but outside of the cities for projects located throughout the borough, both inside and outside the cities, as long as there is an agreement with the city to cooperatively or jointly provide for economic development.

*Sponsor: Senator Ralph Seekins*

**SB 283: Appropriation: Education/CBR/Courts/Grants/PCE**

Increases funding for public K-12 education by \$82 million, including \$33.9 million for the public employees' and teachers' retirement systems. Increases funding for the University of Alaska by \$15.8 million, including \$5.8 million for the retirement systems. Includes the \$1.6 billion capital budget, which uses less than \$200 million in State money to maximize more than \$1.4 billion in federal monies. Includes \$5.8 million for the Department of Education's top 11 major maintenance projects, \$1 million for the Yuut Elitnauriviat People's Learning Center in Bethel and \$2 million for further erosion control in Shishmaref.

*Sponsor: Senator Lyman Hoffman, Senator Gene Therriault, Senator Lyda Green, Senator Ben Stevens, Senator Kim Elton, Senator Johnny Ellis*

**SB 326: Permanent Fund Investments**

Clarifies investment guidelines for the Alaska Permanent Fund to explicitly authorize certain investments under a "basket clause" that allows the trustees to invest up to 5 percent of the Fund in investments that are restricted under the statutory list, but are appropriate under the prudent investor rule. Increases the percentage that can be invested under the "basket clause" up to 10 percent. Gives the Trustees more options in the types of investments allowed, potentially increasing return and diversification of one of the State's most valuable assets.

*Sponsor: Senate Rules Committee by Request Legislative Budget & Audit Committee*

**SB 348: Approve Flint Hills Royalty Oil Sale**

Grants legislative approval to a 10-year contract for the sale of state royalty oil to Flint Hills Resources, a subsidiary of Koch Industries in Wichita Kansas. A long-term oil contract with the state was a condition of Flint Hills' purchase of the North Pole Refinery from Williams Alaska Petroleum. The oil would be converted for commercial use at the Refinery, which supplies 56 percent of the state's jet fuel consumption. The Department of Natural Resources forecasts that royalty revenues under the contract will be approximately \$0.30 per barrel higher than if the royalty were taken in value from the North Slope producers, resulting in increased state revenues from \$2.6 million to \$8.4 million. Flint Hills also committed to numerous other provisions beneficial to the state, including investing \$100 million in new processing equipment that will produce low-sulfur fuel mandated by the federal government beginning June 2006.

*Sponsor: Senator Gene Therriault*

**2003 First Session****HB 11: Deposits to the Permanent Fund**

Changes the statute that directs 50 percent of Alaska's mineral revenues to the Permanent Fund and returns the amount to the constitutionally required 25 percent.

*Sponsor: Rep. Norman Rokeberg*

**HB 112: AIDEA Authority To Issue Bonds**

Extends the time the Alaska Industrial and Development and Export Authority can issue bonds for development projects of \$10 million or less without legislative approval.

Extends the time from the current July 1, 2003 until July 1, 2007. Makes permanent the tax exemption for a non-exclusive right to use property owned by AIDEA.

*Sponsor: Hou. Rules Committee by Request Gov. Frank Murkowski*

**SB 51: Bonds of Bond Bank Authority**

Raises the limit on the amount of revenue bonds that the Alaska Municipal Bond Bank Authority may issue in any one fiscal year and on the total outstanding bond debt the AMBBA may carry at any one time. Increases the annual bonding cap from \$50 million to \$75 million.

*Sponsor: Senate Rules Committee by Request Legislative Council*