

End of Session Report from Juneau – June 8, 2012

The Alaska Association of Realtors had another successful legislative session. Great work team! ***House bill 267 " An Act relating to temporary permits issued by the Real Estate Commission; relating to licensed assistants who are employed by other real estate licensees; relating to contributions by a real estate licensee to a charitable organization"*** passed the House and Senate **UNANIMOUSLY**. The bill has been transmitted to the Governor and should be signed next week in Juneau.

Senate Bill 122 – "Relating to examination of titles, to residency requirements for title insurance limited producers and to real estate transfer fees" passed the legislature during the final days of session. This legislation did garner some opposition but eventually passed both the House and Senate unanimously. The AAR were successful in getting the language rewritten to prohibit transfer fees.

"An Act allowing a deferral of municipal property taxes on the increase in the value of real property attributable to subdivision of that property" also passed into law. Initially several communities opposed the bill, however after the language was clarified making this provision a local option the objections were removed.

Below is a brief overview of the legislative session

Shortly after the Legislature adjourned sine die on April 15, 2012 Governor Parnell issued a Proclamation calling the Legislature back into a special session to address the following issues:

1. Oil and gas production tax reform
2. House bill 9 – In State Gas Line Development Corporation
3. House bill 359 – Sex crimes, testifying via video conference.

One week into the 30 day special session Governor Parnell issued a new proclamation withdrawing oil and gas taxes from the special session agenda. The legislature adjourned several days later after passing one bill dealing with sex crimes and human trafficking.

The revenue forecast

The Dept. of Revenue released the state's April revenue forecast last month. Forecasters now expect \$942 million more in general fund revenue for this fiscal year (FY 12). They predict \$222 million more in FY 13 with substantial revenue increases projected long term due to high oil prices. Total general fund revenue over the coming decade (FY 12-FY21) is now estimated at \$82.1 billion, up 11 percent from December 2011 projections.

Spending – Operating budget

The FY 2013 state operating budget (House bill 284) passed the Legislature on the final day of the session and was signed by the Governor last week. The operating budget totals \$8.9 billion, including \$6.9 billion in general funding spending and \$2 billion in federal funds. With fund transfers and savings taken into account the package totals \$12.1 billion. This proposed operating budget represents just over 3% increase over current year spending. A majority of this increase is a direct result of inflationary factors in formula funded programs, rising Medicaid and health care costs and labor negotiated employee benefit cost increases.

The legislature also set aside \$2 billion in the Statutory Budget Reserve account and \$50 million into the Alaska marine highway vessel replacement fund.

Governor Parnell vetoed a total \$66.6 million from the capital and operating budget bills . The reductions were very small compared to previous years, Parnell attributed this to lawmakers sticking to a spending limit he'd set.

The bulk of the vetoed funding came from a one-time lump sum payment of \$50 million to the Judicial Retirement System that Parnell said he didn't deem prudent in light of financial and economic considerations. The Governor also cut additional funding of about \$2.2 million for pre-kindergarten grants, a pilot program expansion, and \$10.3 million for a substance abuse treatment program. In budget documents, the administration said the \$4 million approved by lawmakers for pre-kindergarten grants represented a 47 percent increase over the current year. Parnell reduced that figure to \$2.8 million and scrapped the \$973,000 proposed to expand a pre-K pilot project. The reduction in additional substance abuse funding came because the Legislature didn't have a plan for how to use the money, he said.

Along with the budget, Parnell also signed a roughly \$453.5 million bond package that voters will be asked to decide in November. The proposal includes 36 projects statewide, including \$50 million for the Port of Anchorage expansion project.

Capital budget

The final capital budget spending bills totals \$2.95 billion – Big ticket items in the budget include:

- \$58 million for the UAA Engineering building
- \$46 million for the UAF Engineering Building
- \$81 million for Roads to Resources
- \$16 million for statewide digital mapping
- \$30 million to the Alaska Aerospace Development Corporation
- \$18 million into the school major maintenance program
- \$37 million for UAA deferred maintenance
- \$60 million into the Alaska Marine Highway Fund to purchase a Class A ferry
- \$25.8 million to the Renewable Energy grant program
- \$31.5 million for the AHFC Weatherization program
- \$49 million for the Juneau State Library, Archives and Museum
- \$60 million to the Alaska Gas line Development Corporation to continue its work
- \$23.5 million for the Port Mackenzie rail extension
- \$32 million to the Matsu Borough for the road bond package
- \$48.5 million for the Port of Anchorage
- \$51 million for Village Safe Water projects
- \$33 million for Municipal water/sewer and solid waste
- \$12 million for the Dept. of Health's eHealth Network
- \$61 million for schools in Emmonak and Koliganek in Western Alaska

If you would like to view capital budget items in YOUR house district go to Legislative Finance Division reports at <http://www.legfin.state.ak.us>.

Coastal Zone Management Issue

Alaska's decades-old Coastal Management program ended last year when the Legislature failed to renew it. A ballot measure sponsored by the Alaska Sea Party and scheduled for the August election aims to bring the program back.

Governor Parnell vetoed \$2.9 million in funding authorized by the Legislature to restart the program, along with accompanying contingency language. The Coastal Management program gives Alaskans a say in what federal officials do in areas along the state's coast and in its waters, but Parnell and other pro development entities fear this will allow antidevelopment groups the opportunity to hold the state hostage when projects of statewide importance are under consideration.

The statewide vote in August will determine the future of this program.

Education

In the final days of the session the Legislature passed the Governor's performance scholarship bill (HB 104). The Scholarship program was authorized by the 2010 Legislature but the funding mechanism needed for the program was not established. House bill 104 creates a sustainable fund for Alaska Performance Scholarships and Alaska Advantage grants. The Legislature also included scholarship funding for the classes of 2011 and 2012.

The Scholarship program offers high school graduates \$4,755 annually for college or technical training in Alaska if they complete a core curriculum and obtain a 3.5 GPA. Students who earn a 3.0 GPA can get \$3,566 annually and those who earn a 2.5 GPA can get \$2,378. Students also need to meet the minimum scores for the college entrance exams. Several provisions were removed from the final bill including a contentious provision allowing students graduating with a GED to be eligible for the scholarship program. To address rural legislators concerns a provision was added allowing a waiver of course requirements for graduates who couldn't complete classes for reason beyond their control, like lack of reasonable access to classes at their schools. Under this provision the student has 24 months to complete the needed course.

Oil and gas

After a 10 day special session and months of testimony from consultants, industry experts, oil company executives and the general public the Legislature could not agree on a tax structure to incentivize oil and gas development in Alaska. The Senate supported a proposal that would provide a 30 percent tax credit for new finds but this was opposed by the Governor and the House because it didn't provide tax breaks to Alaska's largest producers. Parnell believes without incentives the "majors" will go elsewhere to invest. House members argue that the Senate's proposal will not put any new oil in the pipeline for at least 10 years.

In state gas line

A bill authorizing the Alaska Gas line Development Corporation (AGDC) to continue with its' instate natural gas pipeline proposal did not make it through this session. The legislation authorized AGDC to hold an open season to help determine if there is commercial interest sufficient to underpin the financing of the roughly \$7.5 billion project.

Opponents of the bill characterized it as overreaching and feared the bill would provide AGDC with authority to move ahead to construct and own a gas pipeline without further legislative action.

Reapportionment.

The Reapportionment Board's new election districts plan was rejected by the Supreme court. Last week the Court denied the board's request to use the plan for the upcoming election and instead gave temporary approval for an interim plan to be used for the upcoming elections. As of this report it is unclear what the actual interim plan will look like.