What To Expect From Juneau This Session January 27, 2013

The Legislative session clock began the 90-day countdown on Tuesday, January 15th when the new House and Senate organizations gaveled in. This upcoming legislative session looks set for some "ups and downs". The November elections resulted in a Republican controlled and Republican led Senate. Since 2007 the Senate has organized around a bi-partisan coalition comprising of members from both parties. The new Senate organization formed with 13 Republican members. After the leadership positions were determined the majority invited two democrat members to join their organization bringing the number to 15 members. The House majority is a 30-member body with 26 Republican members and four rural Democrats. The Governor was unable to move his priority legislation, oil tax reform, through this Senate coalition. The administration is very hopeful the new Republican organization will support the Governor's efforts to restructure oil taxes and provide incentives to companies to drill in Alaska. The Governor rolled out his oil tax restructuring legislation, Senate Bill 21 and House bill 72, the first day of session. We are likely to hear a lot more about the contents of these bills over the next 90 days.

The budget picture is not quite as "rosy" as the past few years. Declining oil prices and decreased production have resulted in $1.6 billion less revenue available in the current and next fiscal year than anticipated. Another significant contributing factor reducing state revenues are oil and gas tax credits. A December 2012 report by the Department of Revenue estimates significant growth in tax credits--from $4.9 billion in FY 2011 to a projected $6.7 billion in FY 2014. Currently the state has nine separate tax credit programs authorized for various aspects of oil and gas exploration, development or storage.

Gov. Parnell's budget request for the upcoming fiscal year totals about $12.8 billion, a starting point almost $1.1 billion lower than the current year's general fund spending. Most of the savings come out of the capital budget, which, at $1.8 billion, is far lower than the $2.9 billion capital budget Parnell signed into law last spring. Parnell's operating budget request holds budget growth to about 2.5 percent over the adjusted base budget—with about $159 million in new state general fund increases.

Most political insiders expect the next two years to provide a more accommodating environment for the Governor to accomplish his agenda.

Top priorities this year will be: restructuring oil and gas taxes, reducing energy costs, Natural gas pipeline, Medicaid, balanced budget, operating and capital budget spending and K-12 Education. Some legislators believe the low rates on bonds provide an ideal opportunity for the state to address the backlog of deferred maintenance projects, school construction and large statewide priority projects. These issues will all be on the table as we move through the session.