

Legislative Consultants in Alaska (LCIA)

Alaska Legislature Weekly Report

Week of March 5, 2012

Quiet week in the legislature this week as many lawmakers have traveled to Washington DC for the Energy Council.

Oil & Gas

Last Friday (Mar. 2) SB 192 finally passed out of the Senate Resources Committee. It would reduce what the state collects from oil company profits by about \$200 million to \$300 million a year. There are five key elements to the bill:

- Reduces the state's current tax on oil profits, from ACES. The Senate bill caps the tax at 60% of profits – after operating and capital expenses are deducted – compared with 75% under ACES. The governor had proposed a 50% cap, 40% for new oil fields.
- Creates an incentive for new oil production. For every barrel of oil put into the pipeline above the amount from the year before, an oil producer gets a break.
- Sets a minimum tax in case oil prices drop.
- Creates a new oil and gas information system to collect details on drilling, exploration, production, jobs, and other facets of a big and complicated industry.
- Separates oil and gas tax systems – decouples. Right now when oil prices are high and gas prices are low the state would take a big financial hit if large amounts of natural gas were produced, diluting the tax value of oil.

The new version of the bill is 21 pages, expanded from the original of two pages. The bill will now go to the Senate Finance Committee where it is expected to be worked on for several weeks.

Education

The school meals bill, SB 3, has been set aside in the House Finance Committee where co-chairman Representative Stoltze does not plan on holding a hearing for it. Instead, Representative Stoltze would like to create a new \$3 million school food program using food grown or caught in Alaska. He plans on adding this trial program to the capital budget this session.

SB 3 would require the state to pay 15 cents toward the cost of each free and reduced price lunch and 35 cents toward breakfast, costing the state about \$2 million a year. Senator Wielechowski, a sponsor of SB 3, said that it's unclear how Stoltze's idea would work with Alaska's short growing season, large number of rural schools, and logistical and shipping challenges. He thinks it's a good complement to SB 3, but doesn't completely solve the problem they were working on. He pointed out that there's already a law on the books directing school districts to buy Alaska food if they are using state dollars.

Legislation

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SB 151 passed the Senate Health and Social Services Committee and will now go to the Senate Judiciary Committee. The bill would allow Alaska judges to consider fetal alcohol spectrum disorders during criminal sentencing. Senator Kevin Meyer says the point of this bill is to make the option available if the condition is documented and played a role in a crime.

Budget

The House has passed HB 307, a \$72 million supplemental budget. It includes \$18 million to settle an education lawsuit, \$300,000 for a lobbyist to fight base closures in Alaska, \$600,000 for fast-ferry litigation, and money for two emergency roof repair projects in Cordova and Anchorage after heavy snowfall and for water and sewer line repairs at a Bethel school from frozen pipes this winter. Some items cut from the governor's proposal will come up in a "slow track" supplemental budget.

Governor Parnell has announced that he will submit an amended budget including an additional \$30.3 million for education, structured as one-time funding. Supporters of the bill boosting the BSA still don't think this is a good enough fix for education funding. The debate will likely continue between the BSA and one-time funding.