

Alaska Legislature Weekly Report

Week of February 20, 2012

Next week will mark the half-way point in the session. The Legislature will take a 4 day break March 3-6 to allow members time to attend the annual Energy Council conference in Washington, D.C. Once they return the pace will pick up as items such as the capital and operating budgets and bond bills will be taken up. Several key issues will continue to be at the forefront of the session – oil taxes, energy, coastal zone management, public employees’ unfunded liability and education funding

Legislation

Below is a list of the bills/resolutions that have passed so far:

Bills and Resolutions passed by the House

- HB 131 “COMMUNITY AND TRANSPORTATION ADVISORY BOARD”
- HB 180 “VETERAN DESIGNATION ON DRIVER’S LICENSE”
- HB 247 “ALASKA NATIONAL GUARD DAY”
- HB 267 “REAL ESTATE SALES LICENSEES”
- HB 274 “UNFAIR TRADE PRACTICES”
- HB 281 “WELCOME HOME VIETNAM VETERAN’S DAY”
- HB 282 “MILITARY TRAINING CREDIT”
- HB 291 “PUBLIC NOTICES POSTED AT POST OFFICES”
- HB 298 “EXEMPTIONS FROM MINING TAX”
- HCR 13 “NORTH PACIFIC FISHERY MANAGEMENT COUNCIL”
- HCR 20 “AMERICAN HEART MONTH”

Bills and Resolutions passed by the Senate

- SB 13 “LOWER PARK FEE FOR DISABLED VETERANS”
- SB 30 “RETURN OF SEIZED PROPERTY”
- SB 51 “STATE VENDING LICENSES”
- SB 53 “COMMISSION ON THE STATUS OF WOMEN”
- SB 74 “INSURANCE COVERAGE: AUTISM SPECTRUM DISORDER”
- SB 86 “PROTECTION OF VULNERABLE ADULTS/MINORS”
- SB 89 “LEGISLATIVE ETHICS ACT”
- SB 103 “WORKER’S COMPENSATION FOR FIREFIGHTERS”
- SB 104 “MANUFACTURED HOMES AS REAL PROPERTY”

Legislative Consultants in Alaska (LCIA)

- SB 125 “MOTOR VEHICLE TRANSACTIONS”
- SB 127 “FETAL ALCOHOL DISORDERS AWARENESS DAY”
- SB 137 “SUICIDE AWARENESS AND PREVENTION TRAINING”
- SB 150 “MILITARY TRAINING CREDIT”
- SB 171 “INCREASE BASE STUDENT ALLOCATION”
- SB 173 “2012 REVISOR’S BILL”
- SCR 17 “GIRL SCOUTS 100TH ANNIVERSARY”
- SCR 18 “RAOUL WALLENBERG REMEMBRANCE DAY”
- SCR 20 “DECORATION OF HONOR”
- SCR 21 “UNIFORM RLS: EDUC./HSS STANDING COMMITTEES”
- SJR 14 “MILITARY PERSONNEL CUTS AND BASE CLOSURES”
- SJR 16 “MILITARY PENSIONS”

Bills and Resolutions passed by both

- HB 19 “SPECIAL REQUEST LICENSE PLATES”
- HB 311 “REPORTS TO APOC”

Bills and Resolutions signed by the Governor

- HB 311 signed February 20, 2012, which delays the requirement of electronic filing of financial disclosures until February 16, 2013.

A controversial bill was heard in the House Finance Committee on Monday (Feb. 20). HB 125 is a bill that would move the Alcoholic Beverage Control Board from the Department of Public Safety to the Department of Commerce, Community and Economic Development. It is controversial as supporters think the board’s focus is too much on enforcement and not enough on commerce and commercial values while opponents think a change would dangerously weaken the board in a time with so much alcohol abuse in Alaska. Much of this debate involves strong efforts to stop underage kids from buying alcohol. As of now, the Alcoholic Beverage Control Board regulates sale, possession, and manufacturing of alcohol. It also investigates such cases that involve things like selling alcohol to minors or employing bartenders who don’t have their alcohol awareness training. Testimony will continue at a later time, but that time has not yet been scheduled.

Education

Although the Senate has approved an increase of the Base Student Allocation, the House seems to be leaning more towards the Governor’s side of the debate and would prefer to provide one-time extra funding. The Senate’s bill is now in the House Finance Committee, but has not yet been scheduled for hearings.

Legislative Consultants in Alaska (LCIA)

Testimony was heard for HB 242 about “Digital Learning” in the House Education Committee. This bill, introduced last year by Representative Peggy Wilson, would provide money to school districts to start a purchasing and replacement program for technology in classrooms. The bill was heard and held. If it passes the committee, it will next go to the House Finance Committee.

A joint resolution (HJR 39) has been submitted in the House to have Governor Parnell direct the Department of Education & Early Development to pursue a waiver for the No Child Left Behind Act. The department is already in the process of completing some of the requirements of the waiver. The new math and language arts standards that were developed could meet federal requirements, but an assessment tool still needs to be developed. Final version of the standards is expected in June. They are also working on tying in teacher evaluations with student assessment results. After this the department would still need to set up a statewide accountability system that would require stakeholders to formulate the system and a public testimony process. The deadline to apply for the waiver is in September.

Energy

The proposed Watana hydro project has submitted a new construction cost estimate of \$4.3 billion to the Alaska Energy Authority (AEA), prepared by MWH Global. Governor Parnell and the Alaska Legislature had previously agreed to support the project if it could be done for under \$5 billion. The current estimate assumes the use of Roller Compact Concrete, a new technology that reduces amount of materials. This technology has not yet been used in cold climates. AEA also intends to do design modifications including a curvature design instead of a straight design, which would transfer some of the dam’s load onto the side abutments. AEA will submit a draft plan for studies of the project in October with the hope that they can have approval by the end of the year. They then plan to have their formal license application in to the Federal Energy Regulatory Commission in 2015 with the hope that a license will be issued in late 2016 to early 2017. With this schedule the dam could be in operation in 2022 or 2023. The Watana dam would have a capacity of 600 megawatts and would produce about half of the power needs of the Interior-Southcentral “railbelt” regions.

The Department of Transportation is looking at a road from the Denali Highway as an access road. They are also looking at three alternative routes including a “Gold Creek” route from the south and a route from the Chulitna River/Parks Highway.

A joint effort between Nuvista Light and Electric and Calista Corp. has been developed to create a solution for energy in Southwest Alaska. They are planning a \$483 million hydro-electric project at Chikuminuk Lake in the Wood-Tikchik State Park. They will file a preliminary application with FERC this month. Meetings on permitting and gaps in environmental data are

Legislative Consultants in Alaska (LCIA)

planned with the Department of Natural Resources as well as other agencies. The goal is for the project to be done and in operation by 2021. With the use of hydro-electric power in this region, use of about 5 million gallons of diesel per year for power generation would be eliminated with a savings of about \$32 million.

As Ketchikan broke power use records last month because of cold weather, plans are going through for Ketchikan Public Utilities to begin construction on the Whitman Lake hydro project. Ketchikan is paying \$15 million through bonds and the state is contributing \$8 million for the project. Another project in the area is Mahoney Lake being planned by Cape Fox Corp. and Alaska Power and Telephone that has been licensed by the FERC, but has not yet secured financing. They are hoping for half of the projected \$46 million from the state.

Anchor Point businesses are reporting an estimated 75% savings after switching to natural gas with the new Enstar pipeline extended to the area. The City of Homer is now hoping that Governor Parnell doesn't, again, veto a \$10 million appropriation for a gas line extension from Anchor Point to Homer.

Oil & Gas

One thing that has come up a lot during the oil tax debate is the difficulty of producing heavy or viscous oil. ConocoPhillips is now planning to expand its viscous oil production in the Kuparuk River field and is evaluating a new area for conventional oil production. Right now this location is producing about 15,000 barrels a day. The expansion project could cost \$1 billion to \$2.5 billion with a potential 115 new wells on one or two new drill pads. This expansion has potential to produce 150 million additional barrels of viscous, heavy oil. BP is also producing some viscous oil from the Schrader Bluff deposit in the Milne Point field.

Senate President Gary Stevens says he had hoped to have the oil tax bill out of the Senate Resources Committee by Wednesday, but hearings are still being held and amendments aren't expected to be discussed until Friday. The new goal is to get the bill out of the committee by March 8. It would then go to Senate Finance followed by the Senate Floor.

Senator Thomas and Senator Paskvan have introduced SB 215 that would build a natural gas pipeline from Cook Inlet to Fairbanks. With energy prices so high, everyone is looking for a solution. Building a pipeline from Cook Inlet would require building a shorter line and could use existing infrastructure, which would lower construction costs and would be the fastest, cheapest way to get natural gas to the Interior of Alaska. The bill has been referred to the Senate Resources Committee, and then will go to the Senate Finance Committee.

Legislative Consultants in Alaska (LCIA)

Health Care

SB 74, a bill that would require health insurance to cover medical treatments for autism, passed the Senate floor on Wednesday (Feb. 22).

A bill that would enable the state to collect federal Medicaid dollars to offset some health care costs of the state's inmates passed through the House Health & Social Services committee on Tuesday (Feb. 21). A legislative research report says that HB 288 could save \$3 million to \$7 million in FY 13 where the request for inmate health care is \$35 million. The bill now moves to the House Finance committee.

The 20-page SB 70 health care exchange bill is now in the Senate Rules Committee waiting to be scheduled for a floor vote. The exchange, in which Alaskans would be able to browse different plans, would be financed through fees paid by participating insurers. Health & Social Services Commissioner, Bill Streur, says the administration opposes the bill. They are able to create an exchange without legislation and would prefer the freedom to do some research before putting one in place.

Mining

A joint Resources Committee was given an update on the mining industry Wednesday (Feb. 22). A study done by the McDowell Group showed that mining in Alaska employs about 4500 people and that 70% of workers in large mines are Alaskan.

Budget

The Deputy Commissioner of Administration, Mike Barnhill, presented to the House Finance Committee's budget subcommittee for Administration about the unfunded liability. There are two bills (HB 236 as well as SB 121) proposed that would reinstate a defined benefit retirement plan. Barnhill says if these pass, it will extend the length of time of liability that is currently projected to be paid off in 70 years. This makes the risks of creating a new unfunded liability very high. Barnhill gave some options for how to pay down the unfunded liability:

- Status quo. A 25 year payment plan where municipal employers contribute a fixed percentage of payroll to the retirement systems and the state contributes whatever is needed to reach the actuarially calculated contribution rate.
- Level-percentage-of-pay plan. Backloads the collection of money as payments increase by 4% every year.

Legislative Consultants in Alaska (LCIA)

- Level-dollar plan. Front-loads payments by making a contribution of \$868 million in FY13, then payments would go down over time.

Deputy Commissioner of Revenue, Angela Rodell, says she would prefer the level-dollar plan because, although payments would be very large at first, liabilities would diminish quicker. Barnhill also isn't in favor of SB 187 that would establish a reserve fund to supplement the unfunded liability. He says this would extend amortization, put more burden on the municipalities, and potentially set up lawmakers for unrealistic expectations.

Last week the Senate Finance Fish & Game budget subcommittee met to discuss the current year's usage of funds. F&G promised all funds that had been allocated to them would be used by the end of the fiscal year. The committee urged them to put in requests for any money they needed. Senator Hoffman especially wants to push for new spending to maximize the use of Alaska's resources.

Under the governor's plan to remove funded, but vacant positions F&G will lose 59 positions – two each in Bethel and Dutch Harbor, one in King Salmon, and the rest in Southeast, The Railbelt, and the Kenai Peninsula.

An audit commissioned by Senate Finance and carried out by John P. Johns states that construction and operations of the new Goose Creek Correctional Complex will cost more than anticipated and more than lawmakers authorized. After it is completed, it will have cost \$302 million, \$50 million more than the limit from SB 65 that was passed in 2004. Operation of the facility – with a maximum capacity of 1536 inmates – will cost \$50 million per year as well as \$18 million in debt service payments. Johns' audit states that most of these cost overages were avoidable and that the Department of Revenue commissioner in 2004 even recommended that Governor Murkowski veto SB 65.