



## MID-MAY LEGISLATIVE UPDATE

As we head into the final days of session, there still appears to be a pathway to a timely adjournment on Wednesday, May 21. The Operating Budget has passed the Senate and returned to the House which, as we predicted, failed to concur. This triggered the appointment of the Conference Committee to hash out the differences between the two versions of the budget over the last days of session. The Senate named its Conference Committee members: Sen. Lyman **Hoffman** (D-Bethel), Sen. Bert **Stedman** (R-Sitka), and Sen. James **Kaufman** (R-Anchorage). The House also named its Conference Committee members: Rep. Andy **Josephson** (D-Anchorage), Rep. Calvin **Schrage** (I-Anchorage), and Rep. DeLena **Johnson** (R-Palmer). The “24-Hour Rule” is now in effect and will allow for swift movement of bills. The Legislative Finance Division (LFD) will soon post the “CC Motion Sheets” [HERE](#); watch for CC schedules [HERE](#).

The Capital Budget, Senate Bill 57, has passed from the House Finance Committee after adopting a new committee substitute. There were some additions made by the committee focused on deferred maintenance around the state, including:

- An additional \$19 million for School Major Maintenance, addressing nine schools on the major maintenance list;
- \$1.35 million for Mount Edgecumbe High School’s deferred maintenance.
- \$10 million for statewide deferred maintenance; and
- \$5 million for University of Alaska deferred maintenance.

Even with these additions, the new committee substitute still represents a \$730,000 reduction in unrestricted general funds compared to the Senate version. The Capital Budget is on the House Floor and will be in third reading and final passage this week.

We are still waiting for the governor’s response to the education bill passed by the legislature last week. In the meantime, SB 113 has passed, providing a new revenue measure that funds parts of that education package. Unfortunately, the governor has indicated that he will veto both the education package and any new revenue bills. If that happens there would be a joint session to attempt to override the veto. Also happening this week, on Wednesday, both bodies will be meeting in joint session to vote on the governor’s nominees for boards and commissions. All other education bills are moving slowly through the process and not very many will pass this year.

In response to lower-than-expected oil prices, the governor issued a [hiring freeze and ban on out-of-state travel](#) for the executive branch and issued a decree to the legislature to resurrect the bicameral, bipartisan Fiscal Policy Working Group.

## **Oil Taxes**

[SB92](#) has moved out of the Senate Finance Committee and is now in the Rules Committee, the last stop before the floor. This is one of the new revenue bills introduced this session and would implement a corporate income tax on certain oil and gas entities operating within the state. Specifically, privately held S corporations making over \$5 million in profits from oil and gas would pay the same taxes as publicly held C corporations within the industry. The bill could generate as much as \$100 million annually under the proposed 9.4% tax. Closing the S corporation loophole would be a good step in addressing Alaska's fiscal shortfalls. Right now we are hearing that the bill doesn't have 11 votes in the caucus to pass and the House has opposed the bill. We will continue to monitor the bill as session closes out.

[HB206](#) is not a tax bill, but it relates to oil taxes, and it is scheduled for its first hearing on Wednesday. It would require the Department of Revenue to publicly disclose all sorts of confidential taxpayer information, like production taxes owed for each unit. This bill is in response to legislators' concerns that they don't have adequate information to make good tax policy. Because it is now late in session, the bill is unlikely to pass this year.

[SB112](#), the oil production tax bill, appears not to be making any progress. It may gain traction next session.

SJR 19 has moved over to the House and is in the Resource Committee. The resolution urges the United States Congress to honor the terms of the Mineral Leasing Act and the Alaska Statehood Act and provide the state with a 90 percent share of all bonuses, royalties, and rentals received by the federal government from the Arctic National Wildlife Refuge and the National Petroleum Reserve in Alaska.

## **Other Bills**

[SB183](#), relating to the powers of the legislative auditor, has passed both bodies and was transmitted to the Governor on Saturday. The bill makes changes to the legislative auditor's powers relating to the nature and format of information provided to her office by the executive branch agencies. There is a long history of tension between the legislative auditor and the executive branch, and the source of this particular conflict relates to the confidentiality of settlements between the State and oil companies over oil tax disputes. The legislature wants to ensure that the State isn't making cozy deals with industry over tax settlements.

In general, bill action has been slow and not very many bills will pass both bodies this session. We will keep you posted as session wraps up.

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