



# 27th Legislative Update

*Representing Eagle River Valley, South Fork, Stuckagain Heights, South Anchorage, Indian, Bird, Girdwood, Whittier, Portage, and Hope*



House Chambers

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*You can find me on:*

**Facebook: *Senator Cathy Giessel***

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**May 26, 2011**

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## **NEW**

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Neighbors,

The first Session of the 27<sup>th</sup> Legislature adjourned on April 17, completing the voter-determined 90-day Legislative session. There were 375 bills introduced between the Senate and the House. 40 bills were passed by both bodies.

I served on two committees: State Affairs and Labor & Commerce. In addition, I regularly attended Resources, and frequently Education and Finance. When the House Resources and House Finance committees were hearing the oil tax bill, I also attended those hearings. Why would I do this? – I want to be informed on these important topics with in-depth knowledge, so that my votes are based on solid information.

State Affairs Committee heard bills related to: authorizing special license plates; popular vote for President; approving 2<sup>nd</sup> stanza to the state song; naming special “days” commemorating issues such as Lupus and Garden Day. The committee intends to hold meetings during the interim.

Labor & Commerce Committee heard bills related to: film credits; loan programs for small businesses; public construction wage guidelines. Labor & Commerce is the Senate committee that holds HB110, modifying taxes on oil production (ACES). The committee chairman says that he plans to hold committee meetings during the interim.

Special Session agenda work was completed except finalizing long-term funding of the Alaska Performance Scholarship (APS). The APS was provided funding in the Capital budget, which will allow scholarships to be available. The Costal Zone Management bill was heard, but failed to pass the legislature.

It has been an honor and a privilege serving as your senator. I will continue to diligently represent the interests and concerns of our district. I look forward to meeting with you and hearing your comments and suggestions. Please be safe as you enjoy the Alaskan Summer.

Sincerely,

## Special Session

The Governor called us back into a Special Session because Capital and Operating Budgets had not been passed during the usual 90-day session. There were 8 other bills put on the Special Session agenda: extend Regulatory Commission of Alaska, fund Alaska Performance Scholarship, extend the Coastal Zone Management Program, extend Boards of Nursing/Dentist, Barbers, authorize Alaska Energy Authority to pursue a large hydroelectric project, funding for Vocational Education, authorize Supplemental Appropriations.

The 1st Special Session adjourned abruptly on May 14, at the end of the 27<sup>th</sup> day of the 30-day Special Session. That adjournment was driven by the House of Representatives, who passed the Capital Budget, sent it to the Senate and then adjourned. The House also declined to agree to changes made by the Senate in the Coastal Zone Management bill.

## Why a Special Session?

I am frequently asked what was accomplished during the Special Session and why the work was not done during the regular 90-day session, which ended on April 17th.

The reason that the Governor needed to call the Legislature into Special Session (Constitution, Art. 3, Sec. 17) was that the Senate had not passed the Operating Budget, and had not sent the Capital Budget over to the House for their review and approval.

The Governor starts the budget ball rolling by submitting to the Legislature an Operating and a Capital Budget (Constitution Art.9, Sec. 12). The Legislature is the body that determines what can be spent (Art. 9, Sec. 13); the Governor cannot add to the budget approved by the Governor, but can subtract from it by reducing amounts or vetoing items from the budgets.

By tradition, the House bill takes the lead on the Operating Budget, the Senate bill takes the lead on the Capital Budget. When each body completes its work the budget is sent to the other body to either accept it or edit it.

In the 27<sup>th</sup> Legislature, the House completed work on the Operating Budget on March 10 and sent it to the Senate. The Senate changed the Operating Budget on April 1 and sent it back to the House. A Conference Committee was appointed, since neither the House nor the Senate agreed to the changes each had made. The agreement on this budget was not reached until May 6.

The Senate did not send the Capital Budget over to the House by the last day of the regular session. In that budget, the Senate put language which would have prevented the Governor from vetoing specific energy items. The Capital Budget was finally sent to the House on May 10. It was only then that the House could closely review the Capital Budget, add items of interest to those districts and remove disagreeable items. The House removed the veto-limited language, added their capital items, sent the bill to the Senate and adjourned the House on May 14. The Senate accepted that Capital Budget.



Governor Parnell signing the Proclamation declaring May 10 as Mining Day in Alaska



Barbara Donatelli,  
Senior Vice President CIRI



Whittier Mayor Lester Lunceford, Faith Peter, Commissioner Mark Fish and Randy Eledge from the Human Rights Commission

## **Budget**

The Operating & Mental Health Budgets equal \$9.02 billion.

The Capital Budget equals \$3.18 billion.

The Capital budget includes \$486 million for energy projects (transmission lines, Susitna (Watana) Dam, Mt. Spurr geothermal, and others).

Savings added to reserve accounts equal \$2.5 billion.

Paying down the State credit card debt: \$350 million.

The Governor, who can veto individual items, will review all these budgets.

## **State Savings**

The State savings accounts are approximately as follows:

Constitutional Budget Reserve and Statutory Budget Reserve: \$14 billion.

Permanent Fund: \$40 billion.

The Department of Revenue issues estimates of state income in Fall and Spring reports. Additional revenue, gained by high oil prices during the time from Fall to Spring forecasts, was about \$480 million.

## **District P Schools in the Capital Budget**

Appropriations for the following schools, above the Anchorage School District appropriations, that serve students in District P:

Alpenglow Elementary, Baxter Elementary, Eagle River High School, Girdwood School, Goldenview Middle School, Rabbit Creek Elementary, Service High School, and South High School.

## **Paying your Taxes**

In 2011, Americans will devote 2 hours and 13 minutes of every eight-hour workday, or over a quarter of their working hours (27.7 percent), to paying taxes. In a nine-to-five workday, it takes until 11:13 a.m. to earn enough to pay that day's share of taxes at the federal, state and local level. If we add the federal deficit to the picture -- that is, if the federal government were planning to collect enough in taxes during 2011 to finance all of its spending -- Americans would work until lunchtime, 12:07 p.m., for the government, before keeping any of their earnings for themselves, says the Tax Foundation.

Source: Kail Padgitt and Alicia Hansen, "Nation Works until 11:13 a.m. to Pay All Taxes, Lunchtime to Pay off the Deficit," Tax Foundation, May 5, 2011.

For text:

<http://www.taxfoundation.org/files/ff268.pdf>



### **Shoot for the Cure**

This was a fundraising event for Cystic Fibrosis. We shot trap, skeet and five stand. It was so much fun!! And it raised money for a great cause.



Honorary Girl Scout Troupe 49 on the day of the pinning ceremony



In-State Gas Caucus Meeting

## My Opinion: Alaska's Oil Tax Structure

Some say Alaska has a math problem related to our revenue, oil credits and oil taxes.

I agree. The math problem is how to increase oil production and jobs in Alaska.

If our Production Tax structure is so reasonable, we should be bursting with jobs and oil production. Alaska North Slope (ANS) crude is currently valued anywhere from \$10-13 more than West Texas Intermediate (WTI) crude and has been for nearly the entire First Session of the 27th Legislature. This higher valued commodity should be drawing interest from companies. What is really happening...?

We know an explosion of petroleum jobs and exploration wells is happening in other US states, such as new areas of North Dakota and even in mature basins in Texas. The May 6, Baker Hughes report shows an increase of 12 drill rigs in Texas, 4 in Louisiana, 2 in West Virginia and 1 each in Pennsylvania and New Mexico. Unchanged is Alaska, with only 5 drill rigs, total. The high value of oil is driving companies to spring into action everywhere in the US...but not in Alaska.

A clue to our Math Problem can be found in Petroleum News, March 13, 2011, in an article entitled: "Repsol Takes 70%". The article is about Spanish oil mega-major, Repsol, buying-in to the tune of \$786 million, to a large oil lease south of the Kuparuk River unit. Repsol is partnering with Armstrong Oil. This is exciting news and has been heralded by some legislators as a sign that all is well in Alaska's taxation structure.

Bill Armstrong says he is bullish on the North Slope because of the significant remaining potential of convention oil there. Repsol executives say the North Slope is proven to be oil-rich and carry low exploratory risk for their company. More exciting news!

But, as Paul Harvey used to say, let's look at the "...rest of the story." The subtitle to the headline of that Petroleum News, March 13, 2011 story read, "Pace of exploration tied to tax changes."

On Pg 24, the article states: "*What wasn't said in Repsol's press release, Petroleum News sources contend, it is that Spanish major expects Alaska Gov. Sean Parnell's proposed changes in Alaska's production tax to pass into law.*

*It's not hard to believe. Just three weeks before the long awaited deal closed with Repsol, Armstrong Vice President Ed Kerr submitted a letter to the co-chairs of the Alaska Legislature's House Resources Committee, saying that the governor's bill, 'HB 110 will have significant impacts on our capital expenditures and future activities in Alaska. The improved fiscal terms as proposed by HB 110v, particularly the portions of the bill that apply to activities outside of existing units, will give us the needed incentive to not only drill multiple new wildcat and delineation wells, but the motivation to drive certain projects to development.'*

*Kerr said Armstrong has 'more than a dozen ideas outside of the existing producing units' on its project list, ideas it hopes to drill and test over the next several years.*

*'In many cases we know the oil is in place. The improved fiscal terms as provided in HB 110 will greatly affect whether these projects will get developed.'*"

Exploration in Alaska gets tax credits. But we know that 70-90% of exploration wells do not find oil, so the ACES production tax doesn't apply to those. Our exploration credits are of interest to exploration companies... but most of the companies are not like Repsol, who has a reputable history of production. We are drawing many explorers with no history of producing oil. They are willing to take the risk because 45-65% of their cost to explore is paid for by the State of Alaska in the form of credits and the rest is covered by federal and state income tax deductions.

Exploration doesn't solve the true math problem facing our state which is: more oil in the pipeline.

Producers face a 100% prospect of paying the ACES tax. Without production, the State of Alaska gains nothing for all the exploration credits.

## Spotlight

Congratulations to **Grace Christian School Choir and Band Music Directors Margaret Brown and Holly Morookian**, along with their 38 students who recently returned from State Music Competition with 37 Superior ratings. Additionally, these students were also awarded a 1st place, 2nd place and two 3rd place Command Performances (best performance in a judging section). You have distinguished yourselves as striving for excellence. Well done! Students receiving the 1st place Command Performance singing, *Go Where I Send Thee!* included **Mariah Applegate, Brianna Aspelund, Lisa Dunagan, Matthew Eller, Molly Foster, Heather Green, Kylee Green, Nicole Henke, Kylie McGarity, Shannon McNamara, Daniel Serventi, Mason Simmers, Dallas Smith, Wolfe Tolbert, David Ward, and Kate Winkle.**

### **Track and Field**

**Grace Christian Girls (3A)** won decisively at State, taking first place with 142 points. (Second place team accrued only 65 points.)

Congratulations to **Gabriella Serventi**, who took first in 100, 200 and 400. Other outstanding teammates who made the win possible: **Mariah Applegate, Elle Arnold, Makenna Bond, Brandi Caylor, Bethanne Davis, Jodi Davis, Heather Green, Sarah Ihde, Hannah Karlberg, Brooke Ledbetter, Kayla Rowe, Leah Schmiedt, Jenna Sutton, Anna Trujillo, Claire Trujillo, Betsy Winkle.**

**Grace Christian Boys (3A)** also did well, taking second place in their division, only ½ point below the first place team. Teammates are **Bradley Boerger, Joseph Dillon, Cameron Eckmann, Andrew Eller, Matthew Eller, Ryan Hickok, Ivan Isaacs, John Klein, Quinton Metcalf, Carson Rowe, Daniel Serventi, Anthony Walsh, Frew Winkle, Nick Zietlow, Erik Johnson, Chase Markel, Dane Walker, Grant George, Andrew Lee, Trent Jones, Matthew Dockter and Bryan Peppers.**

**Girdwood** graduating 8<sup>th</sup> graders, **Gwendolyn Quigley** and **Annika Flynn**, were selected to share the Student of the Year award, given annually to graduating 8<sup>th</sup> graders by the Girdwood Rotary. Congratulations and best wishes on your high school careers, ladies!

**Baxter Elementary** student **Sophia Early** took second place in the Alaska State Spelling Bee. I also really enjoyed your speech at your 6th grade graduation ceremony. Excellent job Sophia!

**South Anchorage High School/King Career Center** student **Douce Thao** and **Eagle River High School** student **Rashael Wakefield** received a Great Achievers Award and scholarship to any University of Alaska campus for academic success and making a positive impact on their community. Way to go students!

**Girdwood** student, **Sarah Bartholomew**, is the recipient of a 2011 Spirit of Youth award in the Fine Arts category. Sarah started her own band, **Sarahndipity** and plays several musical instruments. Sarah and band members **Levi Freeman Shepard, Sam Freeman Shepard, Ian Wahl and Matt Faubion** performed at the reception in March and will be performing at the Funny River Bluegrass Festival on July 9<sup>th</sup>.

Congratulations **South Anchorage High School Girls Basketball** coach **Bonnie Gurney** for receiving the Coach of the Year Award for the State of Alaska and leading the team to a 6<sup>th</sup> place finish in the State Championship Tournament!

**South Anchorage High School** Parent Teacher Student Organization awarded seniors **Jarett Tucker** and **Callie McEwen** the Bo Seward Award for their outstanding record of volunteer service to our community.

Congratulations to **South Anchorage High School's First FTC (FIRST Tech Challenge) Robotics** teams **Wolverine 1: Ben Rockwell, Crailen Silvey, Jacob Coleman, Camden McDowell and Sam Juday** and **Wolverine 3: Max Waugaman, Aaron Sprague, Trevor Steele, Matt Dotson and Gayle Allen** and their coaches **Pete Tryon and Chuck Strauss**. At the State FTC Championships Wolverine 1 placed 6<sup>th</sup> out of 40 teams and Wolverine 3 was selected as first choice of the winning alliance of Bartlett and South to compete at the World Championships in St. Louis. What a great first year!

The **South Anchorage High School AFJROTC Marksmanship Team, Jason Cusack, Kristina Henkel, Arthur David and Connor Faith**, was awarded an Honorarium Citation by the 27th Alaska State Legislature for their outstanding performance and accomplishments.



Senator Giessel addressing Graduating 6th Grade O'Malley Elementary Students



Richard Lum (MusicTeacher at Ravenwood Elementary) was reappointed to the Governor's Professional Teaching Practices Commission



Students Calvyn Ambrose (Lanthrop High School), Allison Ward (West Valley High School) and constituent Jason Cusack (South Anchorage High School) from the NRA Youth Foundation



Heading to Labor & Commerce to hear testimony on HB 110



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First Session/First Special Session*

### CONGRATULATIONS!

**Congratulations to all the 6<sup>th</sup> grade graduates, moving on to Middle School! I really enjoyed joining Baxter, O'Malley and Rabbit Creek Elementary Schools for their graduation events.**

**Congratulations to the Girdwood 8<sup>th</sup> grade graduates who are moving on to high school next year. I really enjoyed attending this event.**

**Congratulations to the High School graduates from South, Eagle River and Service High Schools! You have worked hard to achieve that high school diploma. Good job!!**  
I wish all the graduates the very best in their futures!

#### **Road Closures and Construction: Alaska DOT&PF's 511 Mobile Website and Phone System**

Individuals can type in [511.alaska.gov](http://511.alaska.gov) from a smart phone or internet browser to view road conditions, construction reports, weather watches, incidents, and even view road weather camera images when available.

If you don't have access to a computer or smart phone, you can dial **511** to reach a voice automated system.

**The Municipality of Anchorage Roads Website can be found at:**

<http://www.muni.org/departments/works/traffic/engineering/roads/pages/default.aspx>