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City of Homer

Lobbyist Report – Laying The Groundwork January 23, 2013

Overview – BUDGET PRESSURE dominates early discussions

The 28th Alaska Legislature is underway. Considering there are 6 of 20 new Senators and 11 of 40 new House members in addition to over 70 new legislative aides, this session is likely to crawl along for a few more weeks. You have undoubtedly heard that the atmosphere is generally one of congeniality and cooperation between the Governor, House & Senate leaders. In addition, Legislators appear to be cautious about the introduction of legislation prior to communications with the Administration. In other words, there's little interest in pursuing legislation that the Administration will out right oppose. Instead, they are focusing on proposals where compromise may be possible.

A significant departure from recent years, revenue shortfalls have dominated the discussion thus far in Juneau. As presented before Finance committees this week, OMB Director Rehfeld reported that budget forecasts missed the mark in 2012 because of higher than expected tax credit expenses and a drop in oil production. This drop will have a significant impact on the FY14 capital budget. Note: the Governor's new oil production tax bill (SB 21) eliminates the 20% industry tax credits but retains the exploration tax credits of up to 40%.

FY 14 Operating Budget (HB65) Highlights

OMB reported total **revenue** decline of -\$1.6billion as follows:

FY13 (current year)	-\$928.4 million
(fund draws being taken from the statutory budget reserve to cover deficit)	
FY14 projected	-\$678.0 million

OMB reported **spending** at \$14.463 billion

FY13 (current year)	\$410.8 million deficit
FY14 projected	\$508.0 million surplus

Savings accounts balances as of June 30,2012:	\$15.70 billion
Constitutional Budget Reserve (not accessible by Legislature)	\$10.64 billion
Statutory Budget Reserve (accessible to Legislature)	\$ 5.24 billion

FY14 Revenue Sharing

\$60 million is included in the FY14 Operating Budget. This critical municipal program is funded at the same level as current year. However, this program is currently statutorily tied to the current petroleum profits tax. The Governor's new oil tax proposal (SB 21) eliminates the progressivity and ties Revenue Sharing now to State Corporate Income tax, a much smaller revenue stream. This change has not yet been quantified but we are working to determine any future impact to Homer's Revenue Sharing base should this bill become law.

Retirement System Liabilities – PRS/TRS & Termination of public employees

Anderson Group (AG) has taken a lead role in remedying a problem of significant cost to the City of Homer; required termination studies and potential cost increases when adding or eliminating PRS positions. It is imperative that Homer keep an eye on this issue. It is a budgeting issues as well as one requiring legislation this session. The Governor includes a \$633.8 million deposit in FY2014. This is a significant strain on the annual budget as Alaska faces an unfunded liability of \$11 billion. We have had conversations with Senator Micciche who understands this problem first had as the Mayor of Soldotna. He will be invaluable in this debate as bills get introduced. The Administration's current practice impacts the city's finances and limits its ability to manage the budget. We are working on the introduction of both a House and Senate bill and to ensure that the outcome benefits Homer. We are scheduled to meet with with the Department of Administration Friday and prior to filing legislation.

FY14 Capital Budget (SB18) Highlights

The Governor has proposed a \$1.8 billion budget. The following projects are included in this budget. Our goal of course is to retain this funding and include other Homer priorities as the legislature adds their priority projects to the Governor's initial proposal.

	(millions)
Homer Harbor	\$4.206 state matching funds
Homer – Beluga Lake Float Plane Base Study	.250
Homer East End Road Rehab mp 3.7 to 12.2	.800
Homer Lake Street Rehab	5.000

The Governor indicated that he left enough revenue on the table for the Legislature to add \$500 million in their priorities. This is down from \$1.8 and \$2 million in Legislative add ons in recent years. The budget squeeze is on.

Legislation Highlights (see attached LBR)

Anderson Group reviews all proposed legislation on a daily basis with an eye toward potential impacts to Homer. Bills of concern are added daily to the Legislative Bill Report (LBR) and sent to you on a bi-monthly basis (the report contains direct links for real time detail). Weekly hearing notices of all bills relevant to Homer are sent to you and included in this report. The City of Homer administration and department heads review these bills. If there are concerns and a decision is made to engage on Homer's behalf, specific remedies are discussed with the City, i.e. amendments, neutrality, and/or opposition. A few bills of note thus far:

HB 4 Alaska Gasline Development Corporation.

There is growing support for instate gas pipelines. It is apparent however, that there may also be a divide between the goal of some legislative leaders and the Governor on WHICH pipeline. The Governor has given the producers and TransCanda until Feb. 15 to come forward with very specific details on the progress being made for the larger line from the Slope to tidewater. The Administration is also indicating their optimism for Cook Inlet discoveries. All the while, House leaders are pushing forward on Rep. Hawker & Chenault's HB 4, aka, the Bullet Line. In any event, we are likely to see sizeable appropriations to advance these efforts. What does this mean to Homer? That the Legislature is paying attention to the risks facing their constituents. The entire Railbelt is at risk, specifically Anchorage. We will be working to ensure that any proposal ensures Homer of a gas supply.

HB 35 Creating Low-Interest Loans for Heating Systems

This bill increases the loan amount to \$15,000 from \$7500 in last year's bill, HB312. This is authorizing legislation only and as of yet, the sponsor has not worked out a fund source, a critical piece to its practical application.

Last session AG brought this bill (HB312) to the City of Homer's attention and worked toward passage. It passed the House 38-2. Next week Anderson Group will be meeting with members of the House Energy Committee in preparation of an upcoming hearing. There are a number of new members in the House and we are committed to working with the bill sponsor, Rep. Tammie Wilson, to ensure early passage over to the Senate where it died last session. This year, however, if we can get the bill over early enough to avoid end of session chaos, passage is viewed as optimistic.

It is our understanding that CoH is working on a resolution of support and the sponsor has expressed appreciation and is eager to include it as backup in the bill packets prior to the first hearing.

HB 40 municipal tax exemption for certain farm structures

The bill provides as a municipal option, for a partial or total exemption of farm structures as long as 10% of an individual's income is from farming and 50% of the facility is used for that purpose. Anderson Group contacted the bill sponsor, Rep Hughes of Palmer, for background information. Apparently the bill was introduced with the intention of providing an incentive for food storage in Alaska. Staff to Rep. Hughes is working on the legislation in greater detail to answer obvious questions i.e. whether or not commercial green houses would be included. They have requested a hearing on this bill in House Community & Regional Affairs, the only committee of referral. We will be working with CoH Administration to determine the best course of action.

Conclusion

Thank you for the opportunity to provide you with better communication and 'real time' reporting and an improved process to the benefit of the City of Homer. Future reports will be limited to AG's specific activities and legislation of interest to the City of Homer. This report is meant to provide you with a the overview and tone with which this session will be guided toward the 90 day adjournment of April 15.

Each session takes on its own personality. This is an attempt to paint that picture while we lay the groundwork and navigate through the process to accomplish Homer's legislative priorities and goals.

Please don't hesitate to call on us at anytime should you have questions or concerns.

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