



Alaska Senator
Bert Stedman

Honored to Serve Southeast Alaska



LEGISLATIVE UPDATES FROM SENATOR BERT STEDMAN
POSTED ON WWW.BERTSTEDMAN.COM



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Dear Friends and Neighbors,

The first regular session of the 30th Alaska State Legislature has adjourned and we now start a Special Session. Below you will find an overview of the fiscal plan, personal legislation I worked on, other legislation and issues important to Southeast, and an update on key projects in Senate District R.

Every Alaskan knew going into this session we faced a difficult and challenging fiscal climate. The session began with a lot of uncertainty, but we rolled-up our sleeves and worked the issues. I'm glad to report that the annual deficit has been reduced without implementing an income tax. However, our work is not done. There is still a structural deficit we must eliminate - and the sooner we do that the better for all of us. I am very engaged in this discussion.

As we transition to the interim, I look forward to spending more time with my family and enjoying all that Southeast Alaska offers in the summer and fall. Your calls, e-mails, and letters are always important to me and critical to helping me represent you in the Alaska State Senate. So please don't hesitate contact my office if I may be of assistance. Enjoy the summer and stay safe.



Sincerely,
Senator Bert Stedman

SPECIAL SESSION

The Legislature will be in special session starting May 18, 2017. Click [here](#) to read the Governor's Proclamation. It is likely that the special session will be lengthy and drawn-out with more than one special session. The Constitution limits special sessions to 30 days. The Legislature is still working on legislation to address the fiscal situation, an operating budget, a capital budget, and other issues that need to be addressed.

Aside from the 30-day limit, the next real deadline we face is the beginning of the fiscal year which is on July 1. We are required by the Constitution to pass a budget by July 1st and we are going to get it done. There is a lot of anxiety throughout the state because we are still working on the budget. We hear the concerns from municipal leaders, school districts, business leaders and everyday Alaskans.

May 19, 2017

FISCAL PLAN

Since 2012 (FY13), Alaska's budget has been in deficit. That is, state revenue has been less than state spending for the past 5 years. As a result, the legislature has covered the revenue shortfall with savings.

We had nearly \$17 billion in savings in 2012 – now we have roughly \$4 billion left. It is important to note here that the state should keep a reserve account for emergencies or other unanticipated contingencies. I don't think we should allow our savings to go below \$2 billion.

When we arrived in Juneau in January, the budget situation we faced was this: Alaska's budget deficit was roughly \$3 billion with an estimated budget of \$4.2 billion and state revenue at \$1.2 billion.

The question the legislature had to answer is: how do we fill this \$3 billion hole, while keeping in mind that we should not completely deplete our savings account? Some advocated for statewide taxes while some said we should make unrestricted draws from the Earnings Reserve Account, dividends and trading profits, of the Permanent Fund. I view both of these proposals as dangerous to the economy and unfair to future Alaskans.

Consensus did form, however, in support of an idea that has been around for quite a while: Percent of Market Value (POMV) payout of the Permanent Fund. POMV is a payout system for endowment funds that limits the annual withdrawal to a percentage of the total fund value – normally between 4.5% and 5.5%. I've supported the POMV approach for over a decade and I was also involved in creating Sitka's Permanent Fund POMV system over twenty years ago.

To engage in this discussion I introduced [SB 21](#). This legislation was the simplest and most conservative approach of any POMV plan under consideration this year. SB 21 would have established an annual POMV payout of 4.5% with at least half of the payout funding dividends and no more than half funding essential state services. That is, the draw is 4.5% and the opening split is 50/50 between dividends for the people and funding government. Also, this legislation did not 'cap' dividends and under my plan this year's PFD would be roughly \$1,700.

The POMV legislation that did pass the Senate is [SB 26](#). The draw is 5.25% and the split is 25/75 between dividends and funding government. While I have concerns about the size of the draw and split between the People's dividends and government spending, in principle I support the POMV approach.

PERSONAL LEGISLATION

I am pleased to report that 3 pieces of legislation I introduced has been passed and will head to the Governor for his signature. It's always nice to work with fellow Southerners on legislation that matters in the district.

SB 3 - Small Vessel Wastewater Exemption– This legislation reinstates an exemption from large cruise ship wastewater requirements for smaller cruise ships and state ferries. This action preserves the ability of several state ferries and small passenger cruise ships to operate in Alaska waters using the existing wastewater permit system. I am glad we were able to keep the ferries running while still serving communities and not interrupt the tourism industry.



May 19, 2017

SB 28 – Municipal Land Selections: Petersburg - This is an important bill that allows the new Petersburg Borough to receive just over 14,000 acres of land from the State of Alaska. This gives the Borough a reasonable amount of state land for economic and residential development in the future. It is particularly important to give the Borough the ability to stand on its own during times of state budget reductions. My involvement with this legislation began last Fall.

SB 88- Alaska Mental Health Trust Land Exchange - This bill advances a land exchange between the Alaska Mental Health Trust and the United States Forest Service that has been languishing for a decade in the federal bureaucracy. The exchange will benefit communities, protect view sheds close to towns, and will benefit the timber industry and provide much needed jobs by providing timber supply. The Alaska Mental Health Trust will use the proceeds from timber sales for Alaskans with mental health needs.

OTHER LEGISLATION & ISSUES

Low oil prices and structural problems within our oil tax regime is a dangerous mix to Alaska's fiscal stability. We have no control over oil prices and little influence on oil production. However, we do have absolute control of our oil tax structure. As we work our way out of this fiscal mess, which will take a few more years. We need to address issues within our oil tax regime like balancing up from subsidies from the state with the sharing of profits in the years of production. This is not our current structure.

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PROJECT UPDATES

The following projects are currently in the capital budget. Since the bill is not finalized, this is still subject to change. If there are any changes, an updated list will be posted.

Ketchikan Airport Ferry Rehab	\$1,500,000	(federal)
Ketchikan – Airport Master Plan	\$400,000	(federal)
Ketchikan – Cruise Ship Berths	\$2,000,000	
Ketchikan – Airport Road Rehab	\$3,200,000	(federal)
Ketchikan – Airport Road Bridge Rehab	\$1,500,000	(federal)
Ketchikan – New Airport Ferry Berth	\$10,500,000	(federal)
Ketchikan – Tongass Highway Rehab	\$5,000,000	(federal)
Ketchikan – Upland Improvements	\$5,000,000	(federal)
Sitka – Sawmill Creek Road	\$3,200,000	(federal)
Sitka – Airport Property Acquisition	\$400,000	(federal)
Wrangell – Shoemaker Harbor	\$5,000,000	
Hoonah – New dock Mooring Buoys	\$2,000,000	
Hoonah – Outer Point Dock	\$500,000	
Kake – Keku Road Rehab	\$2,000,000	(federal)
Klawock – Airport Improvements	\$6,200,000	(federal)
Angoon Airport Design	\$4,300,000	(federal)
Hydaburg – Fuel Dock Improvement	\$281,393	
Pelican – Main Street Rehab	\$1,600,000	(federal)
Inter-Island Ferry Authority – Ferry Refurbishment	\$3,500,000	(federal)
Inter-Island Ferry Operations	\$250,000	
Alaska Marine Highway System – AK Class Ferry Completion	\$4,430,000	
Alaska Marine Highway System – Construct/lease/purchase	\$5,000,000	(federal)
Alaska Marine Highway System – Ferry Refurbishment	\$12,000,000	(federal)
Alaska Marine Highway System – Terminal Refurbishment	\$3,000,000	(federal)
Alaska Marine Highway System – Tustemena Replacement	\$222,000,000	(federal)
Alaska Marine Highway System – Vessel & Facilities Upkeep	\$12,000,000	
Clarke Bay Ferry Terminal Rehab	\$1,700,000	(federal)