

off the record

a weekly legislative
update from
Senator Kim Elton

Room 504, State Capitol, Juneau, AK 99801 ♦ 465-4947 ♦ 465-2108 FAX ♦ May 7, 1999

on the move

bills seeing action this week

SB 133 Combine APUC and AOGCC

(Pearce, R-Anchorage) Creates the Alaska Energy Conservation Commission and transfers to it the powers of the Alaska Public Utilities Commission and the Alaska Oil and Gas Conservation Commission. APUC and AOGCC will be eliminated. Passed Senate, hearings in House Labor & Commerce 5/7 3:15 pm rm. 17 and 5/8 2pm rm. 17.

SB 110 Municipal Exemption from Cleanup Liability

(Wilken, R-Fairbanks) In cases where municipalities gain property by foreclosure or abandonment, removes municipality's liability for contamination cleanup. Passed Senate 5/7.

SB 112 Running Start for HS Students

(Elton, D-Juneau) Allows qualified High School students to take UA courses in their 11th and 12th years. Tuition is paid by the H.S., students receive both H.S. and college credit. In Senate Finance 5/10.

HJR 13 University Endowment for Research

(Therriault, R-Fairbanks) Calls for using oil spill settlement funds to create a long-term research and monitoring endowment. Passed House and Senate, to Governor.

SB 45 Landowner Immunity/Right of Way Vacation

(Halford, R-Chugiak) Gives property-owners immunity from lawsuits on lands they grant as conservation easements for public recreational access. Passed Senate, in House Judiciary.

SB 128 Storage Tank Assistance

(Finance) Phases out Board of Storage Tank Assistance; places income caps on eligibility for storage tank cleanup assistance grants and loans. Passed Senate, referred to House Resources and Finance.

Track bills on the web at <http://www.legis.state.ak.us/basis21.HTM>

Bombs away on AHFC

Last week Dan Fauske's office phone was as persistent as a naval destroyer's klaxon sounding "battle stations". That's because a legislative torpedo is speeding straight at him in his capacity as executive director of the Alaska Housing Finance Corporation.

That torpedo was launched last week by Sen. Dave Donley. The Anchorage Republican put together a state construction budget that: 1) reprograms and politicizes AHFC projects (Juneau's Mountain View senior housing remodel is just one of several AHFC projects that disappear from this year's list); and 2) violates a pact the legislature made with AHFC.

AHFC agreed to take a phased approach to housing projects so the legislature could spread more AHFC-funded projects across the state in any given year. The phasing ensured the integrity of AHFC's bond rating while allowing legislators to add more projects, clearly a win-win solution for the economists and the politicians. But now Sen. Donley wants to eviscerate the pact by cutting AHFC's phased projects.

If the phased projects are cut, bad things happen. First, the cost of construction will increase by \$800,000 (that's how much demobilization and remobilization costs). More important, however, is the signal it sends to investors who bought AHFC bonds. Standard and Poor watches Alaska legislative action closely in regards to AHFC, and threatens to downgrade AHFC bonds if the legislature interferes with agency operations. Legislative interference directly threatens the credit worthiness of AHFC.

The trade journal *The Bond Buyer* reported recently that "... any evidence of state interference with the agency's operations could prove even more damaging to the value of its bonds than a downgrade itself." Following publication of that article, AHFC's investment bankers in New York reported receiving calls from investors almost immediately, asking if they should sell their AHFC bond positions that day.

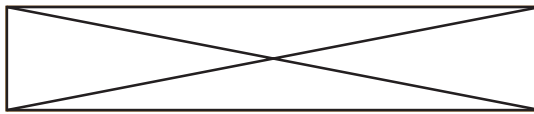
(Bombs, cont'd on p. 2)



**capital
move
pulse:**

no new action this week.

Capitol Undercurrents



BP/ARCO super merger

An attorney for the department of law offered a sobering assessment of the magnitude of the proposed merger between the two giants in the Alaska oil patch. As reported by the *Alaska Budget Report*, if the merger goes through BP will own: 73 percent of the Prudhoe Bay oil rim; 56 percent of the Prudhoe Bay gas; 72 percent of the oil pipeline; 57 percent of the Endicott pipeline; 91 percent of the pipeline at Milne Point; 95 percent of the Kuparuk pipeline; 100 percent of the Oliktuk pipeline; and 100 percent of the not yet complete Alpine pipeline. BP and ARCO, bidding separately May 5, garnered 87 percent of the federal NPR-A leases.

Super merger and an historical perspective

The proposed BP merger with Arco will generate a lot of debate in the capitol. (When Arco said "no decline in '99" were they talking oil production or hand-wringing rhetoric?) Here's some inspired, thought provoking and historical rhetoric about corporations from that great, turn-of-the-century populist and orator William Jennings Bryant: "The first thing to understand is the difference between the natural person and the fictitious person, called the corporation. They differ in the purpose in which they are created, in the strength in which they possess, and in the restraints under which they act. Man is the handiwork of God and was placed upon earth to carry out a Divine purpose. The corporation is the handiwork of man and was created to carry out a moneymaking policy. There is comparatively little difference in the strength of men. A corporation may be one hundred, one thousand, or even a million times more strong than the average man. Man acts under the constraints of conscience and is influenced also by a belief in future life. A corporation has no soul and cares nothing about the hereafter."

Windfall becomes free-for-all

There are some legislative issues that just seem so straightforward you're startled when you lose. Tobacco prevention and control is one of those issues. Alaska's share of the tobacco settlement windfall this year is about \$22 million and will be about \$26 million each year for the next 20 years. In the budget process, this is free, new money. Anti-smoking advocates wanted a third of the new dollars devoted to tobacco cessation and control but the legislature has designated less than 5 percent to prevention and sluiced the rest into government programs. It just seems reasonable to invest more than 5 percent and emulate programs in Florida and Oregon. Florida's edgy anti-smoking ad campaign cut smoking by high schools students by 8 percent and smoking by sixth to eighth graders by 19 percent. In Oregon, smoking has dropped by more than 11 percent since their program began.

Caucus Chasms

Things are getting pretty testy in the Senate majority caucus with a rare display of bile on the floor of the Senate. Republican Sen. Robin Taylor spouted some pretty scathing criticisms of the Rules Committee and Rules Committee Chair Republican Tim Kelly during floor debate Wednesday. Thursday, Sen. Taylor again challenged the Rules Committee by trying to checkmate a Rules Committee substitute bill. The minority caucus members watched in fascination as the floor session imploded. During a particularly contentious exchange, Republican Sen. Pete Kelly rose under debate and suggested the heated arguments between majority members cease because "we're scaring the minority."

(Bombs, cont'd from p. 1)

Although investors were advised to hold on to AHFC bonds for now, the calls illustrate just how sensitive the market is to rating changes.

The governor and responsible legislators in both parties talk about AHFC and the Alaska Industrial Development and Export Authority as the investment "seed corn" for Alaska's future. Letting politicians reprioritize AHFC projects is like letting rodents into the seed corn.

Why tinker with AHFC projects in the capital budget if the results threaten to undermine one of Alaska's cash cows? Some say diverting the AHFC dollars means the legislature won't have to raise the motor fuel tax by nine cents a gallon to match additional federal road dollars. Others speculate the \$32 million saved by cutting AHFC housing projects will be used for aid to local governments (Anchorage property taxes, and the property taxes of other cities, go up if local government aid is slashed). If that's true, it's no surprise Sen. Donley, who wants to run for mayor of Anchorage next year, covets AHFC's \$32 million, the very amount the Senate put into municipal assistance.

Donley's action left AHFC Executive Director Fauske sputtering in fury. He believes a legislative raid on his projects will spark a lawsuit by bondholders (10% of whom are Alaskans) if the bonds lose value because politics trumps sound AHFC investments in the legislative process. As of late Thursday, Donley and Sen. John Torgerson, co-chair of Senate Finance, were refusing to take Fauske's calls.

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