**PROPOSED DUNLEAVY ADMINISTRATON BUDGET UPDATE**

*Power Cost Equalization Fund –* The proposed budget from the Dunleavy Administration calls for a shift of funding sources for rural energy assistance programs. Specifically, under the proposed budget, the Power Cost Equalization Fund (PCEF) would be stripped, and the costs from that program would be subsumed by the Constitutional Budget Reserve (CBR). On the House side, the majority of members are not in favor of this budget proposal, according to key Representatives involved in rural affairs. On the Senate side, similar sentiments are shared – Sens. Stedman and von Imhof, co-chairs of the Senate Finance Committee, have publicly expressed overall support of the PCEF, and other key Senators on both sides of the aisle have also voiced support for keeping the program as-is, as opposed to stripping the PCEF and making CBR the sole source of funding – potentially putting rural communities at-risk. It is not expected to gain traction in the Legislature as a whole.

*Reallocation of oil/gas tax revenues from boroughs and municipalities directly to the State of Alaska –* Another aspect of the proposed Dunleavy Administration budget, in order to address a state operating budget deficit of $420 million, is to divert revenues from oil/gas taxes that are currently being paid boroughs and municipalities, and send them directly to the State of Alaska. For many Alaskan communities, particularly in the North Slope, this would be problematic because it would force municipalities and boroughs to raise property and retail taxes in order to make up for lost revenue as a result of this specific part of the budget proposal, which would put rural communities at a disadvantage. The Dunleavy Administration proposed two bills – HB 59, which currently sits in House Resources Committee, and SB 57, which currently sits in the Senate Community and Regional Affairs Committee. Informal conversations with key members of the House and Senate leave us to expect that both bills are unlikely to move out of either of those committees.

***Important Legislation:***

*SB 77 – Liquefied Natural Gas Storage Credit*

Prime Sponsor: Senator Click Bishop

Cosponsors: Senators Coghill, Kawasaki, Micchiche

This bill currently sits in the Senate Finance Committee, as of March 6, 2019.

As drafted and if passed, SB 77 would allow the owner of a liquefied natural gas storage facility to apply a refundable credit against a tax liability, or receive the amount of the credit in the form of a payment for the taxable year in which the liquefied natural gas storage facility begins commercial operations. The tax credit may not exceed $15 million, or half of the costs incurred in the process of establishing or expanding the storage facility. Liquefied natural gas storage facilities that begin commercial operations before June 30, 2021, are eligible to apply.

*HB 87 – Liquefied Natural Gas Storage Credit*

Prime Sponsor: Representative Thompson

Cosponsors: Representatives Hopkins and LeBon

This bill currently sits in the House Finance Committee, as of March 22, 2019.

As drafted and if passed, HB 87 would allow the owner of a liquefied natural gas storage facility to apply a refundable credit against a tax liability, or receive the amount of the credit in the form of a payment for the taxable year in which the liquefied natural gas storage facility begins commercial operations. The tax credit may not exceed $15 million, or half of the costs incurred in the process of establishing or expanding the storage facility. Liquefied natural gas storage facilities that begin commercial operations before June 30, 2021, are eligible to apply.

*SJR 7 – Requesting that the United States Department of the Interior Bureau of Land Management implement and oil and gas leasing program in the coastal plain of the Arctic National Wildlife Refuge*

Prime Sponsor: Senator Birch

Cosponsors: Senators Bishop, Hughes, von Imhof, Micchiche, Stedman, Hoffman, Costello, Coghill, Shower, Giessel; Representatives Rauscher, Tuck, Kopp, Wilson, Johnston, Sullivan-Leonard, Johnson

This resolution, formally requesting and endorsing the opening of the Section 1002 area of the Arctic National Wildlife Refuge Coastal Plain, passed both chambers of the Legislature. [Read the entire resolution here.](http://www.legis.state.ak.us/PDF/31/Bills/SJR007Z.PDF)

***Other Developments:***

Hearings on the Senate and House Resources Committees were held on March 25, 2019, to consider Governor Dunleavy’s appointees to the following positions:

* Jessie Chmielowski to the Alaska Oil and Gas Conservation Commission

This hearing was also held for the purpose of updating legislators on the status of the draft EIS for the proposed Pebble Mine Project. [Watch the full Senate hearing here.](http://www.akleg.gov/basis/Meeting/Detail?Meeting=SRES%202019-03-25%2015:30:00#tab2_4e) [Watch the full House hearing here.](http://www.akleg.gov/basis/Meeting/Detail?Meeting=HRES%202019-03-25%2013:00:00#tab2_4e)