

The presence of Senator Olson was noted.

Messages from the House

Message dated January 15 was read stating in accordance with AS 24.60.130 the House confirmed the following members to the Select Committee on Legislative Ethics:

Representative Millett
Representative Tuck
Representative Johnson (alternate)
Representative Josephson (alternate)

Communications

The following reports are on file in the Office of the Secretary of the Senate:

Alaska Sustainable Energy Act Annual Report
2012 Progress Report dated January 2013
from Patrick J. Kemp, Commissioner
Department of Transportation and Public Facilities and the
Department of Administration
in accordance with AS 44.42.067(d)

2012 Status Report on the Health Information Exchange in Alaska
from the State Health Information Technologies Coordinator
Department of Health and Social Services
in accordance with AS 18.23.315

Alaska Annual Report on Activities of the National Conference of
Commissioners on Uniform State Laws
from Deborah E. Behr, Alaska Uniform Law Commissioner
Department of Law

Alaska International Airports System
FY 13 Construction Fund Annual Report and Spending Plan
from Patrick J. Kemp, Commissioner
Department of Transportation and Public Facilities
in accordance with AS 37.15.420(c)

Alaska's In-State Gas Pipeline Project Plan Update, Year-End 2012
from Daniel R. Fauske, President, Alaska Gasline Development Corp.
in accordance with AS 38.34.030

Report Listing Alaska Statutes With Delayed Repeals or Delayed
Amendments and Examining Court Decisions and Opinions of the
Attorney General Construing Alaska Statutes
from MaryEllen Duffy, Special Assistant
Legal and Research Services, Legislative Affairs Agency
in accordance with AS 24.20.065(b)

The presence of Senator Stedman was noted.

Introduction and Reference of Senate Resolutions

SJR 1

SENATE JOINT RESOLUTION NO. 1 BY SENATOR
WIELECHOWSKI,

Proposing an amendment to the Constitution of the State of
Alaska relating to deposits to the constitutional budget reserve
fund from surplus oil revenue
(Prefile released January 7, 2013)

was read the first time and referred to the State Affairs, Judiciary and
Finance Committees.

SJR 2

SENATE JOINT RESOLUTION NO. 2 BY SENATOR DYSON,

Commending and supporting actions taken by the
Office of the Governor, the attorney general, and the
commissioner of natural resources to protect the state
from federal government incursion into the care and
management of state resources and to promote the
economic prosperity of the state; and urging the
United States Congress and the President of the
United States to limit federal government overreach
into management of state resources

was read the first time and referred to the Judiciary Committee.

Introduction and Reference of Senate Bills**SB 1**

SENATE BILL NO. 1 BY SENATOR GIESSEL, entitled:

"An Act establishing May 10 of each year as Alaska Mining Day."
(Prefile released January 7, 2013)

was read the first time and referred to the State Affairs Committee.

SB 2

SENATE BILL NO. 2 BY SENATOR GIESSEL, entitled:

"An Act enacting the Interstate Mining Compact and relating to the compact; relating to the Interstate Mining Commission; and providing for an effective date."
(Prefile released January 7, 2013)

was read the first time and referred to the State Affairs and Finance Committees.

SB 3

SENATE BILL NO. 3 BY SENATOR WIELECHOWSKI, entitled:

"An Act relating to allowable absences from the state for purposes of eligibility for permanent fund dividends; and providing for an effective date."
(Prefile released January 7, 2013)

was read the first time and referred to the State Affairs and Finance Committees.

SB 4

SENATE BILL NO. 4 BY SENATOR WIELECHOWSKI, entitled:

"An Act relating to applying military education, training, and service credit to occupational licensing and certain postsecondary education and employment

training requirements; providing for a temporary occupational license for qualified military service members; and providing for an effective date."
(Prefile released January 7, 2013)

was read the first time and referred to the State Affairs, Labor and Commerce and Finance Committees.

SB 5

SENATE BILL NO. 5 BY SENATOR WIELECHOWSKI, entitled:

"An Act relating to the reporting and analysis of certain information relating to tax credits, exclusions, exemptions, waivers, and other tax expenditures; relating to bills creating tax expenditures; and relating to confidentiality and use of tax information."
(Prefile released January 7, 2013)

was read the first time and referred to the Labor and Commerce, Resources and Finance Committees.

SB 6

SENATE BILL NO. 6 BY SENATOR WIELECHOWSKI, entitled:

"An Act providing for funding for school lunch and breakfast; and providing for an effective date."
(Prefile released January 7, 2013)

was read the first time and referred to the Education and Finance Committees.

SB 7

SENATE BILL NO. 7 BY SENATOR GIESSEL, entitled:

"An Act relating to the computation of the tax on the taxable income of a corporation derived from sources within the state."
(Prefile released January 7, 2013)

was read the first time and referred to the Finance Committee.

SB 8

SENATE BILL NO. 8 BY SENATOR EGAN, entitled:

"An Act establishing procedures and guidelines for auditing pharmacy records; and providing for an effective date."

(Prefile released January 7, 2013)

was read the first time and referred to the Labor and Commerce and State Affairs Committees.

SB 9

SENATE BILL NO. 9 BY SENATOR WIELECHOWSKI, entitled:

"An Act making sales of and offers to sell certain energy resources at prices that are unconscionable an unlawful act or practice under the Alaska Unfair Trade Practices and Consumer Protection Act."

(Prefile released January 7, 2013)

was read the first time and referred to the Labor and Commerce, Resources and Finance Committees.

SB 10

SENATE BILL NO. 10 BY SENATOR GARDNER, entitled:

"An Act relating to information concerning oil and gas taxes, including information about expenditures that must be provided in order to claim an oil and gas production tax credit for those expenditures, and relating to the disclosure of that information; and providing for an effective date."

(Prefile released January 7, 2013)

was read the first time and referred to the Labor and Commerce, Resources and Finance Committees.

SB 11

SENATE BILL NO. 11 BY SENATOR DYSON, entitled:

"An Act amending certain provisions of criminal law prohibiting the manufacture, sale, transfer, or possession of switchblades and gravity knives; adding definitions of 'gravity knife' and 'switchblade' to the criminal law; and reserving to the state, with limited exceptions for municipalities, the authority to regulate knives."

(Prefile released January 11, 2013)

was read the first time and referred to the State Affairs and Judiciary Committees.

SB 12

SENATE BILL NO. 12 BY SENATOR FAIRCLOUGH, entitled:

"An Act relating to state and public entity procurement, including the State Procurement Code, procurement preferences, contract awards, the use of small procurement provisions for certain amounts of leased space, the Alaska business license requirement for Alaska bidder and other procurement preferences, the proof of registration of construction contract bidders and offerors, the establishment and maintenance of lists of persons who want to provide supplies or services to the state, state agencies, and state instrumentalities, electronic bids and proposals, the chief procurement officer, small procurements, and writings; relating to the meaning of 'Alaska bidder'; and providing for an effective date."

(Prefile released January 11, 2013)

was read the first time and referred to the State Affairs and Finance Committees.

SB 13

SENATE BILL NO. 13 BY SENATOR HUGGINS, entitled:

"An Act relating to bonds of the Knik Arm Bridge and Toll Authority; relating to reserve funds of the authority; relating to taxes and assessments on a person that is a party to an agreement with the authority; and establishing the Knik Arm Crossing fund."

(Prefile released January 11, 2013)

was read the first time and referred to the Transportation and Finance Committees.

SB 14

SENATE BILL NO. 14 BY SENATOR DYSON, entitled:

"An Act relating to the term of office of directors of telephone or electric cooperatives."

was read the first time and referred to the Labor and Commerce Committee.

SB 15

SENATE BILL NO. 15 BY SENATOR FRENCH, entitled:

"An Act relating to prekindergarten programs within a school district; relating to pre-elementary students and pre-elementary schools; and providing for an effective date."

was read the first time and referred to the Education and Finance Committees.

SB 16

SENATE BILL NO. 16 BY SENATOR GIESSEL BY REQUEST, entitled:

"An Act relating to the Board of Registration for Architects, Engineers, and Land Surveyors and to the Department of Commerce, Community, and Economic Development."

was read the first time and referred to the Labor and Commerce and Finance Committees.

SB 17

SENATE BILL NO. 17 BY SENATOR STEVENS, entitled:

"An Act extending the special education service agency; and providing for an effective date."

was read the first time and referred to the Education and Finance Committees.

SB 18

SENATE BILL NO. 18 BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR, entitled:

"An Act making appropriations, including capital appropriations and other appropriations; making appropriations to capitalize funds; and providing for an effective date."

was read the first time and referred to the Finance Committee.

Governor's transmittal letter dated January 14:

Dear President Huggins,

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill relating to the State's capital budget for Fiscal Year 2014 (FY 2014). The bill balances fiscal restraint with my belief that infrastructure spending creates opportunities for Alaskans.

The proposed capital budget totals \$1.8 billion and includes resource development and infrastructure projects throughout Alaska. The budget contains significant investments in energy development, roads to resources, water and sewer projects, school construction and major maintenance, and matching funds to leverage federal and local dollars. Together with investments in transportation infrastructure, this budget positions Alaska for a future with more opportunity and more prosperity.

I look forward to working with the Legislature to finalize the capital budget for the upcoming fiscal year.

Thank you for your consideration of this bill.

Sincerely,

/s/

Sean Parnell
Governor

SB 19

SENATE BILL NO. 19 BY THE SENATE RULES COMMITTEE
BY REQUEST OF THE GOVERNOR, entitled:

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs, capitalizing funds, amending appropriations, and making reappropriations; and providing for an effective date."

was read the first time and referred to the Finance Committee.

Governor's transmittal letter dated January 14:

Dear President Huggins,

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill relating to the State's operating budget for Fiscal Year 2014 (FY 2014).

My budget proposal for FY 2014 continues our goal to restrain the growth of the operating budget while providing opportunities for Alaskans. Our budget priorities are established in the State's Constitution - resource development, transportation/infrastructure, education, and safe homes and communities for Alaskans.

I am proposing a reasonable operating budget that holds the line on government spending and looks long-term to provide a more stable and secure future for our families. With budget discipline, targeted spending, and managing our savings, Alaska's cash reserves and excellent bond rating will provide us with economic opportunities for years to come.

I look forward to working with the Legislature to finalize the operating budget for the upcoming fiscal year.

Thank you for your consideration of this bill.

Sincerely,

/s/

Sean Parnell
Governor

SB 20

SENATE BILL NO. 20 BY THE SENATE RULES COMMITTEE
BY REQUEST OF THE GOVERNOR, entitled:

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

was read the first time and referred to the Finance Committee.

In accordance with AS 37.14.003(b) a report of the differences between the Governor's proposed budget and the recommendations of the Alaska Mental Health Trust Authority was transmitted.

Governor's transmittal letter dated January 14:

Dear President Huggins,

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill relating to the State's comprehensive mental health program for Fiscal Year 2014 (FY 2014). As required by statute, it includes both operating and capital appropriations. Also as required, the enclosed report outlines the differences between the recommendations of the Alaska Mental Health Trust Authority and my proposed budget.

The proposed mental health budget represents a cooperative effort between State agencies and the Alaska Mental Health Trust Authority. These productive working relationships make a positive difference for Alaska's mental health beneficiaries.

I look forward to working with the Legislature to finalize the mental health budget for the upcoming fiscal year. Thank you for your consideration of this bill.

Sincerely,

/s/

Sean Parnell
Governor

SB 21

SENATE BILL NO. 21 BY THE SENATE RULES COMMITTEE
BY REQUEST OF THE GOVERNOR, entitled:

"An Act relating to appropriations from taxes paid under the Alaska Net Income Tax Act; relating to the oil and gas production tax rate; relating to gas used in the state; relating to monthly installment payments of the oil and gas production tax; relating to oil and gas production tax credits for certain losses and expenditures; relating to oil and gas production tax credit certificates; relating to nontransferable tax credits based on production; relating to the oil and gas tax credit fund; relating to annual statements by

producers and explorers; relating to the determination of annual oil and gas production tax values including adjustments based on a percentage of gross value at the point of production from certain leases or properties; making conforming amendments; and providing for an effective date."

was read the first time and referred to the Senate Special Committee on Trans Alaska Pipeline System Throughput, Resources and Finance Committees.

The following fiscal information was published today:

Fiscal Note No. 1, indeterminate, Department of Revenue
Fiscal Note No. 2, indeterminate, Department of Natural Resources

Governor's transmittal letter dated January 15:

Dear President Huggins,

To create more economic opportunity for Alaskans, we must proactively choose a future of more oil production. Therefore, under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill relating to oil production taxation.

Alaska's oil belongs to Alaskans, and increased oil production will mean increased private sector opportunity for Alaskans. Alaska engineers, contractors, and maintenance personnel earn their livelihoods from oil production; indirectly so do business owners, retailers, and working men and women of all trades. Oil production also provides revenue and drives public sector opportunities for schools, public safety, roads and ferries, energy infrastructure, and many other services for Alaskans.

Need for Legislation

Alaskans are well aware that oil production from legacy fields is declining. Not because we are running out of oil, but because we are running behind the competition. Alaska's North Slope has billions of proven barrels of oil, but we do not have a tax system designed to attract new investment for more production. At high oil prices, the

current progressive tax rate structure creates highly variable tax rates and takes far more profit from investors than other competing jurisdictions. Investors take their money where they get a greater return, and they are investing new capital elsewhere. Legislation is necessary to drive new investment to create new Alaska production and new opportunities for Alaskans.

Under current law, the generous tax credits for capital expenditures support company spending now, but on spending not necessarily targeted for new production. Consequently, the State experiences the short-term risk of writing large checks from the treasury for those credits with no corresponding increase in production. Legislation is necessary to mitigate this risk, and focus company investment on long-term, new Alaska production.

Guiding Principles

Tax policy must be fair to Alaskans. Any changes to oil taxes should, when taken together, be geared to foster new production. Changes should result in a more simple tax system and restore balance to our fiscal system. And, tax policy must make Alaska competitive for the long-term. If these guiding principles are met, I believe we will more fully maximize the benefit of Alaskans' oil resources for Alaskans.

Legislation Summary

The bill maintains a 25 percent base tax rate with a 20 percent gross revenue exclusion for new oil. It eliminates the progressivity calculation, and eliminates the qualified capital expenditure credits for North Slope expenditures. The bill reforms the remaining credits so that they are taken when there is production.

Fair to Alaskans and Fosters New Production

The legislation provides more downside price protection for Alaskans in exchange for more upside price revenue to the companies. Under the current tax system, State revenues depend primarily on the price of oil, but the current qualified capital expenditure credits depend on the level of company spending. If prices fall, State revenues are reduced but the State retains the obligation to pay credits. Further, if additional development occurs, under the current system, the credit obligation could grow substantially. Given the State's other obligations like public safety and schools, this imbalance exposes the State to

substantial financial risks. By reforming the credit system, this bill rebalances the current tax structure to ensure revenues to the State in low price environments.

The legislation targets new Alaska production rather than just company spending, thus unlocking more of Alaskans' oil for more Alaskan private sector and public sector opportunities. This goal is accomplished by eliminating the current 20 percent tax credit under AS 43.55.023(a) for qualified capital expenditures incurred after December 31, 2013, to explore for, develop, or produce oil and gas deposits located on the North Slope. The bill would amend the 25 percent tax credit issued under AS 43.55.023(b) for a carried-forward annual loss based on expenditures incurred after December 31, 2013, to explore for, develop, or produce oil and gas deposits located on the North Slope by limiting the transferability and monetization of the tax credit. The amendment to AS 43.55.023(b) will encourage investment aimed at production by requiring a producer or explorer to carry the credit forward to offset future tax liabilities. Additionally, the bill extends the small producer tax credit available under AS 43.55.024(c). The small producer tax credit is nontransferable.

The bill creates additional incentives for new production on the North Slope by providing for a 20 percent revenue exclusion based on the gross value at the point of production of oil and gas produced from a lease or property that was not, as of January 1, 2003, within a unit. It also proposes the same 20 percent revenue exclusion for oil and gas production from new participating areas in units that were formed before January 1, 2003. Similar to the new North Slope carried-forward annual loss tax credit and the extended tax credit for small producers, these incentives only would apply to a company when it has production.

More Simple, Restores Balance

The bill simplifies the oil and gas production tax by repealing the progressive tax rate structure in Alaska's current tax system by levying a flat rate tax of 25 percent on oil and gas production statewide, subject to current tax ceilings on certain oil and gas, for production beginning January 1, 2014. The repeal of the progressive tax rate structure in this bill encourages the type of long-term planning and investment needed to promote new investment in new production in Alaska.

Long-Term Competitiveness

By shifting the incentives away from spending and towards new production we assure these tax changes are for the long run. Producers get the benefit of tax changes later – after they produce new oil when they can offset earlier liabilities against new production. Additionally, by giving back more of the high side at high oil prices (while better protecting Alaskans against the downside of lower oil prices), we assure companies will make their investments for the long haul because they are more likely to take short-term risk with capital if they are assured greater return over time at higher prices.

In summary, this bill provides a path to more Alaskan opportunity through more Alaskan oil production. I urge your prompt and favorable action on this measure.

Sincerely,

/s/

Sean Parnell
Governor

SB 22

SENATE BILL NO. 22 BY THE SENATE RULES COMMITTEE
BY REQUEST OF THE GOVERNOR, entitled:

"An Act relating to the commencement of actions for felony sex trafficking and felony human trafficking; relating to the crime of sexual assault; relating to the crime of unlawful contact; relating to forfeiture for certain crimes involving prostitution; relating to the time in which to commence certain prosecutions; relating to release for violation of a condition of release in connection with a crime involving domestic violence; relating to interception of private communications for certain sex trafficking or human trafficking offenses; relating to use of evidence of sexual conduct concerning victims of certain crimes; relating to procedures for granting immunity to a witness in a criminal proceeding; relating to consideration at sentencing of the effect of a crime on the victim; relating to the time to make an application for credit for time served in detention in a

treatment program or while in other custody; relating to suspending imposition of sentence for sex trafficking; relating to consecutive sentences for convictions of certain crimes involving child pornography or indecent materials to minors; relating to the referral of sexual felonies to a three-judge panel; relating to the definition of 'sexual felony' for sentencing and probation for conviction of certain crimes; relating to the definition of "sex offense" regarding sex offender registration; relating to protective orders for stalking and sexual assault and for a crime involving domestic violence; relating to the definition of 'victim counseling centers' for disclosure of certain communications concerning sexual assault or domestic violence; relating to violent crimes compensation; relating to certain information in retention election of judges concerning sentencing of persons convicted of felonies; relating to remission of sentences for certain sexual felony offenders; relating to the subpoena power of the attorney general in cases involving the use of an Internet service account; relating to reasonable efforts in child-in-need-of-aid cases involving sexual abuse or sex offender registration; relating to mandatory reporting by athletic coaches of child abuse or neglect; making conforming amendments; amending Rules 16, 32.1(b)(1), and 32.2(a), Alaska Rules of Criminal Procedure, Rule 404(b), Alaska Rules of Evidence, and Rule 216, Alaska Rules of Appellate Procedure; and providing for an effective date."

was read the first time and referred to the Judiciary and Finance Committees.

The following fiscal information was published today:

Fiscal Note No. 1, Department of Public Safety
Fiscal Note No. 2, zero, Department of Public Safety
Fiscal Note No. 3, indeterminate, Department of Corrections
Fiscal Note No. 4, zero, Department of Law
Fiscal Note No. 5, indeterminate, Department of Administration
Fiscal Note No. 6, indeterminate, Department of Administration
Fiscal Note No. 7, zero, Department of Health and Social Services

Governor's transmittal letter dated January 15:

Dear President Huggins,

We remain dedicated to ending the epidemic of domestic violence and sexual assault in Alaska and building on our shared successes of the past three legislative sessions to ensure safe homes and strong families in our state. To those ends, I am transmitting a bill under the authority of Article III, Section 18 of the Alaska Constitution, relating to crimes associated with domestic violence, sexual assault, and trafficking.

Measures within this bill provide stronger protections for victims and survivors, strengthen penalties on the demand side of sex trafficking, strengthen law enforcement investigative tools to track down and prosecute perpetrators, and create tougher sentencing provisions.

Stronger Protections for Victims and Survivors

To protect victims of domestic violence and sexual assault from further trauma, this legislation will authorize the court to order GPS tracking devices on perpetrators with protective orders to further provide for the safety of the victim when warranted. It will restrict offenders from obtaining graphic forensic evidence of victims, clarify that probation and parole officers may not engage in sexual conduct with a person under their supervision, and restrict offenders in custody from contacting a victim. In cases where a domestic violence offender violates conditions of release, we will mandate an in-person appearance before a judge prior to their release, as they present a more serious risk to the victim and the public. And for those victims that have yet to seek justice, the statute of limitations for crimes of felony sex trafficking and human trafficking have been removed.

To protect children from further danger and abuse, the bill would allow the Department of Health and Social Services to petition a court to discontinue the department's obligation to engage in reunification efforts with parents or guardians who have committed sexual abuse against the child or who are required to register as a sex offender, thereby freeing up limited resources to make reunification efforts in other cases.

Strengthen Penalties on the Demand Side of Sex Trafficking

This legislation will require "johns" who prey on young people to register as sex offenders. We will mandate the forfeiture of property used in these crimes, and expand the definition of "sexual felony" to include online enticement of a minor and sex trafficking, so these crimes can be used as prior convictions in sentencing.

Investigative Tools

The bill allows the attorney general to request the court to authorize interception of private conversations in connection with sex trafficking. Currently, this investigative authority exists in cases of murder, kidnapping, or serious drug offenses. Sex trafficking and human trafficking are serious crimes that commonly would be carried out by coordination among perpetrators. Allowing for this investigative tool would help identify offenders and protect victims of these crimes.

Sentencing

To further strengthen sentencing provisions, the bill would also require that a defendant who is being sentenced for two or more crimes involving child pornography and similar offenses be sentenced to some consecutive term for each crime for which the person is being sentenced. Even a small amount of consecutive time for each crime gives closure to victims and justice to the public. Additionally, the bill would ensure that a prisoner is not eligible for good time release if the prisoner has committed an unclassified or a Class A sexual felony.

The bill also addresses a decision of the Alaska Court of Appeals, *Collins v. State*, 287 P.3d 791 (Alaska 2012). A majority, in my view, misinterpreted the legislative history for increased sentencing ranges for sexual felonies by holding that the history indicated lower standards for referral of sexual felonies to a three-judge panel. The bill corrects that interpretation.

I urge your support of this important legislation to enhance the safety of Alaskans.

Sincerely,

/s/

Sean Parnell
Governor

SB 23

SENATE BILL NO. 23 BY THE SENATE RULES COMMITTEE
BY REQUEST OF THE GOVERNOR, entitled:

"An Act relating to development project financing by the Alaska Industrial Development and Export Authority; relating to the dividends from the Alaska Industrial and Export Authority; authorizing the Alaska Industrial Development and Export Authority to provide financing and issue bonds for a liquefied natural gas production system and natural gas distribution system; and providing for an effective date."

was read the first time and referred to the Labor and Commerce and Finance Committees.

The following fiscal information was published today:

Fiscal Note No. 1, Department of Commerce, Community and
Economic Development

Governor's transmittal letter dated January 15:

Dear President Huggins,

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill relating to authorizing the Alaska Industrial Development and Export Authority (AIDEA) to provide financing and issue bonds for a liquefied natural gas production system and a natural gas distribution system; and for development project financing by AIDEA.

The bill is part of a comprehensive financial package relating to the Interior Energy Plan, a strategy that includes low interest loans, gas storage tax credits, and general fund dollars for a moveable liquefaction plant and distribution system. This legislation implements the low interest loans part of the strategy. The second prong of the strategy, gas storage tax credits, has already been enacted into law, while the general fund dollars requested will be considered during budget deliberations.

The bill will authorize AIDEA to provide up to \$275 million in financing for a natural gas liquefaction plant and affiliated infrastructure on the North Slope and a natural gas distribution system and affiliated infrastructure within the Fairbanks North Star Borough. These facilities will make it feasible to truck liquefied natural gas from the North Slope to the Interior and will allow for a wider distribution of gas and propane elsewhere in the state. The distribution system will then be in place for a large diameter gasline.

The bill authorizes AIDEA to provide financing for natural gas facilities through the Sustainable Energy Transmission and Supply (SETS) fund established under legislation passed last session. The bill permits AIDEA to issue up to \$150 million in bonds for the project. The bonds will be secured by a capital reserve fund with the moral obligation of the State to restore the capital reserve fund to its reserve fund requirement in order to ensure payment of the bonds. The bill will further authorize AIDEA to provide another \$125 million in direct financing out of the money held in the SETS fund. This financing could be in the form of loans or guarantees or any other finance mechanism permitted under SETS. To help ensure lower energy rates for Alaskans, the bill will limit the interest rates that AIDEA can charge for its financing.

The bill will enable AIDEA to participate in direct development project financing in addition to its existing ownership-based financing for development projects. Having the authority to engage in direct financing will give AIDEA an important new tool to encourage economic development projects that do not usually lend themselves to AIDEA financing.

For example, there may be natural resource development projects that are beneficial to the economic prosperity of the State, but they may have certain risks AIDEA would not want to assume. A project owner assumes these risks, but a lender does not. This bill allows AIDEA to provide direct financing assistance for development projects, including loans and loan guarantees, even where AIDEA is not going to acquire an ownership interest in the project.

This bill will help raise the number and quality of economic development projects in the state. Those economic development projects should increase the number of jobs that are available to Alaskans.

I urge your prompt and favorable action on this measure.

Sincerely,

/s/

Sean Parnell
Governor

Unfinished Business

Senator Bishop moved and asked unanimous consent to be excused from a call of the Senate from evening plane time, January 18 through evening plane time, January 20. Without objection, Senator Bishop was excused.

Senator Egan moved and asked unanimous consent to be excused from a call of the Senate on January 23. Without objection, Senator Egan was excused.

Senator French moved and asked unanimous consent to be excused from a call of the Senate on January 21, January 22, and on January 23, to morning plane time. Without objection, Senator French was excused.

SB 12

Senators Giessel, McGuire, Huggins, Kelly, Dyson, Meyer moved and asked unanimous consent to be shown as cosponsors on SENATE BILL NO. 12 "An Act relating to state and public entity procurement, including the State Procurement Code, procurement preferences, contract awards, the use of small procurement provisions for certain amounts of leased space, the Alaska business license requirement for Alaska bidder and other procurement preferences, the proof of registration of construction contract bidders and offerors, the establishment and maintenance of lists of persons who want to provide supplies or services to the state, state agencies, and state

instrumentalities, electronic bids and proposals, the chief procurement officer, small procurements, and writings; relating to the meaning of 'Alaska bidder'; and providing for an effective date." Without objection, it was so ordered.

SB 13

Senator Dyson moved and asked unanimous consent to be shown as a cosponsor on SENATE BILL NO. 13 "An Act relating to bonds of the Knik Arm Bridge and Toll Authority; relating to reserve funds of the authority; relating to taxes and assessments on a person that is a party to an agreement with the authority; and establishing the Knik Arm Crossing fund." Without objection, it was so ordered.

Recess

Senator Coghill moved and asked unanimous consent that the Senate stand in recess to the Joint Session. Without objection, the Senate recessed at 11:23 a.m.

After Recess**Joint Session in the House**

Speaker Chenault called the House to order and in accordance with Uniform Rule 51 turned the gavel over to President Huggins, who called the Joint Session to order at 7:00 p.m.

The purpose of the Joint Session was to hear the State of the State and State of the Budget address by Governor Sean Parnell.

Senator Coghill moved and asked unanimous consent that the roll call of the Senate be waived and all members be shown as present. Without objection, it was so ordered.

Representative Pruitt moved and asked unanimous consent that the roll call of the House be waived and all members be shown as present. Without objection, it was so ordered.

President Huggins appointed Representative Munoz and Senator Dyson to escort Governor Parnell to the Joint Session.

The Senate Sergeant-at-Arms, Grace Ellsworth, announced Governor Parnell's entrance to the House Chamber.

The Honorable Sean Parnell was escorted to the rostrum and welcomed by President Huggins.

Governor Parnell delivered his address. This address appears in House and Senate Joint Journal Supplement No. 1.

The Governor received a standing ovation and was escorted from the chamber by Senator Dyson and Representative Munoz.

Senator Coghill moved and asked unanimous consent that the Joint Session stand in adjournment. Without objection, President Huggins adjourned the Joint Session at 7:29 p.m.

After Recess

In the Senate

The Senate reconvened at 7:32 p.m.

Announcements

Announcements are at the end of the journal.

Adjournment

Senator Coghill moved and asked unanimous consent that the Senate stand in adjournment until 10:00 a.m., January 18, 2013. Without objection, the Senate adjourned at 7:33 p.m.

Liz Clark
Secretary of the Senate

Announcements

Americans with Disabilities Act Notice - Persons with disabilities who require special accommodation or alternative communication formats to access committee meetings may contact the appropriate committee office or the Legislative Information Office in their community. Reasonable advance notice is needed to accommodate the request. For further information, call the ADA Coordinator at 465-3854 Voice/465-4980 TDD.

STANDING COMMITTEES

+ indicates teleconference
= indicates bill previously heard/scheduled

EDUCATION

Jan 16	Wednesday	Beltz 105 (tsbldg)	8:00 AM
	"Discussion of the new Dept. of Education & Early Development regulations pertaining to linking teacher evaluations and student testing".		
+	-- Testimony <Invitation Only> --		
	Which will include the following:		
	Alaska Commissioner of Education & Early Dev.		
	Alaska State Board of Education & Early Dev.		
	Alaska Association of School Boards		
	National Education Association - Alaska		
	Alaska Association of Secondary School Principals		
	Alaska Association of Elementary School Principals		
	Alaska Council of School Administrators (Superintendents)		

JUDICIARY

Jan 21	Monday	Beltz 105 (tsbldg)	1:30 PM
	No Meeting Scheduled		
Jan 23	Wednesday	Capitol 120	1:30 PM
	-- Note Location Change --		
+	Joint w/ House Judiciary		
	Overview: Alaska Court System		
	Overview: Office of the Public Defender		
	Overview: Office of Public Advocacy		

SPECIAL COMMITTEES

SENATE SPECIAL COMM ON IN-STATE ENERGY

Jan 24 **Thursday** **Butrovich 205** **7:30 AM**
+ Overview Alaska Energy Authority (AEA)

SENATE SPECIAL COMM ON TAPS THROUGHPUT

Jan 17 **Thursday** **Beltz 105 (tsbldg)** **3:30 PM**
+ Organizational Meeting
Discussion of Committee's Objectives

JOINT COMMITTEES

LEGISLATIVE BUDGET & AUDIT

Jan 18 **Friday** **House Finance 519** **8:00 AM**
+ Election of Chairman
Election of Vice Chairman
Legislative Finance - David Teal, Director
Overview of the Audit Process-Kris Curtis,
Legislative Auditor
Other Committee Business

LEGISLATIVE COUNCIL

Jan 17 **Thursday** **Senate Finance 532** **10:30 AM**
+ Committee Organization
Committee Policies
Sanctioning of Charitable Events
Contract Approvals
Other Committee Business
<Teleconference Listen Only>

SELECT COMMITTEE ON LEGISLATIVE ETHICS

Jan 16 Wednesday Butrovich 205 2:00 PM
 Full Committee
 + Welcome New Legislative Members
 Public Comment
 Election of Committee Chairs for 2013-2014
 Chair/Staff Report
 Budget: FY13 & FY14
 Disclosure Waiver
 2013 Legislation Update
 Other Business

Jan 16 Wednesday Fahrenkamp 203 4:00 PM
 -- Note Location Change --
 SENATE SUBCOMMITTEE
 + Public Comment
 Executive Session
 + Public Session

OTHER MEETINGS

JOINT SESSION

Jan 16 Wednesday House Chamber 7:00 PM
 State of the State and Budget Address by the
 Honorable Sean Parnell, Governor of Alaska