



Senator Cathy Giessel

District N

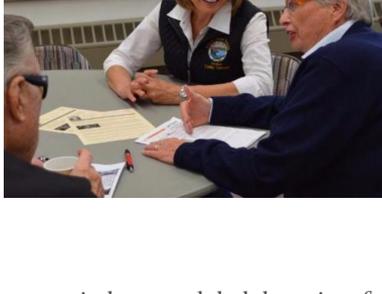
Northeast Anchorage, Anchorage Hillside, Indian, Bird, Girdwood and Portage

November 28, 2018

Dear Friends and Neighbors:

This newsletter contains:

- Mineral Industry News
- 31st Legislature
- Alaska's Fiscal Situation
- Anchorage Office Changes
- Senate Page Application
- Anchorage Healthcare Prices
- Gross Domestic Product by State.



Mineral Industry News

Did you know that Alaska is in the top 10 in known global deposits of coal, lead, gold, zinc and silver? We are #11 in the world for copper deposits. Nearly 3,400 people were employed in the industry in Alaska in 2017; average wage was \$107,830. The Permanent Fund received \$5.2 million in rents and royalties from mining in 2017. The State of Alaska received nearly \$72 million in various taxes and fees, while municipalities received \$48.6 million.

Zinc is the State's leading mineral product, with production value of \$1.60 billion in 2017, exceeding that of gold production at \$1.06 billion. Alaska is a very mineral rich state. Our challenge is developing the resources.

Learn more about our mineral treasures in the annual Alaska's Mineral Industry report for 2017 at <http://dggg.alaska.gov/pubs/id/30075>

31st Legislature

As you may have read, I am going to be the President of the Alaska Senate for 2019-2020. While this is a great honor, it brings with it great responsibility. The Senate Majority is choosing to emphasize transparency and communication in these coming 2 years. We will endeavor to keep the people of Alaska informed and participating in the budget process. We have heard from Alaskans that the crime issue must be addressed as much as can be through changes in laws. The use of the Permanent Fund Earnings continues to be discussed.

As your Senator, I will be continuing to send out weekly newsletters during the legislative session, with bimonthly newsletters like this one when I am back home in Anchorage. I welcome your feedback and questions.

[Click here to email me.](#)



Alaska's Fiscal Situation

At the end of last session, anticipated unrestricted general fund (UGF) revenue was \$2.3 billion and UGF appropriations were \$4.7 billion, leaving a projected deficit of \$2.4 billion. These numbers reflect "old world" budgeting that excludes a \$2.7 billion payout from the Permanent Fund Earnings Reserve Account (ERA) to the general fund (\$1.7 billion to reduce the deficit and \$1 billion for dividends).

With the passage of SB26, we entered a new world—a world in which a payout from the ERA is used to support government services. In "new world" budgeting, FY19 net general fund revenue increased via a payout of 5.25% of the average market value of the permanent fund (\$2.7 billion) less the amount paid for dividends (\$1 billion).

This new form of revenue reduced the projected deficit to \$700 million—the original \$2.4 billion deficit less the \$1.7 billion payout from the ERA remaining in the general fund after paying \$1 billion in dividends.

The projected deficit was based on an average oil price of \$63 per barrel. The estimated price needed to balance the budget was \$71. Year to date, the average price is about \$76. If prices remain at \$76 for the rest of FY19, there may be a surplus of several hundred million dollars. The amount of the FY19 surplus/deficit cannot be determined until year-end, when oil revenue and actual expenditures (including supplemental appropriations) are known.

There is much uncertainty as we move toward the FY20 budget process: there are rumors of increments being requested by agencies and of cuts that may be imposed on agencies; of climbing oil prices as well as oil prices falling under \$70; and of several proposed levels of dividend payments.

You will have an opportunity to see the Governor's budget request and the revenue forecast before the start of the legislative session. You will undoubtedly debate the level of dividend payments during the legislative session. Below are a few facts that may inform the debate:

1. The FY20 payout from the ERA is predetermined by statute. The payout will be \$2.9 billion—about \$200 million more than in FY19.
2. The statutory formula for dividends will cost \$1.9 billion, leaving \$1 billion as general fund revenue—about \$700 million less than the \$1.7 billion that remained in the general fund in FY19.

Payout from the ERA (in \$billions)

	FY19	FY20	FY19 to FY20
Total Payout	\$ 2.7	\$ 2.9	0.2
To Dividends	\$ 1.0	\$ 1.9	0.9
To General Fund	\$ 1.7	\$ 1.0	(0.7)

1. Depending on other revenue and on the level of appropriations, there may be a deficit in FY20 if the statutory dividend formula is followed. Our fiscal projection model shows a deficit of \$950 million at \$70 oil and a deficit of \$450 million at \$77 oil. Oil would have to be above \$83 to pay statutory dividends while avoiding both budget cuts and a deficit.
2. A deficit in FY20 would require:
 1. a supermajority vote to draw money from the constitutional budget reserve fund;
 2. a simple majority vote to use other reserves, including the ERA;
 3. new revenue; or
 4. a reduction in expenditures, potentially including dividends.
3. Continued annual deficits could:
 1. exhaust the \$2 billion budget reserve fund in the near future or
 2. reduce the real value of the permanent fund—and reduce future payouts and dividends—by appropriating money from the ERA in amounts that exceed the statutory limit and/or post-inflation earnings.

I invite you to review information—particularly the updated edition of the Budget Handbook—on our website <http://www.legfin.akleg.gov/>.

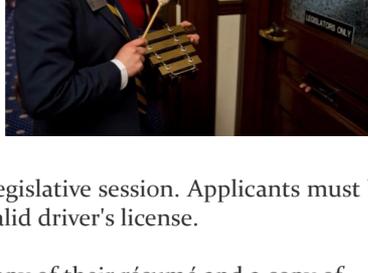
Anchorage Office Changes

The Anchorage Legislative Information Office is undergoing renovation in order to better serve constituents, and due to an expedited construction date, legislative offices had to be vacated.

My staff and I are still hard at work, however we will be working out of our homes until the transition to Juneau. We are all available via email and the office phone will be checked daily. Please bear with the office during this transition.

Senate Page Application

Have you ever wanted to have an up-close view of how the government works? Have you ever wanted to learn all about legislative procedure? Then being a Senate Page for the upcoming legislative session might be for you! The Senate Rules Committee is looking for applicants to fill Senate Page positions for the 2019 legislative session. Applicants must be 18 years of age or older and have a valid driver's license.



Interested individuals can email a copy of their résumé and a copy of their Department of Motor Vehicles driving record to the Senate Rules office by Friday, December 15, 2018. The procedure for requesting a driving record can be found [here](#).

For additional information regarding the Legislative Page position or to submit and application contact Rynnieva Moss at rynnieva.moss@akleg.gov. For information regarding the standard State of Alaska benefit package please contact the Legislative Affairs Agency Personnel Office at (907) 465-3854.

Anchorage Leads Nation in Health Care Prices

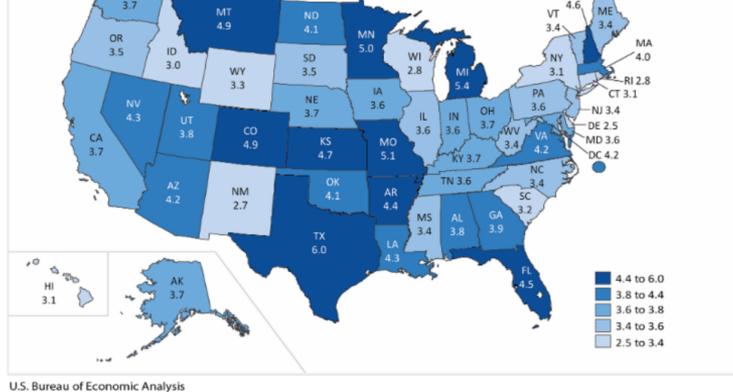
The Health Care Cost Institute's (HCCI) new Healthy Marketplace Index reveals wide disparities in health care prices across the country. The analysis evaluated 1.78 billion commercial claims between 2012 and 2016 in 112 metro areas in the United States to compare the average prices paid for specific health care services. Of all metro areas evaluated, Anchorage led the nation with the highest health care prices.

According to the analysis, Anchorage prices are 65 percent above the national average. San Jose, California is also at 65 percent above the national average, followed by San Francisco, California at 49 percent above.

[Click here to read the complete article.](#)

Gross Domestic Product By State

Real gross domestic product (GDP) increased in all 50 states and the District of Columbia in the second quarter of 2018, according to statistics released today by the U.S. Bureau of Economic Analysis. The percent change in real GDP in the second quarter ranged from 6.0 percent in Texas to 2.5 percent in Delaware.



[Click here for a link to the complete article.](#)

It's a pleasure to serve and represent the wonderful people of district N!

I look forward to hearing your ideas, suggestions and comments.



[To email me, click here.](#)



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