

THE ALASKA BUSINESS REPORT CARD

January 17, 2013

Dear Alaska Policy Maker:

The undersigned business organizations, working together as the Alaska Business Report Card group, represent hundreds of firms and tens of thousands of employees from every major industry in Alaska. These groups will be working together to compile an Alaska Business Report Card for the 28th Alaska Legislature. This letter is to share with you the policy priorities we will be using, and the leadership we will be looking for, in developing our consensus report card grades.

This year, more than ever, Alaska is in urgent need of strategic leadership. We face a fiscal cliff here in Alaska that is at least as alarming as that faced by our federal government. With oil production declining each year, oil prices under downward pressure from surging supply in the Lower 48, and state spending at levels that are clearly unsustainable, Alaskans face tough times ahead unless you take decisive action.

For that reason, we are adding a new category this year: "Strategic Leadership". We will be recognizing policymakers who understand and promote decisive action on Alaska's twin economic imperatives of managing state spending down and, simultaneously, stimulating private sector investment in our basic natural resource industries.

Therefore, our policy priorities for 2013-2014 (28th Alaska Legislature) are as follows:

STRATEGIC LEADERSHIP

Effectively promote a coherent set of policies designed to manage state spending down to sustainable levels while stimulating new private sector investment in Alaska's basic industries. We will be looking for legislative action as well as leadership in explaining these strategic policies to Alaskans.

FISCAL RESPONSIBILITY

General fund spending within the state's operating budget increased from \$2.7 billion in fiscal year 2006 to approximately \$4 billion in fiscal year 2013. During those same years, capital spending skyrocketed from \$600 million to \$3 billion. The University of Alaska's Institute for Social and Economic Research (ISER) has done extensive analysis showing current spending levels to be unsustainable. We support reductions in general fund spending that move toward sustainable levels.

OIL TAX REFORM

North Slope oil production is only one-third the level of its peak and is falling at an average rate of 6% annually. With recent changes in the oil and gas industry throughout North America, Alaska is becoming less competitive with each passing year. We recommend reforming oil taxes to stimulate long-term investment in both legacy oil fields and new basins such that annual production declines can be reversed in the foreseeable future. These reforms must provide compelling economics for new investment in producing capacity.

EFFICIENT REGULATION

Alaska has one of the world's most rigorous permitting systems. It is imperative that our permitting systems have high integrity and efficiency – i.e., that they deliver the environmental quality Alaskans expect without undue costs or unnecessary delays. Some examples of helpful policies include:

- Provide adequate resources to permitting agencies such that the time and talent needed to process complex permits in a timely manner are present.
- Oppose proposals for legislative involvement in the permitting process.
- Support reasonable mixing zones for resource and community development.
- Provide leadership in opposing federal regulatory overreach.
- Ensure that if legislation is advanced to restart an Alaska Coastal Management Program, that it is a “clean,” streamlined renewal with a sound basis in science.

LITIGATION REFORM

Alaska's resource industries are ongoing targets of anti-development groups utilizing the court system to stop or delay responsible development. State agencies are often forced to spend inordinate amounts of staff and financial resources dealing with third-party lawsuits at the expense of their core mission. *We support efforts to bring more accountability to the appeals and litigation processes for community and resource development projects.* Such legislation needs to be carefully crafted to ensure survival of court challenges and other unintended consequences.

In addition, we support other efforts to enact tort reform legislation that reduces lawsuit abuse and leads to a more efficient legal system.

IN-STATE ENERGY INFRASTRUCTURE

There is a need to provide for lower cost energy for Alaska homes and businesses. Several proposals are under review. We support market based solutions and a prudent approach to state investment in such projects. In a free enterprise system we believe that energy projects should have private investment capital in a strong majority position (at-risk), be managed and operated by the private sector, and leverage other industry opportunities to the extent feasible.

GENERAL BUSINESS CLIMATE

Alaska's business climate is consistently ranked near the bottom relative to other U.S. states by several ranking organizations. This needs to change. Alaska needs to enact meaningful workers compensation reform, transportation and energy infrastructure development, access to land and resources, and other legislation that makes it easier for businesses to thrive in Alaska.

Working together we can improve Alaska's business climate. We welcome an opportunity to meet with you early in the 2013 session to discuss these matters in more detail. Please contact us at info@alaskabusinessreportcard.com to set up a meeting.

Sincerely,

Alaska State Chamber of Commerce

Alaska Support Industry Alliance

Resource Development Council for Alaska, Inc.

ProsperityAlaska.org