

*Bradners'*

# Alaska Legislative Digest

*Alaska's only comprehensive issues and policy review —since 1974*

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## Full plate for incoming Legislature

State legislators will “gavel in” their 2025 session today (Jan. 21). There’s a full plate of issues: Education funding and public employee pension reform are leftovers from last year and will be on the priority list for the new House and Senate coalitions (the governor, as usual, is the question mark). Energy issues will again be priorities (see item below). New this year will be a package of bills incoming to stimulate the state’s very troubled seafood industry. These will be the product of the Legislature’s seafood task force that held extensive hearings through the summer and fall. Its final report is due today to the new Legislature. Most of the problems in seafood stem from international issues over which Alaskans have little control, such as the effects of Russia’s war on Ukraine. But there are things the state can do to help, such as with marketing and financial assistance.

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### Liquefied gas imports: Legislators ducking reality?

Natural gas from Cook Inlet heats buildings and powers electrical generation in Southcentral Alaska, where most of the state’s population lives. But gas from the Inlet is running short. Enstar Natural Gas is short of contracted supplies for 2025. The company is working on plans for imported liquefied natural gas, or LNG, to help fill the gap and will ask state regulators to approve costs for import facilities to go on consumers’ bills. When that happens there will be a backlash from consumers that legislators will have to deal with (polls show most in the public consider energy supply a state responsibility). Legislators, so far, don’t want to hear about LNG imports.

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- Trump: What will new president will do for, and to, Alaska? In our next report

### Governor’s signals on education: Charter schools; no new money

Gov. Mike Dunleavy is signaling his 2025 education priorities: Like last year, the governor is pushing for more charters schools, claiming long waiting lists for enrollment (which do not exist). He is also likely to promote “accountability” in school performance again with no new money for schools’ Base Student Allocation, or BSA, the formula that pays for teachers, operations and utilities, and maintenance. We predict a repeat of last year: The Legislature passed a BSA increase and Dunleavy vetoed it.

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# What's on legislators' plates?

*Legislators spoke on their concerns at the Resource Development Council's January briefing.*

*Here are excerpts of remarks:*

**Rep. Bryce Edgmon, I-Dillingham (incoming House Speaker):** There's "new blood" in the Legislature. Of legislators coming in, 42 of 60 have served six years or less, which represents a shift in the composition of the Legislature. On challenges: Crude oil prices averaged \$78 per barrel in FY 2025. They are now in the mid-\$70 range. The governor's FY 2026 budget is built on \$70. "That's what our caucus will start with," in building the House budget.

Last year (2024 session) saw, "a fairly robust capital budget. We will still want to tap federal (IIJA) funds (for capital) and will continue to work toward fiscal stability. "We had a good working relationship with the governor (on energy issues) with passage of HB 307 (railbelt electricity transmission regulatory reform), splitting the Alaska Energy Authority and Alaska Industrial Development and Export Authority (to have their own boards), and securing pay raises for staff and commissioners at the Regulatory Commission of Alaska to aid retention," Edgmon said.

**Rep. Mia Costello, R-Anch. (incoming House Minority Leader):** There are 19 Republicans in the House GOP caucus with priorities for securing energy from an Alaskan source (i.e. no liquefied natural gas imports); schools' "accountability" (code word for no Base Student Allocation increase); "responsible" budgeting and "trustworthy" elections. House Republicans look forward to working with the governor and the Senate on issues like energy.

**Rep. Andy Josephson, D-Anch.:** As House Finance cochair for the operating budget, Josephson said he is concerned about declining revenues and rising expenses. Many in the public are frustrated that a "full" Permanent Fund Dividend can't be paid – it is \$1,702 this year, about \$1,000 below the formula amount for a full PFD but an amount that can be afforded. Taking the full PFD payment from the Constitutional Budget Reserve, as proposed by the governor, would push state finances into a "red zone."

**Rep. Chuck Kopp, R-Anch.:** Kopp is the incoming House Majority Leader: Given current finances, the governor's proposal would create ongoing deficits while limiting the PFD to \$1,000 would create an ongoing \$1.5 billion surplus over 10 years. Kopp also said he is concerned about state agencies' ability to operate, for example to issue permits for projects; the 20% vacancy rate among state employees; and maintenance of the Dalton Highway (vital road link to the North Slope) and other issues.

**Sen. James Kaufman, R-Anch.:** Kaufman has switched to the Senate Minority this year (he was in the Majority Coalition in the last Legislature). He said he will continue to work on changes to the Executive Budget Act that would create more business-like budget procedures. This would include agencies setting goals to work toward each year much as private businesses do. Currently, agencies budget mainly in a reactive mode.

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## . . . Issues to watch . . .

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**Rep. Carl Schrage, I-Anch.:** As House Finance cochair in charge of the capital budget, Schrage hopes to ensure that vital transportation links like the Dalton Highway are maintained. The state also needs to do a better job of capturing federal funds for infrastructure. The good news, he said, was the prospect of avoiding acrimony this year, and in “listening” to the House Minority (which controls 19 votes in the House).

**Rep. Kopp, responding to a question:** “We expect mining to get a lot more attention this year, and we hope there will be less acrimony (in the public) around permits. Alaska’s critical minerals (endowment) is important for national security. In terms of Cook Inlet, where a natural gas shortage looms, Kopp said he is encouraged to see Hilcorp Energy, the major gas producer, proposing more gas storage available for third parties to use, and also the new drilling and gas development by Furie (HEX Alaska) at the Kitchen Lights gas field. He is pleased to see Enstar’s new gas supply contracts with Furie. Kopp said this gas must still be found, however.

**Sen. Jesse Bjorkman, R-Kenai:** Bjorkman, the incoming Senate Transportation chair, said he listened to constituents while on the campaign trail last summer and he really didn’t hear much about not having a “full” PFD, he said. What people were concerned about was road maintenance and snow plowing. On oil and gas, Bjorkman said he is concerned that Alaska is not getting the 90% share of federal oil royalties from production from federal lands. (This is the National Petroleum Reserve-Alaska currently and ANWR, perhaps, in the future). All of the state’s 50% share of NPR-A royalties don’t come to the state but to certain North Slope communities. “That’s a problem,” he said.

**Rep. Josephson, responding to a question:** There’s more the state can do to encourage more Cook Inlet gas development. He noted the 2012 Cook Inlet Recovery Act that spurred gas development with state tax credits, but at a \$1 billion cost to the state treasury. “We’ll not see those kinds of subsidies again,” but things like state royalty reduction could be done. The House approved this last year but the Senate did not. There is concern over the lack of a second “jack-up” rig in Cook Inlet to do work on gas wells (the one jack-up rig in the Inlet is owned by Hilcorp Energy and is needed for its own work. Hillcorp does makes the rig available to others, like Furie, however). Josephson also said the Legislature could “nudge” AIDEA to use its authority to finance new oil and gas work. The Legislature approved “reserve-based” lending by AIDEA for oil and gas last year, but it hasn’t been used yet.

**Sen. Kaufman, responding to a question:** The Legislature can get itself into the trap thinking that things like “royalty relief” in Cook Inlet are the most important energy issues. Royalty reduction can help and the amount of revenue loss to the state is minimal. What’s most important is to ensure a reliable source of fuel for heating and electrical generation. Things like gas storage and power transmission are most important, Kaufman said.

# Legislature's leaders are veterans

With a notable difference the Legislature in 2025 looks a lot like 2024. There are a lot of familiar faces, all veterans, in the leadership of both the state Senate and House. The Senate is once again controlled by a coalition of Democrats and moderate Republicans with a partisan lineup similar to the last Legislature. There's a coalition organization in the state House, too, but what's different this year is that this one is led by Democrats, moderate Republicans and independents.

## **Senate leaders, Finance cochairs, are all experienced**

The Senate leaders are veterans: Sen. Gary Stevens, R-Kodiak, is again Senate President after having served in that position in several Legislatures. This will be Stevens' fourth time as Senate President. Sen. Cathy Giessel, R-Anch., is again Senate Majority Leader and chair of the Senate Resources Committee, a committee she has chaired before. The Finance Committee is controlled by veteran cochairs: Sens. Bert Stedman, R-Sitka; Lyman Hoffman, D-Bethel, and Donny Olson, D-Golovin. All three have previously served as Senate Finance cochairs. Sen. Jesse Bjorkman, R-Nikiski, also an experienced legislator, will chair the Senate Labor and Commerce Committee as well as the Transportation Committee.

## **House is split again with razor-thin margin, but with coalition in control**

While the new Senate organization looks familiar things are more interesting in the state House. House is split 21-19 with a razor-thin margin of control by a new coalition of Democrats, moderate Republicans and independents, nonaligned House members. This essentially flips the House control from the last Legislature when a Republican majority controlled the body also with a very thin margin. Narrow margins can make for uncertainty on floor votes because it takes 21 affirmative votes in the 40-member House to pass a bill (a 20-20 tie vote defeats it). If one or two votes in the Majority peel off to vote with the Minority, there are problems. Typically the leadership will make sure there are at least 22 or 23 votes among members present to give a margin of control and to account for absences from floor votes due to travel or illness. In the last Legislature House Republican leaders were able to keep a tight rein on their votes on several controversial bills including an attempted override of Gov. Mike Dunleavy's veto of education funding, which was sustained by just one vote.

## **Familiar faces in the House leadership**

This year control of the House will be by experienced legislators just as in the Senate, with Rep. Bryce Edgmon, an independent from Dillingham, as Speaker. Interestingly, Edgmon, also a former House Speaker, served as cochair of the House Finance Committee in the last Legislature that was controlled by Republicans. Rep. Neal Foster, D-Nome, will cochair the House Finance Committee and will be in charge of bills. Foster, like Edgmon, cochaired the committee in the last Legislature controlled by Republicans. Andy Josephson, D-Anch., a veteran on the Finance Committee, will be a cochair and will be in charge of the House version of the operating budget that pays for state operations.

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## **. . . Legislature's organization . . .**

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Rep. Calvin Schrage, I-Anch., who was Minority Leader in the last Legislature, will be the third Finance cochair and will manage development of the capital budget, mainly for construction, in the House committee. Rep. Chuck Kopp, R-Anch., is House Majority Leader, and is returning to the House. Kopp served in a previous Legislature. Rep. Louise Stutes, R-Kodiak, will be Rules chair in the House. Stutes is an experienced legislator and former House Speaker.

### **Rural, Alaska Native legislators chair House Resources**

While the House leaders are veterans several important House committees will be controlled by new legislators or lawmakers who were in the Minority in the last Legislature. Reps. Maxine Dilbert, D-Fairbanks, and newly-elected Rep. Robyn Burke, D-Utqiagvik, will cochair the House Resources Committee. Both are Alaska Native, which means a strong influence for rural Alaska in the committee.

### **Mears will chair Energy; Fields and Hall at House Labor and Commerce**

Rep. Donna Mears, D-Anch., and newly-elected Rep. Ky Holland, I-Anch., will cochair the House Energy Committee. Mears is an environmental engineer and is known for diligent research and tough questions in committee hearings. Rep. Zack Fields, D-Anch., and newly-elected Rep. Carolyn Hall, D-Anch., will cochair the House Labor and Commerce Committee. Fields is an experienced legislator with a background in labor and workforce issues and is also known for tough questions in committee hearings.

### **House, Senate Republican Minorities to keep coalition leaders on their toes**

The House and Senate will have Minority organizations, too. These are the traditional, mostly conservative Republicans who did not want to join coalitions led mainly by Democrats and independents. The Minority serves as a kind of “loyal opposition,” speaking during floor sessions and in committees to voice opposing points of view.

### **Senate has a formal Minority, Republicans, to keep leaders on their toes**

Six out of the 20 senators are in the Senate Minority, which is enough to be formally recognized with seats reserved on committees. Sen. Mike Shower, R-Mat-Su, is Senate Minority Leader. Shower is joined by Sens. Shelley Hughes and newly-elected Sen. Rob Yundt, both Mat-Su Republicans, along with Sen. Robert Myers, R-North Pole; Sen. James Kaufman, R-Anch.; and newly-elected Sen. Mike Cronk, R-Tok, who was in the House in the last Legislature.

### **House Minority could be restive**

The House Minority will include the 19 Republicans not in the House coalition. Mat-Su Republicans were unhappy that Rep. Mia Costello, R-Anch., former senator who is in the House this year, was chosen as Minority Leader over former Speaker Cathy Tilton, R-Wasilla.

# Legislature's full plate (Cont.)

## Legislature has a long to-do list to help seafood

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The Legislature will have a long to-do list this spring to help the troubled seafood industry. Here are the needs identified: Barriers in data-sharing, incomplete or inaccurate data leads overly conservative fisheries management that reduces allowable harvests or, conversely, overharvesting. Lack of data also erodes trust in fisheries management. Solutions include centralized and standardized data and incentives for reporting; Alaska's nonprofit hatcheries need upgrades to be efficient and meet new environmental standards. Mariculture has significant potential but a lengthy and complex permitting discourages investment. Developers, mostly small-scale, could benefit from new loan programs. On the federal side, streamlined federal disaster declaration and relief will help. Harvesters now wait years for money.

Labor issues plague the industry in recruiting a large seasonal workforce to remote locations with limited housing. The task force recommends more attention paid to local subsidized housing, along with more support for training. Fuel and power are challenges as well as supply-chain disruptions that often come during peaks of harvesting. Recommendations include fuel subsidies in certain commercial fisheries; infrastructure grants to improve transportation along with energy efficiency initiatives. There are huge opportunities in value-added products, legislators were told. Many operators lack access to new technologies that can lower costs. There are also regulatory barriers in food processing that impede new product development. Marketing is needed, such as through the Alaska Seafood Marketing Institute.

## Natural gas shortage; no easy solutions

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On natural gas, Enstar is the most challenged among Southcentral utilities because it has no alternative fuel for space heating. Chugach Electric and Matanuska Electric associations have some access to hydro and wind. Chugach has its own supply from its share of the Beluga gas field, and Matanuska Electric's Eklutna power plant can use oil as an alternative. There's not much the Legislature can do, but watch for new royalty relief efforts for producers and incentives to bring a second "jack-up" drill rig to Cook Inlet.

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