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# Alaska Legislative Digest

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## Insurance companies push back on SB 121

Insurance companies are pushing back against criticism that they are low-balling payments to medical providers. They are also opposing Sen. Cathy Giessel's SB 121, which deals with the payments. The bill was up for a second hearing last week in the Senate Health and Social Services Committee. Premera Blue Cross, the dominant company in the Alaska health insurance market, said the bill would be ineffective and would raise costs in the long run. SB 121 replaces a provision that was repealed requiring insurers to pay "out-of-network" medical providers at the 80th percentile of prevailing charges in several Alaska areas. It was a minimum payment required. Prior to the 80th percentile rule insurers often paid providers based on prevailing rates in the Lower 48, which are much lower than Alaska. Giessel and the state's medical community argue that when the 80th percentile rule was repealed in early 2024 nothing replaced it, so there is now no minimum payment requirement. Based on that some insurers are basing their payments on 185% of Medicare rates, which are low and generally do not allow physicians and clinics to cover operating costs, the committee was told. The bill would put a minimum payment requirement in statute at the 75th percentile of costs but for procedures done statewide, not just in specific areas in Alaska. Measurement of costs statewide solves some of the problems in the repealed 80th percentile rule, proponents of the bill say. However, Gary Strannigan, Premera's vice president for legislative affairs, told the committee that the structural problem that bedeviled the 80th rule is also present in its proposed 75th percentile replacement.

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## Governor to propose new Susitna State Forest

The governor will introduce legislation soon to create a new Susitna State Forest, state natural resources commissioner John Boyle told the Alaska Support Industry Alliance last Friday at its annual "Meet Alaska" conference. The new forest will help state efforts to develop its small forest products industry, Boyle said. Forest rejuvenation can be more easily managed in a designated state forest than in general state lands. Susitna region forests have been heavily hit by spruce bark beetle infestation. There are other state forests, such as the large Tanana Valley State Forest in the Interior and the Haines State Forest in Southeast Alaska.

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## **. . . Education/Health . . .**

### **House Education Committee gets its introduction to school construction, maintenance needs**

The House Education Committee got an introduction to the state's major school construction and major maintenance grant programs last Wednesday, March 19. The Department of Education and Early Development receives and scores applications although the Legislature makes funding applications. As expected, the requests far outstrip funds available. For the school construction grant program, in FY 2025 there were 19 requests for \$260.4 million from school districts and Rural Education Attendance Areas, or REAAs of which three were funded at \$30.9 million. For the school major maintenance, a separate program, there were 95 requests for \$249 million with 26 projects funded at \$62.7 million. For upcoming FY 2026 there are 17 construction requests for \$363.2 million; for major maintenance, \$261.5 million is requested. How much will be provided is unknown until June, after the Legislature and governor complete the FY 2026 budget.

### **Only 60% of school districts apply for state construction, maintenance grants**

Applying for a state construction and major maintenance grant involves a fair amount of work and expense for school districts, and DEED officials told the House committee that the higher the quality of the application the better the scoring is. But "higher quality" translates to greater investment with professional input in applications. With such a low success rate of actual awards the participation of school districts in making applications has dropped off. DEED told the House committee that about 60% of school districts apply for state grants because of the application expense and low chances of getting money. That means the actual need for new construction and major maintenance is well above what the state can estimate based on applications submitted.

Based on 6-year Capital Improvement Programs that school districts who apply for grants are required to maintain and submit to the state, the current projected need is \$6 billion, DEED said. If only 60% of districts even apply it means the total need is higher, possibly \$10 billion. Many school districts are within municipalities that have varying capacities to help their local districts, but rural schools in the REAAs have no local tax or other financial capacity to fall back on and are dependent on the state.

### **Sen. Hughes' SB 4, "right to shop" in comparing in-network health providers, active in Senate**

SB 4, a "right to shop" bill for health care policy holders, was up Friday, March 21, in the Senate Labor and Commerce Committee. Sponsored by Sen. Shelley Hughes, R-Mat-Su, the bill requires insurance companies to provide comparisons of health costs among medical providers and to require insurers to share savings with consumers, and employers, for savings if a provider is selected who charges below the median charges by providers in the insurer's network. Nine states have passed similar "Right to Shop" laws. In New Hampshire, the first state to adopt the law, 90% of health insurance enrollees were using the program within the first three years of its enactment, Hughes told the Senate committee.

## **Insurance companies push back on claims of underpayment to health providers**

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The problem was is that astute providers could “game” the system to increase their payment. This is done when one provider in an area raises the prices so that the average reimbursement increases for all. This “ratcheting up” of payments has the effect of raising overall health costs. The point Premera makes is that the same “ratcheting up” can happen with a 75th percentile minimum, defeating the goal of SB 121. Supporters of the bill say its application of the minimum payment statewide mitigates this problem along with a requirement that payments be based on 400% of the Medicare rate. Premera also disputed the claim that it is paying at 185% of the Medicare rate and that its actual payments in 2024 were at the 300%. However, some providers speaking at the hearing last week said they were reimbursed at the lower 185% rate. The committee will have to sort through all this.

Premera also said there were measurable decreases in health care costs in 2024 due to the repeal of the 80th percentile rule totaling 9% but they were offset by overall rising costs, so the net effect was an increase. However, insurers will file their 2025 health insurance rates in June with the Division of Insurance and the early indications are that there will be an overall decrease in health insurance premium costs. The 80th-percentile rule repeal will lower costs but it is just taking longer, Strannigan said.

## **OMB briefs House Finance on building deferred maintenance**

Deferred maintenance on state-owned buildings, not including the University of Alaska, is at \$723.76 million according to the most recent estimates, the Office of Management and Budget, or OMB, told the House Finance Committee last week. The university’s total is \$1.48 billion in addition. Note: The non-university total may in fact be higher because the university is considered more rigorous in its surveys of building conditions.

The Department of Transportation and Public Facilities is the largest owner of structures with the university second at 402 buildings. There are 284 buildings managed by the departments of Fish and Game; 188 by Natural Resources; 161 by Corrections; 62 by Military and Veterans Affairs; 38 by Public Safety and 12 by the Alaska Court System. Total square footage of state-owned facilities is 21 million square feet. OMB told the House committee that there is no standard square-footage formula for annual preventive maintenance but the more common measures are from 2% to 4% of replacement value, OMB said, which means the state and university should be spending between \$168.2 million (2%) to \$337.2 million (4%) yearly on maintenance to keep the backlog from growing. That is not happening.

## **Coming this week in the Legislature:**

- Permanent Fund restructuring, SJR 14: Senate Finance Committee 3/24
- Child care tax credits, SB 96: Senate Labor and Commerce Committee, 3/24
- Rural energy issues, presentations, House Energy Committee, 3/25

# ... Status of Bills ...

## Introduced in the House

- HB 137: Permanent fund dividends for individuals owing child support (By Carrick) .....  
.....To JUD, FIN
- HB 138: Behavioral health crisis services surcharge and fund (By Mina) .....To HSS, L&C
- HB 139: Governor’s mansion (By Stapp) .....  
.....To SA, FIN
- HB 140: Establish Department of Agriculture (By L&C) .....To RES, FIN

## House Committees’ Actions

- HB 25: Disposable food service ware (4 do pass, 2 no rec).....L&C to RLS
- HB 79: Vic Fischer Shoup Bay State Marine Park (8 do pass) .....RES to RLS
- HB 121: Practice of accounting (5 do pass, 1 no rec) .....L&C to RLS
- HB 14: Repeal catastrophic assistance and emergency medical assistance for chronic and acute medical conditions (4 do pass, 1 no rec) ....  
.....H&SS to FIN
- HB 21: Voter preregistration for minors age 16 (2 do pass, 1 do not pass, 4 no rec).....JUD to FIN
- HB 26: Statewide public and community transit plan (4 do pass, 1 do not pass, one amend) .....  
.....C&RA to TRANS
- HB 28: Student loan repayment pilot program (4 do pass, 3 do not pass) .....EDUC to FIN
- HB 30: Office of Entrepreneurship, aid to small business (4 do pass, 1 no rec 2 amend) .....  
.....EDUC to RLS
- HB 33: Participation, Board of Fisheries, Board of Game by members (5 do pass, 1 no rec, 3 amend) .....RES to RLS
- HB 36: Placement of foster children in psychiatric hospitals, children placed out of state (8 do pass, 2 no rec) .....FIN to RLS

## House Committees’ Actions (Cont.)

- HB 50: Snow classics (6 do pass) .....  
.....CRA to L&C
- HB 58: Office of Public Advocacy (4 do pass, 1 no rec) .....CRA to SA
- HB 70: Emergency medical care for canines (2 do pass, 2 do not pass, 2 no rec) .....H&S to L&C
- HB 75: Criminal history record check, Department of Revenue employees (5 do pass, 2 amend) .....  
.....L&C to RLS
- HB 99: Money transmission (3 do pass, 2 no rec, 1 amend) .....L&C to FIN
- HB 123: Rental vehicle taxation ( 6 do pass, 1 amend) .....L&C to FIN
- SB 60: Establishing May 12 as Encephalomyelitis/Chronic Fatigue Syndrome Recognition Day (4 do pass, 1 no rec) .....HSS to RLS

### Committee abbreviations:

RLS	Rules
FIN	Finance
RES	Resources
L&C	Labor and Commerce
JUD	Judiciary
HSS	Health and Social Services
EDU	Education
MLV	Military and Veteran Affairs
ARCTIC	Special Committee on Arctic
TRB	Special Committee, Tribal Affairs

### Coming this week in the Legislature:

- Seafood product tax credits, HB 129  
House Fisheries committee, 3/25
- Alaska Broadband status, presentation  
Senate Finance Committee, 3/25
- Municipal tax exemptions, HB 13  
House Community & Regional Affairs, 3/25

## ... Status of Bills ...

### Introduced in the Senate

- SB 133: Prior authorizations for medical care covered by health insurers (By L&C) .....To L&C, FIN
- SB: 134: Pharmacy benefits managers (By Giessel) .....To HSS, L&C
- SB 135: Refund fish business tax to municipalities (By Seafood Task Force) .....To RES, FIN
- SB 136: Privacy of firearm transactions (By Cronk) .....To L&C, JUD
- SB 137: Extend the termination date of the Boards of Certified Direct-Entry Midwives, Nursing, Parole (By Bjorkman) .....To L&C, FIN
- SB 138: Vehicle rental taxes (By Claman) .....To TRA, FIN
- SB 139: Critical infrastructure; who may own or hold certain land (By Hughes) ....To RES, JUD

### Senate Committees' Actions

- SB 97: Big game permit program (2 do pass, 1 do not pass, 2 no rec, 2 amend) .....RES to FIN

### Senate Floor Actions

- SB 50: Comprehensive plans for first- and second-class boroughs .....PASSED 17-0

### What committee reports mean

When a committee reports a bill out (see Committees' Actions) members sign on their recommendations. Many sign "do pass," indicating they support the bill. If they oppose the bill, they will sign "do not pass." They can recommend "amend," to indicate a desire for changes. Many simply sign "no recommendation," meaning they neither support or oppose the bill. Legislators must take a position when they vote on the floor, pushing a button for a green light (approval) or a red light (disapproval).

### SB 37, SB 107: Government efficiency

Two Senate bills aimed at improving state agency performance and achieving efficiency gains were up for hearings last week. SB 107, by Sen. Shelley Hughes, R-Mat-Su, was up in the Senate State Affairs Committee last Thursday, March 20. It would establish an Alaska Sunset Commission to audit performance of state entities on a periodic basis. After a review the Legislature must act, with legislation, to extend the agency or it is automatically terminated, or "sunset." The sunset board, appointed by the governor, would consist of seven members from the private sector with financial management and operations experience. Internal nonpartisan state auditors would do the reviews much like program audits that are now done of agencies on request. The difference SB 107 would make it that the Legislature would be forced to act on the recommendations or the entity is terminated. The proposal is based on the Texas Sunset Advisory Commission. Since its creation in 1977, the Texas commission has seen abolishment of 42 programs and agencies, consolidations of more, and \$1 billion in savings, the Senate committee was told.

### Sen. Kaufman's SB 37: Strategic goals

A second government efficiency bill, SB 37 by Sen. James Kaufman, R-Anch., was up in Senate State Affairs Committee last Tuesday, March 18. The bill would require state agencies to set strategic goals and performance management plans on a four-year cycle, updated biannually, to fit into a governor's four-year term. Agency adherence to the plans would be used by the governor and Legislature in budget actions. SB 37 was held in committee for more work.

## **. . . Business . . .**

### **Rep. Holland’s HB 30, aid for small businesses, moves in House**

The House State Affairs Committee moved HB 30, a bill intended to boost small business by Rep. Ky Holland, D-Anch., on to the House Labor and Commerce Committee May 12. The bill sets up an Office of Entrepreneurship to establish a point of contact for small businesses seeking state help. It also stipulates that 5% of the state economic development budget be focused on small business. Holland’s original bill had an exemption from business licenses for small firms but the State Affairs committee removed that.

### **HB 28: Student loan forgiveness for state workers, teachers moves from House Education**

The House Education Committee voted out HB 28, reestablishing a student loan forgiveness program to attract and retain professionals in the workforce. Sponsored by Rep. Andi Story, D-Juneau, the bill would provide \$8,000 a year for Alaskans who attended out-of-state schools for teaching or professional degrees and certificates and who return to Alaska to work in state of Alaska jobs. University of Alaska graduates who are working outside the state, and return to work, can also take advantage of student loan reimbursement. HB 28 allows for a three-year pilot program. The bill is now in the House Finance Committee.

### **Senate Labor and Commerce takes up SB 35, delivery network companies**

This bill, relating to delivery companies and services, was up in Senate State Affairs Committee for a hearing last week. By Sen. Jesse Bjorkman, R-Soldotna, the bill classifies individuals who provide prearranged rides or deliveries through digital networks as independent contractors. Currently, delivery drivers are not specifically defined in statute as independent contractors, which has led to confusion and legal battles. Drivers often switch between passenger transportation and goods delivery, creating the need for drivers working through transportation network companies to be classified as independent contractors.

### **HB 50, authorizing “Snow Classics” moving in state House**

HB 50, authorizing “Snow Classics” moved out of House Community and Regional Affairs this week to the Labor and Commerce Committee, where a hearing is planned this week, March 26. The Snow Classic will be a game of chance in which prize money is awarded to the closest guess of snow accumulation on the ground at a specific location on a specific date and time. Currently the only place doing this is Alyeska Ski Resort near Anchorage, where it is administered by Four Valleys Community School, Inc. Sponsored by Rep. Sara Hannan, D-Juneau, the bill would remove restrictions so that snow classics can be at other locations. In 2023 the Snow Classic at Alyeska raised over \$3,000 to help the local school. Juneau’s Nordic Ski Club hopes to use a classic to raise money to support youth skiers. “Our sources are strained with the ever-increasing cost of equipment, insurance, travel, and the many other costs associated with operating a ski program,” a statement said. Having access to more fundraising opportunities is “vital in providing financial support.”

## **. . . Budget . . .**

### **Office of Management and Budget briefs legislative finance committees on budget additions**

Gov. Mike Dunleavy has submitted FY 2025 and FY 2026 budget amendments, totaling \$16.6 million. Lacey Sanders, director of the governor's Office of Management and Budget, briefed the House and Senate Finance Committees last week on the changes. The latest deficit figure for FY 2025 (current budget year) is \$172.5 million, according to the Legislative Finance Division. The new projected deficit for FY 2026 is \$849 million. This assumes the updated spring revenue forecast, the governor's amendments and a \$294 million bare-bones capital budget. It does not include \$2.5 billion the governor has budgeted for a "full" Permanent Fund Dividend. There will be a dividend but this will be added later by the Legislature and at a far lower number.

One change in the budget amendment was the removal of \$2.7 million to staff the proposed new Department of Agriculture (the Legislature rejected this last week). The money was originally to pay for new staff for the department but, sensing legislators' push-back, the plan was revised to eliminate new money and instead transfer vacant positions from within the Department of Natural Resources to the new department. So there would be no real increase in costs, at least in the short term. With the Legislature's rejection of the governor's Executive Order the focus now shifts to bills introduced that create the department legislatively. Presumably, the zero new cost will remain. Legislators preferred a bill because the public can be involved as it moves through committees. Under an Executive Order there is no public process and no opportunity to amend the bill.

### **Also in the budget amendments; collective bargaining unit agreements**

OMB director Sanders told the Senate Finance Committee that money for several public employee labor contracts is also included in the amendments. The new correction officers' bargaining agreement has a 10% increase for a cost of \$14.4 million in Undesignated General Fund (UGF) in FY 2026. This covers two years of inflation as there was no salary adjustment last year. A small Department of Education and Early Development bargaining unit is in for \$167,000, with a 5.46% salary raise in FY 2026 and a 2.5% increase in FY 2027. A University of Alaska academic professionals bargaining unit is now in the budget for \$2.3 million in UGF, which includes a 3% increase in FY 2027 and 3.25% increase in FY 2028. There are six employee bargaining unit agreements still in negotiation and the cost of those will be added to the budget when they are completed.

### **Legislators are looking at different scenarios for the dividend**

The House Finance Committee asked for a scenario with a balanced budget but with a smaller PFD; including the governor's amendments and assuming the \$1,000 Base Student Allocation for schools that is in HB 69, now in the Senate (the BSA is now \$5,960 per pupil). Under this the PFD would be \$570 per recipient. The Senate Finance Committee asked for a scenario that includes the governor's amendments and a \$680 increase to the BSA. This produces a budget deficit of \$504.6 million for FY 2026 (or \$677.1 million when the FY 2025 deficit of \$172.5 million is included). This scenario would pay a \$1,420 PFD.

## ... Business ...

### **HB 121, licensing flexibility for CPA, moving fast in House**

HB 121, making licensing requirements more flexible in Certified Public Accounting is moving fast through the House and could be on the House floor this week. Reps. Calvin Schrage, I-Anch., and Julie Coulombe, R-Anch., are the sponsors. The bill makes technical changes to licensing rules that will remove outdated regulatory barriers that tend to limit entry to the accounting practice. The bill also makes it easier for out-of-state firms to practice in Alaska. Among other things it also removes an outdated requirement that students complete an extra year of college beyond the 120-credit hour bachelor's degree with a concentration in accounting. Candidates for licensing must still pass the Uniform CPA Exam and meet other education and professional experience requirements. Alaska could face a shortage of CPAs if present trends continue, Schrage told the House Labor and Commerce Committee. Demand for CPAs is increasing 6% over the next decade. However, between 2019 and 2024 CPA licensure in Alaska grew only 3%. HB 121 was introduced Feb. 28 and was reported out of the House Labor and Commerce Committee on March 17.

### **HB 6, tightening fiduciary responsibilities for board members of state funds, in House Judiciary**

HB 6, requiring that actions by boards of state funds make fiduciary decisions based on financial gain and not external social, political or ideological goals, was up for a hearing in the House Judiciary Committee last week, March 19. Rep. Kevin McCabe, R-Big Lake, is the sponsor. The bill applies mainly to the Alaska Retirement Management Board and the Alaska Permanent Fund Corp. board. The boards of these funds sometimes come under pressure to base decisions on other than financial fiduciary responsibilities, and HB 6 would provide some protection.

*Seafood value-added tax credit, HB 129, is up for hearings March 25 and 27 in the House Fisheries Committee. This is one bill in a package developed by the Legislature's Seafood Industry Task Force.*

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