

Bradners'

Alaska Legislative Digest

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

PUBLISHER: Tim Bradner FOUNDER: Mike Bradner / Business Office: (907) 440-6068 / 950 Coral Lane Anchorage, AK 99515 / Fax: (907) 345-5683

Digest No. 11/2025 March 31, 2025

Restructuring the Permanent Fund

The Senate Finance Committee took up SJR 14 last Monday, March 24, a committee-sponsored resolution proposing a constitutional amendment to restructure the Alaska Permanent Fund. This is likely the most significant measure before the Legislature this year besides the budget. It's a complex subject but needed because under the Fund's current structure, in certain conditions of financial markets, the Fund may not be able to pay the Percent of Market Value, or POMV annual payment that supports the bulk of the state budget. What's significant is that the powerhouse Senate Finance Committee is sponsor of SJR 14. Last week's action was procedural, to introduce the resolution. There is more to come on this. Several presentations in the Legislature have been made on the topic and the Fund's Board of Trustees have prepared a "white paper." It is Trustees Paper No. 10.

Introducing the measure, Senate Finance cochair Sen. Lyman Hoffman, D-Bethel, said the constitutional amendment would consolidate the Permanent Fund's two-account structure into one and constitutionally limit the draw to 5% of market value of the Fund. Consolidating the two accounts follows recognized practices for endowments and trusts and a single-fund structure ensures earnings are retained and reinvested within the Fund, eliminating the need for inflation-proofing. The endowment structure also guarantees an annual, sustainable POMV transfer. "Constitutionalizing" the draw also protects the Fund by preventing the Legislature from making ad hoc draws on the Fund. Sen. Bert Stedman, R-Sitka, said he expects a discussion over whether a 5% draw is too high for sustainability.

In this Issue:

- Education p. 2
- Health care p. 3
- Status of Bills pp. 4-5
- Resources p. 6

House Finance slogs on with work on the budget

The House Finance Committee is slogging along in budget work and as usual this is taking longer than expected. Last Friday the committee worked on HB 56, the supplemental budget for FY 2025, which totals \$112 million. Combined with the \$80 million estimated deficit for the current year, there will have to be a \$192 million draw from the Constitutional Budget Reserve, the committee was told Friday. Work resumes today, March 31, on the FY 2026 budgets in HB 53 and HB 55.

Our reports are protected by Copyright. Please do not forward to others without permission.

© **COPYRIGHT** Email: timbradner@pobox.alaska.net

. . . Education . . .

Senate committee preparing its version of HB 69, education funding

On Wednesday the Senate Education Committee is likely to propose a new version of HB 69, the House-passed bill on education funding, sources indicate. The \$1,000 increase to the Base Student Allocation, the formula that guides state funding for schools, is likely to remain in the bill but there are to be changes in the policy aspects of HB 69 that were included in the bill as it came out of the House. HB 69 mirrors many of the ideas in the governor's school "reform" bill but there are differences from the governor's bill. One is the governor's idea that students in schools should be able to enroll in other schools outside the "home" district of the student has been dropped but language now in HB 69 allowing students to enroll in another school within the home district is retained.

SB 55, teachers' retirement, out of Senate Labor and Commerce Committee

An amended version of SB 55, improving the retirement systems for teachers, moved from the Senate Labor and Commerce Committee last Monday, March 24, and is now in Senate Finance. The bill requires employers of teachers in the Teachers' Retirement System, or TRS, to increase the employer contribution for retirement and also require that employers offer a supplemental annuity plan to employees. This is essentially a defined contribution savings account to augment current retirement plans.

Due to past actions 5,000 Alaska employees of 52 school districts, municipalities and housing authorities are not covered by Social Security or the supplemental annuity plan, which was intended to replace Social Security. The combined increase in employer contributions and the requirement for a supplementary annuity will help offset difficulties of recruiting and retaining workers, Sen. Bert Stedman told the Labor and Commerce Committee. The bill has three cosponsors from the Republican Minority: Sens. Robert Myer, Mike Shower and Mike Cronk. There is no House version so far.

HB 98, on maximum class size, up in House Education Committee

HB 98, the bill by Rep. Zack Fields, D-Anch. to set maximum class sizes in schools, was in the House Education Committee last Friday, March 28. The committee adopted a substitute proposed by Fields to have the bill apply to districts with average daily membership of 35,000 rather than 40,000. In practice the bill would now apply only to the Anchorage School District, which is struggling with large classes. However, committee members suggested the bill be made to apply to the top five largest districts. Fields said he was open to this but would solicit the views of local legislators. The bill faces headwinds, however, from school boards who feel any cap on class size should be a local, not a state decision. Fields said he is sensitive to this but said a hard cap (in the bill it is 15 students for kindergarten through grade three and 25 for grades four through 12) would assure local voters that something is being done about large classes, and counter the argument many make that schools are too heavy with administrative staff. The committee is holding the bill for more work.

– Continued on page 6

. . . Health care . . .

Senate committee moves SB 121: Health insurance, minimum payments to providers

The Senate Health and Social Services Committee moved SB 121, a bill setting minimum payments to health care providers on to the Senate Labor and Commerce Committee last Thursday, March 27. The bill is sponsored by Sen. Cathy Giessel, R-Anch. It is getting a big pushback from insurance companies who dispute claims by Giessel and the state's medical providers that insurers are low-balling payments and putting many small providers at the edge of insolvency.

There was discussion in committee over the requirement in the bill that insurers pay "out of network" medical providers at 450% of the Medicare rate, up from the 180% that insurance companies pay now. Sen. Matt Claman, D-Anch, said he has been trying, unsuccessfully so far, to get information from the Department of Health and the Division of Insurance as to whether payments made under state health programs are at below or above the proposed 450% minimum. SB 121 sets minimum payments for out-of-network providers (providers in networks negotiate rates by contract). The medical community argues that the out-of-network minimum indirectly affects in-network contracts because insurers use the minimum in bargaining to get lower reimbursements. Raising the minimum from 180% is important, they say.

SB 122, on health insurance networks active in Senate committee

SB 122, also by Sen. Giessel, sets standards for health insurance networks established by insurance companies. The bill aims to prevent insurers from setting up small, or narrow, networks with only certain providers and using that to leverage providers for lower reimbursement rates. The bill had an initial hearing in Senate Health and Social Service on March 11 and a second hearing last Thursday, March 27.

SB 133: Health insurance, prior-authorization

SB 133, sponsored by Senate Labor and Commerce Committee, addresses difficulties many Alaskans face getting approval or prior authorization for medical treatments or medications. The bill was before the committee for its initial hearing March 26. Conrad Jackson, staff to the committee, introduced the bill saying it was the work of "stakeholders in the health care industry through a lot of meetings this summer." Medical providers, insurers and other stakeholders are in agreement with the legislation, Jackson said. The bill would speed communications between parties and establish a time frame for determination and notification of approval or disapproval by an insurer to a health provider. "It further provides that a prior authorization request is considered approved if the insurer fails to provide a written denial, approval or request for additional information within the timeline," Jackson said. The bill assists those with chronic conditions by saying, "A prior authorization for a chronic condition is valid for not less than 12 months while the covered person remains covered by a health care policy." The bill is scheduled up for a hearing this week, on April 2. SB 133 has written support from Alaska Hospital & Healthcare Association, Central Peninsula Hospital, Premera Blue Cross, Anchorage Neighborhood Health Center and the Alaska State Medical Association, all who helped in the writing of the bill.

... Status of Bills ...

Introduced in the House

- HB 151: Continuous eligibility for medical assistance for children under six years of age (By Galvin)To HSS, FIN
- HB 152: Education tax (By Galvin)..... To SA, FIN
- HB 153: Electricity generation from renewable resources; renewable portfolio standard (By Holland)To ENERGY, RES
- HB 154: Summer electronic benefits transfer program for children (By Mears)To HSS, FIN
- SB 80: Extend the termination, boards of Big Game Commercial Services; Massage Therapists; and the Marijuana Control Board (By FIN)To L&C, FIN
- HB 155: Alcohol sales; local options (By Foster)To CRA, L&C
- HB 156: Disclosure of wage information (By Mina)To JUD, L&C
- HB 157: Effect of adoption decree on siblings (By Gray)To HSS, JUD
- HB 158: Professional licensing; temporary permits (By GOV)To MLV, L&C
- HB 159: Property possession and property crimes (By Rauscher)To JUD, L&C
- HB 160: Municipal school board members' terms (By Moore)..... To EDU, CRA
- HB 161: Minimum paid sick leave requirements (By Ruffridge)To L&C, FIN
- HB 162: Digital products repair (By Dibert)To CRA, L&C
- HB 163: Election date; election holiday; terms (By Underwood)To CRA, FIN
- HB 164: Net metering program and fund (By GOV)To ENE, FIN

House Committees' Actions (Cont.)

- HB 62: Sexual assault kits; sexual assault examination kit tracking system (5 do pass)JUD to FIN
- HB 105: Mental health education (4 do pass, 2 do not pass)EDU to FIN
- HB 116: Commercial fishing insurance cooperatives (5 do pass).....L&C to RLS
- HB 93: Change residency requirements for hunting, trapping, and sport fishing (5 do pass, 1 do not pass, 2 no rec, 1 amend)RES to RLS
- HB 132: : Loans under \$25,000; payday loans (5 do pass, 1 no rec, 1 amend)L&C to FIN
- SB 47: Chugach State Park (2 do pass, 3 no rec)TRA to RES
- HB 129: Fisheries product development tax credit (5 do pass)FISH to FIN

House Floor Actions

- HB 121: Practice of accountingPASSED 38-0
- HB 36: Foster children psychiatric treatmentPASSED 39-0
- SB 43: Establish month of March as Women's History MonthPASSED 33-2

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

... Status of Bills ...

Senate Bills Introduced

- SB 140: Matching grant program for fire station construction and renovation (By Stedman)To CRA, FIN
- SB 141: Automated external defibrillators and opioid overdose response kits in public buildings (By Giessel)To HSS, FIN
- SB 142: Health insurance and pharmacy benefits managers (By Giessel)To L&C, FIN
- HB 121: Practice of accounting (By Schrage)To EDU, L&C
- SB 143: Municipal school board terms (By Yundt)To EDU, CRA
- SB 144: Disability benefits for peace officers and firefighters (By Yundt)To L&C, FIN
- SB 145: Professional licensing; temporary permits (By GOV)To SA, L&C
- SB 146: REAAs; small municipal school district fund; Mt. Edgecumbe; teacher housing (By FIN).....To FIN
- SB 147: Pharmacist prescription authority (By Giessel)To HSS, L&C
- HB 36: Foster children psychiatric treatment (By Gray)To HSS, FIN
- SB 148: Autonomous vehicles (By Myers) To..... TRA, SA
- SB 149: Utilities: renewable portfolio standard (By Wielechowski)To L&C, RES
- SB 150: Net metering program and fund (By GOV)To L&C, FIN
- SB 151: Head lice in public schools (by Bjorkman)To EDU, FIN

Coming this week in the Legislature:

- Senate Education: “State of Education” 3/31
- House Resources; AIDEA; fire suppression 3/31
- S. Labor and Commerce: SB 28, retirement

Senate Committees’ Actions (Cont.)

- SB 26: Eliminate daylight savings time; change Alaska time zones (3 do pass, 1 no rec)CRA to SA
- SB 55: TRS contribution rate; supplemental employee (1 do pass, 4 no rec)L&C to FIN
- SB 90: Minor mental health; age of consent (4 do pass)HSS to JUD
- SB 96: Child care: tax credits (4 do pass, 1 no rec)L&C to FIN
- SB 102: Exempt state from daylight saving time (3 do pass, 1 no rec)CRA to SA
- SB 64: Relating to elections (3 do pass, 2 no rec)SA to FIN

Senate Floor Actions

- SB 80: Extend the termination date of the boards of Big Game Commercial Services; Massage Therapists; and the Marijuana Control BoardPASSED 20-0

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).

Coming this week in the Legislature:

- H. Labor and Commerce: PBM regulation 3/31
- Senate Resources: Fish tax revenue-sharing 3/31
- House Fisheries: HB 111, finfish farms HB 111

. . . Resources . . .

Senate committee prepares to move oil tax, SB-92

It appears the Senate Resources Committee is preparing to move SB 92, enacting a new corporate income tax on “S” corporations that produce oil. S corporations do not pay corporate income tax in Alaska, unlike oil producers organized as ordinary “C” corporations. Last Friday Senate Resources adopted a committee substitute that, among other changes, clarifies that for oil producer C corporations with subsidiaries that are S corporations, mainly pipeline subsidiaries, are not double-taxed. The corporate income tax would be paid by the parent company. The committee held a public hearing on the bill Friday and will continue work this Wednesday, April 2. All indications are the bill is ready to move to Senate Finance this week. Estimates are the bill will bring in about \$200 million in FY 2026.

Seafood product development tax credit up in House committee, HB 129

The House Special Fisheries Committee sent HB 129, expanding the seafood product development tax credit, on to House Finance last week, on March 28. There were five “do pass” recommendations from members including House Minority members. This bill is a major priority for the fisheries industry, which is hit hard by market conditions this year. A current seafood tax credit allows the credits to be used to help pay for technology to more efficiently process certain species. HB 129 would expand this to all species of fish and shellfish and streamline the Department of Revenue determination of eligibility for the credits. McKinley Research Group has found a 200% return on investment to the state General Fund on just salmon with the existing tax credit, according to the Pacific Seafood Processors Association.

HB 116: Insurance cooperative for seafood harvesters moves quickly in House

A second bill to help seafood harvesters is moving fast in the House. HB 116 allows fishing vessels owners to form an insurance cooperative to lower costs for liability and other insurance. The bill moved from the House Special Fisheries Committee to the Labor and Commerce committee on March 11 and from Labor and Commerce to House Rules Committee on March 26. It is likely to be on the House floor soon. The bill will get a friendly reception in the Senate. Senate President Gary Stevens, R-Kodiak, chaired the special seafood task force that met last summer and fall. The insurance co-op is one of its recommendations.

Legislature moving on bill creating state Department of Agriculture

After voting down Gov. Mike Dunleavy’s Executive Order creating a Department of Agriculture largely over procedural issues the Legislature is now moving on bills to create the department in statute, the approach legislators preferred. The Senate Resources Committee had SB 128 up for an initial hearing Friday, March 28, and held the bill for further work. Funding for the new department has been reconfigured so that the budget for the present Division of Agriculture can pay for the new state department. The agriculture division is now part of the state Department of Natural Resources. The House version of the bill, HB 140, is in the House Resources Committee.

. . . Business . . .

HB 13: Municipal property tax exemptions to aid in housing

The House Community and Regional Affairs Committee held an initial hearing last Tuesday, March 25 on Anchorage Rep. Andrew Gray's HB 13, giving municipalities the option of enacting property tax relief for development of new housing. Anchorage and other communities are facing near-crisis situations, Gray said. The average sales price of a home in Anchorage is \$524,000, up 23% in four years, and the cost of a newly-built home has reached \$683,000. These amounts are well beyond the ability of most people to afford, he said. There was an extended discussion in the meeting between Gray and Rep. Justin Ruffridge, R-Soldotna over provisions in the bill that would allow local assemblies to craft the exemptions without the requirement in current law that the exemptions be subject to voter approval. This may turn out to be a major sticking point for the House Republican Minority in the granting of approval powers for tax reductions to a narrow group of assembly members and cutting out approval of other taxpayers mostly affected. Another provision in the bill would allow the exemption to apply to residential but not commercial property, where current law prohibits the distinction in a tax exemption,

HB 133: Payment terms, state contracts with nonprofits

HB 133, by Rep. Rebecca Himschoot, I-Sitka, set out required payment timelines for state contracts with nonprofit service providers and tribes. The bill was up in the House Community and Regional Affairs Committee last Tuesday, March 25, and held for more work. Himschoot and witnesses from nonprofits testifying at the hearing said they basically want terms on contracts with nonprofits and tribes to be similar to those with the private sector, including interest and penalties for late payments. There is currently no uniform standards for these contracts, which can create real cash-flow problems for providers. One large child care organization said payment on a contract due in July was actually made in January. Ironically, many nonprofits are required to do quarterly financial reports on use of funds they have not yet received.

SB 96: Child care tax credit, business deductions

Senate Labor and Commerce Committee moved this bill on to Senate Finance last week. It clarifies that business tax credits can be used for child care contributions. The bill puts in statute that credits can be taken against corporate income and insurance tax liability and various resource taxes, such as oil and gas, mining and fisheries. The Senate Rules Committee sponsored the bill.

Class sizes in schools, HB 98

– Continued from bottom, page 2

Public testimony in House Education Committee last Friday was compelling. For lower elementary grades a class size of 15 is the maximum that allows academic learning. Eighteen Anchorage elementary schools have classes of 30 in lower grades and one has 35. With that many children in the room real learning is next to impossible, legislators were told.

... Business ...

HB 123: Vehicle Rental Tax

HB 123, sponsored by Rep. Kevin McCabe, R-Big Lake, would require vehicle rental platform companies, such as Turo and Getaround to collect the existing state vehicle rental tax. This is a bill similar to one that Sen. Matt Claman, D-Anch., introduced last session in SB 127. That bill was vetoed by the governor. HB 123 had two hearings in the House Labor & Commerce Committee and was moved out of committee last week and referred to the House Finance Committee, where it is waiting to be scheduled.

Constitutional amendment on Permanent Fund, SJR 14

– Continued from top, page 1

– Continued on bottom, page 8

A lower rate of draw in the POMV would reduce money made available to the state General Fund. SJR 14 simply consolidates the Fund and is not related to the structure of the POMV payment. A related bill, SB 109, by Sen. Lyman Hoffman, D-Bethel, changes the formula by which the Permanent Fund Dividend, or PFD, is calculated to a “75-25” formula, or a split of 75% to the state General Fund and 25% to the PFD. This is the split now assumed in the Finance committees as they work on the FY 2026 budget. SB 109 is now also in the Senate Finance Committee. Some people are confused by the two proposals. A constitutional amendment can only be changed by a public vote in a General Election. The POMV structure in HB 109 can be changed by the Legislature at any time, however.

As SJR-14 proceeds, efforts are likely to add the POMV split and/or the dividend into the constitutional amendment. This will raise considerable concern in the Legislature and slow movement of the constitutional amendment. Hoffman said last week that SJR-14 must pass in 2025 to allow a year to explain it to the public before it is placed on the 2026 General Election ballot. If it is delayed until 2026 there will be only five months from the Legislature’s mid-May adjournment to get public support before November.

Subscription - Alaska Legislative Digest

950 Coral Lane Ph: (907) 440-6068 - Fax: (907) 345-5683
Anchorage, Ak. 99515 email: timbradner@pobox.alaska.net

Cost: \$575.00/year - Email online edition/print edition!

Check to add Economic Report for +\$520/year

Name _____

Company _____ Ph. _____

Address _____ Fax _____

City _____ State _____ Zip _____

Email _____

Credit card pay: Type _____

Number _____

Exp: _____ ZIP: _____