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State leaves nonprofits in the lurch

Slow payment on state contracts has become a serious problem for nonprofits. Bills are pending in House and Senate committees that would put nonprofit service contracts on terms similar to other state contracts, such as for highway work. The House Community and Regional Affairs Committee had HB 133 up for another hearing last Thursday, April 10. A new version of bill requires payment in 30 days instead of 21 days in the original bill and removes a provision requiring a 20% advance payment. The effective date would be July 1, 2026. The committee held the bill for more work. Rep. Rebecca Himschoot, I-Sitka, is the sponsor. SB 129, the Senate companion bill, was up in Senate Community and Regional Affairs last Tuesday, April 8. Sen. Scott Kawasaki, D-Fairbanks, is the sponsor.

The Foraker Group, which provides assistance to nonprofits, conducted a survey that found almost 50% of nonprofits wait three months for payment; 20% wait six months and 15% wait nine months or more. Forty percent of nonprofits have payments of \$50,000 to \$250,000 owed; 30% wait for \$50,000 or less; 10% wait for \$500,000 to \$1 million, and another 10% are waiting for payments of more than \$1 million. One nonprofit is waiting for payment of \$1.9 million. Forty eight percent of the money is due from the state Department of Health and 30% is from the Department of Education and Early Development. Other agencies owe lesser amounts. "The workforce and technology issues are part of the problem but not the whole problem," the Foraker Group has told legislators. The problem is serious because many nonprofits operate on thin margins.

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High stakes poker on HB 69, school funding

Senate and House leaders made a gutsy, but risky, move last Friday on school funding by stripping the House-passed HB 69 of all proposed education policy language and leaving only a \$1,000 increase in the Base Student Allocation for schools. The Senate floor vote on the bill was narrow, 11-9. The House concurred in the Senate change Friday by one vote, 21-16. HB 69 has passed and now goes to the governor, who says he will veto it. This could set the stage for a veto-override vote, or negotiations.

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. . . Education/Budget . . .

A gutsy, but risky move on education funding with HB 69

Three senators who are part of the Senate Majority, Sens. Bert Stedman, R-Sitka; Donny Olson, D-Golovin and Lyman Hoffman, D-Bethel, voted no on HB 69 on the Senate floor, joining six conservative Republicans in the Senate Minority. The bill went back to the House for the up-or-down “concurrency” vote, and passed narrowly. Legislative leaders aren’t talking about their objectives but some think it was to make House Republicans vote up or down on a straight school funding bill, putting moderate Republicans at risk with constituents. Gov. Mike Dunleavy said he will veto HB 69 if it passes without the policy changes he wants. The plan may be a way to force the governor to negotiate on those changes in return for a BSA increase. So far the governor has not engaged in talks. If the veto comes down it will become a repeat of last year’s nail-biting vote on an override, which came one vote shy of 40 needed to override the veto. There may be a better chance of an override this year because the partisan split in the Legislature appears slightly better for education groups.

Chronic absenteeism shows slight reduction in latest data

Chronic absenteeism for children in schools showed a slight improvement in 2023 to 2024, with 43.4% of students absent from school 10 days or more, the threshold for “chronic,” according to data collected by the Department of Education and Early Development, or DEED, from school districts. The previous year data, 2022 to 2023, was 45%. The department presented the data to the House Education Committee last Friday, April 11. The 40%-plus figure is important because data shows that overall academic performance drops off sharply when children are out of school for what amounts to two days a month, DEED Commissioner Deena Bishop told the House committee.

Lowest grades show highest rates of absenteeism

Breaking the data down by age groups, about 40% of children in Kindergarten and first grade were absent 10 days or more; the percentage of absenteeism drops from second through ninth grades and then increases to 25% to 30% for grades 11 and 12, Bishop said. One explanation for the high percentage in the lower K-1 classes is that parents were conditioned during the pandemic years to keep children home if they showed even mild symptoms of a cold. The remedy for this might be better communication with parents that such measures are no longer necessary. A regional breakdown shows smaller school districts, in Southeast Alaska for example, have lower levels of chronic absenteeism than large urban districts. During discussion, Rep. Maxine Dibert, D-Fairbanks, said support for free breakfast and lunch for low-income students is also important in encouraging attendance.

HB 53, operating budget, on House floor today, April 14

Work on the operating budget, HB 53, continues today, Monday, after starting last Friday. The House is about a week behind in this mainly over disagreements on the Permanent Fund Dividend. That is now proposed at \$1,420 per person, down from the governor’s proposal of \$3,900 per person.

. . . Alaska LNG . . .

High hopes for Alaska LNG, but also caution

Legislators grilled Alaska Gasline Development Corp. officials last week on the new deal with New York-based Glenfarne Inc. to lead development of the big Alaska LNG Project. There are high hopes that the long-stalled project to bring North Slope natural gas to market will finally happen, but there are also concerns over whether Glenfarne and AGDC can get LNG customers and effectively manage this mega-project.

Here are key points that emerged in hearings in the Legislature's Budget and Audit Committee:

- Under its new contract with AGDC, Glenfarne will begin work on final engineering of a "phase one," the 800-mile 42-inch gas pipeline this month. This work is estimated at \$50 million, which Glenfarne will fund. Glenfarne will have partners identified for the pipeline-only plan "within a few months," it says. A large liquefied natural gas plant at Nikiski, near Kenai, and a large gas conditioning plant for the North Slope will follow the pipeline, in phases. Final engineering for all three phases is estimated at \$150 million. The LNG and gas treatment plants may be organized as distinct business units with separate owners. AGDC president Frank Richards said the updated cost estimate done with the final engineering is critical. The current estimate is \$42 billion.
- What's of keen interest to legislators is whether the project will pay property taxes or a negotiated payment-in-lieu of tax, or PILT, to municipalities along the pipeline route. Those include the North Slope Borough; Fairbanks North Star Borough; Matanuska-Susitna Borough and Kenai Borough. There's been little discussion on this. Richards said Wood MacKenzie, in a study of project economics for AGDC, assume a 2 mill property tax, not the 20 mill tax now in state law for oil and gas properties. If the project advances, the PILT will be prime concern because it could adversely affect the economics. Obviously the municipalities, who will bear costs of the construction impacts, are concerned.

Does Glenfarne have the experience for this?

Legislators also asked why Glenfarne, a company that has LNG projects under development but not yet constructed, was chosen. Richards said Glenfarne's expertise is really in project financing and it has several energy projects in South America under its belt. Two LNG projects on the U.S. gulf coast have yet to begin construction but the LNG sales contracts underpinning them are signed with buyers in Europe.

Project watchdog on Alaska LNG?

Legislators are leaning toward retaining an engineering/project management firm to monitor the Alaska LNG Project if it moves forward. The goal would be to give lawmakers independent advice on whether milestones are being achieved. Alaska Gasline Development Corp. is leading the project with Glenfarne. Senate Majority Leaders Sen. Cathy Giessel, R-Anch., who also chairs the Senate Resources Committee, is proposing the independent project monitoring.

... Status of Bills ...

Introduced in the House

- HB 173: Occupational therapy assistant licensure (By Jimmie)To L&C, FIN
- HB 174: REAAs and small municipal school district fund; Mt. Edgecumbe High School (By Burke)To EDU, FIN
- HB 175: Regulatory Commission of Alaska: Terms, member qualifications (By Burke).....To L&C, RES
- HB 176: University of Alaska new fees and fee increases; billing statements (By Carrick)....To EDU, FIN
- HB 177: Meetings of the Board of Fisheries and Board of Game (By Elam)To FSH, RES
- HB 178: Medical debt information (By Mina).....To L&C, FIN
- HB 179: Notice requirement for state actions (By GOV)To SA, RES
- HB 180: Electronic driver’s licenses (By GOV).....To JUD, SA
- HB 181: Contractor bonds (By Prax)To L&C
- HB 182: Alcohol license: live music and entertainment (By Holland)To L&C
- HB 183: Early education programs (By Story).....To EDU, FIN
- HB 184: AIDEA: workforce housing development projects (By Story)To CRA, L&C
- HB 185: Medical assistance; family planning (By Hall)To HSS, FIN
- HB 186: Apprentice labor in public projects (By Carrick)To TRA, L&C
- HB 187: Membership: legislative council and Legislative Budget and Audit Committee (By Costello)To SA
- HB 188: Welcoming Alaska office (By Mina)To SA, FIN

House Committees’ Actions

- HB 117: Commercial set gillnet fishing (6 do pass) ...RES to RLS
- HB 17: Retirement benefits and military service (10 do pass, 1 no rec)FIN to RLS
- HB 35: Possession of electronic devices by prisoners (5 do pass, 1 do not pass, 1 no rec)SA to RLS

House Committees’ Actions (Cont.)

- HB 48: Appropriations to the civil legal services fund (6 do pass, 2 do not pass, 2 no rec)FIN to RLS
- HB 58: Office of public advocacy (5 do pass, 2 no rec)SA to RLS
- HB 96: Home care Employment Standards Advisory Board (6 do pass)HSS to L&C
- HB 144: Insurance; prior authorizations (5 do pass, 2 no rec)HSS to L&C
- SB 47: Chugach State Park (9 do pass) ...RES to RLS
- HB 125: Board of Fisheries membership (4 do pass, 2 no rec)FSH to RES
- HB 10: Board of Regents of the University of Alaska (6 do pass, 2 do not pass, 3 no rec)FIN to RLS
- HB 16: Campaign finance, contribution limits (4 do pass, 2 do not pass, 1 no rec)SA to FIN
- HB 26: Statewide public and community transit plan (5 do pass)TRA to RLS
- HB 53: Appropriations for operating budget (1 do pass, 1 do not pass, 9 amend)FIN to CAL
- SB 55: TRS contribution rate; supplemental employee benefits (6 do pass, 3 no rec, 2 amend)..FIN to CAL
- HB 70: Emergency medical services for operational canines (5 do pass, 2 no rec)L&C to RLS

House Floor Actions

- HB 31: Registration of commercial vesselsPASSED 37-0
- HB 50: Snow classicsPASSED 35-2
- HB 79: Vic Fischer Shoup Bay State Marine ParkPASSED 35-2

Committee abbreviations:

RLS	Rules
FIN	Finance
RES	Resources
L&C	Labor and Commerce
JUD	Judiciary
HSS	Health and Social Services
EDU	Education
ARCTIC	Special Committee on Arctic
TRB	Special Committee, Tribal Affairs
CRA	Community and Regional Affairs
ENE	Energy

... Status of Bills ...

Introduced in the Senate

- SB 158: Administrative areas for regulation of certain commercial set net entry permits (By Bjorkman)To L&C, RES
- SB 159: Increase contributions to training employment program (By L&C)To L&C, FIN
- SB 160: Membership: legislative council and Legislative Budget and Audit Committee (By Shower)To SA, FIN
- SB 161: Prohibit bottom trawling (By Cronk)To RES, FIN
- SB 162: Specie as legal tender (By Cronk)To SA, FIN
- SB 163: Repeal certain inactive funds/accounts (By Kaufman)To L&C, FIN
- SB 164: Eliminate tax discount (By Merrick)To L&C, FIN
- SB 165: Electronic Driver's License (By GOV)To TRA, SA
- SB 166: Notice requirement for state actions (By GOV)To SA, RES
- SB 167: Criminal conviction overturned: receive PFD (By Kawasaki)To SA, JUD
- SB 168: Medical assistance; family planning (By Gray-Jackson)..... To HSS, FIN
- SB 169: Welcoming Alaska office (By Tobin)To SA, FIN
- SB 170: Gaming; bingo; electronic pull-tabs (By Bjorkman)To L&C, FIN

Senate Committees' Actions

- SB 11: Alaska Flood Authority and Alaska flood insurance fund (2 do pass, 2 no rec)L&C to FIN
- SB 122: Health insurance network standards (3 do pass, 1 do not pass, 1 no rec)HSS to L&C
- SB 132: Relating to insurance (2 do pass, 2 no rec)L&C to FIN
- SB 21: Alaska Work and Save Program; Alaska Retirement Savings Board (2 do pass, 3 no rec)L&C to FIN
- SB 62: Board of parole (1 do pass, 3 no rec)SA to L&C
- SB 88: Child placement; diligent search (3 no rec, 1 amend)HSS to FIN

Senate Committees' Actions (Cont.)

- SB 111: Digital product repair (2 do pass, 2 no rec)CRA to L&C
- SB 113: Apportion taxable income; digital business (2 do pass, 2 do not pass, 2 no rec)FIN to RLS
- SB 4: Health care insurance policy incentive program (2 do pass, 3 no rec)L&C to HSS
- SB 13: Summer electronic benefits transfer program for children (2 do pass, 3 no rec)EDU to FIN
- HB 69: Education funding (1 do pass, 4 no rec, 2 amend)FIN to CAL
- SB 39: Loans under \$25,000; payday loans (3 do pass, 4 no rec)FIN to RLS
- SB 138: Vehicle rental taxes (4 no rec) ..TRA to FIN

Senate Floor Actions

- HB 69: Education fundingPASSED 11-9

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

- SB 55, public employee retirement, Senate Finance Committee, Monday
- HB 144, prior authorization, Labor and Commerce, Monday
- HB 161, employee paid sick leave, Labor and Commerce, Monday
- HJR-11, Alaska-Canada relationship, Senate Resources, Monday
- HB 13, municipal property tax exemption, House Community and Regional Affairs, Tuesday
- SB 92, corporation tax, oil, Senate Finance, Tuesday
- SB 147, pharmacists' prescription authority, Senate Finance, Tuesday

. . . Business . . .

SB 39: Payday loans, small loans, out of Senate Finance Committee

The Senate Finance Committee moved SB 39, putting limits on interest and other fees by “payday” lenders, out of committee last Wednesday, April 9. Sponsored by Sen. Forrest Dunbar, D-Anch., the bill requires short-term lenders to adhere to the same caps on interest that apply to other lenders, which sets a limit of 36 annual percentage points, or APP. Payday lenders are exempt from these caps, so effective rates on these loans go as high as 194.7% and 521.4%, Dunbar told committees working on the bill.

SB 113: Tax on out-of-state digital corporations moves in Senate

This bill, by the Senate Rules Committee, requires out-of-state corporations selling products digitally in Alaska to pay a state corporate income tax, which they are now exempt. Sen. Bill Wielechowski, D-Anch., who is the Rules Committee chair, is championing the bill. No Alaska business will be affected by this, Wielechowski told the Finance committee last Wednesday, April 9. Sen. James Kaufman, R-Anch., a Finance member, said he is concerned that firms selling via the internet to Alaska could still embed tax in their prices so that it becomes a sort of back-door sales tax in Alaska. Wielechowski said 36 other states tax digital corporations this way and there is no evidence that it is affecting prices. Kaufman said he still isn’t convinced that there won’t be some adverse effect. For example, because Alaska is a small market it might encourage digital firms to “not ship to Alaska.” The committee moved the bill out on April 9.

SB 8: Education for Deaf and Hearing Impaired Students

SB 8, sponsored by Sen. Elvi Gray-Jackson, D-Anch., had its first hearing in the Senate Education Committee last week. This bill would require school districts to give parents education materials on hearing technologies, various communication methods and relevant programs for children who are deaf or hard of hearing. With this information they can advise the school of which communication method would be best for their child. Staff to Sen. Gray-Jackson introduced the bill stating, “One of the most important parts is that the bill gives unbiased information on the many different ways that deaf and hard of hearing students can communicate. This is so parents in community with the school can make the best decision for each child.” The bill heard support and invited testimony from the Alaska State School for Deaf and Hard of Hearing, Governor’s Council on Disabilities and Special Education, and the Alaska Deaf Council. The bill was held for further work.

SB 113: Income tax on out-of-state digital corporations

The Senate Finance Committee moved this bill out of committee last Wednesday, April 9. Out of state corporations doing business by making sales in Alaska via the internet do not pay the state corporate income tax. This bill changes that. It will bring in new revenue but by only a modest amount. Other states impose special taxes on internet sales, according to Sen. Bill Wielechowski, D-Anch., a strong supporter of the bill.

. . . Resources/Municipal . . .

HB 13: Municipal tax exemption, low-income housing

The House Community and Regional Affairs had HB 13 up again last Thursday, April 10. The bill provides optional local property tax exemptions for low-income housing. Changes made in the bill include defining “long term rental” as 31 days or longer to be consistent with similar provisions in other states and requiring that properties be owner/occupied. Sponsor Rep. Andrew Gray, D-Anch, said he is supporting the low-income threshold of not more than 30% of income for rent as triggering eligibility for a tax-reduction application. Gray said he has gotten requests to raise to 50% of income but he wants the 30% to give landlords incentives to lower rents if there are tenants paying more than 30% of income. There’s still pushback on this that voter approvals should be asked but Gray’s staff said there are 26 tax exemptions allowed in statute that can be done by the assembly without voter approval. The Alaska Municipal League says it has no problem with the bill, Gray told the committee. The bill was held for work.

HB 153: Renewable energy standards for utilities

The House Energy Committee continued work on this bill, by Rep. Ky Holland, I-Anch., last Thursday, April 10. The bill sets required benchmarks for utilities to generate with renewable power. A new version of the bill is being worked on to resolve issues being raised, including how a penalty fund being established, if goals are missed, would be used. The sponsors want the penalties to be used on renewable or energy security investments within a utility service area but if a five-year deadline is missed money would go to the state’s Renewable Energy Fund to be used on renewable projects anywhere in the state.

HB 26 Statewide public and community transit plan

Public transit is often the only option for Alaskans with disabilities, low-incomes, youth, and the elderly to get around. Rep. Genevieve Mina, D-Anch., looks to strengthen the Alaska Department of Transportation and Public Facilities, or DOTPF public engagement in statewide transportation planning. The bill also encourages DOTPF to study and implement alternative transportation options that would work in rural areas and requires the agency to coordinate the Statewide Transportation Improvement Program with local and tribal transportation plans. The bill moved out of House Community and Regional Affairs Committee March 20 as well as the House Transportation Committee on April 10. The bill passed from Transportation with five positive recommendations and two negative recommendations, those from Rep. Kevin McCabe, R-Big Lake, and Rep. Cathy Tilton, R-Wasilla.

Senate Finance Committee continues work on SB 92, oil tax bill, Tuesday, April 15

The Senate Finance Committee will hold hearings in SB 92, an oil tax bill, on Tuesday, April 15. The bill moved out of Senate Resources on April 4. This is the so-called “Hilcorp tax,” that imposes a state income tax on oil producers organized as “S” corporations with the IRS. S corporations pay no corporate income tax. Corporations organized as ordinary “C” corporations do pay income tax. Given the need for new revenue this bill is likely to pass, but the governor may veto it.

... Health Care/Energy...

HB 144, prior authorization, moves from House Health and Social Services

The House Health and Social Services Committee moved HB 144, covering prior authorizations by insurance companies for medical procedures, from committee last Tuesday, April 8. There was extended discussion on an amendment by Rep. Andrew Gray, D-Anch., that would not allow an expedited approval of procedures if equipment to be used is owned by the provider, to prevent conflicts of interest. Rep. Mike Prax, R-North Pole, argued against this, saying that an agreement among stakeholders had been reached on the contentious issues of delays in authorization and that Gray's amendment would open up new issues, delaying the bill. The amendment was defeated. HB 144 is scheduled in House Labor and Commerce Committee today, April 14. The Senate version of this is SB 133, and is in the Senate Finance Committee after having moved from Senate Labor and Commerce April 2.

SB 4: Health care incentives in Sen. Hughes' "right to shop" bill

The "right to shop" for less expensive medical care in SB 4, by Sen. Shelley Hughes, R-Mat-Su, moved out of the Senate Labor and Commerce Committee April 9 and is now in the Senate Health and Social Services Committee. Clarifications were made that the required right to shop applies only to private insurance and not to union plans or the state's Alaska Care. Committee chair Sen. Jesse Bjorkman said he will explore expanding the concept in the future.

HB 139: Governor's Mansion could be opened for rentals

HB 139 would allow the Governor's Mansion to be rented out on a short-term basis when the Legislature is not in session. It would give the Office of the Governor control over the regulations and fees for renting the house. A renter would be made aware that if a special session were to be called the lease could be terminated. The bill, sponsored by Rep. Will Stapp, R-Fairbanks, was held in the House State Affairs Committee with an amendment deadline for April 14th, a sign the bill will move. *There are wry comments in the capitol that the mansion would be suitable for birthday parties and summer B&B rentals.*

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