

*Bradners'*

# Alaska Legislative Digest

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

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## **Any good news in the Legislature? Yes, there is**

Things are glum in the state Capitol. There's little money for anything. Is there anything *good* happening? Yes, there is. A bright spot is in health care, where several bills are pending and an important one, on new rules for insurers to decide on health coverage for medical procedures, is advancing in the Senate. The Senate version of that bill, SB 133, is now in the Senate Finance Committee. The House version, HB 144, is set for a hearing Wednesday, April 23, in the House Labor and Commerce Committee. Another Senate bill, SB 134, solving a technical problem in a Pharmacy Benefit Manager regulation bill passed last year, HB 226, has moved to the Senate Finance Committee. The pre-authorization bill is a major priority for health care providers who have seen delays in payment approvals for patients by insurers. The new bill, however, is a result of negotiations last summer and fall between insurers, health providers and the state Division of Insurance. All parties have agreed to the new bill, so this may pass this year.

Three other bills are pending in the Senate Labor and Commerce Committee. They include another Pharmacy Benefit Manager bill, SB 142, expanding PBM regulation, and SB 121, setting guidelines for health insurers' reimbursements, and SB 122, health insurers' network standards. These are complex bills and insurers are not happy with SB 121 and SB 122. These bills are likely to be held over until 2026.

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## **Senate's goal: Balanced budget with no CBR draw?**

The Senate may press for the required balanced state budget without a draw from the state Constitutional Budget Reserve to cover a \$500 million deficit estimated in the operating budget passed by the House, and including the Senate-passed capital budget. To do that, another \$500 million will have to be cut in the spending plan. Sen. Bert Stedman, R-Sitka, is cochair of the Senate Finance Committee. His remarks came during a Senate leadership briefing last Tuesday, April 15. With the House in a precarious 21-19 partisan split it seems unlikely a super-majority of the Legislature can be reached for the CBR draw. To cut \$500 million cut needed would require a sharp reduction of the Permanent Fund Dividend, or PFD, to \$1,400 or possibly \$500, senators said. The House budget has a \$1,450 PFD.

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

### **No surprise, Governor vetoes HB 69**

As he said he would, Gov. Mike Dunleavy vetoed HB 69, which was passed by House and Senate stripped down to only a \$1,000 Base Student Allocation, or BSA, school funding formula increase. The governor said he wants his policy changes in the bill, which the Senate deleted and will introduce his own bill again with the policy changes but with a \$560 BSA increase. There seems some room for negotiation here. Senate Finance cochair Sen. Lyman Hoffman, D-Bethel, has consistently said he thinks the issue will wind up with a \$680 BSA increase. A question is whether this would be within the formula, so it is ongoing, or outside the formula as a one-time appropriation, as was done last year. The policy changes proposed include open enrollment to allow students to change schools, and provisions to boost charter schools and home schooling.

Legislators are to meet in joint session Tuesday on a veto override vote but it's considered unlikely that the 40 votes (of 60 House and Senate members) can be secured for a successful override. Last year the Legislature came within one vote of the 40 needed to override the 2024 education funds veto.

### **SB 134: Pharmacy Benefit Manager licensing moves in Senate**

The Senate Health and Social Services Committee moved SB 134, on Pharmacy Benefits Managers, or PBMs, out of committee last Tuesday, April 15. This bill corrects an oversight in a more comprehensive statute enacted last year that expands state regulation of PBMs, which are entities that coordinate purchases of pharmaceuticals for insurers, independent pharmacies and others. The PBMs have been accused of excess profit-taking. The defect in the legislation last year was that it required PBMs to register with the state Division of Insurance but not be required to secure a license. Registration is only a notification that a PBM is doing business, while licensing brings the entity under regulation by the division. The license also requires fees to cover the cost of regulation.

### **Alaska Native Tribal Health Consortium feels the uncertain winds from Washington, D.C**

The Alaska Native Tribal Health Consortium, or ANTHC, is feeling the uncertain winds blowing from Washington, D.C. Much of the world of tribal nonprofit health providers which make up ANTHC is grant-funded. "We're definitely feeling the impacts," of freezes on of federal funds, Monique Martin, ANTHC's vice president for Intergovernmental Affairs, told the House Special Tribal Affairs Committee in a presentation April 15. Trying to get information and navigate the sheer uncertainty is creating a lot of stress for ANTHC staff, she told the committee. Many of the programs affected provide important primary care, such as screenings for early detection that can avoid serious illnesses later. So far services have not been interrupted but it has taken a lot of juggling to mitigate the risks. Medicaid is also under threat and that is being watched carefully. Jacoline Bergstrom, health services director at Tanana Chiefs Conference in Fairbanks, said Medicaid covers 40% of the cost of health services for Tanana Chiefs. The Indian Health Service covers only 30% of costs. Private insurance and the Veterans Administration covers most of the remaining 30%. Any Medicaid reduction would be very harmful.

## ... Budget ...

### **Bare bones capital budget: Here's what's in it**

The Senate-passed capital budget of \$162 million in state Undesignated General Funds, or money that can be appropriated at the discretion of the Legislature, is a “bare bones” spending plan that covers only funds needed to match \$2.5 billion in federal funds that are mostly for transportation projects. Funds for some deferred maintenance of public facilities are also included but few other appropriations. The Senate scraped up money from prior capital appropriations for the bill, taking \$37 million from the Juneau Access Project and \$10 million from state funds allocated to match federal funds for the Port of Nome deep-draft port. Also, the proposed annual dividend of \$20 million the Alaska Industrial Development and Export Authority, or AIDEA, was increased by another \$12.5 million. The Senate also took \$1.2 million from AIDEA for the authority's work on the West Susitna Access project.

We do not have details on what the \$1.2 million is for but we do know that AIDEA soon plans to file for federal permits for the proposed 99-mile West Susitna access road. Since this would trigger a U.S. Army Corps of Engineers-led federal Environmental Impact Statement, or EIS, we assume the money was to pay the initial expenses. Under the Army corps' procedures EIS applicants pay the cost of the environmental review and permitting. Also, \$4.2 million was taken from the Alaska Gasline Development Corp. in funds planned for preliminary work on the first pipeline-only phase of the Alaska LNG Project.

### **University budget: Most of the governor's additions surviving, so far**

Most of the governor's proposals for the University of Alaska budget appear to be surviving so far. The House approved \$22.4 million for employee pay raises but the Senate's budget subcommittee for the university cut \$5.4 million of this, mostly for non-union employees. The union employees, mostly faculty, received 5.9% pay raises. Five million dollars for deferred maintenance is also in the capital budget, but this hardly dents the estimated \$1.4 billion in the UA system deferred maintenance needed. The university allocates some of its operating budget for this, however.

On other items, \$3.9 million is approved in the House budget for fixed cost increases (mainly utilities and insurance); \$5 million is proposed by the House for UA's effort to achieve “R1” status as a superior research institution; \$6 million over three years is proposed by the House for UAF drone research; \$3 million over three years for the University of Alaska Fairbanks agriculture program, which has suffered. There is also \$2 million for work on mariculture by the University of Alaska Southeast.

### **Trump has several university research grants frozen; others are released**

So far President Trump has canceled \$3.8 million in federal research grants for the university and \$1.6 million has been frozen pending review. On the plus side, the university and the state's Congressional delegation have “unfrozen” \$6.9 million in other grants. A large \$46 million grant that had been canceled now been put into the “on hold” category. University officials are hopeful it can be released.

# ... Status of Bills ...

## Introduced in the House

- HB 189: Criminal conviction overturned: receive PFD (By Mears) .....To SA, JUD
- HB 190: Child care assistance; tax credits (By GOV) .....To EDU, L&C
- HB 191: Invasive species management (By Himschoot) .....To RES, FIN
- HB 192: Unemployment compensation benefits (By Eischid).....To L&C, FIN
- SB 40: Hispanic Heritage Month (By Gray-Jackson) .....To SA
- HB 193: Unemployment benefits; paid parent leave (By Hall) .....To L&C, FIN
- HB 194: Approve Marathon Petroleum royalty oil sale (By GOV) .....To RES, FIN
- HB 195: Pharmacists’ prescription authority (By Mina) .....To HSS, FIN
- HB 196: Renewable energy grant fund (By Burke) .....To ENE, FIN
- SB 39: Loans under \$25,000; payday loans (By FIN) .....To FIN
- SB 113: Apportion taxable income; digital business (By RLS) .....To FIN
- HB 197: Dentist; dental hygienists; Board of Dental Examiners (By Tomaszewski) .....To FIN
- HB 198: Obstruction or hindrance of lawful trapping of game (By Josephson) .....To JUD, RES
- HB 199: Alaska Commercial Fishing and Agriculture Bank; loans (By GOV) .....To FSH, FIN
- HB 200: State agency publications (By GOV) .....To SA, FIN

## House Floor Actions

- HB 79: Vic Fischer Shoup Bay State Marine Park—Reconsideration vote .....PASSED 37-3
- HB 53: Appropriations for operating budget .....PASSED 21-19
- HB 57: Communication devices in public schools .....PASSED 34-6
- HB 75: Permanent Fund; employment; eligibility .....PASSED 35-5 (on reconsideration)

## 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

## 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:

- Monday: State salary study briefing, House Finance Committee
- Tuesday: Property tax exemptions, HB 13, House Community and Regional Affairs Committee
- Tuesday: Utility portfolio standards, House Energy Committee, HB 153
- Tuesday: Northern rail extensions, House Transportation Committee, HJR 14
- Wednesday: Early education, House Education Committee, HB 183
- Wednesday: Cell phones in schools, Senate Finance Committee, HB 57
- Wednesday: Health insurance prior authorization,

# ... Status of Bills ...

## Introduced in the Senate

- HB 31: Registration of commercial vessels (By Stutes) .....To TRA, FIN
- HB 50: Snow classics (By Hannan) .To CRA, L&C
- SB 171: Child care assistance; tax credits (By GOV) .....To EDU, FIN
- SB 172: Occupational therapy licensure compact (By L&C) .....To L&C, FIN
- SB 173: Apprentice labor in public projects (By Dunbar) .....To L&C, FIN
- SB 174: Invasive species management (By Dunbar) .....To RES, FIN
- HB 79: Vic Fischer Shoup Bay State Marine Park (By Fields) .....To CRA, RES
- SB 175: Tax exemption: Port MacKenzie corporations (By Yundt) .....To L&C, FIN
- SB 176: Approve Marathon Petroleum royalty oil sale (By GOV) .....To RES, FIN

## Senate Committees' Actions

- SB 29: Executive administrator for the Big Game Commercial Services Board (4 do pass, 2 no rec) .....FIN to RLS
- SB 49: Workplace violence protective orders (1 do pass, 3 no rec, 1 amend) .....SA to JUD
- SB 54: Extend termination date of Board of Registration for Architect, Engineers, and Land Surveyors; requirements for registered interior designers (1 do pass, 5 no rec) .....FIN to RLS
- SB 57: Appropriations for capital budget (2 do pass, 4 no rec, 1 amend) .....FIN to CAL
- SB 86: Money transmission; virtual currency (4 do pass, 3 no rec)..... FIN to RLS
- SB 114: In-state natural gas pipeline developed by AGDC (5 do pass, 1 no rec) .....RES to FIN
- SB 83: Telehealth reimbursement rates (3 do pass, 2 no rec) .....L&C to RLS
- SB 118: Board of Regents of the University of Alaska (3 do pass, 2 no rec) .....EDU to FIN
- SB 130: Fisheries product development tax credit (2 do pass, 4 no rec) .....RES to FIN

## Senate Committees' Actions (Cont.)

- SB 135: Refund fish business tax to municipalities (1 do pass, 4 no rec, 1 amend) .....RES to FIN
- SB 4: Duration of a regular legislative session (3 no rec, 1 amend) .....SA to FIN
- SB 120: Alaska Climate Change Emergency Response Commission (1 do pass, 2 no rec, 1 amend) .....SA to FIN
- SB 134: Pharmacy benefits managers; third party administrators (4 do pass) .....HSS to L&C
- SB 152: Rename Ruby Airport as Harold Esmailka Airport (3 do pass, 2 no rec) .....RA to SA

## Senate Floor Actions

- SB 40: Hispanic Heritage Month .....PASSED 20-0
- SB 39: Loans under \$25,000.....PASSED 14-6
- SB 113: Apportion taxable income; digital business .....PASSED 16-4
- SB 57: Appropriations for capita budget .....PASSED 20-0

## SB 89, Physician Assistant scope of practice

Similar to SB 147 (*see page 8*), this bill by Sen Löki Tobin, D-Anch., aims to help cut the “long wait times and difficulty accessing (health) care.” The bill moved out of the Senate Health and Social Services Committee on March 4 and had its second hearing with the Senate Labor & Commerce Committee last week, on April 16. The bill would allow physician assistants to provide care to patients without direct oversight from a physician. Not all physician assistants would be eligible to provide care independently under the bill. They must have over 4,000 hours of professional experience in collaboration with physicians to provide primary care services. These collaboration agreements are the current structure for all physician assistants of all skill levels. Six other states have adopted similar laws.

## Coming this week in the Legislature:

- Wednesday: School district fund balances, Senate Education Committee

## . . . Resources . . .

### **Seafood tax credits in House, Senate Finance Committees; vessel insurance in House Rules**

Key recommendations of a legislative task force formed to aid the beleaguered seafood industry are moving in the House and Senate. SB 130, expanding the state seafood tax credit, moved from the Senate Resources Committee Friday, April 11 and is now in Senate Finance. The House version, HB 129, is in the House Finance. Both bills allow tax credits for value-added investments for all fish and shellfish, not just species listed in current law. Another key recommendation, HB 116, allowing fishing vessels owners to pool for more affordable insurance, moved out of the House Labor and Commerce Committee March 26 and is now in House Rules. The Senate version, SB 115, in Senate State Affairs Committee.

### **SJR 19, on ANWR, NPR-A revenue-sharing, spotlights revenues to local communities**

Sen. Jesse Bjorkman's SJR-19, on federal royalty revenue sharing, was up in Senate Resources Committee last week. The resolution urges the federal government to share 90 percent of royalties from National Petroleum Reserve-Alaska and Arctic National Wildlife Refuge oil production instead of 50 percent. SJR 19 is cosponsored by 11 other senators. It notes that the Alaska Statehood Act promised Alaska 90 percent, although that applies only to future ANWR oil royalties.

This resolution is a kind of motherhood-and-apple-pie measure on Alaska's entitlements but it has also focused the attention of legislators on the unusual split of royalties from the NPR-A where there is now production on federal leases. There will soon be a lot more when the Willow oil field begins operation in 2029. Alaska now gets nothing from its 50 percent share of federal royalties. Those go to five NPR-A "impacted communities" identified in the 1976 federal act that transferred the NPR-A from the U.S. Navy to the Department of the Interior. The communities are Anaktuvuk, Atkasuk, Nuiqsut, and Wainright as well as the North Slope Borough. The revenues now come from ConocoPhillips' GMT-1 and GMT-2 projects, which are in NPR-A and producing. Communities use the funds to support public services.

After 2029, however, Willow's production will push royalties to a much higher level. The state Department of Revenue has estimated that five NPR-A communities will receive \$1.419 billion by 2033, representing three years of mostly-Willow production, or about \$355 million a year. The state will receive none of the royalty but over the three years will receive \$383 million mostly from state corporate income and state oil property taxes. Although this is set out in federal law the state has influence since the funds are appropriated by the Legislature. The money must be spent on projects and can't be used, for example, for a community dividend. But as Willow production ramps up it might be challenging for appropriate projects to qualify (the state sets these rules by regulation). As the royalty payments increase and if the state budget continues to be constrained the Legislature may move to tighten up the requirements for qualifying projects. It would a challenge to come up with community-specific projects but large regional projects might well qualify, such as a North Slope roads program or an Arctic port, both which could benefit communities as well as regional petroleum development. The ideas are now being mulled.

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

### **HB 97: Wage underpayment, failure to pay contractors could be criminal offence**

The House Judiciary Committee is considering a new version of HB 97, on retail theft, that would include underpayment or failure to pay employees or contractors. Violations could include criminal charges, including Class B and C felonies under language in a proposed Committee Substitute, or CS. There was extended discussion in last Wednesday's Judiciary meeting on the threshold for triggering a criminal offense, on whether the employer "knowingly" or "intentionally" made the underpayment. Other discussion focused on factors that might lead to lack of payment, such as a contractor's failure to do specified work. The bill remained in committee.

The proposed CS makes wage theft a crime. It defines wage theft as failure to pay an employee's wages or payment to a contractor; pays a wage below legal minimum wage; fails to pay overtime; requires an employee or contractor to do work without compensation; mis-classifies an employee as an independent contractor; fails to make full payment to a contractor, or deducts wages or from payments due contractors without written consent or legal authorization.

Wage theft is a persistent problem in Alaska that is generally unreported due to lack of adequate tools and resources for tracking, the Alaska Carpenters Union reported in a paper given the House committee. The Alaska Public Interest Research Group analyzed Department of Labor data from 2012 to 2018 and collected \$2.12 million in unpaid and underpaid wages from employers. A 2021 paper from the Economic Policy Institute said the state labor department and Attorney General's Office collected an additional \$1.125 million in unpaid or underpaid wages between 2017 and 2020.

### **HB 156, disclosure of wage information, in House Judiciary Committee**

The House Judiciary Committee held an initial hearing on HB 156, disclosure of wage information, last Wednesday, April 16. The bill, by Rep, Genevieve Mina, D-Anch., requires employers to post information on compensation when advertising. This is presently not required and results in inefficiencies in hiring when employers and applicants discover the pay does not meet expectations. The bill also removes salary history from interviews. This tends to reduce gaps in pay related to race and gender, Mina said in presenting the bill. The Foraker Group, which provides technical assistance to Alaska nonprofits, endorsed the bill as promoting transparency in recruitment which will favor minority and women job applicants. Foraker does a periodic report on the gender gap in Alaska professional and occupational pay and will be releasing its 2025 report soon, it told the Judiciary Committee.

### **Conservative group campaigns against public pension reform bills**

The conservative action group Americans for Prosperity, Alaska Chapter is mailing literature to South Anchorage constituents of Rep. Chuck Kopp, R-Anch., and Sen. Cathy Giessel, R-Anch. opposing public pension reform bills proposed by the two. The literature claims the legislation is costly and will result in higher taxes. Kopp and Giessel say the allegation is false. The bill is held until next year, however.

## . . . Business/Health Care . . .

### **HB 161: Minimum paid sick leave requirements**

HB 161, sponsored by Rep. Justin Ruffridge, R-Soldotna, had its introductory hearing in House Labor and Commerce last week. Ruffridge said the bill “addresses and corrects key issues stemming from Ballot Measure 1 enacted into law by Alaskan voters in 2024.” The main reason for changes, he said, is to help keep small business intact after the ballot measure had included them in with larger companies. The bill would change the sick leave requirement for small businesses by increasing the impacted employee size from 15 to 50. It would also remove the requirement for small business employees to accrue a minimum of one hour of paid sick leave for every 30 hours worked, the standard for larger employers.

### **SB 147: Prescription and administration of drugs and devices by pharmacists**

In many states access to fast and accurate health care is a struggle but even more so in Alaska, Sen. Cathy Giessel, R-Anch, said during the introduction of SB 147 in the Senate Health and Social Services Committee last week. “Many Alaskans face significant barriers to accessing health care. Primary care providers are in short supply; wait times for appointments are often lengthy, and in some areas access is virtually nonexistent,” she said. With SB 147, Alaskan pharmacists would follow nationally recognized standards of care already practiced in many states. Pharmacists can provide evidence-based care for conditions such as COVID-19, influenza, strep throat, urinary tract infections and others. The Alaska Pharmacy Association said the number of pharmacies is “15% higher than provider’s offices in communities where more than 30% of households live in poverty.” The bill is scheduled for public testimony this week, on April 22.

*Oil tax facing pushback?* SB 92, the oil tax change for “S” corporations, will face a tough fight when it gets to the House. Twenty one votes are needed for passage, and members must physically present. Having only 20 votes defeats the bill. The House Minority has 19 members so if one vote can be peeled from the Majority, SB 92 dies. The bill effectively taxes only Hilcorp Energy, a North Slope oil producer.

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