

Bradners'

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BSA gap narrows. Is a deal possible?

The latest moves on school financing show move toward the middle on the testy debate over school funding. A Senate proposal on the Senate floor today, April 28, has a \$700 Base Student Allocation, or BSA, down from \$1,000 in a bill passed by the House. The governor, meanwhile, has proposed a \$560 BSA in the bill he introduced after vetoing HB 69, which had the \$1,000 figure. Senate Finance cochairs Sens. Lyman Hoffman, D-Bethel, and Bert Stedman, R-Sitka, are still pushing to reduce the BSA toward \$680 in their efforts to balance the budget, however. Expectations are that may be the final number.

*What is significant, however, is that the governor would put the \$580 in the BSA formula, so that it is recurring, and not as one-time funding outside the formula. This is important. He has not proposed this before. The governor is also insisting that policy changes be part of the bill and the Senate has put some of these back into its proposal. They are similar to what the governor wants and there appear to be no deal-breakers in these. We hear the governor wants bonus incentives for schools for lower-grade reading improvements, which is not in the Senate bill. He also wants “open enrollment” *between* school districts and not *within* school districts, which is in the Senate bill. Critics of this cite logistic problems and uncertainties it creates but from a practical standpoint it's likely very few students would actually do this and it would mainly affect the Anchorage and Mat-Su school districts. The charter school application process, previously a concern for school districts, appears to be worked out. Is a deal possible?*

– Continued on next page

As usual, it's PFD vs. everything else in budget

The Senate continues its work on the operating budget in an effort to get a balanced budget without needing to borrow from reserves in the Constitutional Budget Reserve, or CBR. In the latest Senate version almost all additions made by the House and the governor are cut but there is still a deficit as oil prices continue to decline. Senate leaders still oppose a CBR draw and say the budget must balance without one, so this is still a work in progress. Pay raises for state employee bargaining units must still be added, so this will be tough. The Senate budget includes a \$1,400 Permanent Fund Dividend. Many legislators support a \$1,000 PFD to make more program funds available. The PFD could be lower, too.

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. . . Education . . .

Here's what's in governor's new education bill, HB 204, SB xxx

- Base Student Allocation increased by \$560 to \$6,520 from \$5,960
- Charter schools: State Board of Education accepts applications year-around. Timeframes for denials or appeals are shortened; charter school contractual obligations and procedures are changed, and charter schools can retain a portion of year-end balances
 - Reading proficiency grants. School showing increases in K-6 reading scores can get more money
 - Open enrollment from any district to any district
 - Correspondence study funding increased
 - School districts must adopt enforceable wireless policies (Note: This is also in other legislation)

Here's what's in Senate's new education bill, HB 57

- Base Student Allocation increased by \$700 to \$6,660
- Pupil transportation increased 10%
- Charter school review simplified
- School boards accept charter school applications year-around
- Alaska Department of Labor and Workforce Development to gather post-graduation data
- Establishes Legislative Public Education Task Force

Is compromise possible? Yes, but still a fear of a final budget veto

– *Continued from top, page 1*

On the BSA gap, there is still a sizeable gap between the \$580 the governor proposes and the \$700 in the Senate bill pending on the floor, and this remains a challenge. A \$700 BSA would add \$200 million to the budget, we're told. So this money must be found. As for the policy issues, there do not appear to be things that can't be resolved but politics will intervene and some yet-unknown upset could derail things. Some of the policy proposals are things being championed by out-of-state conservative groups, like state-wide open enrollment.

There is also an adjustment for correspondence study funding in both the governor's and the Senate proposals. Correspondence study is now funded slightly below that for traditional schools. The proposal is to make them even. There is still no requirement for correspondence students to participate in annual learning assessments, however, which students in traditional schools must do. A number of correspondence students voluntarily do the assessments and these typically score well, but it is only a minority of those enrolled.

But even if a BSA deal is brokered there's still a fear that the governor may do a line-item veto in the budget of money to pay for it. This would likely come well after the budget is passed and legislators have left town, however, so there is little they could do about it. People will just have to trust the governor.

. . . Infrastructure . . .

HJR-14 prompts new look at rail extensions from Port MacKenzie, Fairbanks to Delta

HJR-14, by Rep. Kevin McCabe, R-Big Lake, and 12 House cosponsors, rolled out of the House Transportation Committee last week. The resolution is causing the Legislature to take a new look at two long-planned and partly-built rail extension projects. One is the 32-mile rail link from Port MacKenzie, on Knik Arm of Upper Cook Inlet, to the Alaska Railroad's main track near Houston, in the Matanuska-Susitna Borough. This project is essentially two-thirds done, but work stopped in 2016 when oil markets, and state revenues, collapsed. The Mat-Su Borough has been trying to revive it but there is no state or federal money and without customers the Alaska Railroad can't issue revenue bonds to do the work.

The second project is the Northern Rail Extension to build 89 miles of new track east from Fairbanks to Delta. The Alaska Railroad did a lot of work on this in 2010 and a needed bridge across the Tanana River at Salcha was built. It is now used by the U.S. Army to support training on the south side of the river. Permits and rights-of-way have been completed to complete the rails to Delta, however.

The Alaska Railroad is bullish on both projects but doesn't have the resources to build them

The Alaska Railroad is bullish on both projects but doesn't have the resources to build them without customers. On Port MacKenzie, "We see great potential, both as an asset for future export industries, as well as providing security in redundancy for the most heavily populated part of the state," railroad CEO Bill O'Leary told the House Transportation Committee in a letter. "The state had already made a significant investment in the 32-mile rail extension from Houston to the port before funding stalled and construction came to a halt. Completing the project, currently estimated at roughly \$275-\$300 million, is too big for the Alaska Railroad to take on alone, but we believe it's important for Alaska's future."

"Similarly, the Northern Rail Extension is not a new project," O'Leary said. "Phase 1 (of four phases) was completed in 2014, constructing a 3,300-foot bridge over the Tanana River near Salcha. Full completion of the project, at a projected expense of \$1.7 billion, would entail 89 new miles of track connecting North Pole down to Delta Junction, enhancing military access to training at the Joint Pacific Alaska Range Complex and potentially supporting future commercial opportunities in the Interior — something that would be good for industry without increasing the burden on the state's limited highway system.

Like the Port MacKenzie rail extension, this project is ready

Like the Port MacKenzie rail extension, this project is ready to go. In 2010, the federal Surface Transportation Board issued a Record of Decision granting the railroad authority to construct and operate the extension to Delta. There is a (route) alignment decision in the ROD but there are two areas where they left the decision up to final design. "While the ROD is still valid, we'd need to work with the Corps of Engineers and BLM to finalize the alignment before we could proceed to construction," railroad spokesperson Meghan Clemens told us.

... Status of Bills ...

Introduced in the House

- HB 201: Campaign finance reports (By Rauscher)To SA, JUD
- HB 202: Name giant cabbage as the state vegetable (By Johnson)To SA
- HB 203: Prohibit bottom trawling (By McCabe).....To FSH, RES
- HB 204: Education: enrollment; charter school; BSA; wireless device in schools (By GOV)To FIN
- HB 205: Oil and gas: waste, discharge, pollution (By Josephson)To JUD, RES
- HB 206: Disclosure of oil and gas data (By Mears)To RES, FIN
- SB 29: Executive administrator for the Big Game Commercial Services Board (By Bjorkman)To RES, FIN
- SB 54: Extend termination date of Board of Registration for Architect, Engineers, and Land Surveyors; requirements for registered interior designers (By FIN)..... To L&C, FIN
- HB 207: Fire station grant program (By Schrage)To CRA, FIN

House Committees' Actions

- HB 194: Approve Marathon Petroleum royalty oil sale (9 do pass)..... RES to FIN
- SB 80: Extend the termination date of the Big Game Commercial Services Board, Boards of Massage Therapists and Marijuana Control (7 do pass)L&C to FIN
- HB 90: Financial literacy program in schools (3 do pass, 1 do not pass, 1 no rec, 2 amend)EDU to FIN
- HB 104: Address confidentiality program (6 do pass)SA to FIN

House Committees' Actions (Cont.)

- HB 139: Governor's mansion (2 do pass, 3 no rec)SA to FIN
- HB 13: Municipal property tax exemptions (4 do pas, 2 do not pass)CRA to FIN
- HB 23: Definition of "employer" for purposes of State Commission on Human Rights (6 do pass, 1 no rec)FIN to RLS
- HB 51: Appropriation limit; governor's budget (3 do pass, 1 do not pass, 2 no rec, 1 amend)JUD to FIN
- HB 96: Home Care Employment Standards (3 do pass, 2 no rec, 2 amend)L&C to FIN
- HB 151: Continuous eligibility for medical assistance for children under six years of age (4 do pass, 3 no rec)HSS to FIN

House Floor Actions

- HB 55: Mental health operating budget.....PASSED 35-5 (on reconsideration)
- HB 69: Base student allocation (education bill); Joint Session on governor's vetoFAILED 33-27
- HB 70: Emergency medical services for operational canines (notice of reconsideration given).....PASSED 29-8
- HB 116: Commercial fishing insurance cooperativesPASSED 37-0

Coming this week in the Legislature:

Monday

- SB 183, early education, H. Education
- Budget amendments, S. Finance
- Capital budget, H. Finance

Tuesday

- Payments, contracts H. Community Affairs

... Status of Bills ...

Introduced in the Senate

- HB 75: Permanent Fund; employment; eligibility (By SA)To SA
- SB 154: Home Care Employment Standards Advisory Board (by Yundt)To L&C, FIN
- SB 177: State agency publications (By GOV) ...
.....To SA, FIN
- SB 178: Expand early intervention services (By HSS)To HSS, FIN
- SB 179: Ranked choice voting; reduction number of candidates in general election from four to three (By JUD)To SA, CRA
- SB 180: LNG import facilities (By RES)
.....To RES, L&C
- SB 181: Employment information disclosure (By Seafood Task Force)To EDU, L&C
- SB 182: Education: enrollment; charter schools; BSA; wireless devices (By GOV)To FIN
- HB 57: Wireless communication devices in public schools (By EDU)To FIN
- SB 183: Powers of the Legislative Budget and Audit Committee and legislative audit division (By RLS)To RLS
- HB 53: Appropriations for operating budget (By FIN)..... To FIN
- HB 55: Mental health operating budget (By FIN)To FIN
- SB 184: School bond debt reimbursement (By FIN)To FIN
- SB 185: Insurance: rebates; advertising (By L&C)To CRA, L&C
- SB 186: Prohibit soft drinks from food stamp program (By Wielechowski)To HSS, CRA
- SB 187: Food dyes in school nutrition/meals (By Wielechowski)To EDU, HSS

Senate Committees' Actions

- SB 35: Transportation companies, delivery companies (1 do pass, 3 no rec, 1 amend).....
.....SA to L&C

Senate Committees' Actions (Cont.)

- SB 116: Campaign finance, contribution limits (3 do pass, 1 do not pass, 1 no rec)SA to FIN
- SB 19: Use and possession of electronic devices by prisoners (2 do pass, 1 no rec, 1 amend)
.....SA to JUD
- SB 90: Minor mental health; age of consent (2 do pass, 2 no rec)JUD to RLS
- SB 104: Transfer of a title on the death of the owner (3 do pass)TRA to SA
- HB 57: Communication devices in public schools (3 do pass, 1 no rec, 2 amend) FIN to CAL

Senate Floor Actions

- HB 69: Base student allocation (education bill) Joint Session on governor's vetoFAILED 33-27
- SB 29: Executive administrator for the Big Game Commercial Services BoardPASSED 20-0
- SB 54: Extend termination date of Board for Architect, Engineers, and Land Surveyors; requirements for registered interior designers
.....PASSED 18-2

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

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).

. . . Resources . . .

SB 92: “Hilcorp” oil tax,” SB 92, may be facing headwinds

SB 92, the so-called “Hilcorp tax” appears to be facing headwinds. Introduced Feb. 10, the bill was reported out of Senate Resource on April 12, had a hearing in Senate Finance on April 15 and is still in committee. Given the state’s fiscal situation and that the bill affects taxpayers who don’t vote (an oil and gas company) one would expect this to move quickly. It still may, but some senators even in the Majority are troubled that it basically singles out one company. If the bill gets to the House it faces an uncertain reception. The 19 Republicans in the House Minority will oppose it and they need only to pick up one vote from the Majority stop the bill. It takes 21 affirmative votes to pass a bill in the House. The bill imposes a special tax on oil producers organized as “S” corporations who now pay no state corporate income tax, although they pay other taxes.

Per-barrel oil production tax credit bill up this week in Senate Resources Committee

A second oil tax bill, SB 112, is still in the Senate Resources Committee It was introduced Feb. 26 with one hearing in Senate Resources April 4. The bill will be up again this week on Wednesday, April 30. The bill lowers the allowable oil production tax credit from \$8 per barrel to \$5 per barrel. SB 112 is sponsored by the Senate Rules Committee.

The problem faced with this bill is that the original purpose of the per-barrel tax credit is poorly understood. It was part of SB 113 passed in 2013, a major overhaul of the state petroleum production tax law. SB 113 increased the base tax rate under the tax from 25% to 35% but allowed producers a tax credit based on their production as an incentive. Prior to SB 113, in 2013, tax credits were based on a producer’s capital investments which was criticized as discouraging discipline in capital spending, sometimes called “gold plating.” A problem in SB 112 this year is that it partly returns the tax law to this. Alaska’s petroleum production system is considered one of the most complex in the world, so it will take a major effort for legislators to get their arms around this.

HB 116, commercial fishing vessel insurance co-op, passes House

Several bills developed by the special Seafood Industry Task Force are moving. HB 116, allowing commercial fishing vessel owners to form an insurance co-op, passed the House April 25. The bill now goes to the Senate Labor and Commerce Committee where a similar bill, SB 115, is pending. This is an important bill because it will allow harvesters to obtain lower-cost insurance, easing a major problem. Another priority bill for the seafood industry is SB 130 and its House companion bill, HB 129, expand eligibility for tax credits for new product development and technology to all fisheries, not just those listed in current law. The bills are in the finance committees in both the House and Senate. Another key bill, SB 135, increasing the share of state fisheries tax revenue with coastal municipalities, is also in the Senate Finance Committee.

. . . Business . . .

HB 161, mandatory sick leave requirement on small and seasonal employers

Business groups are supporting this bill that would change the mandatory sick leave requirements of Ballot Measure 1 passed by voters in the 2024 election. The bill would exempt small businesses with 50 or fewer employees along with seasonal workers. It would also allow workers to cash out unused sick leave. Sponsored by Rep. Justin Ruffridge, R-Soldotna and cosponsored by House Majority Leader Rep. Chuck Kopp, R-Anch., HB 161 was introduced March 28, had an introductory hearing April 16 in the House Labor and Commerce Committee and will be heard again Monday, April 28.

HB 193, paid parental leave up in House Labor and Commerce Committee

This bill, by Rep. Carolyn Hall, D-Anch., was up in House Labor and Commerce Committee last Wednesday, April 23 and is up again Monday, April 28. HB 193 would have a mandated assessment on employee wages of 0.15% go to an account that would support wages for parental leave. Compensation would be at 50% of the employee's base pay. The assessment would be collected by the Department of Labor and Workforce Development similar to the way the state Unemployment Insurance Compensation tax, or UIC, is collected put into an account for an employee's parental leave pay. Rep. Zack Fields, D-Anch., is cosponsor. Unlike the UIC tax there is no employer assessment.

Paid parental leave aids in employee retention and overall productivity, studies in other states with the program say. In Alaska 75% of Alaska workers do not have access to paid parental leave, or 275,000 workers, Hall told the House committee.

SB 35: Rideshare, delivery network companies

As the gig economy grows more people will be employed that way. SB 35 would make for an even playing field for both rideshare drivers and delivery drivers. In previous years the term independent contractor status has been assigned to rideshare drivers, such as Uber or Lyft. This bill, sponsored by Sen. Jesse Bjorkman, R-Nikiski, would add drivers of goods to that. Kati Capozzi, president of the Alaska Chamber, said it "is estimated that one delivery network company operating in Alaska has 14,500 Alaskans working on their platform and 89% of those Alaskans work less than 10 hours per week." Many drivers will alternate what type of service they provide especially with Uber where the platform can have them active on both, rideshare (for people) and Uber Eats (for goods). The bill doesn't look to redefine the way drivers operate but adds the classification for goods delivery to clear up legal ambiguities as to whether they are employees rather than contractors. Major delivery operators in Alaska like Uber, DoorDash, and Instacart are supporting the bill. The bill moved out of the Senate State Affairs Committee April 22 and is scheduled for a hearing in the Senate Labor and Commerce Committee April 30.

HB 13, by Rep. Andrew Gray, D-Anchorage, giving municipalities more authority to adjust property tax assessments to aid housing development, moved from the House Community and Regional Affairs Committee April 25. A House Finance Committee referral was removed. The bill is now in House Rules.

. . . Energy/Business . . .

SB 180: LNG imports would be regulated by Regulatory Commission of Alaska

This fast-track bill, introduced April 22 by the Senate Resources Committee and up for a hearing last Friday, April 25, would clarify regulatory issues related to imported liquefied natural gas. The bill would clarify language in statutes modified last year by HB 60 that natural gas purchased through a new liquefied natural gas, or LNG, import facility comes under Regulatory Commission of Alaska, or RCA, review. The current statute has privately-held LNG import facilities free of RCA review, though Federal Energy and Regulatory Commission review is still in place. But there is an ambiguity on the status of gas imported as LNG purchased from an import facility. SB 180 clarifies it that gas supply contracts are treated the same as supply contracts from a Cook Inlet producer. The goal is to remove a legal uncertainty that would provide an opening for lawsuits, which are expected from opponents of imports. Cook Inlet gas fields are being depleted. Two projects to import LNG are underway at Nikiski, near Kenai.

Legislature continues its review of Alaska LNG Project

The Legislative Budget and Audit Committee, a joint House-Senate committee, continued its review of the Alaska LNG Project last week. A point that emerged is that Glenfarne, a private company now leading the project, will not pursue a \$50 million state "backstop" for its planned \$150 million Final Engineering and Design, or FEED, for Alaska LNG. The company will pay this cost itself.

HB 139: Rent Governor's Mansion for parties, events

HB 139 moved out of House state affairs this week and was referred to finance where it awaits scheduling for a hearing. The bill, sponsored by Rep. Will Stapp, R-Fairbanks, R-Fairbanks, would allow the Governor's Mansion to be rented out for parties and events 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 mansion. The bill moved with two do pass recommendations and three no recommendation.

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