

Bradners'

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Pre-K expansion snarled in red tape

A key part of the Alaska Reads Act passed in 2022 is a program to jump-start development of statewide pre-Kindergarten programs with state grants to school districts with qualifying programs. Qualifying is the catch. The House Education Committee got an earful last week in hearings on HB 183, the bill by Rep. Andi Story, D-Juneau, on early childhood education. Parts of the Alaska Reads Act are considered successful, but not the pre-K part. Story's bill would tweak the Reads Act to lift a funding cap of \$3 million per year in state support for pre-K and also increase the state support. But the real problem appears to be the red tape. Because of complex rules set up by the Department of Education and Early Development, or DEED, only three districts proposing pre-K programs have been able to navigate a complex 99-page application, the House committee was told. Petersburg school officials said its staff spent 200 hours on the application, which was not successful. The state education department told the committee it is working to simplify the process but changes must be approved by the state school Board of Education.

In its defense, the DEED faces a dilemma in that a rigorous application process was intended in the Alaska Reads Act to ensure high-quality pre-K programs that are properly staffed. The process has turned out to be complex with some requirements simply not appropriate, but recruitment of pre-K staff with the right qualifications has emerged as a key problem for districts, the House committee was told. HB 183 makes some changes in the pre-K requirements but the regulatory changes must be done by DEED and the state education board. The bill was sent out of House Education Committee on Friday, May 2. It is now in the House Finance Committee.

Legislature: A few good things happening

Despite tight money and the fight on education funding there are good things happening in the Legislature. Health care continues to be a bright spot, with the Senate Finance Committee moving out SB 133, speeding health insurers' authorizations for medical procedures (*see more, page 6*). There are also bills moving that would bring in new mechanisms for financing affordable multi-family housing that is badly needed. They are HB 184 and SB 14 (*See more, page 3*). HB 13, by Rep. Andrew Gray, D-Anch., would expand municipalities' ability to reduce property taxes for new housing. It is in House Rules Committee.

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... Education ...

Will governor veto HB 57? We hear a veto of some of the money is likely

Last week was certainly interesting on the school-funding front. The Senate added a \$700 Base Student Allocation increase into HB 57, a House-passed bill dealing with cell phones in schools, and sent it to the House and then recalled the bill to fix a technical problem before re-passing it on Wednesday. The House then approved the bill. It is now on the governor's desk. Will he veto it? He must act by May 19. Most, but not all, of the policy changes the governor wants are in the bill, but one he still wants are bonuses for school districts achieving high progress in elementary grade reading. It's hard to believe the governor will veto HB 57 just because of this but he will also be concerned about the cost of the increase. The betting is that the governor will line-item veto at least part of the funding after the Legislature has departed. For example, he may cut the BSA increase to \$580, which he had proposed, from \$700 in HB 57.

School district reserves: Running on empty

The governor and others claim schools have plenty of money, citing reserve balances in financial report. But to use an automobile analogy many of the state's school districts are actually running on fumes, financially. Last week the "big five" districts—Anchorage, Fairbanks, Juneau, Mat-Su and Kenai—briefed the Senate Education Committee on their cash reserves, which are thin given rising costs and no new state money on a sustained basis. Reserves, called "fund balances" are kept on hand for emergencies but districts have had to eat into uncommitted reserves to deal with rising costs and declining state support, which is partly due to falling enrollments (state aid is on a per-student basis in the Base Student Allocation, or BSA). There's politics in this, of course: The governor and others point to apparent healthy balances on districts' fund balance reports to the state as an excuse not to raise the BSA. But the districts point out that the bulk of the balances are committed to funding big deficits in their FY 2025 and upcoming FY 2026 budgets. A BSA increase from \$5,980 per student would help, but the 10% increase in pupil transportation HB 57 is very important to geographically large districts with extensive school bus routes, mainly Fairbanks, Kenai and Mat-Su.

Fairbanks is facing a \$3 million shortfall for pupil transportation if more state funding does not appear. The loss must be made up from the district's general budget. Mat-Su for some time has had to subsidize its extensive bus operations with \$5 million a year from school operations. Kenai, meanwhile, supports its pupil transportation by \$550,000 per year to make up for the gap in state pupil transportation. Lacking more state money Kenai will shut down eight bus routes next year mostly on smaller roads. Children living along those roads will walk or be driven to main roads where bus service will continue.

Meanwhile, here's how the Anchorage School District's apparent \$121.6 million in "reserves" has evaporated: \$37.2 million was used in the districts' 2024-25 school budget; \$49.8 million is reserved to support the upcoming 2025-2026 budget, and \$26.7 million is required to be retained as a bond debt reserve. This leaves a true unencumbered reserve of \$7.9 million, for any emergency. That's very thin for the state's largest school district.

. . . Business . . .

Legislation to stimulate housing development is active: HB 184, SB 14

Bills to expand financing options for financing of multi-unit (five or more) housing are active in both the House and Senate. The Senate bill, SB 14, by Sen. Forrest Dunbar, D-Anch., is in the Senate Finance Committee with a hearing held last Thursday, May 1. HB 184, the House version, has had hearings in the House Community and Regional Affairs Committee. It is scheduled to be up again May 8. The legislation addresses the serious scarcity of housing across Alaska, particularly in multifamily units. Under SB 14 and HB 184 the Alaska Industrial Development Export Authority, or AIDEA, would be authorized to engage in financing of housing. The bills so far don't specify how this is to be done but committee discussion so far is that this would be done in partnerships with banks or other private sector participants. AIDEA's long-standing commercial real estate loan participation program done in partnerships with private banks could be a model.

In this program, which is very successful, AIDEA partners with banks who work with developers. A bank originates the loan, working with a developer, and brings the deal to AIDEA to become a partner. SB 14 and HB 184 refer to "workforce housing" but the term is not limiting. Any multi-unit dwelling could be eligible, the sponsors say. There is also no definition of "workforce" in the Senate bill but the House bill, HB 184, defines it in terms of income: People placed in housing, either renting or purchasing, must have incomes at or below 30% of household income with that defined as 120% of the median household income in a given region. This is a standard framework for moderate income definition used in U.S. Housing and Urban Development programs. However, that standard may be unrealistic, the House committee was told, because even with the limits the price of rents or condo purchases may be beyond what is realistically affordable for many people. The House committee may tinker with these limits and Sen. Dunbar, the Senate sponsor, is reportedly open to a change.

Dunbar told the Senate Finance Committee last week that he left the structure of an AIDEA program loose so as to create maximum flexibility in designing financing. However, there was a push back on this from committee members Sens. Bert Stedman, R-Sitka, and Jesse Kiehl, D-Juneau, who want the structure better defined. This is likely to take more time than remains in the days left in the 2025 session.

Meanwhile, lack of affordable Alaska housing has become a crisis. "The housing shortage is stifling economic growth and community stability," Michelle Brown, with the nonprofit Housing Alaskans, told the Senate committee. Businesses cannot grow because of lack of housing employees can afford, she said. "Developers are stymied because the cost of construction and of acquiring capital are so high they cannot pencil projects for what people can afford." Brown said communities are unable to attract public safety operators, health care workers, and teachers. Rep. Rebecca Himschoot, I-Sitka, commented that a three-bedroom unit rents for \$3,000 a month in Sitka and with utilities the cost rises to \$3,700 monthly.

... Status of Bills ...

Introduced in the House

- HB 208: RCA regulate LNG import facilities (By Mears)To RES, L&C
- HB 209: Permanent Fund Divided: income threshold (By Fields)To JUD, FIN
- HB 29: Group and self-insurance coverage for school, university, and state government employees (sponsor substitute (By Vance)To EDU, L&C
- HB 210: Peace officers and firefighters disability benefits (By Kopp)To L&C, FIN
- HB 211: Insurance regulation of prepaid legal plans (By Mina)To JUD, L&C
- HB 212: Local contribution by school districts (By Story)To EDU, FIN
- HB 213: Data sharing for driver’s license data verification purposes (By Johnson)To JUD, SA
- HB 214: Motor vehicles; proof of insurance (By Galvin)To SA
- HB 215: Extend termination date of State Board for Architect, Engineers, and Surveyors (By Saddler)To L&C, FIN
- HB 216: Transfer of railroad land to Whittier (By Holland)To TRA, CRA
- HB 217: Autonomous vehicle registration (By TRA)To TRA, CRA
- HB 218: Tanana Valley State Forest (By GOV)To SA, RES

House Committees’ Actions

- HB 101: Crimes against minors (4 do pass, 3 no rec, 2 amend)FIN to RLS
- HB 137: Permanent fund dividends for individuals owing child support (4 do pass, 1 do not pass, 1 amend)JUD to FIN
- HB 174: REAAs and small municipal school district fund; Mt. Edgecumbe High School (7 do pass) EDU to FIN
- HB 180: Electronic driver’s licenses (3 do pass, 1 do not pass, 1 no rec)JUD to SA
- HB 14: : Repeal catastrophic illness assistance and medical assistance for chronic/acute medical conditions (9 do pass, 2 no rec)FIN to RLS
- HB 47: Generated obscene child sex abuse material (3 do pass, 3 no rec)CRA to JUD
- HB 52: Minors and psychiatric hospitals (6 do pass, 1 no rec)HSS to L&C
- HB 133: 30-day deadline for the payment of contracts under the State Procurement Code (4 do pass, 2 no rec)

House Committees’ Actions (Cont.)

-CRA to SA
- HB 27: Medical care for major emergencies (5 do pass, 1 do not pass, 1 no rec)FIN to RLS
- HB 64: Surrender of infants (2 do pass, 2 no rec, 1 amend)HSS to JUD
- HB 97: Organized retail theft/fund; marketplace sales tax (4 do pass, 1 no rec)JUD to FIN
- HB 138: Behavioral health crisis services surcharge and fund (3 do pass, 1 no rec, 3 amend)HSS to L&C
- HB 156: Disclosure of wage information (3 do pass, 2 no rec, 1 amend)JUD to L&C
- HB 194: Approve Marathon Petroleum royalty oil sale (8 do pass)FIN to RLS
- HB 195: Pharmacists’ prescription authority (6 do pass, 1 no rec)HSS to FIN
- HB 59: State-tribal education compacts (2 pass 1 no rec, 4 amend)TRIB to EDU
- HB 126: Reinstatement of Native corporations (6 do pass, 1 no rec)TRIB to CRA

House Floor Actions

- HB 70: Emergency medical services for operational canines(reconsideration vote)PASSED 32-8
- HB 17: Retirement benefits and military service.....PASSED 40-0
- HB 16: Campaign finance, contribution limitsPASSED 22-18
- HB 58: Office of public advocacyPASSED 27-12

Status current as of Friday, May 2

Coming this week in the Legislature:

- HB 212: Local contribution, school districts, Monday, House Education Committee
- SB 113: Corporate income tax, digital businesses, Monday, House Finance Committee
- SB 132: Omnibus insurance bill, Monday, Senate Finance Committee
- HJR-10: Constitutional amendment, Permanent Fund restructure, Monday, House Judiciary Committee
- SB 134: Pharmacy Benefits Manager regulation, Monday, Senate Labor and Commerce Committee
- SB 147: Pharmacists’ authority, treatment, Monday, Senate Labor and Commerce Committee

... Status of Bills ...

Introduced in the Senate

- HB 116: Commercial fishing insurance cooperative (By FSH)To L&C
- HB 16: Campaign finance, contribution limits (By SA).....To FIN
- HB 17: Retirement benefits and military service (By Rauscher)To SA, FIN
- HB 70: Emergency medical services for operational canines (By L&C)To HSS, L&C
- HB 58: Office of public advocacy (By Fields)To CRA, JUD
- SB 188: Tanana Valley State Forest (By GOV)To SA, RES
- SB 189: Paid sick leave exemption (By Bjorkman)To CRA, L&C

Senate Committees' Actions

- SB 176: Approve Marathon Petroleum royalty oil sale (2 do pass, 3 no rec)RES to FIN
- SB 26: Eliminate daylight savings time (2 do pass, 1 no rec)SA to RLS
- SB 37: Strategic plans for state agencies (1 do pass, 1 no rec, 1 amend)SA to FIN
- SB 49: Workplace violence protective orders (2 do pass, 1 no rec)L&C to RLS
- SB 63: Local Boundary Commission (5 do pass, 1 no rec)FIN to RLS
- SB 102: Exempt state from daylight saving time (2 do pass, 1 no rec)SA to RLS
- SB 133: Prior authorizations for medical care covered by health insurers (4 do pass 1, 2 no rec)FIN to RLS
- SB 147: Pharmacist prescription authority (4 do pass).....HSS to L&C
- SB 156: Alaska Commercial Fishing and Agriculture Bank; loans (3 do pass)L&C to FIN
- SB 78: Disclosure of wage information (2 do pass, 2 no rec)JUD to L&C
- SB 83: Telehealth reimbursement rates (3 do pass, 2 no rec)L&C to CAL
- SB 95: Child care assistance program; child care grant program (4 do pas, 3 no rec)FIN to CAL
- SB 96: Child care: tax credits (4 do pass, 3 no rec)FIN to CAL
- SB 97: Big game permit program (6 do pass, 1 no rec)FIN to CAL

Senate Committees' Actions (Cont.)

- SB 137: Extend the termination date of the Boards of Certified Direct-Entry Midwives, Nursing, Parole (5 do pass, 1 no rec)FIN to CAL
- SB 167: Criminal conviction overturned: receive PFD (2 do pass, 2 no rec)SA to JUD
- SB 183: Powers of the Legislative Budget and Audit Committee and legislative audit division (5 do pass)RLS to CAL

Senate Floor Actions

- HB 57: Communication devices in public schools; PASSED 19-1(on reconsideration 4/28/'25).....PASSED 17-3 (4/30/'25)
- HB 86: Money transmission; virtual currency.....PASSED 17-0

Status current as of Friday, May 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).

Coming this week in the Legislature:

- SB 180: LNG import facilities, Monday, Senate Resources Committee
- HB 119: Fairbanks pipeline spur, Tuesday, House State Affairs Committee

. . . Resources/Health Care . . .

SB 112, per-barrel oil production tax credits, held until next year

SB 112, reducing the state's oil production tax credit, will be held over until 2026, Sen. Cathy Giessel, R-Anch., chair of the Senate Resources Committee, said in a briefing last week. No reason was given for the delay but the bill does face complications. One is the geographic limit of areas where the tax credits can be used, i.e. specific leases on which a taxpayer's activity occurs, rather than being applied to any activity statewide. SB 112 mainly reduces the tax credit from \$8 per barrel for oil produced to \$5 per barrel, but language in the bill limiting where it can be used diminishes the benefit of the credit. Also, there are technical problems in the language as proposed and not enough time left in the 2025 session to work these out. The bill is estimated to raise up to \$400 million yearly.

Senate Finance considers SB 92, tax change on "S" corporation oil producers

The Senate Finance Committee held a hearing last week on a second oil tax bill, SB 92, changing the tax status of "S" corporations who are major oil producers. This bill essentially targets Hilcorp Energy, a major producer. Assuming the bill emerges from committee and passes the Senate it faces a tough reception in the House where 19 Republicans are likely to oppose it. If there are 20 House members voting no in the 40-member House, the bill fails. We see this bill also held over to 2025. Were it to pass the bill would raise an estimated \$175 million in FY 2026 because part of it is retroactive to Jan. 1.

Seafood tax credit in House, Senate finance committees, positioned to move

SB 130, expanding the state seafood tax credit, and the House version, HB 129, are in the Finance committees of both the Senate and House, and are positioned to be moved rapidly. The bills expand the fisheries in which seafood development tax credits can be used.

HB 116, SB 115: Fishing vessel insurance co-ops; both bills in Senate Labor and Commerce

This legislation allows fishing vessel owners to form insurance cooperatives similar to those in other industries. Insurance costs have become a key problem for seafood harvesters. HB 115 has passed the House. It is now in the Senate Labor and Commerce Committee, and is positioned to move quickly.

Senate Finance Committee moves SB 133, on health insurers' prior authorization timelines

The Senate Finance Committee moved SB 133, setting timelines for health insurers on prior authorizations for medical procedures. The bill is now in the Senate Rules Committee. The House version, HB 195, passed out of the House Health and Social Services Committee April 9 and is now in the House Labor and Commerce Committee. A hearing is scheduled May 9.

SB 83, creating parity for telehealth reimbursement to medical providers

SB 83, creating parity for telehealth reimbursement to medical providers on the basis of in-person services, was on the Senate floor on Friday, May 2. It will be up for final passage in the Senate today, May 5. Sen. Matt Claman, D-Anch., is the sponsor.

. . . Municipal/Business . . .

HB 133, payments on state contracts with municipalities, nonprofits, moves in House

The House Community and Regional Affairs Committee moved HB 133 out of committee last Tuesday, April 29. The bill requires payment deadlines for state contracts with nonprofits, tribes and municipalities at 30 days with provisions for late-payments interest. The new requirement mirrors that for private contracts such as for public works construction. Slow payment by state agencies has created serious cash-flow issues for many nonprofits that provide public services, creating uncertainties for payroll, harming employee morale and retention.

SB 95, SB 96: Re-enacting child care tax credits, cash assistance from 2024

These two bills are on the Senate calendar today, May 5. They basically reenact the same bills that passed last year but are being litigated over a technical defect. The legislation would aid child care in the state, the lack of which is a prime concern for employers.

Professional licensing: Governor's HB 158 up in House committee last week

Last week the House Military and Veterans Affairs Committee took up HB 158, a governor's bill introduced March 26 to streamline issuance of temporary professional licenses across a variety of occupations. The bill also sets in statute state compliance with military member and spouse professional license "portability" required now in federal law. If passed, the legislation would grant temporary licenses good for 180 days if a person holds a license valid in another state. The Senate version is SB 145, now in the Senate State Affairs Committee. HB 158 was held in the House committee for further review.

HB 97, retail theft, now including "wage theft," moves from House committee

The House Judiciary Committee moved this bill to the House Finance Committee May 2. By Rep. Zack Fields, D-Anch., HB 97 strengthens penalties for retail theft, including mail theft, and adds the new category of wage theft, making underpayment or failure to pay wages or contract payment a criminal offense. The bill also strengthens penalties for human trafficking. HB 77, on mail theft, by Rep. Julie Coulombe, R-Anch. is also in the House Finance Committee. There are also two governor's bills on theft, SB 100 and HB 106, now in the Judiciary committees in the Senate and House.

HB 161, employee paid sick leave requirement

This bill changes the required employee sick leave requirement enacted when voters approved Ballot Measure 1 in 2024. The existing statute has become a problem for small businesses and seasonal employers. HB 161 makes the requirement applicable to small businesses with 50 or more employees and exempts seasonal employers. It also adjusts leave accrual and makes other changes in the language enacted in BM 1. The sponsor is Rep. Justin Ruffridge, R-Soldotna. The bill was up for a hearing April 16 but is still in the House Labor and Commerce Committee. HB 161 is strongly supported by business groups.

. . . Budget/Health Care . . .

Senate Finance presents its operating budget, \$384 million less than House version

The Senate Finance Committee presented its FY 2026 operating budget, in HB 53, after trimming \$384 million from the version sent earlier by the House. The bill puts the Legislature on a path for a balanced budget with no draw on the Constitutional Budget Reserve. Much of the reduction is due to the Senate's proposal for a \$1,000 Permanent Fund Dividend, down from the House proposal of \$1,400. *What isn't yet included in the budget is money for state employee bargaining unit contracts under negotiation. The state's largest public employee union, the Alaska State Employees Association, reached agreement on Friday, May 2, on a new three-year contract. It calls for 11% in pay raises over three years along with two lump-sum payments. The Legislature must approve the contract.*

Bills expanding pharmacists' authority move in Senate, House

SB 147, expanding pharmacists' authority to do routine medical procedures, moved from the Sente Health and Social Services Committee on April 29. The House companion bill, HB 195 moved from the House Health and Social Services Committee. Giving pharmacists more authority would give patients more access to what is basically primary care, easing a shortage in that health care sector.

HB 14: Repealing Programs for Catastrophic Illness and Chronic Medical Assistance

HB 14 is now in House Rules after moving out of House Finance last week. The bill repeals the Catastrophic Illness and Chronic or Acute Medical Conditions program in the Division of Public Assistance, which was to fill a gap for people with chronic and acute medical conditions who were unable to get Medicare or Medicaid. Since then the program has become obsolete with other programs such as the Affordable Care Act. Sponsored by Rep. Will Stapp, R-Fairbanks, who stated that in the past fiscal years, 21-23, the program has had over 24,000 applicants of which only two qualified applicants were found and received assistance in 2021. If the program is repealed "the division would have increased time to process applications in other programs within their division to prevent backlogs in assistance funding."

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