

*Bradners'*

# Alaska Legislative Digest

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

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## **“Kicking the can down the road” – Another fiscal policy group**

### ***Governor also says he may veto school funding bill, HB 57***

Gov. Mike Dunleavy said he will be vetoing any tax bills passed by the Legislature until a new fiscal policy gathering is held this fall to consider several proposals. This is despite an urgent need for new revenues. We've heard this before. Last year the governor convened a high-profile press conference, just before adjournment, on fiscal policy, but there was no follow through. In fact, there have been many such efforts over the years including one in 2021 by the Legislature and one in 2016 by then-Gov. Bill Walker. In fact, almost every governor back to Walter Hickel in the 1980s has convened similar groups, with zero results. The governor also said he will likely veto HB 57, a compromise education bill that has a \$700 Base Student Allocation increase and most of Dunleavy's requests for policy changes. Education supporters are now focused on nailing down 45 votes to override a veto of the bill and a veto of the funds for it from the budget, which Dunleavy said he also may do.

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- Adjournment is midnight, May 21*

## **Health insurance reform nears Senate approval**

If it makes it through by May 21, this could be the most important accomplishment for the Legislature in its 2025 session. SB 133 is on the Senate floor today, May 12. The bill sets timelines for health insurers to approve coverage for medical procedures. Delays in approvals have been a serious problem for health care providers and sources of anxiety for patients. Sen. Cathy Giessel, R-Anch., is the sponsor. A similar bill was near passage last session when Premera Blue Cross, the state's major health insurer, threatened to pull out of Alaska if the bill passed claiming defects in the legislation. After that happened the Alaska Hospital and Health Care Association and the state Division of Insurance began developing a new bill. Last fall health insurers including Premera came on board with support. Anticipating SB 133 gaining final Senate passage the bill has already been scheduled for work in the House Labor and Commerce Committee where the House version, SB 144 by Rep. Justin Ruffridge, R-Soldotna, is parked. We expect it to move quickly in the House. The major uncertainty is of SB 133 getting caught up in the usual end-of-session logjam of legislation.

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## ... Energy ...

### **State regulation of liquefied natural gas imports**

Imported liquefied natural gas, or LNG, is now a certainty at least on a temporary basis, and the Legislature is moving to correct a problem when state regulation of imported gas was repealed. SB 180, is up in the Senate Resources Committee, which is the bill sponsor, on May 5. It would reimpose authority of the Regulatory Commission of Alaska to oversee imports. A House version, HB 208, by Rep. Donna Mears, D-Anch., was up for a hearing in House Resources last Wednesday, May 7, and was held.

RCA review was removed last year in a late change in HB 50 as it neared passage. At the time it was felt that existing Federal Energy Regulatory Commission jurisdiction on import facilities would suffice and that regulation by the state RCA would be duplicative. Since HB 50 passed, however, concerns have surfaced that while FERC regulation covers an import facility the removal of the RCA could raise legal uncertainties on whether the sale of gas from the LNG to utilities would be affected. The concern is that with gas shortages looming in Southcentral Alaska any legal uncertainties over LNG imports could provide an opening for litigation. Many people oppose LNG imports, so lawsuits are likely. SB 180 would clarify things. The overlays of FERC and RCA regulation are complex, however, and legislators were uncertain during committee hearings last week.

### **Regulation of renewable energy projects, by the Regulatory Commission of Alaska**

Another energy regulation bill is SB 32, also active in the Senate Resources Committee. It would lower the threshold for state regulatory approval for renewable energy projects that sell to regulated utilities. The bill was up in the Senate Resources Committee on May 5. Last year's House Bill 207, a major energy regulatory overhaul, exempted renewable projects of 15 megawatts or less from Regulatory Commission of Alaska review, because the process is expensive and could slow development of projects. The Senate Resources Committee is now considering lowering the threshold to 5 megawatts and limiting a developer to three projects over five-years. This is being done mainly for concerns that several medium-sized 15 MW renewable projects coming on line, and feeding power into the main railbelt grid could be destabilizing, where smaller projects, at 5 MW, would likely feed power into regional utility distribution systems where the added load can be managed more easily. A 15 MW project is considered a medium-sized. Sen. Matt Claman, D-Anch, voiced concerns in the Resources meeting that 5 MW may be too low and that the cost of regulation may burden smaller projects just above the limit, which is acknowledged to be arbitrary. The solar project in Mat-Su, for example, is 8.5 MW, Claman said. SB 32, or current statutes, would not prohibit new projects but would limit regulated utilities who buy the power from putting the cost of projects into rates paid by consumers. Nothing would prohibit a utility and developer from moving ahead on their own, but the RCA-allowed cost recovery would not be available.

*Also on renewable energy: A new version of SB 149, by Sen. Bill Wielechowski, D-Anch., and HB 153, by Rep. Ky Holland, D-Anch., is being developed. This is to establish renewable energy portfolio standards, or percentages of renewable energy required for electric utilities.*

## **. . . Budget/Business . . .**

### **Operating budget conference committee to begin work this week; capital budget to House floor**

As is traditional, the House failed to concur in Senate amendments to the state operating budget, HB 53, last Friday, setting the stage for a House-Senate conference to start work on reconciling differences, one being the \$1,400 Permanent Fund Dividend, or PFD, in the House budget and a \$1,000 PFD in the Senate version. The capital budget, SB 57, moved out of the House Finance Committee on Friday and should be on the House floor soon. It is a bare-bones budget, mainly matching funds for federal transportation programs.

### **New tax on digital businesses passes Legislature, now on governor's desk**

SB 113, a new corporate income tax on businesses, mostly out-of-state, doing digital sales in Alaska, has passed the Legislature and is now on its way to the governor, who has said he will veto it. The bill would capture revenue from e-businesses like Amazon that operate in Alaska but that do not currently pay Alaska's corporate income tax. This measure is projected to raise \$25 million to \$65 million per year, according to a preliminary estimate. Banks and telecom companies have raised questions over possible adverse effects but these can be resolved through regulations to be developed. Other concerns have been raised as to compliance costs and uncertainties for small businesses who engage in e-commerce. The bill passed the Senate 16-4 on April 15 and passed then on May 7. The bill will also provide funds designated for certain education programs authorized in HB 57, but this may be vetoed.

### **Permanent Fund restructuring advances in House, HJR 20; SJR 14 in Senate Finance**

Restructuring of the Alaska Permanent Fund will likely wait until next year because there's not enough time left to pass a needed constitutional amendment, senators said in a briefing last week. However, the House proposal for this is advancing. HJR 10 passed out of the House State Affairs Committee and out of the House Judiciary Committee on May 9. It was scheduled in House Finance Committee May 9 but was delayed. Partisan issues are emerging, however. Three Republican members signed "do not pass" in House State Affairs. They were Reps. Sarah Vance, R-Homer; Kevin McCabe, R-Big Lake, and Elexie Moore, R-Wasilla. The Senate version of this is SJR 14, by the Senate Finance Committee.

A constitutional amendment to merge the Fund's two accounts is needed. One account is the protected principal of the Fund, money from which cannot be spent. The second is the unprotected Earnings Reserve Account, which holds cash earnings for the annual contribution to support the state budget. These funds can be spent by the Legislature. They now support the yearly payment for the budget. There are concern that the earnings reserve may fall short in paying the annual payment, however, which now supports 60%-plus of the state budget. Assuming it is approved in the 2026 session there will be just a few months for a voter information campaign before the November election. This is a dangerously short time window given the complexity in explaining why the Fund restructuring is needed. Also, 2026 is an election year. *Politics will surely intervene. A push to put the Permanent Fund Dividend into the constitution can be expected.*

# ... Status of Bills ...

## Introduced in the House

- SB 86: Money transmission; virtual currency (By FIN) .....To FIN
- SB 95: Child care assistance program; child care grant program (By HSS) .....To FIN
- SB 96: Child care: tax credits (By RES) .....To FIN
- SB 97: -- SB 97: Big game permit program (By RES) .....To FIN
- SB 137: Extend Boards of Direct-Entry Midwives, Nursing (By FIN) .....To L&C, FIN
- SB 183: Powers of the Legislative Budget and Audit Committee and audit division (By RLS)..... To RLS
- HB 219: Tax credit for career and technical education (By Costello) .....To L&C, FIN
- HB 220: Easements and rights-of-way in state parks (By McCabe) .....To CRA, RES
- HB 222: Workplace violence protective orders (By Hall) ..To JUD, L&C
- HB 223: Correspondence study; funding (By Schwanke) ..To EDU, FIN
- SB 83: Telehealth reimbursement rates (By HSS) .....To HSS, L&C
- HB 224: Volunteer labor compliance officers (By Josephson) .....To L&C, FIN
- HB 225: Prescription fluoride supplements; fluoride in public water systems (By Allard) .....To HSS, L&C

## House Committees' Actions

- HB 183: Early education programs (4 do pass, 2 no rec) ...EDU to FIN
- HB 186: Apprentice labor in public projects (3 do pass, 2 do not pass, 1 no rec) .....TRA to L&C
- SB 113: Apportion taxable income; digital business (8 do pass, 2 do not pass) .....FIN to CAL
- HB 39: Public school students who are deaf or hard of hearing (6 do pass) .....EDU to FIN
- HB 62: Sexual assault examination kits and tracking system (10 do pass) .....FIN to RLS
- HB 119: In-state natural gas pipeline developed by AGDC (2 do pass, 5 amend) .....SA to RES
- HB 125: Membership of Board of Fisheries (4 do pass, 1 do not pass, 2 no rec, 2 amend) .....RES to RLS
- HB 149: Pharmacy benefits managers; third-party administrators (3 do pass, 3 no rec) .....L&C To HSS
- HB 167: Rename Ruby Airport as Harold Esmailka Airport (7 do pass) .....TRA to RLS

## House Committees' Reports (Cont.)

- HB 173: Occupational therapy assistant licensing (7 do pass) .....L&C to FIN
- HB 176: University of Alaska new fees and fee increases (5 do pass, 1 no rec, 1 amend) .....EDU to FIN
- HB 182: Alcohol license: live music and entertainment (7 do pass) .....L&C to RLS
- HB 193: Unemployment benefits; paid parent leave (4 do pass, 2 amend ) .....L&C to FIN
- HB 199: Alaska Commercial Fishing and Agriculture Bank; loans (7 do pass) .....FSH to FIN
- HB 73: Complex care residential homes (9 do pass, 1 no rec, 1 amend) .....FIN to RLS
- HB 78: PERS/TRS employer pension contribution (6 do pass, 3 do not pass, 2 amend) .....FIN to RLS
- HB 123: Vehicle rental taxes; issuance of subpoenas, tax records (7 do pass, 2 no rec, 2 amend) .....FIN to RLS
- HB 136: Railroad utility corridors (3 do pass 1 no rec, 3 amend) .....TRA to JUD
- HB 170: Failure to report a violent crime (6 do pass, 1 amend) .....SA to JUD
- HB 178: Medical debt information (4 do pass, 2 do not pass, 1 no rec) .....L&C to FIN
- SB 40: Hispanic Heritage Month September 15 and October 15 (4 do pass, 1 do not pass) .....SA to RLS
- SB 54: Extend Board Architect, Engineers, and Land Surveyors; requirements for interior designers (4 do pass, 2 no rec, 1 amend)..... L&C to FIN
- SB 80: Extend Big Game Commercial Services, Massage Therapists and Marijuana Control boards (7 do pass, 2 no rec, 1 amend) .....FIN to RLS
- SB 183: Powers of the Legislative Budget and Audit Committee (4 do pass, 1 no rec, 2 amend) .....RLS to CAL
- SB 57: Appropriations for capital/ budget (6 do pass, 2 do not pass) .....FIN to CAL

## House Floor Actions

- HB 10: Board of Regents of the University of Alaska .....PASSED 23-17
- SB 113: Apportion taxable income; digital business .....PASSED 26-14
- HB 194: Approve Marathon Petroleum royalty oil sale .....PASSED 38-0
- SB 183: Powers of the Legislative Budget and Audit Committee .....PASSED 31-7(but now on reconsideration)

*Status current as of May 9, 2025*

# ... Status of Bills ...

## Introduced in the Senate

- HB 26: Statewide public and community transit plan (By TRA) .....To CRA, TRA
- HB 35: Use and possession of electronic devices by prisoners (By SA) .....To JUD
- SB 190: Uniform Act: Guardianship/conservatorship (By Kiehl) .....To JUD, FIN
- HB 10: Board of Regents of the University of Alaska (By Carrick) .....To FIN
- SB 191: Approve transfer of Alaska Railroad land to City of Whittier (By Giessel) .....To TRA, CRA

## Senate Committees' Actions

- HB 53: Appropriations for operating budget (5 do pass, 2 amend) .....FIN to CAL
- HB 55: Mental health operating budget (5 do pass, 2 no rec) .....FIN to CAL
- SB 8: Public school students who are deaf or hard of hearing (2 do pass, 3 no rec) .....EDU to FIN
- SB 45: Medicaid mental health parity (4 do pass, 1 no rec) .....HSS to FIN
- SB 131: Duties of ASMI board, seafood marketing assessment (2 do pass, 3 no rec) .....RES to FIN
- SB 134: Pharmacy benefits managers; third-party administrators (4 do pass, 1 no rec) .....L&C to RLS
- SB 143: Municipal school board terms (1 do pass, 4 no rec) .....EDU to CRA
- SB 178: Expand early intervention services (4 do pass, 1 no rec) .....HSS to FIN
- HB 31: Registration of commercial vessels (2 do pass, 1 no rec) .....TRA to FIN
- SB 24: Raise minimum age for tobacco, nicotine, electronic smoking products (3 do pass, 3 no rec, 1 amend).....FIN to CAL
- SB 92: Corporate income tax on oil and gas entities (3 do pass, 2 do not pass, 2 no rec) .....FIN to RLS
- SB 104: Transfer of a title on the death of the owner (2 do pass, 3 no rec) .....SA to FIN
- SB 152: Rename Ruby Airport as Harold Esmailka Airport (5 do pass) .....SA to CAL
- HB 121: Practice of accounting (2 do pass, 3 no rec) .....SA to L&C
- SB 64: Relating to elections (3 do pass, 4 no rec) .....FIN to CAL

### Coming this week in the Legislature:

- Flood insurance: SB 11: Senate Finance 5/12

## Senate Floor Actions

- SB 183: Powers of the Legislative Budget and Audit Committee and legislative audit division .....PASSED 19-0
- SB 137: Extend Boards of Certified Direct-Entry Midwives, Nursing .....PASSED 19-0
- SB 95: Child care assistance program; child care grant program .....PASSED 16-3
- SB 96: Child care: tax credits .....PASSED 18-1
- SB 97: Big game permit program .....PASSED 18-1
- SB 83: Telehealth reimbursement rates .....PASSED 14-6
- HB 53: Appropriations for operating budget .....PASSED 16-4
- HB 55: Mental health operating budget PASSED .....20-0
- SB 152: Rename Ruby Airport as Harold Esmailka Airport .....PASSED 20-0

*Status current as of May 9, 2025*

### 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:

- Fairbanks gas spur: HB 119, House Resources, 5/12
- Child care, assistance: SB 95, SB 96, House Finance, 5/12
- Commercial fishing insurance co-op, Senate Labor and Commerce, 5/12

## ... Resources ...

### **Oil tax: “Hilcorp” tax passes Senate, SB 92**

The Senate Finance Committee moved SB 92, imposing a new state corporate income tax on S corporations who are also oil producers, out of committee last Wednesday, May 7. The bill will likely pass the Senate but faces a fight in the state House, where a Democrat-led coalition holds control by a thin margin. Estimates are the bill could raise \$175 million including upcoming FY 2026 but also half a year of FY 2025 (it is retroactive to last January) but the estimates are very preliminary. The bill is aimed mainly at Hilcorp Energy, a major Alaska oil and gas producer that is organized as an S corporation but there are other Alaska oil producers who are S corporations (the Department of Revenue doesn't make available the corporate organization of a taxpayer), so Hilcorp won't be the only entity affected. There is \$500,000 in the budget for the Department of Revenue to implement the tax.

This bill could backfire because investment in badly-needed new natural gas development in Cook Inlet would be affected. Luke Saugier, Hilcorp's Senior Vice President for Alaska, warned the Senate committee May 6, that the tax would inevitably wind up reducing Hilcorp's available capital for investment in Alaska, which now runs to about \$175 million yearly. This is split between the North Slope and Cook Inlet, where Hilcorp is the major gas producer. Because Cook Inlet natural gas is less profitable than North Slope oil, if Hilcorp has to cut back it would likely focus on the slope rather than the inlet. That wouldn't be good, given the pending reduction of gas supply from the inlet and Southcentral Alaska's dependence on gas for heating and power generation.

### **Fishing industry assistance: What might pass this year?**

It seems likely, at this point, that the only bill assisting the state's beleaguered seafood industry likely to pass is the bill allowing vessel owners to form an insurance co-op to lower insurance costs. HB 166 has passed the House and is in Senate Labor and Commerce Committee along with the Senate version of the bill. Even with the short time left in the 2025 session this bill could move through.

### **Seafood tax credit; sharing of fish tax revenues with municipalities:**

SB 130 and HB 129, expanding the state seafood tax credit, and the House version, HB 129 are in their respective finance committees but are likely to be held because they will reduce state income in a tight budget year. The same is likely for SB 135, which would increase the share of state fish tax revenue with coastal municipalities, resulting in reduced state income.

### **House passes state royalty oil contract for Marathon Petroleum refinery, HB 194**

This bill approves another longer-term contract for Marathon Petroleum Co. to purchase state royalty crude oil for the company's refinery at Nikski, near Kenai. The current contract is set to expire. The refinery produces gasoline, jet fuel and other products for in-state markets and provides most of the gasoline supply for the state. The refinery is connected by pipeline with bulk storage at the Port of Alaska.

## . . . Municipal/Education . . .

### **Senate Finance Committee warns of lower school bond reimbursements to municipalities**

Members of the Senate Finance Committee warned that planned state support for school bond debt payments by municipalities may be reduced from what was in the governor's budget. This would likely happen in the upcoming House-Senate budget conference committee next week. Finance cochair Sen. Bert Stedman, R-Sitka, said the reduction would likely be "slight," but that local governments should brace themselves for larger reductions in 2026 and 2027 given the financial headwinds the state is facing. The comments came during the committee's review of SB 184, which would extend a moratorium on state debt support on new school bonds from 2025 to 2027. The payments referred to in comments by the committee were in regard to school bonds issued prior to 2015, when the current moratorium on new debt when into effect.

In the same Finance meeting, Sen. Jesse Kiehl, D-Juneau, expressed concern about the accumulated backlog of deferred maintenance on existing schools. "We've underspent on deferred maintenance for years and this is now our biggest obligation, with kids in buildings in conditions where they are unable to learn. The money just may not be there for the next couple of years but if we don't start raising revenue or do major reallocation of spending we could be in serious (legal) trouble," given the state's constitutional obligation to provide education.

### **SB 140: Fire station grant program**

This bill, just introduced, is being set up for the 2026 session: Sen. Bert Stedman, R-Sitka, introduced SB 140 on March 24. It would establish a new fire station grant program for municipalities that would cover up to 50 percent of the cost for constructing and renovating fire stations, if money is available of course. More than a decade ago a similar state grant program aided development of about 12 fire stations. The Alaska Fire Chiefs Association has now submitted a list of over 20 projects, for either new or rebuilt facilities. The Senate Community and Regional Affairs Committee held a hearing May 6, with a second hearing planned Tuesday, May 13.

### **HB 119: Lateral gas pipeline spur for Fairbanks**

This bill moved out of House State Affairs Committee last week, on May 6. It would require the state's Alaska Gasline Development Corp. to include a lateral spur line taking natural gas to Fairbanks as a part of the overall Alaska LNG Project. The gas pipeline part of Alaska LNG is routed west of the Interior city and a separate pipeline spur to supply gas to Fairbanks would have to be paid for by local consumers, which would raise costs for the gas. If it were part of Alaska LNG and not a separate project the spur line cost would be rolled into Alaska LNG's overall cost and Fairbanks consumers would pay much less. This issue has become a real bone of contention for the Interior legislative delegation. Fairbanks business leaders recall that Dan Fauske, AGDC's first CEO and who helped organize the project, verbally promised that the spur would be part of Alaska LNG. Unfortunately, local leaders failed to get that in writing and Fauske is now deceased.

## . . . Housing/Health care . . .

### **HB 13: Municipal property tax exemption on House floor**

HB 13, by Rep. Andrew Gray, D-Anch, would give municipalities new tools to develop local housing. It is on the House floor May 12. Another housing bill, HB 184, authorizing the Alaska Industrial Development and Export Authority to do multi-unit housing development, is up for another hearing May 13 in the House Community and Regional Affairs Committee. A Senate version, SB 14, is in the Senate Finance Committee.

### **SB 147, expanding pharmacists' authority, moving in Senate**

This bill expands pharmacists' authority to do routine medical procedures now done in primary care. It would expand primary care-type service in the state.

### **Pharmacy Benefit Managers regulation: Bills moving in Senate, House**

Legislation expanding state regulation of Pharmacy Benefit Managers, or PBMs, is moving in both the House and Senate. The legislation adds to changes to PBM regulation made last year. SB 134 moved from the Senate Labor and Commerce Committee May 5. The Health and Social Services Committee will hold a hearing on May 13. In the House, the Labor and Commerce Committee moved HB 149, its version, on May 7. A hearing will be held May 13 in the Health and Social Services Committee.

### **HB 73, authorizing complex care licensing, moves from House Finance**

The House Finance Committee moved out this bill by the governor last Thursday, May 8. It sets up a new license for facilities to offer complex medical and behavioral health care service.

### **House Finance moves HB 78, "defined benefit" pension option**

This provides a defined benefit, or traditional pension, option for public employees in addition to the current "defined contribution," or 401K-type plan. It is needed to help recruit and retain public employees, proponents argue. This is on the House floor May 12.

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