

*Bradners'*

# Alaska Legislative Digest

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

PUBLISHER: Tim Bradner FOUNDER: Mike Bradner / Business Office: (907) 440-6068 / 950 Coral Lane Anchorage, AK 99515 / Fax: (907) 345-5683

Digest No. 7/2025 March 3, 2025

## DOTPF hustles out new money

Highway contractors are complaining about a slowdown in new contract awards early in the year but state Department of Transportation and Public Facilities officials told legislators last week they expect \$200 million in new contracts to be let in March and April. The agency will also focus on getting small projects contracted that can allow companies to retain skilled workers until the normal summer work is underway. Another bit of good news is that Alaska can expect to receive \$120 million in the annual August redistribution of unspent federal transportation funds among states, DOTPF told the Senate Finance Committee. This can be put to work on “shovel ready” projects. The 2025 outlook is still for about \$950 million in projects.

Also, the latest amendment to the state’s four-year Strategic Transportation Improvement Program, or STIP, has been approved. The STIP now totals \$6.9 billion in projects over four years, with \$3.6 billion allocated for construction (including \$396 million for preconstruction activities) and \$1.05 billion for discretionary transportation grants. DOTPF will begin work on the next four-year STIP in January 2026, the Senate committee was told.

Inflation and cost increases on projects continue to be a problem, particularly with rural airports. Utility relocations are another major problem. Federal “Buy America” rules apply and utilities are risk-averse to doing relocations if they

– *Continued on page 8*

### *In this Issue:*

- Education p. 2
- Budget p. 3
- Status of Bills pp. 4-5
- Business p. 7

## Will feds meet their commitments? Senators worry

One tool the state has to get transportation projects on the street faster is advance payment authority where the state front-ends work and is repaid when federal funds come in. Alaska now has \$400 million available for this and it could be increased \$500 million to \$600 million. But given the turmoil in the new Trump administration legislators are now concerned whether the federal commitments will be honored. The state could quickly be on the hook for tens of millions of dollars if the federal repayment is frozen. This is still the case for \$500 million in energy projects the state is to administer although the Alaska Energy Authority although there is less front-end exposure in those.

*Our reports are protected by Copyright. Please do not forward to others without permission.*

© **COPYRIGHT** Email: [timbradner@pobox.alaska.net](mailto:timbradner@pobox.alaska.net)

## ... Education ...

### **Governor's SB 82 gets cautious reception in Senate Education Committee**

The Senate Education meeting held its first meeting on the governor's education funding bill, SB 82, last week, Feb. 24. The bill got a cautious and cool reception. State education commissioner Deena Bishop called the proposal "transformative" because it linked new funding to outcomes. She cited success of the Alaska Reads Act as an example of a new program linked to outcomes. SB 82 carries with it \$180 million in new funding in various school support programs, which is the carrot the governor is dangling to get the program changes he wants. (Schools say they need a more than \$180 million this year.)

Parts of SB 82 that drew questions from the committee include the provision for "open enrollment" where a student in any district can enroll in another. Bishop said this is intended to open more choices for parents and students and that school districts would set guidelines for incoming transfer students as to school capacity. Sen. Jesse Kiehl, D-Juneau, asked if there was a problem this was addressing. Bishop didn't cite one but said this is mainly to maximize school choice. Senators also raised questions about charter schools, which are allowed to set their own guidelines for new students. Bishop said SB 82 overrides charter school guidelines, so "open enrollment" would apply to charter schools, too.

The provision to help pay transportation for students traveling to a newly-selected school drew a lot of questions as to costs. The Department of Education and Early Development, or DEED, is working with a ballpark estimate of \$15 per student per day for 180 days for this but this is just a first stab. Just how this would work is uncertain, too. DEED officials mentioned use of mini-buses or a gas card for parents. Provisions for this would be spelled out in regulations, Bishop said. Senators on the committee expressed concern that this cost will grow.

### **Charter school approvals:**

This is a very controversial idea left from last year: Charter school could be approved by the political-ly-appointed state education board or the University of Alaska as alternatives to approvals by local school boards. This cuts against the long tradition of maximum local control and is seen as injecting politics (the state education board is appointed by the governor) into charter school approvals but leaving local districts with the cost of supporting a new charter school.

### **The bill has several funding provisions:**

- Additional student count day, for funding. District that show increases in spring enrollment over the fall count will get additional funds.
- Per-pupil transportation increased by 20% over the current formula.
- Reading proficiency incentive: \$450 per student for districts showing lower-grade gains in reading.

### **What's sure to be popular:**

- Ban on students' use of cell phone while in school.

***SB 82 will be up Monday, March 3, in Senate Education Committee for a more detailed review.***

## **. . . Budget . . .**

### **The governor’s budget amendments presented last week: \$32.7 million in new UGF expenses**

The governor’s office briefed the Senate Finance Committee on FY 2026 budget amendments last week. The amendment totalled \$32.7 million in Undesignated General Fund, or UGF, requests; \$1.388 million for Designated General Fund asks; \$16.3 million in other requests and \$249.709 in requested authorization to expend federal receipts. Total spending in the amendments are \$299.7 million in UGF requests but there are reductions in other spending and approvals for federal funds in the budget so that total FY 2026 spending would be down 4%, according to new estimates from the Office of Management of the Budget, which is in the governor’s office.

Big ticket items among Undesignated General Fund requests includes \$5.86 million to stand up the proposed new Department of Agriculture and \$19.6 million in the Department of Health for the estimated increases in the state’s share of Medicaid, the health care program for low-income and disabled Alaskans. There is also \$5.9 million for the Department of Health to partly pay for information technology upgrades in the Supplemental Nutrition Assistance Program, or SNAP, (this is food assistance for low income) and an additional \$5.9 million federal penalty for errors and delays in distributing SNAP food assistance last year.

The latest projected deficit for FY 2025, which ended last June 30, is \$157 million, the Senate committee was told. The Office and Management and Budget’s new estimates for FY 2026 still show a \$1.564 billion deficit but most of that is due to the governor’s proposal for to spend \$2.5 billion for a big 2025 Permanent Fund Dividend. That will be reduced by the Legislature. The UGF spending is closely watched because that is what the Legislature appropriates for major state operations.

### **Alaska to again seek “primacy” on state wetlands permitting**

Of interest: The governor is also asking for \$1.49 million for the Department of Environmental Conservation to begin working again on a state application to the U.S. Environmental Protection Agency to assume “primacy,” or state management, of the U.S. Army Corps of Engineers Clean Water Act 404 wetlands permit program. The state has made past efforts on this but backed away because of costs. Currently the EPA picks up the tab for 404 wetlands permit administration. If “primacy” is granted, allowing state management, the state will pick up the expense of processing the permits. That could amount to several million dollars a year. It’s likely permit applicants will wind up paying for this through fees. That is now done for federal air permits under the Clean Air Act that are now administered by the state. The advantage of state primacy is that there will be more flexibility to adapt permits to Alaska conditions.

*Alaska Commissioner of Environmental Conservation Emma Pokon has been named by President Trump to head the U.S. Environmental Protection Agency’s Region 10, which includes Northwest U.S. states and Alaska. Pokon has been at Alaska’s DEC since 2023 and has been with the agency since 2020. She was previously with the state Department of Law.*

## ... Status of Bills ...

*Note: Status current through Feb. 26 due to Internet disruption Feb. 27, 28*

### House Bills Introduced

- HB 113: Tax exemption for qualified small businesses (By L&C) .....To L&C
- SB 60: May 12 as Myalgic Encephalomyelitis/Chronic Fatigue Syndrome Day (By Tobin) ...To H&SS
- SB 79: Wage payments (By S. L&C) .....To L&C
- HB 114: Permanent Fund; Permanent Fund Dividend (By Carrick) .....To SA, FIN
- HB 115: Increases in rent for dwelling units (By Gray) .....To SA, L&C
- HB 116: Fishing insurance cooperative (By FSH) .....To FSH, L&C
- HB 117: Commercial set gillnet fishing (By FSH) .....To FSH, RES
- HB 118: Council on Human and Sex Trafficking (By Vance) .....To JUD, FIN
- HB 119: In-state natural gas pipeline developed by AGDC (By Stapp) .....To SA, RES
- HB 120: Sale of the Alaska Railroad (By McCabe) .....To TRA, FIN

### House Committees' Actions

- HB 93: Change residency requirements for hunting, trapping, and sports fishing (5 do pass, 1 no rec) .....FSH to RES
- HB 25: Disposable food service ware (4 do pass, 2 amend) .....SA to L&C
- SB 87: Disapprove recommendations of the State Officers Compensation Commission (6 do pass) .....RLS to RLS
- HB 17: Retirement benefits and military service (7 do pass) .....MLV to FIN

### Committee abbreviations:

RLS	Rules
FIN	Finance
RES	Resources
L&C	Labor and Commerce
JUD	Judiciary
HSS	Health and Social Services
EDU	Education
MLV	Military and Veteran Affairs
ARCTIC	Special Committee on Arctic
TRI	Special Committee, Tribal Affairs

### Medicaid cuts loom. Maybe Medicare too?

The budget resolution recently passed by the U.S. House threatens the state Medicaid program which also covers childrens' health insurance. About 125,000 low-income Alaskans and children could be affected, and the state could lose \$2 billion in federal funds supporting the program. Senate President Gary Stevens and House Speaker Bryce Edgmon wrote to the state's Congressional delegation Feb. 27 urging action to shield Alaska from negative impacts. Also potentially affected: Bypass mail (critical to rural Alaska), Head Start and the Supplemental Nutrition Assistance Program offering food assistance to low-income families.

About \$130 million in federal grants for rural energy infrastructure projects are now frozen by President Trump's Feb. 11 Executive Order. Over \$500 million in state-administered energy programs also still on hold. Some 1,400 federal workers, 350 of them veterans, have been terminated under Elon Musk's moves to reduce the federal workforce. The potential loss to the state's economy in collective wages will be substantial.

*Medicare cuts could also play into federal spending cuts, Sen. Cathy Giessel, R-Anch., warned in a briefing by Senate leaders.*

### Christmas every day?

Gov. Dunleavy, passing through Seattle-Tacoma International Airport last week, commented that Trump's actions since his return to the White House are like "Christmas every day." In the Senate leadership briefing Sen. Gary Stevens had a different view: "It's really lumps of coal every day," he said.

## . . . Status of Bills . . .

*Note: Status current through Feb. 26 due to Internet disruption Feb. 27, 28*

### **Introduced in the Senate**

- SB 54: Extend the termination date of the State Board of Registration for architects, engineers, and land surveyors (By Claman) .....To L&C, FIN
- SB 108: Finfish farms and products (By GOV) .....To RES, FIN
- SB 109: Permanent Fund Dividend; POMV split (By Hoffman) .....To FIN
- SB 110: Museum construction and major expansion matching grant program (By SA) .....To EDU, FIN
- SB 111: Digital product repair (By Dunbar) .....To CRA, L&C
- SB 112: Credits against oil and gas production tax (By RLS) .....To RES, FIN
- SB 113: Apportion taxable income; digital business (By RLS) .....To FIN

### **HB 25: Disposable Takeaway Containers**

HB 25, sponsored by Rep. Andy Josephson, D-Anch., moved out of House State Affairs Committee last week and is scheduled to be heard March 5 in the House Labor and Commerce. HB 25 had three hearings in House State Affairs. The bill is a repeat of HB 354 from the last session and would ban polystyrene, commonly known as Styrofoam. "The international coastal cleanup volunteers have recorded collecting 4.6 million pieces of plastic foam packaging globally since 1986," Josephson said. The bill follows bans in the European Union, Canada, and India as well as Bethel, Cordova and Seward in Alaska. "The strongest concern are adverse health effects. We know that polystyrene is a hazardous material," Pam Miller, Executive Director of Alaska Community Action on Toxics, told the State Affairs Committee. "It should not be used in food and beverage containers." The committee also heard opposition to HB 25. "This is the "wrong approach. Rather than decreasing the overall amount of waste or litter, it would near-ly alter the composition of the waste and litter stream," said Lindsey Stovol of the American Chemistry Council of California, a trade group.

### **Two new revenue bills introduced last week**

The Senate Rules Committee, chaired by Sen. Bill Wielechowski, D-Anch., introduced two new revenue bills last week. Both have been introduced in previous years, and both were expected this year. SB 113 would require companies doing online sales in Alaska to pay corporate income tax. Thirty six other states do this, Wielechowski said in a briefing. The change would bring \$20 million to \$65 million in new revenues according to estimates. The second bill, SB 112, would reduce the per-barrel oil production tax credit allowed to oil producers from \$8 per barrel to \$5 per barrel. This could bring in \$300 million to \$400 million in new FY 2026 revenue, Wielechowski said. Modeling by the Department of Revenue and legislative consultants Gaffney Cline indicates the change should have no effect on companies' investments, he said. There are differing opinions on that, however.

### **Sen. Yundt's oil tax bill**

One other revenue bill now in is by Rep. Rob Yundt, R-Mat-Su, which would impose a special tax on oil producers organized as S corporations, which pay no state corporate income tax. Yundt argues this is to "level the playing field" with oil producers organized as ordinary C corporations, which do pay state corporate income tax.

### **Latest on the state deficit**

Senate Finance cochair Sen. Bert Stedman, R-Sitka, said the latest estimate for the combined FY 2025 and FY 2026 budget deficit is \$536 million, assuming for FY 2026 \$680 million added for schools in the Base Student Allocation formula and a "75-25" split of the annual Permanent Fund payment to the state. Three quarters of the payment is for budget support and one quarter for the PFD.

## **. . . Business/Resources . . .**

### **Railroad bonds for \$137 million Seward cruise terminal now approved by Legislature**

Legislative approval for Alaska Railroad Corp. bonds to build a \$137 million new cruise ship dock and passenger terminal in Seward has passed the Legislature and is now on Gov. Mike Dunleavy's desk. It is the first substantive legislation to pass so far this year. The railroad hopes to get the project underway this year in time for the 2026 cruise season. The approval came close to passing last year but the legislation got caught in a last-minute fiasco which resulted in several bills, the railroad bonds among them, being approved on the House floor after the required midnight adjournment deadline on the 121st day in mid-May. House action had stalled on another issue, and votes after midnight were voided. The timetable for this project is tight, so this year legislators got busy early. The project has a fixed-cost estimate from a private company affiliated with Royal Caribbean, the cruise company signing a 30-year agreement to use the dock and terminal. Once it is built the Alaska Railroad will buy the facility using its revenue bonds, now approved by the Legislature.

### **Agriculture Department heads for mid-March vote, joint session**

There may, or may not, be a brouhaha developing over the governor's proposed new Department of Agriculture. This is proposed under an Executive Order, or EO, which takes effect 60 days after being issued unless the Legislature passes a resolution disallowing it in joint session. That must happen by March 12. House and Senate resolutions to disallow the EO are pending in the Finance committees of both houses. The governor wants to elevate the status of the present Division of Agriculture (now part of the Department of Natural Resources) with a new department to give the agency more clout in state government and with the U.S. Department of Agriculture. Critics cite the added cost, \$5.8 million this year, when the state is facing big deficits. If the joint session doesn't happen the EO goes into effect, creating the department. This is also about legislators tweaking the governor on one of his priorities.

### **Dunleavy says big gas pipeline approval "maybe within days"**

At a reception hosted by the Japanese Consulate in Anchorage last Thursday Gov. Mike Dunleavy said approvals on the big Alaska LNG Project could come soon, and "maybe within days." We've heard this many times before, of course, but the governor was freshly back from a trip to Washington, D.C. where he joined President Trump in a dinner. In remarks at the dinner Trump continued to express his enthusiasm for the big Alaska project, the governor said at the reception. However, the president can't just issue an Executive Order. Japan and other Asian nations must sign long-term LNG purchase agreements for the \$40 billion-plus project to be financed.

The state's Alaska Gasline Development Corporation, or AGDC, is now working to finalize a deal with Glenfarne, of New York, to be the developer of the big project. Asian companies would work with Glenfarne on LNG purchases and possible investments in the project. The first task, however, is to do an updated cost estimate and a key question is whether Japan and South Korea would want to supply steel and other components. This could rub against Trump's "Buy America" policies.

## . . . Education . . .

### **Anchorage, state's biggest school district, lays out its problems in recruiting teachers**

Anchorage School District officials were in Juneau last week and laid out problems they are having recruiting and retaining teachers. What they said will be familiar to education leaders statewide. Here are some of the points made:

Alaska has about 7,500 teachers statewide. During the pandemic, when most schools closed, 22% left their jobs. Many came back when schools reopened but 1,000 moved out of state or changed careers. Anchorage's school district itself had 416 resignations. This left schools districts scrambling to fill vacancies. The University of Alaska graduates about 150 certified teachers yearly, or 16% of the need. Recruiting from out of state is the only choice. In prior years Anchorage schools were typically short about 20 teachers on the first day of school, but the positions were filled in following weeks. Now the average is 100 teachers short on the first day.

### **“Workaround” solutions are help somewhat**

Anchorage has been able to offer signing bonuses for new teachers hired and the emergency teaching certificates developed by the state Department of Education and Early Development, or DEED, allow people with professional experience and a Bachelor's degree to teach certain courses. People doing this can also get on a track for a full education degree, which will allow them to become fully certified. The federal J-1 visa program has also helped districts recruit qualified teachers from overseas. Teachers from the Philippines have become important for rural schools.

### **Budget uncertainty, and “pink slips”**

- Budget uncertainty is a big problem, for Anchorage and elsewhere. If districts have to issue “pink slips,” even temporarily, they often don't get those teachers back. When Anchorage issued pink slips to 200 teachers in 2017 and then rehired when the Legislature approved the state budget with its school funds, 32% of the laid-off teachers didn't come back.

### **50% turnover in five years, teachers under Defined Contribution**

- Anchorage foresees problems with increasing turnover in the next few years because of the group of older teachers still in the Defined Benefits retirement system. About a third of the district's teacher are still under the Tier II retirement, the last under Defined Benefits. There will be increasing retirements with new hires under Tier III, the state's current Defined Contribution, a 401(k) type plan. Experience shows that 50% of new teachers under Tier III typically move on after five years and take their portable retirement with them. They lack the incentive to stay on with Defined Benefits retirement. Legislation to offer public employees an option for Defined Benefits is a hot topic this spring.

**Wages matter, too:** Anchorage schools gave school bus drivers a 25% wage raise in 2022 and it quickly solved the shortage of drivers that had left parts of the city without school bus service.

## . . . Business/Energy . . .

### **Governor's farm, fish product purchasing incentives active in Senate Resources**

The governor's SB 67, increasing the preference given to Alaska agricultural and seafood products by state entities, was up in Senate Resources Committee Feb. 7. The bill increases the purchase price differential required for specified products from 7% to 10% and increases the price differential permissible for Alaska products from 15% to 25%. The intent is to increase purchases and strengthen the state's small farm sector. The Department of Commerce, Community and Economic Development presented data from surveys on in-state purchases of food products by agencies: The Department of Corrections purchased \$13.3 million in out-of-state food for prisons against \$117,650 purchased in-state last year; the Department of Transportation and Public Facilities purchased \$1.8 million in food products from out-of-state (for the ferry system) against \$1,180 in-state. Only two school districts participated in the survey, which was voluntary for schools, showing \$263,733 spent out-of-state for food and none spent in-state.

### **Rep. Stapp wants gas spur line to Fairbanks as part of Alaska LNG Project**

Rep. Will Stapp, R-Fairbanks, has introduced a bill requiring the state's Alaska Gasline Development Corp., or AGDC, to include a lateral pipeline to serve Fairbanks (the main pipe route is further west) as a part of the Alaska LNG Project. Currently the lateral is a separate project that would be paid for by local consumers as a part of the gas purchase price. AGDC has balked at including the lateral in its project partly for fear it would trigger similar requests, from Mat-Su for example. The main pipeline route in Mat-Su is along the Susitna River and west of the region's more populated communities.

### **DOTPF to hustle out new road construction money**

*- Continued from top, page 1*

are unsure of Buy America certification and other supply chain issues. Federal highway officials, who pay the bills, won't approve funds if utility relocations are held up. Commissioner Ryan Anderson told the Senate committee that one solution DOTPF is exploring is putting the utility relocation in the road construction contracts so the state takes on the risk of compliance with Buy America rules.

## *Subscription - Alaska Legislative Digest*

950 Coral Lane Ph: (907) 440-6068 - Fax: (907) 345-5683  
Anchorage, Ak. 99515 email: [timbradner@pobox.alaska.net](mailto:timbradner@pobox.alaska.net)

**Cost: \$575.00/year - Email online edition/print edition!**

**Check to add Economic Report for +\$520/year**

**Name** \_\_\_\_\_

**Company** \_\_\_\_\_ **Ph.** \_\_\_\_\_

**Address** \_\_\_\_\_ **Fax** \_\_\_\_\_

**City** \_\_\_\_\_ **State** \_\_\_\_\_ **Zip** \_\_\_\_\_

**Email** \_\_\_\_\_

**Credit card pay: Type** \_\_\_\_\_

**Number** \_\_\_\_\_

**Exp:** \_\_\_\_\_ **ZIP:** \_\_\_\_\_