

*Bradners'*

# Alaska Legislative Digest

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

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## Legislature tackles health care insurance reform

Health care insurance reform is back before the Legislature. Two new bills by Sen. Cathy Giessel, R-Anch., SB 121 and SB 122, deal with problems in health insurance regulation. SB 121 addresses reductions in insurance payments to health care providers, to the point that some are having difficulty and are leaving. The problem is particularly acute in primary care where there are already shortages, the Senate Health and Social Service Committee was told last Thursday. *Here's the issue: When a previous state rule requiring insurance companies to adhere to a minimum payment formula was repealed in early 2024 no substitute was put in place. This means there are now no minimums required of health insurers.* The result is a decline in payments by insurers to providers over the last year even as insurance companies increase premiums. Giessel's SB 121 sets up a minimum payment system to replace the previous formula, known as the "80th percentile" rule. There were problems in the 80th percentile rule, one being the ability for high-end specialty practitioners to game the system and drive up minimum payments, which has the effect of ratcheting up health costs. That rule is gone but with nothing replacing it the difficulty now is that insurers' payments are below what many health providers need to pay their costs. To cover the difference consumers may now be exposed to "surprise" medical billings for costs they thought their insurance covered. With insurance companies pushing down reimbursements the amount a patient is exposed to gets larger. (A federal law against surprise billing is largely ineffective because it has not been fully implemented.) Giessel's second bill, SB 122, sets standards for the health insurance networks insurers set up. Some networks are "narrow" and exclude providers. — *Continued on page 3*

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## A note from our friends in Yukon Territory

A sad note from Alaska's partners in Yukon Territory, declining an invitation to participate in an Alaska State Chamber event: "These are wildly unfortunate times for Canada right now and with our dearest neighbours in Alaska - it's not good - in fact it's very scary. You won't find the Yukon Chamber present in any business with Alaska until there is stability again." This is from Patti Balsillie, Managing Director, Yukon Chamber of Commerce, sent in an email to the Alaska State Chamber.

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## ... Education ...

### **After three days, House passes HB 69. Republicans say not enough “reform” in bill**

The House passed HB 69 last week after three days on the House floor, and the Senate Education Committee is scheduled to take the bill up this Wednesday and Friday, March 19 and 21, and will begin some work on Monday, March 17. The bill has a mix of funding increases and policy changes including a \$1,000 increase to the Base Student Allocation for schools added to the \$5,860 per pupil now and with an estimated \$275 million in new costs overall, which would add to the FY 2026 deficit. Some version of this is likely to pass the Senate. The question is whether the governor will veto it. His education reform bill, HB 76, is mainly focused on policy changes but still has a price tag of \$180 million.

Lon Garrison, Executive Director of the Association of Alaska School Boards, said the bill gives school districts flexibility to allocate resources where they are needed in lieu of “targeted” money that funds specific programs. HB 60 also provides additional support for reading instruction, allows students to attend different schools in a school district, enhances support for charter schools and establishes a coordinator for charter schools in the state education department. School administrators would have new authority to restrict use of cell phones during the school days, a provision that is widely supported. Most amendments offered by House Republicans failed on the floor, but a few did pass. Those included changes to how school districts would measure and report student achievement, and protection for charter schools from arbitrary closures.

### **Home-schooling booms as student counts lag in traditional schools**

Homeschool and correspondence study is booming even as student counts in traditional schools decline, according to data presented last week to the Senate Finance Committee by the Legislative Finance Division. Correspondence (mostly home-schooled) students increased 86.6% from FY 2017 to now, or 12,242 to 22,840. This compares with a 13.7% decline in students in traditional “brick and mortar” schools, or from 118,053 to 101,840 currently.

### **Concerns over accountability, performance of home-schooled students**

A key issue emerging in education legislation is lack of accountability for home-schooled students enrolled in correspondence studies. About 18% of home-schooled children participate in testing compared with 80%-plus of students in traditional schools. Statutes allow parents of home-school students to opt out of testing, which is required for children in traditional schools. Advocates are now pushing for an increase in state support for home-schooling. Watch for an amendment to be offered in the Senate for HB 69 to require home-school students supported with state funds to take annual assessment tests.

### **Coming this week in the Legislature:**

- HB 105, mental health education: Monday in House Education Committee
- HB 38, teachers’ supplemental benefits: Monday in House Labor and Commerce Committee
- Presentation, UAA teacher apprenticeships: Monday in Senate Education Committee

## **. . . Budget/Health Care . . .**

### **Spring revenue update shows decline compared with fall forecast**

The Department of Revenue's spring revenue forecast shows an estimated decline in revenue to the state for upcoming FY 2026, which begins July 1. A slightly lower oil price assumption and a more significant 5,000 barrels-per-day decline in expected oil production are factors in the decrease along with an estimated 15% drop in federal revenues. The estimates are compared with the most recent previous fall forecast released in December. Total Undesignated General Fund revenues for FY 2026 are estimated to drop \$70.2 million in FY 2026 compared with what was estimated in December. That will add to the deficit for FY 2025, which is now estimated at \$550 million-plus (the deficit estimate has and will change as the House and Senate Finance Committees continue work on the FY 2026 budget). The spring forecast estimate for FY 2026 Undesignated General Fund revenues is \$6.128 billion, down 1.6% from the fall forecast of \$6.229 billion. The UGF revenue from FY 2024 to FY 2026 shows a 7.6% decrease over the two years. UGF revenues are closely watched because these are the funds the Legislature can appropriate. Other revenue is designated by statute to certain programs or restricted to certain uses in other ways.

### **SB 83: Telehealth reimbursement rate adjustment moves from Senate committee**

SB 83, adjusting telehealth reimbursement rates, moved out of the Senate Health and Social Services Committee last week and is now in Senate Finance. Sponsored by Sen. Matt Claman, D-Anch., the bill looks to bridge the gap between reimbursement for telehealth visits and in-person visits for medical practitioners. Pay for a telehealth service is typically less than in-person. "Since COVID-19 pandemic [telehealth] has become a standard in health care services," Claman said at the Senate committee hearing. Claman said telehealth is important in rural areas, and for people with disabilities and limited transportation options. The American Medical Association, AMA, has been tracking the pay parity issues across the U.S, and wrote in support of the bill, noting that 27 states have already passed laws implementing pay parity with only 8 having caveats or end dates on the laws.

### **Legislature tackles health care insurance reform; provider reimbursement, insurers' "networks"**

*– Continued from top, page 1*

Insurance companies often establish so-called "narrow" networks that have a limited number of providers, effectively limiting access to care for insurance policy holders. Among other things this can result in long waiting times for appointments, Giessel said at the SB 122 hearing. By establishing standards for networks the state can ensure the insurer's provider network is large enough to provide adequate service. Thirty eight states and U.S. territories have adopted network standards, she said. A background paper on SB 122 made available at the hearing said: "Insurers often create barriers to care (through small provider networks) to save money. Insurers also pit providers against each other to compete to be included in networks to drive acceptance of lower contract rates. Providers excluded from a network can face significant financial consequences," resulting in the closure of practices and making shortages in health care worse, the background paper said. *We'll be reporting more on SB 121 and SB 122.*

# ... Status of Bills ...

## Introduced in the House

- HB 13: Municipal property tax exemptions (By Gray) .....To C&RA, FIN
- HB 128: Chugach State Park (By Holland) .....To TRA, RES
- HB 129: Fisheries product development tax credit (By FSH) .....To FSH, FIN
- HB 130: Flexible time credit for classified executive branch employees (By Josephson) .....To FIN
- HB 131: Multistate nurse licensure compact (By GOV) .....To L&C, FIN
- SB 47: Chugach State Park (By RES) To TRA, RES
- HB 132: Loans under \$25,000; payday loans (By Eischeid) .....To L&C, FIN
- HB 133: 30-day deadline for the payment of contracts under the State Procurement Code (By Himschoot) .....To CRA, SA
- HB 134: Misconduct involving weapons (By Carriker) .....To SA, JUD
- HB 135: Duties of ASMI board, seafood marketing assessment (By GOV) .....To FSH, RES
- HB 136: Railroad utility corridors (By Kopp) .....To TRA, JUD

## House Committees' Actions

- HB 69: Education funding (4 do pass, 3 amend) .....RLS to CAL
- HB 101: Crimes against minors (4 do pass, 3 no rec) .....JUD to FIN
- HB 113: Tax exemption for qualified small businesses (4 do pass, 3 amend) .....L&C to FIN
- SB 43: Establish March as Women's History Month (5 do pass, 1 no rec) .....SA to RLS
- HB 116: Commercial fishing insurance cooperatives (6 do pass, 1 no rec) .....FSH to L&C
- HB 117: Commercial set gillnet fishing (6 do pass, 1 no rec) .....FSH to RES
- HB 30: Office of entrepreneurship (1 do pass, 1 do not pass, 5 no rec) .....SA to L&C
- HB 91: Marijuana: tax; retail stores; registration (4 do pass, 2 no rec, 1 amend) .....SA to FIN

## House Committees' Actions (Cont.)

- HB 27: Medical care for major emergencies (5 do pass) .....HSS to FIN
- HB 31: Registration of commercial vessels, derelict vessels fund (8 do pass, 3 no rec) .....FIN to RLS
- HB 35: Use and possession of electronic devices (3 do pass, 3 amend) .....CRA to SA
- HB 57: Wireless telecommunications devices in public schools (7 do pass) .....EDU to RLS

## House Floor Actions

- HB 69: Education funding .....PASSED 24-16

## 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
TRB	Special Committee, Tribal Affairs

## HB 135, SB 132 ASMI seafood marketing

The governor introduced House and Senate bills to expand the state's Alaska Seafood Marketing Institute programs to include aquatic farm-raised products like shellfish (oysters are mostly grown) and aquatic plants (mostly seaweed). ASMI's marketing is now limited to fish like salmon and halibut.

## Coming this week:

Senate State Affairs Committee Tuesday

- SB 35: Delivery network companies
- SB 37: Strategic plans, state agencies

# ... Status of Bills ...

## Introduced in the Senate

- SB 124: Multistate nurse licensure compact (By GOV) .....To L&C, FIN
- SB 125: Alaska Gasline Finance Corporation (By Yundt) .....To RES, FIN
- SB 126: Correctional facilities; placement of prisoners (By Yundt) .....To SA, FIN
- SB 127: Education visually impaired students in public schools (By Gray-Jackson) .....To EDU, FIN
- SB 128: Create the Department of Agriculture (By RLS) .....To RES, FIN
- SB 129: 30-day deadline for the payment of contracts under the State Procurement Code (By Kawasaki) .....To CRA, L&C
- SB 130: Fisheries product development tax credit (By Seafood Task Force) .....To RES, FIN
- HB 69: Education funding (By RLS) ....To EDU, FIN
- SB 131: Duties of ASMI board, seafood marketing assessment (By GOV) .....To RES, FIN
- SB 132: Relating to insurance (By L&C) .....To L&C, FIN

## Senate Committees' Actions

- SB 50: Comprehensive plans of first and second class boroughs (3 do pass) .....L&C to RLS
- SB 86: Money transmission; virtual currency (3 do pass) .....L&C to FIN
- SB 80: Extend the termination date of the boards of Big Game Commercial Services; Massage Therapists; and the Marijuana Control Board (5 do pass) .....FIN to RLS
- SB 6: Education in the history and contributions of Asian Americans and Pacific Islanders (3 do pass, 2 no rec) .....EDU to FIN
- SB 9: Surrender of infants (1 do pass, 2 no rec) .....HSS to JUD
- SB 12: PFD and child support (3 do pass, 1 no rec) ... JUD to FIN
- SB 24: Raise minimum age for tobacco, nicotine, electronic smoking products (3 do pass, 2 no rec) .....L&C to FIN

## Senate Committees' Actions

- SB 54: Extend termination date of Board of Registration for Architect, Engineers, and Land Surveyors (2 do pass, 2 no rec) .....L&C to FIN
- SB 83: Telehealth reimbursement rates (2 do pass, 1 do not pass, 1 amend) .....HSS to FIN

## Senate Floor Actions

- SB 47: Chugach State Park .....PASSED 18-1

## 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." 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).

## SB 125: Alaskans to invest in gas pipeline

Sen. Rob Yundt, R-Mat-Su, introduced SB 125 last week to establish a state-owned Alaska Gasline Finance Corp. as a vehicle for Alaska citizens to buy shares in a gas pipeline that the finance corporation would help fund. Citizens use their Permanent Fund Dividends to make the purchases. A minimum purchase of \$2,500 would be required. A hearing has been set this Friday, March 21, in the Senate Resources Committee.

## HB 131, SB 124: Multistate nurse licensing

The governor has introduced bills in the House and Senate to allow Alaska to join the multistate nurse licensing compact, which would allow licensed nurses to come to Alaska and work without the delays faced in securing an Alaska license. Health providers, who need nurses, strongly support the bill. An Alaska nurses union opposes it, however, which has prompted the state's influential AFL-CIO to also oppose it.

## Coming this week:

- Deferred maintenance, state facilities: House Finance Committee, Monday

## . . . Business . . .

### **Senate Finance Committee starts work on SB 111, state income tax on digital sales corporations**

The Senate Finance Committee started work on SB 111 last week, a bill imposing a state corporate income tax on out-of-state corporations doing digital business in Alaska, a type of commerce now taxed in many states but not in Alaska. Sen. Bill Wielechowski, D-Anch, is the sponsor. Estimates are that the tax would result in \$25 million to \$65 million in new revenues. The tax would be paid by the out-of-state businesses selling to Alaska online but would not result in taxes paid by consumers in Alaska, Wielechowski said. There should also be no product price increases, he said. However, Sen. James Kaufman, R-Anch., a finance committee member, raised questions, saying digital sales companies are skilled in defining costs and targeting surcharges to offset those. No case of that happening has yet been found, Wielechowski aide David Dunsmore told the Senate committee. But there are examples of digital sales prices adjusted upward in higher-income ZIP codes, Dunsmore said.

*This bill could easily become a vehicle for applying a state corporate income tax to oil companies organized as S corporation if SB 92, which does that, gets sidetracked. Sen. Wielechowski had proposed combining the two previously.*

### **Senate continues review of oil and gas tax proposals; Yundt withdraws as SB 92 sponsor**

Work continued last week on proposed oil and gas tax changes. The Senate Resources Committee took up the Senate Rules Committee's SB 112, adjusting downward a per-barrel production tax credit allowed North Slope producers. The bill drops the current \$8-per-barrel maximum tax credit allowed producers to \$5 per barrel and limits the amount of the credits to capital expenditures made by companies in any given year. Sen. Bill Wielechowski, D-Anch., the prime mover behind SB 112, has pushed the proposal for several years and cited modeling by the Department of Revenue in 2022 which showed the \$8 to \$5 reduction in the credit would have no effect on investment. However, there are questions as to how thorough the 2022 modeling was and whether there has been any recent work. Generally, any reduction of revenue to a producer will have some kind of impact.

There were a lot of questions as to how the restrictions of credits to capital expenditures would really work. It isn't clear what acreage unit the expenditure link would apply to, for example to a large producing unit or a specific lease, which would be much smaller. There were also concerns that linking the credits to spending could encourage "gold plating," or spending money to get credits, which was a problem in the older pre-2013 state production tax that preceded the present tax law. On Friday the Senate committee continued its review of Sen. Rob Yundt's SB 92, imposing a state corporate income tax on oil producers organized as "S" corporations. In practice the new tax would mainly apply to Hilcorp Energy, a major North Slope producer. *Interestingly, Yundt withdrew as a sponsor and now the bill is sponsored by the Senate Resources Committee.*

### **Coming this week:**

- Deferred maintenance, University of Alaska: Senate Finance Committee, Tuesday

## **. . . Resources/Regulatory . . .**

### **Bill to allow finfish farming gets cool reception in Senate**

The governor's SB 108, to allow finfish farming in enclosed waters excluding salmon, got a cool reception in the Senate Resources Committee last week. Fish and Game Commissioner Doug Vincent-Lang defended the idea, arguing that farming of fish like trout, char, and grayling could be done in enclosed waters safely and would provide opportunities for local jobs and food security supplementing seasonal wild fisheries. Vincent-Lang said there are improved technologies for monitoring water quality and fish health in enclosed fish farms and the industry is growing rapidly worldwide, competing with wild fish products, including in Alaska grocery stores. Feasibility studies are needed to see if the idea is even economic in Alaska but the state can't initiate or participate in these with the current law in place that bans all fish farming. "Someone has to take the first step in this," to test the idea, the commissioner said. There was still skepticism from committee members over concerns for use of antibiotics and other chemicals. Tribal and commercial fisheries groups said they oppose the bill during public testimony.

### **Two seafood bills move in House; others pending**

The House Fisheries Committee moved HB 116, fishing vessel insurance cooperative, and HB 117, setnetter marketing cooperation, on to the House Labor and Commerce Committee last week. HB 116 would ease the tough problems harvesters face in getting loss and liability insurance. HB 117 would deal with some arcane rules for setnetters in selling their fish. More bills aimed at easing problems in the state's troubled seafood industry are expected. One bill still in development would set up a state loan program for small processors for "fish pack" financing, or loans to purchase fish in anticipation of sales later in the fall after processing.

### **DEC plan to assume Section 404 permitting authority reviewed in Senate committee**

The Department of Environmental Conservation, or DEC, has resurrected a proposal for the state to assume "primacy" over federal Clean Water Act Section 404 dredge and fill permits that are now administered by the U.S. Environmental Protection Agency. DEC briefed a Senate Finance subcommittee on the plan last Wednesday. The advantage of "primacy" is that the state would have flexibility to modify the permit program to better fit Alaska conditions and would also involve resident staff familiar with local conditions, where EPA follows national guidelines with Lower 48-based staff. The disadvantage is the cost, which the state must pay. The EPA now pays these costs. Under state management the permit applicants would likely pay fees as done now with federal Clean Air Act permits, which the state administers. DEC is asking for \$1.5 million and five new positions this year to start up the program. It will be developed over three years, the agency told the subcommittee. In 2023 DEC did a feasibility study of 404 program primacy with an estimate that, fully developed, the program would require 32 new staff.

### **Coming this week:**

- Public assistance update: Senate Finance subcommittee, Department of Health, Tuesday

## ... Business ...

### **SB 111: Maintenance, and repair of digital electronic products**

SB 111 sponsored by Sen. Forrest Dunbar, D-Anch., allows consumers to repair their own digital equipment, overriding manufacturers' restrictions. The bill was up in the Senate Community and Regional Affairs Committee last week. Alaskans like to be self-sufficient and "make things work, and in remote areas we need to make things work," Dunbar said. The bill allows access to information and tools needed to repair digital equipment such as kitchen appliances, farm equipment, ATVs and more. With manufacturers locking down the ability for small repair shops to fix products, either by designing them to be difficult or not releasing information that could aid in the repair it puts a financial strain on people by having to bring devices to larger communities for repair or sending them to the Lower 48, or being forced to purchase new equipment.

There were differing views expressed to the committee: Scott Schloegel, of the Motorcycle Industry Council, cited concerns over non-factory trained technicians and mechanics working on vehicles and suggested excluding off-highway vehicles as Colorado, Massachusetts, Minnesota, and New York have done in similar legislation. There were supporters for SB 111, too. They included Green Star Interior Alaska and iFixit, a repair company with repair guides and tools for consumer devices. Elizabeth Chamberlain, sustainability director for iFixit, said: "Last year, about one in 15 Alaska residents used iFixit to help them fix something." The bill was held for a second hearing.

### **Legislation introduced to create state agriculture department in lieu of governor's order**

The Senate Rules Committee introduced SB 128 last Wednesday to create a state Department of Agriculture in lieu of the governor's Executive Order creating one. A House version is expected in this week. The advantage of a bill is that it allows ideas to be vetted in committees, with public participation, where an Executive Order goes into effect as written. The new department would replace the current Division of Agriculture, which is in the Department of Natural Resources.

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