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## **City of Unalaska Legislative Report** **5/15/23**

We're into the final, final stretch of the regular session and no real resolution on the budget as the House and Senate hold firm on their spending priorities—the House holding for the \$2,700 PFD and the Senate insisting that they stay within their means. The Senate has held onto the budget to maximize its leverage over a House.

Last week, the Senate Finance Committee introduced a “turducken” budget that packs together the operating and capital budgets into one giant package. With this strategy by the Senate, the House would not really have any opportunity to put its own stamp on the capital budget. The Senate’s operating budget was rewritten from a House proposal, but the Senate’s capital budget has not left that chamber yet this year, which means that if it heads to the House as part of the turducken, members’ only chance to weigh in on it will be in a simple up-or-down vote. With only six days left in session, legislators say there is not enough time left for a conference committee.

The Senate’s latest iteration of the budget just balances—if oil prices don’t fall by any more than a dollar below forecasts—and takes a new approach to the dividend that mirrors the thinking behind the Senate’s PFD bill. They’ve set up a system with a shot at a larger dividend, but *only* if the state’s financial health vastly improves. It starts with the \$1,300 PFD that doesn’t require a draw on savings and grows it if oil exceeds the \$83 mark, up to the House-favored \$2,700 *if* oil reaches \$105 a barrel (they’re forecasted in the low \$73s currently) for the year’s average.

If the House does not concur with the Senate’s changes, the operating budget would return to the Senate to give them a chance to return to the House version of the proposal, which is not likely. This leaves three additional scenarios:

- The Legislature votes to extend the session for 10 days. This requires a two-thirds vote from each body.
- Gov. Dunleavy calls a special session. He has one hour after the Legislature adjourns to do this without giving legislators a normal, 30-day notice. He can either start the new session immediately or give lawmakers a break and start it toward the end of May or early June.
- The Legislature calls itself into its own special session. This also requires a two-thirds vote of the Legislature.



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Committee hearing will seize this week and is anticipated that the Senate will pass the budget to the house on Monday. It is not looking so good for adjournment on May 17<sup>th</sup>.

**SB 107** passed the Senate last week but remains in the House with no meetings scheduled this week. This legislation would permanently change the Permanent Fund dividend formula to 25/75, with a trigger for it to change to 50/50 if lawmakers agree to raise \$1.3 billion in new revenue and if the CBR holds at least \$3.5 billion by 2031. At this point, it does not appear that the House Majority is supportive of this legislation, but it is scheduled for its first House hearing today at 6 pm in the House Ways and Means Committee.

**SB 48**, Governor Dunleavy's carbon credits bill, is anticipated to pass by the Senate and be transmitted to the House early this week.

**SB 122**, an internet tax bill, was heard in the Senate Finance Committee last Wednesday. Senate Finance created a new version of this bill which adds the S-Corporation tax portion that was originally part of **SB 114**, the oil and gas tax bill. This newly added section creates a 9.4% tax on income over \$4 million per year on oil and gas entities other than corporations. Both bills are still in Senate Finance.

**SB 123**, license requirements for commercial drivers, has passed both bodies and is in transmittal to the Governor for signature. **This bill would eliminate the 1-year drivers' license requirement for all CDL applicants. AGC has submitted a letter of support for this legislation.**

**SJR 12**, by Senator Bishop, supports the Department of Environmental Conservation's efforts to seek assumption of the dredge and fill permitting program under **Section 404** of the Clean Water Act (CWA) and urges Congress to appropriate funds for states that have assumed primacy. **SJR 12** states that the Alaska State Legislature supports U.S. Congressional action to effectuate Congress's intent that states assume 404 programs by authorizing and appropriating adequate funding for states to assume the Section 404 permitting program. **It is anticipated that a floor amendment will happen to attempt to put the funding back into the budget before transmittal to the House.**



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### Upcoming Schedule

Description	Date, Time & Location
ADAMS 519 -HOUSE FINANCE  -- Please Note Time Change -- += SB41 APPROP: CAPITAL/SUPPLEMENTAL TELECONFERENCED  + Bills Previously Heard/Scheduled TELECONFERENCED	Mon 5/15/23 10:30 AM
ADAMS 519 -HOUSE FINANCE + SB48 CARBON OFFSET PROGRAM ON STATE LAND TELECONFERENCED  + SB75 AUD. & SPEECH-LANG INTERSTATE COMPACT TELECONFERENCED + SB140 INTERNET FOR SCHOOLS TELECONFERENCED + Bills Previously Heard/Scheduled TELECONFERENCED	Mon 5/15/23 1:30 PM
ADAMS 519 -HOUSE FINANCE + HB111 EDUCATION FOR DEAF & HEARING IMPAIRED TELECONFERENCED + SB22 PROCLAIM JUNETEENTH DAY A HOLIDAY TELECONFERENCED + SB67 PFAS: USE FOR FIREFIGHTING, DISPOSAL TELECONFERENCED + Bills Previously Heard/Scheduled TELECONFERENCED	Tue 5/16/23 1:30 PM
DAVIS 106 -HOUSE WAYS & MEANS *+ HB185 INCOME TAX EQUAL TO DIVIDEND TELECONFERENCED + Bills Previously Heard/Scheduled TELECONFERENCED	Tue 5/16/23 6:00 PM

Bill	Title	Prime Sponsor	Status & Upcoming Hearings	Position
<a href="#"><u>HB 3</u></a>	Gold And Silver Specie As Legal Tender	MCCABE	(S) REFERRED TO STATE AFFAIRS (5/12)	

Gold and silver coins would be legal currency in Alaska, and local governments would be forbidden from taxing the buying and selling of gold and silver coins, if to be used as legal tender.

<a href="#"><u>HB 18</u></a>	Fishery Development Assoc.; Assessments	STUTES	(H) REFERRED TO FISHERIES (1/19)	
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The state would help create nonprofit regional fishing cooperatives intended to develop new fisheries in the state. These would be funded by fees paid by fishermen in the area.

<a href="#"><u>HB 21</u></a>	School/university Employee Health Insur	VANCE	(H) Heard & Held (5/8)	
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This Bill amends current statute to create the opportunity for school districts, the University of Alaska, and governmental units such as cities and boroughs to optionally participate in AlaskaCare: state employee healthcare program. These entities would have the choice to opt into the pool as an entire entity, enabling Alaska’s Department of Administration to negotiate a better cost of healthcare.

Local governments and school districts would be able to join the state’s health insurance program.

<a href="#">HB 22</a>	Peace Officer/firefighter Retire Benefits	JOSEPH-SON	(H) -- Please Note Time & Location Change -- (3/23)	
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The state would create a pension program for police and firefighters.

<a href="#">HB 54</a>	Approp: Supplemental; Reapprop; Amending	RULES	(S) <Pending Referral> (4/18)	
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This is the state’s \$105 million supplemental budget, making changes to the budget that lawmakers passed last year. PASSED BOTH BODIES.

<a href="#">HB 63</a>	Repeal Workers' Comp Appeals Commission	RAUSCHER	(H) FIN REFERRAL ADDED AFTER JUD (3/20)	
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House Bill 63 is suggested to save \$433,000 per year by repealing the Alaska Workers’ Compensation Appeals Commission. HB 63 will return jurisdiction over appeals of Workers’ Compensation Board decisions to the Superior Court. Currently the Appeals Commission handles these cases, and their decisions can be appealed to the Supreme Court.

<a href="#">HB 69</a>	Reclassification Of First Class Cities	CRONK	(H) AWAITING TRANSMITTAL TO GOV (5/13)	
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1. Notwithstanding AS 29.04.040, a first class city with a population of less than 400 persons based on the most recent decennial census conducted by the United States Bureau of the Census may be reclassified as a second class city if the council submits a written request to the Local Boundary Commission.

<a href="#">HB 70</a>	Municipal Property Tax Exemptions	TO-MASZEWSKI	(H) Heard & Held (4/13)	
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This bill would include the following to the properties exempt from general taxation:

A parking lot owned by an organization incorporated under state law that is exempt from taxation and used for parking or another use as long as the parking or other use is permitted without charge;

Real and personal property of a store operated by an organization incorporated under state law that is exempt from taxation under 26 U.S.C. 501(c) if the store deals exclusively in donated inventory that is distributed without cost as part of a program to provide needy persons with food,



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shelter, clothing, or health care without charge or sells merchandise below market value to support a literacy program or a program to provide needy persons with food, shelter, clothing, or health care without charge.

<a href="#">HB 74</a>	Geothermal Resources	RULES	(H) REFERRED TO FINANCE (3/15)	
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This bill removes obstacles for exploration and development of Alaska's geothermal resources. The bill updates the definition of "geothermal resources" to allow for modern uses. The bill also increases the time available for exploration from three years to five years.

<a href="#">HB 79</a>	Approp: Supplemental	RULES	(H) EFFECTIVE DATE(S) OF LAW 4/1/23 (4/3)	
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This is the governor's supplemental budget for the current fiscal year, covering urgent needs including SNAP benefits and public defenders.

<a href="#">HB 84</a>	Muni Prop Tax Exemption/tax Blighted Prop	SUMNER	(H) Heard & Held (3/21)	
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Legislation giving municipalities new tools to encourage redevelopment of blighted property is moving quickly. SB 77, by Sen. Dunbar, moved out of the House Community and Regional Affairs Committee last Tuesday, April 18. The House companion is HB 84 by Rep. Sumner. That bill is in the House C&RA committee also, but since the senate bill came first it is now the primary vehicle. Both bills have bipartisan cosponsors and Rep. McCabe developed a definition in the House committee, now in SB 77 as an amendment, of what constitutes "blight." Witnesses in hearings said the term needs definition because without it municipalities will set differing standards to the disadvantage of property owners. A city or borough would be able to tax properties that it deems "blighted."

<a href="#">HB 133</a>	Public Meetings: Exempt Muni Svc Area Bds	SUMNER	(H) Heard & Held (4/27)	
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This bill primarily removes the capitalize words in section (8)'s exemptions of open meetings act, -meetings of municipal service area boards established under AS 29.35.450 - 29.35.490 [WHEN MEETING SOLELY TO ACT ON MATTERS THAT ARE ADMINISTRATIVE OR MANAGERIAL IN NATURE].

<a href="#">HB 134</a>	Property Transfer Tax; Muni Telecomm Tax	COU-LOMBE	(H) SUMNER, STAPP (4/28)	
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A borough may not levy or collect a sales or use tax on the transfer of real property. This subsection applies to home rule and general law municipalities.

<a href="#">HB 142</a>	State Sales And Use Tax	CARPENTER	(H) Heard & Held -- Delayed to 6:20 PM -- (3/29)	
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HB 142 levies a 2% sales tax on the purchase or lease of personal property, and the sale services.



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There are several exemptions, including: financial and lending services; sales to or from the US or State Government; municipalities are exempt\*except for sales by utilities; wages and services between employers and employees and services contracted within a company/business are exempt as well. Transactions between business partners or holders of joint interests are exempt, as well as, the sale, lease and/or construction of real property (more exemptions can be found in the key provisions.)

This bill authorizes entering into the “Streamlined Sales and Use Tax Agreement” or SSUTA. SSUTA is used by 44 states and helps to “simplify and make more uniform the sales and use tax collection and administration for retailers and states.” In addition to administrative services the program assists remote sellers selling over the internet and by mail to collect taxes.

Section 43.44.250 (page 12) the bill provides that the revenue generated by the sales tax would be put into the general fund, but that the legislature may appropriate half to municipalities.

<a href="#">HB 156</a>	Income Tax	GALVIN	(H) Heard & Held (4/17)	
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<a href="#">HB 170</a>	Misuse Of Pub. Officer Official Position	CRONK	(H) REFERRED TO JUDICIARY (4/24)	
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<a href="#">HB 173</a>	Public Construction Contracts Wage Rates	MCCABE	(H) REFERRED TO STATE AFFAIRS (4/24)	
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HB 173 would change the threshold that applies to a public construction contracts which exceed \$150,000.

<a href="#">HB 180</a>	Commercial Salmon Fishery Closure	CRONK	(H) REFERRED TO FISHERIES (4/26)	
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<a href="#">HB 185</a>	Income Tax Equal To Dividend	FIELDS	(H) WAYS & MEANS at 06:00 PM DAVIS 106 (5/16) 05/16/23 6:00 PM in DAVIS 106	
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<a href="#">HB 193</a>	Internet For Schools	HOUSE FINANCE	(H) -- MEETING CANCELED -- (5/12)	
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<a href="#">HJR 5</a>	Alaska Fisheries; Troll Fisheries	HIM-SCHOOT	(H) AWAITING TRANSMITTAL TO GOV (3/22)	
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This is a ceremonial resolution stating that the federal government and state officials should defend the Southeast Alaska troll salmon fishery against a lawsuit filed by environmental groups in Washington state.



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<a href="#">SB 11</a>	Teachers & Pub Employee Retirement Plans	KIEHL	(S) REFERRED TO LABOR & COMMERCE (1/18)	
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All public employees would be enabled to choose between the state's existing 401k-style retirement program or a new pension program.

<a href="#">SB 14</a>	Retire Incen Prog: Pub Employees/teachers	KAWA-SAKI	(S) REFERRED TO LABOR & COMMERCE (2/22)	
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School districts would be able to create incentive programs to encourage employees to retire early in order to cut staff.

<a href="#">SB 35</a>	Peace Officer/firefighter Retire Benefits	KAWA-SAKI	(S) REFERRED TO LABOR & COMMERCE (1/18)	
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The state would create a pension program for police and firefighters.

<a href="#">SB 39</a>	Disclosure Of Wage Information	DUNBAR	(S) REFERRED TO LABOR & COMMERCE (1/18)	
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An employer would be required to post the wage, salary or salary range of a job when they advertise a vacancy and seek to hire someone.

<a href="#">SB 69</a>	Geothermal Resources	RULES	(S) Heard & Held **Streamed live on AKL.tv** (5/12)	
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This bill removes obstacles for exploration and development of Alaska's geothermal resources. The bill updates the definition of "geothermal resources" to allow for modern uses. The bill also increases the time available for exploration from three years to five years.

<a href="#">SB 77</a>	Muni Prop Tax Exemption/tax Blighted Prop	DUNBAR	(H) Heard & Held -- Delayed Until 2:15PM -- (5/5)	
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Legislation giving municipalities new tools to encourage redevelopment of blighted property is moving quickly. SB 77, by Sen. Dunbar, moved out of the House Community and Regional Affairs Committee last Tuesday, April 18. The House companion is HB 84 by Rep. Sumner. That bill is in the House C&RA committee also, but since the senate bill came first it is now the primary vehicle. Both bills have bipartisan cosponsors and Rep. McCabe developed a definition in the House committee, now in SB 77 as an amendment, of what constitutes "blight." Witnesses in hearings said the term needs definition because without it municipalities will set differing standards to the disadvantage of property owners. A city or borough would be able to tax properties that it deems "blighted."



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<a href="#">SB 79</a>	Reclassification Of First Class Cities	BISHOP	(S) <Bill Hearing Canceled> (4/20)	
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Notwithstanding AS 29.04.040, a first class city with a population of less than 400 persons based on the most recent decennial census conducted by the United States Bureau of the Census may be reclassified as a second class city if the council submits a written request to the Local Boundary Commission.

<a href="#">SB 88</a>	Retirement Systems; Defined Benefit Opt.	GIESSEL	(S) Heard & Held (5/13)	
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A new version of SB 88, the public employee and teachers' Defined Benefit, or DB option for pensions, was introduced last week in the Senate Labor and Commerce Committee and moved out of the committee to Senate Finance. The new version has changes to the original SB 88, one being increasing the range of employee cost share from 8 percent to 12 percent if the pension portfolio underperforms in returns. Other changes are mainly technical in resolving transition problems from the current Defined Contribution 401(k) type, or DC plan to the option of a DB plan for traditional pensions.

SB 88 establishing a new defined benefit retirement plan for police officers and firefighters, teachers, and all other public employees. The lack of a Defined Benefit plan is said to be making Alaska uncompetitive with other states, causing outmigration of families and our workforce.

<a href="#">SB 128</a>	Commercial Salmon Fishery Closure	OLSON	(S) Heard & Held (5/12)	
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<a href="#">SB 140</a>	Internet For Schools	HOFFMAN	(H) FINANCE at 01:30 PM ADAMS 519 (5/15) 05/15/23 1:30 PM in ADAMS 519	
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