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City of Unalaska Legislative Report **4/14/24**

The Senate and House met the negotiated deadline for exchanging the capital and operation budgets late Friday evening. However, significant discrepancy exists between the two bodies in terms of their allocation and prioritization of revenues. This substantial gap, amounting to hundreds of millions of dollars, suggests differing perspectives on how best to allocate current and future resources to address the needs and priorities of the state.

The Office of Management and Budget introduced an amendment package that includes updates to the DOT Statewide Transportation Improvement Program (STIP). These revisions were necessary to bring the STIP in compliance with federal requirements and have now received approval. The Senate's capital budget incorporates these changes, which may have contributed to the committee's decision to push the bill to the last minute.

Here are some initial highlights of the capital budget:

- The balance of the Alaska Liquefied Natural Gas Project Fund is being redeployed for the cost of shutting down the Alaska Gasline Development Corporation. The House cut the salaries of the corporation's two highest-paid executives; this action in the Senate would mothball the organization entirely.
- \$10 million of cruise ship head taxes for port electrification projects to reduce cruise ship emissions while they are docked.
- The bill includes roughly \$90 million of named-recipient and municipal grants. Named-recipient grants are most used to fund a community or organization to complete a special project. They are frequently assigned based on prioritizations made by the capital budget chair and senators or representatives from the impacted district. Often, very little information is given about these projects during the legislative process, and there is minimal scope beyond a project title to guide the public in understanding how the money will be spent. A couple of examples from the bill include:
 - \$7.5 million to SeaShare to complete a seafood security and processing sector resiliency project.
 - \$300,000 to the Bethel Family Clinic for equipment to complete a dental expansion.
 - \$750,000 to Habitat for Humanity to develop parcels for new multi-unit homes.
 - \$1 million to Anchorage for replacement of the Starner St. Bridge.



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- \$36.2 million for major maintenance grants to school districts.
- \$21.6 million for phase one of the replacement of the Nelson Island school.
- \$5 million increase to weatherization grants through the Alaska Housing Finance Corporation.
- **\$228,000 Captain's Bay Road CTP award**

All in, the state House and Senate planned to spend \$550 million in state dollars on capital projects. When federal funding is included, the capital budget nears \$4 billion.

There continues to be some disagreement between the House and Senate on the sustainability of the budget that passed the House. The Senate argues that there are outstanding issues that erase the surplus that the House currently shows on paper. These issues include fiscal notes, wildfire suppression, federal requirements for education funding, and potential match for energy grants.

Despite spending six weeks on the House calendar, House Joint Resolution 7, sponsored by Rep. Ben Carpenter which aimed to enshrine the Permanent Fund dividend in the constitution as an annual payout without specifying the formula or revenue source fell short of advancing, lacking the necessary 27 votes for passage, with only 22 yes votes.

The dialogue and exchanges during the debate process sheds light on the deep divisions within the House majority and underscores the challenges they may encounter during the final budget vote.

The House Finance Committee took up two bills related to the Cook Inlet natural gas shortage last week. HB 223, reducing the state royalty on new gas production, and HB 387, tax incentives to move a second "jack up" rig to the Inlet, were both held in committee. A jack-up rig is a specialized drill rig used for offshore exploration drilling. One jack-up rig now in the Inlet is fully committed, and a second rig is needed to drill new gas wells.

Additionally, royalty reduction in HB 223 or HB 393 are seen as the quickest way to secure new production of natural gas in time to offset a predicted decline, at least partly, in gas supplies starting in 2027. There are proven undeveloped gas reserves in the Kitchen Lights field where complex overriding royalties to equity partners are complicating the financing of new wells. Reducing the state royalty is seen as a quick solution, at least for the short term.

This week will be focused on each body adding their edits to the operating and capital budgets to send back to the originator. If the changes are not accepted, both bodies will appoint members to serve on the conference committee to hash out the differences. There remains optimism for adjournment on or around May 12th.



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Upcoming Schedule

Description	Date, Time & Location
SENATE FINANCE 532 -SENATE FINANCE *+ HB268 APPROP: OPERATING BUDGET; CAP; SUPP; AM TELECONFERENCED *+ HB270 APPROP: MENTAL HEALTH BUDGET TELECONFERENCED + Bills Previously Heard/Scheduled TELECONFERENCED	Wed 4/17/24 9:00 AM
GRUENBERG 120 -HOUSE JUDICIARY += HB386 OBSTRUCTION OF PUBLIC PLACES; TRESPASSING TELECONFERENCED -- Public Testimony -- += HB338 PHYS LBLTY: GENDER TRANS PROCEDURE;MINORS TELECONFERENCED -- Public Testimony -- += HB105 SEX/REPRODUCTION EDUCATION; SCHOOLS TELECONFERENCED + Bills Previously Heard/Scheduled TELECONFERENCED	Wed 4/17/24 1:00 PM
ADAMS 519 -HOUSE FINANCE += HB269 APPROP: CAP; REAPPROP TELECONFERENCED + SB187 APPROP: CAP; REAPPROP TELECONFERENCED + Presentations: TELECONFERENCED - Governor's Budget Amendments by Office of Management and Budget - Statewide Transportation Improvement Program (STIP) Update by Department of Transportation and Public Facilities - Grid Resilience and Innovation Partnership Federal Funding and Match Requirement by Curtis Thayer, Executive Director, Alaska Energy Authority + Bills Previously Heard/Scheduled TELECONFERENCED	Wed 4/17/24 1:30 PM
BUTROVICH 205 -SENATE RESOURCES + Presentation: Alaska Hydrogen Opportunities by Alaska Hydrogen Working Group, Alaska Center for Energy and Power, University of Alaska Fairbanks Erin Whitney, Director, Department of Energy Arctic Energy Office + Bills Previously Heard/Scheduled TELECONFERENCED **Streamed live on AKL.tv**	Wed 4/17/24 3:30 PM



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Description	Date, Time & Location
BARNES 124 -HOUSE COMMUNITY & REGIONAL AFFAIRS += SB161 TAX EXEMPTION FOR FARM LAND/STRUCTURES TELE- CONFERENCED -- Testimony -- += HB134 PROPERTY TRANSFER TAX; MUNI TELECOMM TAX TELE- CONFERENCED -- Testimony -- += HB30 OBSERVE DAYLIGHT SAVING TIME ALL YEAR TELECON- FERENCED -- Public Testimony -- + Bills Previously Heard/Scheduled TELECONFERENCE **Streamed live on AKL.tv**	Thu 4/18/24 8:00 AM
ADAMS 519 -HOUSE FINANCE + HB74 GEOTHERMAL RESOURCES TELECONFERENCE + HB388 COOK INLET RESERVE-BASED LENDING TELECONFERENCE + Bills Previously Heard/Scheduled TELECONFERENCE	Fri 4/19/24 1:30 PM

Bill	Title	Prime Sponsor	Status & Upcoming Hearings	Position
HB 3	Gold And Silver Specie As Legal Tender	MCCABE	(S) Heard & Held (2/8)	

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.

HB 18	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.

HB 21	School/university Employee Health Insur	VANCE	(H) Minutes (HFIN) (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.

HB 22	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.



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HB 63	Repeal Workers' Comp Appeals Commission	RAUSCHER	(H) REFERRED TO FINANCE (2/2)	
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HB 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.

HB 70	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, 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.

HB 74	Geothermal Resources	RULES	(H) FINANCE at 01:30 PM ADAMS 519 (4/19) 04/19/24 1:30 PM in ADAMS 519	
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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.

HB 84	Muni Prop Tax Exemption/tax Blighted Prop	SUMNER	(H) Minutes (HCRA) (3/21)	
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SB 77 Companion Bill

HB 100	Paid Family Leave	ARM-STRONG	(H) REFERRED TO FINANCE (2/2)	
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HB 133	Public Meetings: Exempt Muni Svc Area Bds	SUMNER	(H) Heard & Held (4/2)	
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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].



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<u>HB 134</u>	Property Transfer Tax; Muni Telecomm Tax	COU- LOMBE	(H) -- Testimony <Invitation Only> -- (4/18) 04/18/24 8:00 AM in BARNES 124	
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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.

<u>HB 142</u>	State Sales And Use Tax	CARPEN- TER	(H) DISCHARGE FROM W&M RULE 48 FAILED Y17 N23 (4/11)	
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HB 142 levies a 2% sales tax on the purchase or lease of personal property, and the sale services.

<u>HB 156</u>	Income Tax	GALVIN	(H) DISCHARGE FROM W&M RULE 48 FAILED Y20 N20 (4/11)	
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HB 156 – There would be a state income tax of \$20 for people earning less than \$200,000 per year, and anyone earning more than that would also pay 2% of their earnings above \$200,000.

<u>HB 170</u>	Misuse Of Pub. Officer Official Position	CRONK	(H) Minutes (HJUD) (1/29)	
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<u>HB 173</u>	Public Construction Con- tracts Wage Rates	MCCABE	(H) -- Public Testimony <Time Limit May Be Set> -- (4/16)	
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HB 173 would change the threshold that applies to a public construction contracts which exceed \$150,000.

<u>HB 180</u>	Commercial Salmon Fish- ery Closure	CRONK	(H) REFERRED TO FISHERIES (4/26)	
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<u>HB 185</u>	Income Tax Equal To Dividend	FIELDS	(H) -- MEETING CAN- CELED -- (5/16)	
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HB 185 – The state would have an income tax equal to the amount of the year’s Permanent Fund dividend, with the income tax on nonresidents and Alaskans with incomes above \$75,000 for individuals and \$150,000 for couples.

<u>HB 193</u>	Internet For Schools	HOUSE FI- NANCE	(H) EFFECTIVE DATE(S) OF LAW 3/28/24 (3/28)	
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<u>HB 200</u>	Gaming; Electronic Pull- tabs	RULES	(H) REFERRED TO FI- NANCE (4/1)	
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<u>HB 203</u>	Payment Of Wages; Pay- roll Card Account	SUMNER	(H) REFERRED TO RULES (3/21)	
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HB 333	Tax Credit Child Care/utility/house/food	RULES	(H) Heard & Held (3/6)	
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HB 347	Property Assessment	COU-LOMBE	(H) -- Invited & Public Testimony -- -- MEETING CANCELED -- (4/8)	
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HJR 16	Jones Act Waiver: Transport Oil Rigs	MCKAY	(H) REFERRED TO TRANSPORTATION (1/16)	
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SB 11	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.

SB 14	Retire Incen Prog: Pub Employees/teachers	KAWASAKI	(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.

SB 20	Appropriation Limit; Gov Budget	KAUFMAN	(S) Heard & Held (4/12)	
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SB 20 - The state's statutory spending cap would be set to an average of 11.5% of the state's gross domestic product over the preceding five years.

SB 35	Peace Officer/firefighter Retire Benefits	KAWASAKI	(S) REFERRED TO LABOR & COMMERCE (1/18)	
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The state would create a pension program for police and firefighters.

SB 39	Disclosure Of Wage Information	DUNBAR	(S) REFERRED TO LABOR & COMMERCE (1/18)	
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SB 39- 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.

SB 69	Geothermal Resources	RULES	(S) Heard & Held (1/22)	
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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.



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SB 77	Muni Prop Tax Exemption/tax Blighted Prop	DUNBAR	(H) REFERRED TO RULES (5/16)	
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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.”

SB 79	Reclassification Of First Class Cities	BISHOP	(S) Minutes (SCRA) (4/25)	
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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.

SB 88	Retirement Systems; Defined Benefit Opt.	GIESSEL	(H) REFERRED TO STATE AFFAIRS (2/5)	
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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 107	Permanent Fund Dividend; Pomv Split	SENATE FINANCE	(H) REFERRED TO RULES (4/11)	
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SB 107 – There would be a new formula for setting the Permanent Fund dividend; 25% of the annual transfer from the Permanent Fund to the state treasury would be reserved for dividends, and the other 75% would be reserved for services. The Senate passed this in 2023, but the House has not passed it.

SB 128	Commercial Salmon Fishery Closure	OLSON	(S) Minutes (SJUD) (5/12)	
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SB 140	Edu: Internet/charter/transp./funding/bsa	HOFFMAN	(S) RETURNED TO THE GOVERNOR FOR PERMANENT FILING (3/20)	
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SB 146	Gaming; Electronic Pull-tabs	RULES	(S) -- Invited & Public Testimony -- (4/19) 04/19/24 1:30 PM in BELTZ 105 (TSBldg)	
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SB 158	School Grants And Bond Debt Reimbursement	MYERS	(S) Heard & Held (4/10)	
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SB 167	Municipal Property Tax Exemptions	MYERS	(S) REFERRED TO COMMUNITY & REGIONAL AFFAIRS (1/16)	
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SB 179	Property Transfer Tax; Muni Telecomm Tax	BJORK-MAN	(H) REFERRED TO COMMUNITY & REGIONAL AFFAIRS (4/5)	
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SB 186	Approp: Operating Budget; Cap; Supp; Am	RULES	(S) Minutes (SFIN) (2/22)	
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SB 186 – This is the Senate version of the state’s annual operating budget.

SB 187	Approp: Cap; Reapprop	RULES	(H) <Pending Referral> (4/18) 04/17/24 1:30 PM in ADAMS 519 04/18/24 1:30 PM in ADAMS 519	
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SB 187 – This is the Senate version of the state’s annual capital construction and renovation budget.

SB 200	Trs Contr Rate; Pers Soc Security Or Sbs	STEDMAN	(S) Heard & Held (3/25)	
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SB 237	Tax Credit Child Care/utility/house/food	RULES	(S) -- Invited & Public Testimony -- (4/15) 04/15/24 1:30 PM in BELTZ 105 (TSBldg)	
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SB 242	Property Assessment	KIEHL	(S) <Above Item Removed from Agenda> (3/12)	
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SJR 4	Const. Am: Approp Limit	KAUF-MAN	(S) Heard & Held (4/12)	
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SJR 4 - The Alaska Constitution’s spending limit would be tightened.