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## Legislative Update:

The last 48 hours of the special session were a rollercoaster and a nail-biter to the very last minute. In the end the House canceled its last floor session, leaving the Senate with no options except to either pass or not pass [HB 3003](#), the appropriations bill, exactly as received from the House. With the House gone and unavailable to concur with any changes, any effort by the Senate to make even the slightest change would effectively kill the bill. For the Senate, it was an unusual take-it-or-leave-it situation. With no other options, the Senate decided to take it rather than leave it, passing HB 3003 by a vote of twelve yeas to seven nays. The effective date clauses were adopted by a vote of sixteen yeas to two nays.

The biggest issue up for debate was the amount of the PFD, and whether a larger PFD should be paid out. The PFD was left set at \$1,100.00, for now. There's disagreement between the governor and some members of the legislature as to whether the \$1,100 for the PFD is fully funded. Part of the funding comes from the Statutory Budget Reserve Fund, which the governor contends was swept into the Constitutional Budget Reserve Fund at the end of the last fiscal year. Senator Stedman noted that the Legislative Legal Services interpretation is that the SBR was not swept (due to the court ruling in the Power Cost Equalization case). This may end up being another issue that gets resolved in the court system.

On the education front, HB 3003 includes funding for the Alaska Performance Scholarship program and the Alaska Education Grant fund, the WWAMI program and \$9.3 million in federal funds (new) for the Individuals with Disabilities Education Act (IDEA). The governor requested the addition of 13 renewable energy projects around the state. Additionally, there is \$10.4 million in federal relief for tourism and \$1 million for economic development. There is an additional \$60 million in federal relief funds to respond to Covid, including \$1.25 million for public health nursing. Funding is for additional testing and vaccines, expanding lab capacity, additional response and for an "initiative to address covid-19 among high risk, rural and underserved Alaskans." Many of these additional items were requested by the governor and approved by the legislature. The bill cleaned up some of the items the governor had previously vetoed or that had hollow funding because of the failed reverse sweep vote. However, not all items were resolved and many items are still only partially funded, including school bond debt reimbursement, REAA school construction and maintenance funds, community assistance, and the harbor grant program. It is anticipated that these items will be addressed in a supplemental bill at the beginning of the next regular session in January 2022.

Having passed the legislature, HB 3003 now goes to the governor for signature or for veto of any items. Conjecture over whether the governor would veto the PFD because it is too low or just call the legislature back into another special session was quickly snuffed when, within hours of the Senate gaveling out, the governor announced a *fourth* special session to begin on October 1, with a fiscal plan on the call. He also confirmed he would not veto the \$1,100 PFD but is still hoping for an increased PFD.

The last special session was supposed to address a fiscal plan, but there wasn't enough time or consensus to finish this issue. The House Ways and Means and both Finance Committees held numerous reviews of existing or new legislation on the topic, and some things have worked their way through the Senate. The Senate Finance committee substitute for SB53, the Governor's 50/50 bill, has the most momentum at the moment. Senate Finance proposes that the governor's 50/50 plan could occur, if somewhere around \$700 million in new revenue is identified and enacted. As a quick reminder, the 50/50 plan proposes spending half of the earnings reserve on government services and half for the annual PFDs. The new revenue sources with the most traction are a motor fuels tax, education head tax, a sales tax of 2 to 4 percent, or adjusting the per barrel oil tax credit and closing the Hilcorp tax loophole. There is, however, no consensus on which tax, or combination of taxes, to move forward with at this point in time. Until revenue measures are enacted, the PFD would be stair-stepped with increases starting at \$1,100 this year, \$1,100 in 2022, \$1,200 in 2023, \$1,300 in 2024 and dividends beyond 2024 adjusted for inflation. The dividends would continue to increase until the 50/50 plan can be fully implemented alongside revenue measures. SB53 gained steam in the last days of session but ultimately didn't pass out of the Senate chambers.

Last, through SB3006 the governor attempted to address some Covid related issues and provide additional resources for DHSS to respond to the needs of hospitals and the healthcare system. SB3006 was originally focused on relaxing rules on background checks and telehealth, but expanded in the Senate to include vaccination rights (including to preempt municipal actions). These additions were removed in the House. The House, by amendment, then added provisions that limited a hospital's ability to limit patient visits. Some of the hospitals and related associations requested that the bill not move forward since it was counter, in their view, to public health and COVID mitigation measures. The bill was effectively killed when it was removed from the House floor and sent back to the Rules Committee. The governor has the ability to authorize a new disaster declaration which would have the same impact but he has failed to do so thus far.

These are, to say the least, unusual times in the history of Alaska government. J&H Consulting will continue to keep you updated.

Chris and Reggie  
J&H Consulting