



**Northwest Arctic Borough School District  
March 30, 31, and April 1st, 2025  
Alaska State Legislature  
Juneau, Alaska**

***Sunday, March 30***

5:00 pm door open at John and Dawn Walsh's house 1316 2<sup>nd</sup> Street in Douglas  
Dinner starts at 5:30



***(Rep. Burke with the NWABSD Team)***

***Main Topics Discussed:***

Need for BSA increase and stable funding  
Need for school construction and maintenance funding  
Issues with matching funds  
Status of Deering School and need for funding for the pad and water and sewer

***Monday, March 31***

9 am Rep. Schrage (staff Eric Gunderson), 907-465-4931  
12:00 Rep. Galvin, Rm. 502, 907-465-3875  
1:15 Rep. Nelson (R) Room 426, 907-465-4998

1:30 Sen. Olson (D) Room 508, 907-465-3707  
2:10 Michael Butikofer, PE, Facilities Manager, DEED Offices SOB building, 333 Willoughby Ave., 9<sup>th</sup> floor  
4:30 - 4:45 Rep. Holland (NP) Room 418, 907-465-4945

***Tuesday, April 1***

8:30 Rep. Stapp (R) Room 500, 907-465-3004  
9:30 Rep. Eischeid (D) Room 412, 907-465-2095  
10:00 Sen. Myers (R) Room 7, 907-465-3719  
10:15 Rep. Tomaszewski (R) Room 405, 907-465-4457  
10:30 Rep. Bynum Room (R) 400, 907-465-3824  
11:00 Sen. Yundt (R) Room 417, 907-465-3878  
11:15 Rep. Burke (D) Room 108, 907-465-3473  
11:30 Sen. Cronk (R) Room 419, 907-465-4527  
2:00 David Landes, Dept. Environmental Conservation, Program Manager, VWS, 907-465-5014, 410 Willoughby, 2<sup>nd</sup> floor



## APRIL LEGISLATIVE UPDATE

Greetings from J&H as we pass the halfway mark of the legislative session. This last week the focus was on several of the state's budgets. The House passed [HB 56](#), the FY 25 fast-track supplemental bill. Because oil has ranged around \$73-74 instead of the projected \$78-per-barrel, this bill fills the nearly \$200 million gap resulting from expenses incurred over the current fiscal year. The bill passed the House on a vote of 21-19. However, the vote to pay for it from the Constitutional Budget Reserve (CBR), which requires a three-quarter vote of the body, failed along caucus lines. This means the bill will go over to the Senate without a funding source. However, there will be an opportunity to revisit the CBR vote when the bill returns to the House for concurrence. Historically, members of the House minority have withheld support for the CBR vote until after the Senate approves the bill, thereby preserving its negotiating leverage. Some of the items in the Supplemental Budget:

- \$29 million for disaster relief.
- \$13 million for wildfire suppression.
- \$6.5 million for ferry maintenance.
- \$1.7 million for the VPSO program.
- \$10 million for Alaska Seafood Marketing Management Program (over a three-year period).

The House Finance Committee passed out a proposed \$14 billion state budget for next year with a \$1.9 billion deficit, due largely to a "full" Permanent Fund Dividend of about \$3,800. The \$1.9 billion deficit in the current House budget would drain most of the \$2.8 billion Constitutional Budget Reserve at a time when the state is facing an uncertain situation due to lower oil prices and general economic uncertainty. It is unlikely that the full PFD will remain in the final budget. Added to the deficit, the House has passed an education bill with a \$1,000 increase that was approved this week by the Senate Education Committee, which would add roughly another \$100 million to the budget. The House is expected to take up the budget beginning Monday, beginning with what will likely be a lengthy number of proposed amendments. Look for changes on the Senate side to the operating budget.

Meanwhile, the Senate Finance Committee introduced a reduced version of [SB57](#) capital budget; a 6-minute video can be found [HERE](#). The new version is pared down from Gov. Dunleavy's proposed FY26 Capital Budget, to include only those items that secure federal match funds. The state match to these federal funds total \$172 million in UGF to leverage \$2.355 billion for a total capital budget of \$2.773 billion. This version removes \$250 million of proposed capital projects that do not leverage federal funds. Some of these items may return in later versions of the draft capital budget. It is not unusual for the Finance Committee to rollout a bare bones version and build back from there, although with declining oil prices and falling stock returns it may be a bare bones capital budget this year. This first SB57 Committee Substitute (CS1) work draft "version I" is posted [HERE](#).

Although serious fiscal issues are confronting the legislature, the budget process is on schedule at this point.

Other significant bills are being heard. The retirement bill, [House Bill 78](#), continues to be heard in House Finance, its only committee of referral in the House. It seeks to address Alaska's public sector workforce challenges by proposing a modified version of the state's former Tier 1 defined benefit pension system for teachers, law enforcement officers, and state and local government employees. A financial analysis of the bill from an independent actuary, Cheiron, showed that the bill would cost around \$600 million between now and FY2039. Another analysis is due from Buck, the state's official actuary. They reviewed a similar bill in prior years and their analysis of cost was much higher. It will be interesting to see their review of the bill. A [presentation by the Alaska Municipal League](#) also provided background information including structural concerns with the way the state shares retirement costs with municipalities, as well as the underlying assumptions and methods used in determining annual payments. Some members of the Senate are opposed to the bill, so it faces an uphill battle on the Senate side.

The oil tax bills are also being heard on the Senate side. These bills would provide a new source of much needed revenue. The Senate Resources Committee moved [Senate Bill 92](#) out of committee and it now moves to the Senate Finance Committee. The bill aims to apply Alaska's 9.4% corporate income tax on C Corps to Hilcorp, which is an S Corp. Some are concerned that if the bill passes, Hilcorp would cut back on their investments in oil and gas development in order to pay the tax, estimated at more than \$100 million a year. Even if the bill passes the Senate, it faces a cold reception in the House. Last week, 16 House members [penned this op-ed in the Anchorage Daily News](#), opposing new oil taxes. Additionally, Governor Dunleavy has consistently vetoed new tax measures.

There is a lot to resolve in the remaining days of the legislative session. The Senate and House will need to find alignment on some significant issues before adjourning. We will be watching the action over the next weeks and continue to provide updates. We will also be providing a separate update on the recent action on education funding.

### Calendar

- April 14-15 – The Foraker Group: **“2025 Leadership Summit: Better Together: Partnering for Good.”** Dena'ina Center; info [HERE](#)
- Thurs April 24 – Alaska Children's Trust: **“Champion for Kids”** info [HERE](#)
- Sun April 20 – 90th Legislative Day
- April 22-24 – AML: **“Alaska Infrastructure Development Symposium”** with U.S. Sen. Murkowski, AFN, AML, BOEM, Denali Commission, ATA, The Foraker Group, ANTHC, AEA, DOT&PF, RurAL CAP, Housing Alaskans, DNR, UA; Dena'ina Center, info [HERE](#)
- Wed April 23 – Commonwealth North: **“Education in Alaska”** w. DEED Commissioner Bishop, ASD Bd Jacobs; Anchorage Museum, 4 to 5:30 p.m.
- Wed May 21 – 121st Legislative Day
- Aug 12-14 – Alaska Municipal League: Summer Legislative Conference; Utqiagvik, info [HERE](#)

Chris and Reggie  
J&H Consulting



## APRIL EDUCATION LEGISLATIVE UPDATE

Last week, the Senate Education Committee moved [HB 69](#) with a committee substitute (see [the bill](#) and the [Sectional Analysis](#) for details). The bill is now in the Senate Finance Committee. Some of the additions to the bill include the following:

- **Class Size Limits:** New provisions that would set target average maximum class sizes; 23 students for grades pre-kindergarten through sixth grade and 30 students for grades seven through twelve. Districts exceeding these limits must report the reasons and plans to comply, with potential eligibility for grant funding at stake to meet these targets. Also note a separate bill has been introduced on class size limits.
- **Open Enrollment Expansion:** The bill facilitates statewide open enrollment, allowing families to choose public schools across districts. Schools may give preference to siblings of current students, children of employees, and military families, with school capacity determined by local school boards.
- **Career and Technical Education Enhancement:** Provisions aimed at boosting career and technical training opportunities for students.
- **Charter Schools:** The state Board of Education would have reduced time to review charter school applications, and appeal processes for denials are established. It also requires the Board of Education, not just the Education Commissioner, to weigh in on charter school application appeals.
- **Homeschooling Funding Requirements:** Requires homeschooled students who receive public funding to participate in standardized testing, alternative assessments, or provide a portfolio. Per the language in the bill, it would only allow allotments to go out if a student “participated in a state standards-based summative assessment or an alternative assessment approved by the department; or submitted a student portfolio based” on established criteria. An amendment delays the implementation to 2026, allowing families and school districts additional time to adjust to the change.
- **Task Force on Education Funding:** The bill establishes a task force to tackle longer term issues, including exploring ways to reduce educational costs and finding other funding opportunities.
- **Academic Progress:** Directs the Department of Education to track and report on academic progress over time.
- **Tracking:** Directs the Departments of Education and Labor to work together to collect long-term data on high school graduates every 5 years until 20 years after graduation.
- **Retained Funds:** Revises the language around how much funding school districts can retain for the management costs of school districts, setting it at 8 percent of funding (the number proposed in the House version) or the actual accrued costs, whichever is lower.
- **Reading Grants:** Additional grants for K-3 students who are not reading at grade level, instead of just offering grants for students who are reading at grade level.

- The **BSA** increase is set at \$1000. This number could be reduced given the state's current fiscal situation.

The bill faces an uphill battle in Senate Finance due to the cost, so some further changes are anticipated. Additionally, Governor Dunleavy has clearly stated his opposition to the bill. In a post on X he said, *"While there was initially positive movement on HB 69, the Senate Education Committee's version falls short of the education reforms Alaskan families deserve and puts inequitable constraints on correspondence school students. Funding alone does not improve outcomes. We need sound policies that boost student achievement and expand learning opportunities. There is still time to pass meaningful reforms that will produce better outcomes for all students rather than restricting choice. This current CS does not pass muster."* From this statement, one would anticipate that the Governor will veto the bill, absent changes. It is unlikely that there are enough votes to override a veto.

There are a lot of large issues to resolve in the remaining weeks of the legislative session. The Senate and House will need to find alignment on some significant issues, including education funding and policy, in order to adjourn. We will be watching the action over the next weeks and continue to provide updates.

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## MID-APRIL LEGISLATIVE UPDATE

With about four weeks left in regular session, much of the focus has turned to moving the various budgets through the legislative process. Today, Governor Dunleavy followed through with his threatened veto of HB 69, the main education funding bill. HB 69 was amended in the legislative process to include a \$1,000 BSA increase, but it removed all policy language that the Governor supported. 40 votes would be required to override the veto. While a vote is likely to take place, it's an open question whether there will be enough votes to succeed. If an override succeeds, the Governor can still veto the school funding appropriation in the budget. Remember that a policy bill can change the funding formula, but the actual funding comes through the budget bill. The governor plans to introduce a new education funding bill that includes some of his policy initiatives along with a \$560 BSA increase and other targeted funding, to bring a total BSA increase of \$700.

The Senate passed [\*\*SB57 Capital Budget\*\*](#) (FIN); CSSB57(FIN) [\*\*HERE\*\*](#), which funds infrastructure projects around the state. The capital budget includes \$162 million in UGF spending, including \$19 million for K-12 school major maintenance. Sen. Bert Stedman (R-Sitka), capital budget co-chair of Senate Finance, said the bill mainly funds projects that are federally funded and just need the required state match. "We prioritized essential statewide services – especially in deferred maintenance and public safety – over district-specific projects," he said. The bill next moves to the House for consideration.

Meanwhile, the House passed [\*\*HB53 Operating Budget\*\*](#) 21-19 on party lines. The House version of the budget now has an approximate Permanent Fund dividend of \$1,400 per person instead of \$4,000. If the \$6.2 billion operating budget passed Wednesday is added to the capital budget draft passed Tuesday by the Senate and a planned supplemental budget needed to fix a deficit in the current fiscal year, total spending is close to \$6.6 billion. The problem is that expected revenue is just \$6.1 billion, leaving a large deficit to fill. The House is proposing to spend from the Constitutional Budget Reserve



(CBR), the state's main savings account, to balance the budget. The Senate has signaled they are unwilling to draw from the CBR. The biggest increase in the budget is from the now-vetoed HB 69. With a \$1,000 increase to the base BSA, the bill represents an \$86 million increase to K-12 public school funding. The fate of this funding will depend on a possible override vote, then a possible line-item veto.

The usual process is for the House to pass the operating budget to the Senate, which makes changes, followed by a conference committee to work out differences. In recent years, however, the Senate has passed an omnibus appropriations bill, nicknamed a 'tur-ducken' budget, which combines all of the budgets into one. The Senate has moved these bill to the House and then gaveled out, leaving the House with the option of concurring with the budget or necessitating a special session.

The Senate has also been hearing several tax bills to generate revenue. The Senate passed **[SB113 Apportion Taxable Income; Digital Business](#)** (SEN RLS). The bill clarifies that online sales to Alaskans amount to business activity within the state so they are taxable. The bill has been transmitted to the House for consideration. The Senate Finance Committee has also been hearing **[SB92 Corp. Income Tax; Oil & Gas Entities](#)** (SEN RES), the bill to eliminate the so-called "Hilcorp loophole". Combined, these two revenue measures are estimated to generate somewhere between \$175 to \$245 million per year in new revenue.

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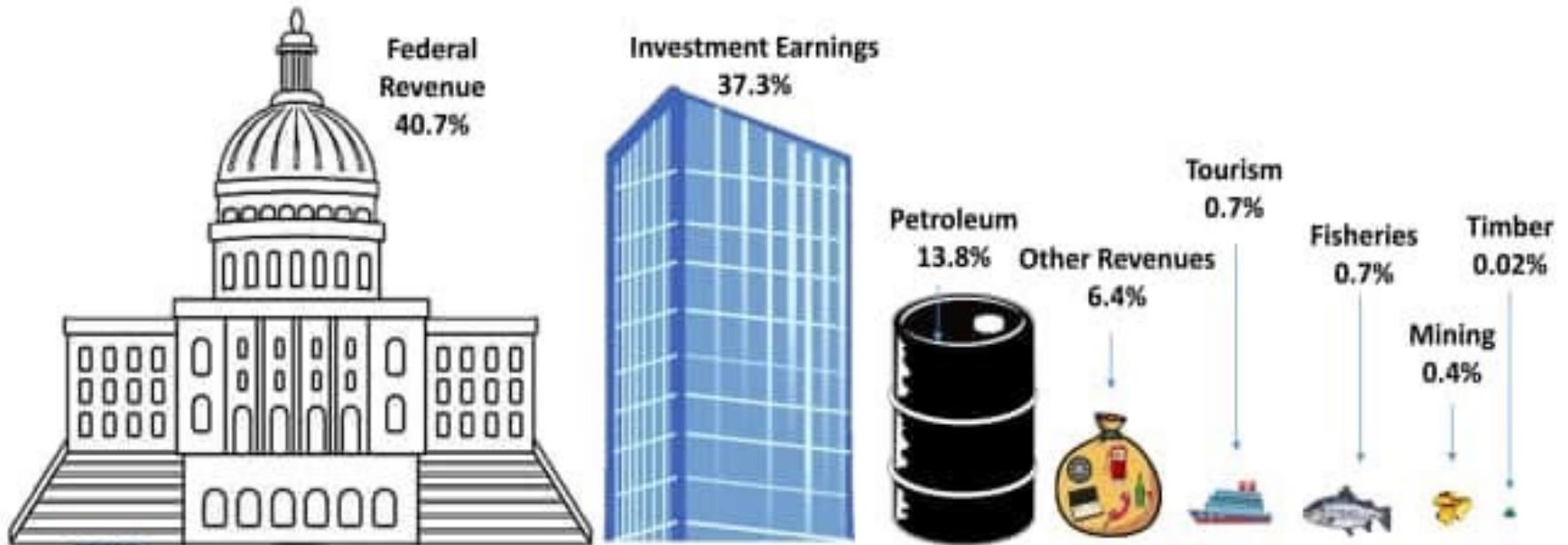
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Legislative  
Update for  
NWABSD  
April 2025

# Revenue:

## Relative Contributions to Total State Revenue: FY 2025

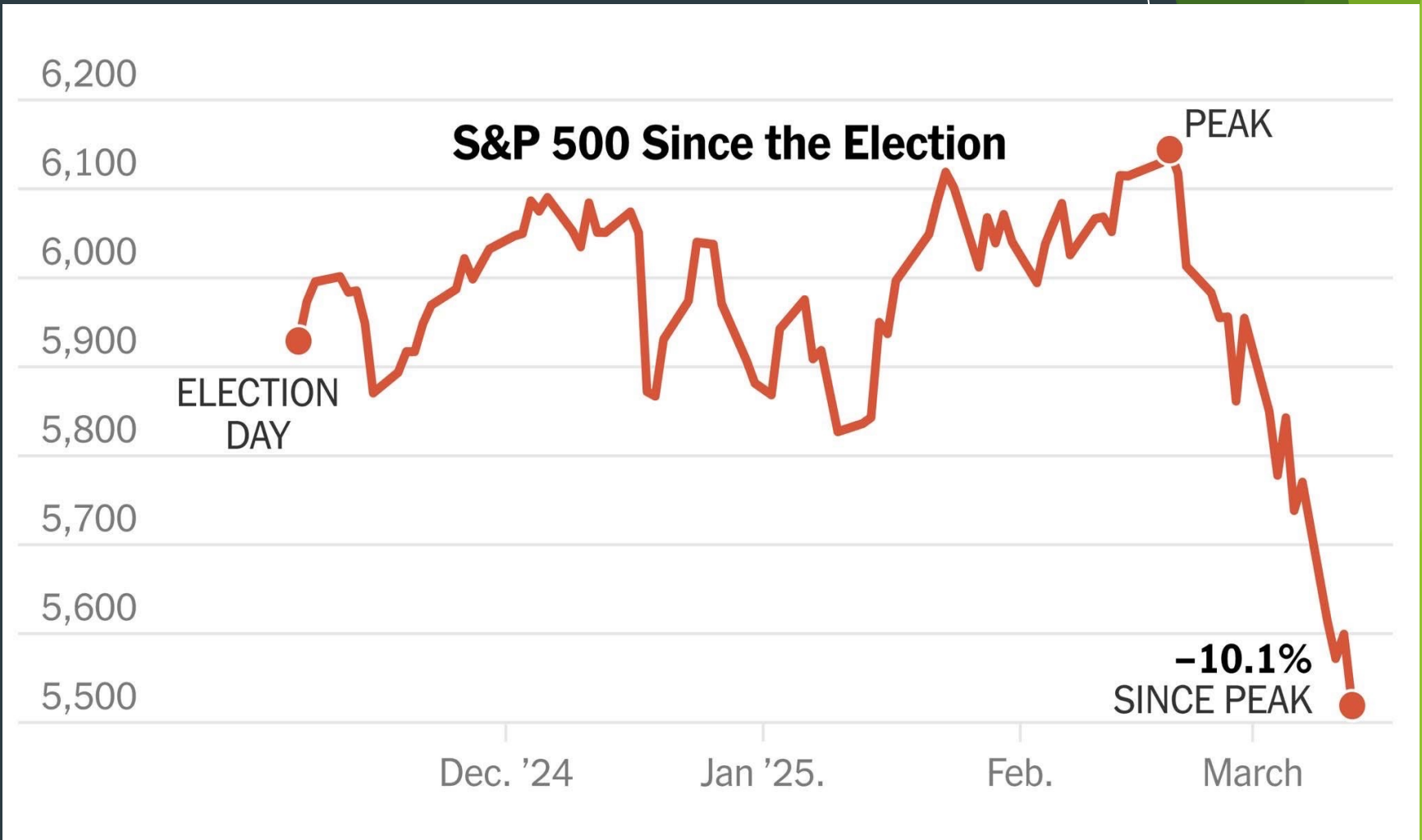
**Total State Revenue: \$16.8 Billion**




Disclaimer: Numbers may not add to 100% due to rounding. Examples may not be to scale.

Source: DOR Fall 2024 Revenue Forecast

# Fiscal Slide:



# Oil Slide:

 **JUST IN:** Oil prices plunge to the lowest level since 2021 - WSJ


Brent crude oil, most actively traded contract



As of April 4, 8:15 a.m. ET

# OPERATING AND CAPITAL BUDGETS:

The State is facing a budget shortfall ranging from \$2 bil. with a full PFD to \$700 mil. with a \$1,400 PFD and a \$684 increase to the BSA. Capital budget limited mostly to projects with federal funding.



Many federal grants and loans are disappearing. Adds a level of uncertainty, especially with Medicaid.



Main focus: Increased education funding, balancing the state budget, gas shortage and energy, pension reform. Conversation of new revenue growing.

# Education funding:

- Capital Budget: NWABSD funded for Fire System Replacement at 6 sites \$6.6 mil.
- Education funding bill is HB 69 passed the House and Senate. Was a mix of policy and BSA increase. Policy stripped out in Sen. Fin and now just a funding bill of \$1,000 BSA, main component of school funding. House concurred with Senate changes.
- Gov. says will veto and an override will require 40 votes.
- **Class Size Limits:** New provisions that would set target average maximum class sizes; 23 students for grades pre-kindergarten through sixth grade and 30 students for grades seven through twelve. Districts exceeding these limits must report the reasons and plans to comply, with potential eligibility for grant funding at stake to meet these targets. Also note a separate bill has been introduced on class size limits.
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**Quyanaqpak and Taikuu  
Working together to advance  
the priorities of NWABSD**