



November 1st, 2021
Legislative Update to North
Slope Borough School Board
J&H Consulting

Legislative Update:

- Fourth Special Session ended - - -not much happened but broke record for most days in session.
- Governor Dunleavy still wants the following accomplished as his top priorities:
 1. A **supplemental dividend** which combined with the \$1,100 PFD approved during the Third Special Session would top off this year's dividend to \$2,350, a total roughly equivalent to the governor's proposed 50/50 POMV split proposal
 2. **PFD program:** the 50/50 plan proposes spending half of the earnings reserve on government services and half for the annual PFD's but leaves a deficit of \$700 million to \$1 billion (proposal for a cut to education)
 3. HJR 7, SJR 6, or similar measures relating to a **permanent fund constitutional amendment** (talk of rolling earnings reserve and PCE endowment into corpus)
 4. HJR 6, SJR 5, or similar measures relating to a **constitutional spending limit**
 5. **Measures to increase state revenues** but hasn't introduced any legislation, has confirmed that income tax is off the table

Legislative Update:

- ▶ Legislature has made some progress on a fiscal plan but not close to an agreement.
- ▶ Conflicted on what revenue measure to implement. Most discussed are a sales tax between 2 and 4%, education head tax, motor fuels tax, closing the Hilcorp Loop Hole or adjusting the per barrel tax credit.
- ▶ Will take a year to implement a new tax but clock is ticking.
- ▶ Good news oil prices have been up but doesn't completely solve the problem and stocks have been volatile. Current budget based on \$61 a barrel if trends at \$79 a barrel deficit is only \$500 mil.
- ▶ Anytime oil is over \$80 a barrel increases income to state but note that budget largely funded by investment returns .
- ▶ Governor also shaved \$88 mil. in retirement health care costs.

Overall Fiscal Situation:

- ▶ Going into tenth straight year of deficits
- ▶ Savings accounts drained
- ▶ State UGF has been reduced 43% since 2015
- ▶ Since 2015 capital budgets provide only a state match to federally funded projects. School construction/maintenance needs continue to grow.
- ▶ School bond debt reimbursement set for 45% for FY 22, two prior years at 50%
- ▶ DEED budget one of the few that hasn't seen major cuts without a fiscal plan soon DEED could become a target -DOT cut 55.4%, Commerce 84.3%, and Labor 47.9%
- ▶ DEED budget has remained mostly flat with a 2.3% reduction
- ▶ The fiscal situation and the size of the PFD has dominated the legislature for many years now. The failure to resolve this issue really hampers progress in all areas, last year only 37 bills passed.
- ▶ Monitoring federal level for passage of any major legislation but bigger packages stalled here as well.

NEXT SESSION-January 18, 2022:

- ▶ Will be going into an election year
- ▶ Redistricting will be litigated and may change legislative bodies
- ▶ Anticipate a flat budget without many changes-Dec. 15th new budget released
- ▶ May be an increase in capital spending
- ▶ Return of the Pre-K and reading bill
- ▶ Federal legislation may play a big role in funding opportunities if President Biden's infrastructure bills pass. One is for hard infrastructure and the other for soft infrastructure (Pre-K, child care, adult care givers etc.)
- ▶ We continue to monitor and watch for opportunity



TAKIU

► *It's been a different year but NSBSD adapted and its working.*

► *We know that prior years' efforts have paid off, with much of education funding in place.*

► *Expect another tough year until the revenue puzzle is solved.*

Any questions ?