

Legislative Update

Although summer is usually a slow time for the legislature, much has been happening both at the state and federal level. At the federal level, some of the anticipated grant funding for infrastructure projects around the state have been paused or cancelled. These funding reductions will impact future budgets and cause cancellation of some projects around the state.

At the state level, Governor Dunleavy called a special session in Juneau on August 2. In accordance with Article II, Section 16 of the Alaska Constitution, the legislature met in a joint session to reconsider some of the Governor's vetoes. The legislature overrode two vetoes: the veto of over \$50 million in statutory Base Student Allocation (BSA) funding for schools and the veto of Senate Bill 183 regarding disclosing tax information. The vote to override the vetoed education funding was the first time since 1987 that the Legislature overturned an appropriations veto.

The Governor's largest veto to the Fiscal Year 2026 Budget had cut funding for public education by \$51 million. This had lowered the \$700 increase to the Base Student Allocation (BSA), approved by the Legislature in House Bill 57, to a \$500 BSA — \$200 less than the statutory amount. The Governor vetoed a total of \$76 million from school funding. The Legislative Finance Division has posted **updated FY26 Operating Budget reports**, post-veto-override; see final enacted FY26 LFD reports [HERE](#).

The legislature also overrode the veto of Senate Bill 183. This bill requires the Department of Revenue to release certain records of tax payments to the Legislative Auditor. In recent years, the Department of Revenue has failed to comply with requests for oil and gas tax records. The result is that the Legislative Auditor cannot determine whether oil and gas companies are paying the taxes they owe.

The Legislature took no action on the Governor's Executive Order to create a Department of Agriculture. During regular session, the Senate Rules Committee introduced Senate Bill 128 which addresses food security and

aims to support mariculture and agriculture industries in Alaska. The Legislature will resume hearings on SB 128 in January, 2026.

Senator Claman released this summary of the special session:

Special Session Update

The Legislature gaveled in at 11am, Saturday August 2, for a Special Session called by Governor Dunleavy. We then met in Joint Session to **reconsider the Governor’s vetoes** of legislation and funding.

EDUCATION FUNDING Over \$50 million vetoed	SENATE BILL 183 Oil & Gas Revenue Records												
Override Passed <table><tr><td><u>House</u></td><td><u>Senate</u></td><td><u>TOTAL</u></td></tr><tr><td>28-12</td><td>17-2</td><td>45-14</td></tr></table>	<u>House</u>	<u>Senate</u>	<u>TOTAL</u>	28-12	17-2	45-14	Override Passed <table><tr><td><u>House</u></td><td><u>Senate</u></td><td><u>TOTAL</u></td></tr><tr><td>27-13</td><td>16-3</td><td>43-16</td></tr></table>	<u>House</u>	<u>Senate</u>	<u>TOTAL</u>	27-13	16-3	43-16
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<i>To override vetoes on appropriation items, the votes of three-fourths of the Legislature are required, which is 45 members.</i>	<i>To override vetoes on non-appropriation items, the votes of two-thirds of the Legislature are required, which is 40 members.</i>												

Office of Senator Matt Claman 2025.08.05

After overriding the vetoes, the Legislature went into recess. This recess will prevent the Governor from calling them back into an additional special session during the month of August. The next convening of this special session will be a technical session at 10AM on August 19. A technical session is one in which no quorum is present and no business is conducted. A regular session, with quorum present, could be convened by the presiding officers before the end of the Special Session. The 30-day Special Session will end August 31.

This month, the Task Force on Education Funding will begin its work to make recommendations to improve school maintenance, attendance, student achievement, and more. The Task Force will examine some of the policy proposals requested by the Governor. The first meeting is scheduled for August 25. Members of the task force are Sens. Cronk, Tobin and Kiehl and Reps. Himschoot, Ruffridge and Story.

The Alaska Department of Education and Early Development is appealing a federal decision that could cost the state \$80 million. The decision revolves around calculation of federal impact aid, which is money that makes up for lost revenue from land that can't be taxed, such as federal, military or Alaska Native-owned land. In the past, the state used a portion of that money as part of its contribution to school districts, which is allowable provided the state can prove it is funding education equitably. Equitability is determined through a disparity test.

The state failed the disparity test earlier this year when the U.S. Department of Education rejected the state's attempt to exclude funding that districts set aside for transportation from the test calculations. This means the state can't use \$80 million in federal impact aid to offset part of its obligation to school districts. The State appealed that decision, arguing that the federal government was wrong in including transportation funding in its test calculations. The state also asked to retake the test if the appeal fails.

Financially, there are a few ways the state's appeal could play out. If the appeal is successful, the state could continue to use federal dollars as part of its contribution to school districts. If the appeal fails, things get more complicated. Districts that qualify for impact aid would still receive that money on top of what they get from the state. The state would need to make up for an \$80 million gap in its funding. The federal department said in an email it will review information from the state and hopes to resolve the issue but there are no guarantees on when they will render a decision. Obviously, this could add to the financial difficulties the state already faces.

Moving forward, we know that the state budget is very tight. 2026 is an election year, and education funding and academic performance will be in

the crosshairs. We know that the Legislative Task force is going to take a deep dive on education matters, make recommendations, and then likely try to advance those issues where there is the strongest consensus. We don't know if the task force will contract for professional input on re-writing the foundation formula. We do know that the current formula has faults. For example, the cost of utilities and facilities maintenance hits rural districts much harder than it does urban schools. The question will be whether it is possible to get the votes for any proposed changes. In short, we expect a very busy calendar on education matters, despite the gains made from the current session followed by the successful budget veto override.

Calendar

- Tues Aug 19 – **Special Session reconvenes** (technical session)
- Mon Aug 25 – **Legislative Task Force on Education**: “Presentation: Alaska Public Education Funding Update” w. LFD; ANC LIO, 1 p.m.
- Thurs Sept 11 – State of Reform: “Health Policy Conference” Hilton Anchorage, info [HERE](#)
- Sept 17-18 – Food Bank of Alaska: “2025 Anti-Hunger Network Conference” info [HERE](#)
- Oct 12-15 – First Alaskans Institute: “42nd Annual Statewide Elders & Youth Conference” info [HERE](#)
- Oct 16-18 – Alaska Federation of Natives: “2025 Annual AFN Convention” info [HERE](#)
- Tues Oct 28 – thread: “Economic Impact of Early Care & Learning” Marriott Anchorage, info [HERE](#), register [HERE](#)
- Nov 12-13 – RDC Alaska: “Alaska Resource Conference” Anchorage, info [HERE](#)
- Nov. 13-16th AASB’s Annual Conference and Youth Leadership
- Dec 10-12 – Alaska Municipal League: “75th Annual Local Government Conference” Anchorage, info [HERE](#)
- Tues Jan 20, 2026 – **First Day of Second Session of 34th Alaska State Legislature**
- Feb 17-19 – Alaska Municipal League: “Winter Legislative Conference” Juneau, info [HERE](#)
- Mon June 1 – 2026 Candidate Filing Deadline
- Tues Aug 18 – 2026 Primary Election

- Tues Nov 3 – 2026 General Election

Chris and Reggie
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