



## **Legislative Update:**

Governor Dunleavy released his proposed budgets last week. Below is a summary of the capital budget. Shortly, J&H Consulting will also provide a summary of the operating budget. For those interested, the governor's Office of Management & Budget has posted FY25 capital budget documents [here](#).

### **Capital Items:**

As in past years, the capital budget mostly provides state matching funds for federal projects. District-specific projects are not numerous, but there are a few. The total budget is \$2.8 billion, of which \$2.24 billion is federal funds. Notably absent is any funding for school construction and maintenance projects or funding for the harbor matching grant program.

Some budget highlights include:

- University Leaders Library Archives Renovation: \$35.7 million.
- University Seward Marine Center: \$85.3 million.
- University/Agriculture and Food Systems for Sustainability: \$3 million.
- Alaska Marine Highway M/V Tustumena Replacement Vessel: \$106 million.
- Alaska Marine Highway/Vessel Overhaul: \$26.4 million.
- Alaska Marine Highway Wi-Fi: \$6.2 million.
- NPRA Grants: \$29.5 million.
- Community Block Grants: \$6.3 million.
- AEA-Renewable Energy Grants/Round 17: \$6.3 million.
- AEA-Solar for All: \$42.4 million (large increase).
- AEA-Bulk Fuel Upgrades: \$4 million.
- AEA-Rural Power Systems Upgrades: \$5 million.
- AEA-Statewide Grid Resiliency: \$13.9 million.
- Village Safe Water and Wastewater Infrastructure Projects: \$437 million.
- DEC: \$1 million in increased funding for the Clean Water and Drinking Water funds and the revolving loan fund.
- Water Infrastructure Improvements for the Nations Act: \$37 million grant funding for emerging containments.
- Pacific Coastal Salmon Recovery Fund: \$6.8 million.
- Gulf of Alaska Chinook Salmon: \$5.6 million.

- Alaska Marine Salmon Fisheries: \$800,000.
- Code Blue: \$500,000.
- Statewide deferred maintenance and repair: \$20 million.
- Statewide equipment replacement: \$39 million.
- Surface Transportation Projects: \$850 million.
- National Recreational Trails Grants: \$2.75 million.
- Winter Trail Grants: \$120,000.
- Mine Reclamation: \$4.3 million.
- AHFC Teacher, Health, and Public Safety Housing: \$11.5 million (increase).
- AHFC Energy Programs, Weatherization: \$5 million.
- AHFC Affordable Housing Development/Seniors: \$3 million.
- AHFC Affordable Housing Development Program: \$11 million.
- AGDC: \$4.5 million to advance commercial investment in AKLNG and maintain project assets in ready status.
- AGDC: \$50 million for the gas-line development project (Supp. Capital).
- West Susitna Road Access: \$2.5 million.
- Alaska West Coast Resiliency Project: \$18.1 million.
- Millions in funding for highways, roads and airports and equipment, with the required state match included.

This is just the beginning of the budget process, and all budgets have a long legislative process to go through before they are finalized. The budget will change many times during this process. J&H Consulting will keep you updated as the process unfolds. We look forward to working with you on your priorities this session.

Chris and Reggie  
J&H Consulting



### **Operating Budget Overview:**

Governor Dunleavy released his administration's budgets last week, as required by Alaska law. The operating budget funds the ongoing work of the state's governmental departments. The governor's proposal is mostly flat-funded from last year, with most state services funded at a similar level to the current budget. In total, the Governor's plan proposes \$6.1 billion in undesignated general fund expenditures, or UGF, a reduction of 5% from the current year. Public education spending drops by \$213 million, because the one-time funding increase of \$175 million was not included in the proposed budget. Governor Dunleavy is proposing a \$3,800 dividend in line with the old state law formula. Totaling \$2.5 billion, the proposal makes the PFD the biggest single expense in the budget. In order to pay for the dividend, the budget calls for a \$1.5 billion dollar draw from the Constitutional Budget Reserve (CBR). That's more than half of the current balance of the savings account. In the past, legislators have reduced the PFD to balance the budget and will likely do so again this year. Additionally, the legislature needs another \$150 million in the current budget year from savings, totaling about \$1.7 billion in deficit spending this year and next. To draw money from the CBR, a three-fourths majority vote is required. This super majority will be difficult to obtain considering the make-up of the bipartisan coalitions in both the House and Senate.

Revenue from the Permanent Fund will again be the most significant source of state income this year, eclipsing oil revenue. Due to lower-than-expected oil prices and production, the state is expected to have \$220 million less in revenue at its disposal than [had been previously predicted](#) for the current fiscal year, and \$230 million less in the coming fiscal year. The transfer from the Permanent Fund was expected to be \$3.7 billion in the current fiscal year and \$3.8 billion in the next fiscal year.

Along with the budget release there was also a new revenue and production forecast produced by the Departments of Revenue and Natural Resources. The Governor's [long-term fiscal plan](#) shows recurring, growing budget deficits with no proposed new revenue sources or significant reductions in spending or the PFD. The budget picture grows grimmer the longer it is projected out. All the state's savings would disappear, and the projections show it being overspent by nearly \$1 billion by the middle of 2028 and \$12 billion by 2035. The size of the 10-year deficit is more than one-fifth of the \$79 billion Permanent Fund's size. Although long debated, a long-term fiscal plan has failed to emerge from either the legislature or the Governor. It appears that once again Alaska is facing a grim fiscal picture that needs to be addressed.

Below are some interesting highlights in the operating budget broken down by areas of interest:

### **Commerce and Economic Development:**

- Five additional new positions.
- Community Revenue Sharing reduced funding from \$30 million per year to \$23.3 million for FY26 and \$25.5 million for FY27.
- \$48 million for PCE and an additional \$710,000 for the Circuit Rider Program.
- Flat funding for the Alaska Broadband Office.
- No funding for Alaska Travel Industry Association (\$5 million last year).
- \$10 million over three years for Alaska Seafood Marketing Institute (mostly offset by reduction in revenues).
- The Governor's carbon storage initiative has been added to the AOGCC budget. \$738,000 is added to support two positions plus the contracts needed for AOGCC to manage the program.
- Grants that weren't included in this year's budget:
  - \$1.5 million for food bank assistance
  - \$10 million to fully fund community assistance payments at \$30 million per year
  - \$4 million grant to Anchorage to keep its low-barrier shelter open year-round
  - Several smaller grants for youth shooting programs and Arctic Winter Games

### **Education:**

The foundation formula, pupil transportation, and school bond debt reimbursement are fully funded. There is no increase to education funding, and the one-time funding of \$175 million from last year is not included in the BSA. There is a reduction in the K-12 formula and transportation funding but that is due to a combination of continued student count reductions and the failure to include last year's one-time funding for the BSA. Per-student education funding reverts to the \$5,960 Base Student Allocation. School bond debt reimbursement is down \$10 million due to the debt being paid off over time. Deposits to the Regional Education Attendance Area fund are down about \$4 million since the funding is tied to the amount of bond debt.

- \$1.1 billion for foundation formula (fully funded at last year's amount of the BSA, but with no one-time funding, so in practical terms it is a funding decrease from FY25).
- \$67.8 million for pupil transportation.
- \$2.75 million for CTE, teacher apprenticeships, and teacher recruitment and retention initiatives.
- \$1.55 million is added for a CTE initiative focused on electricians and plumbers career pathway development.
- \$8.5 million for residential schools.
- \$21 million for broadband assistance grants.
- \$77.4 million for child nutrition.
- \$14.9 million for early learning coordination.
- \$6.1 million for Pre-K grants.

- \$14.1 million for Mt. Edgecumbe High School.
- \$5.1 million for WWAMI Medical Education.

There is no funding for Live Homework Help and the Alyeska Reading Academy and Institute. An additional concern is the \$25.4 million reduction in funding in Student and School Achievement which is mostly expiring Covid relief funds. This federal funding has been used to support summer learning, tutoring, and after-school programs.

### **Public Safety:**

- Eleven new positions funded.
- \$1.8 million for four new trooper positions to reopen and staff the trooper posts in Talkeetna to cover the communities of Willow, Talkeetna, and Trapper Creek. An additional \$597,000 is included for one-time startup costs.
- \$2.3 million to cover overtime.
- \$1.1 million (plus \$270,000 in startup costs) for three additional trooper positions to address sexual assault of minor cases in Nome, Kotzebue, and the Northwest Arctic region.
- \$1.2 million increase for the VPSO program which increases the number of officers by five to 90.
- Council on Domestic Violence and Sexual Assault in Department of Public Safety – reduced by \$387,000.

### **Corrections:**

- Community Residential Centers (halfway houses/re-entry support) reduced by \$1.7 million.
- \$850,000 addition to expand vocational education programs at several institutions. The programs would fund electrical and plumbing classes as well as coding and software development classes.
- Funding for supervisory standby pay and peer wellness and support funding are new additions for DOC staff.

### **Fish and Game:**

- \$300,000 to support existing groundfish assessment and management in southeast.
- \$717,000 addition in the Statewide Fisheries Management component to support existing fisheries projects on a statewide level.
- \$450,000 UGF and \$217,000 Fish and Game Fund is added across the Commercial and Sport Management divisions for vessel, vehicle, and aircraft maintenance.

### **Health:**

The following health grant programs were reduced by these amounts:

- Treatment and Recovery Grants – reduced by \$3.3 million (7.7%)
- Chronic Disease Prevention Grants – reduced by \$1.7 million (17.9%)
- Early Intervention Grants – reduced by \$145,000 (2%)
- Behavioral Health Admin – reduced by \$309,000

\$6.1 million has been included for the childcare assistance program passed in SB 189. This reflects a year-over-year reduction of \$1.6 million funding to implement the childcare assistance program.

### **Natural Resources:**

- Ten new positions funded.
- \$342,000 is added to create the big game guide concession areas. The division will manage the permit application and issuance process.
- \$360,000 per year in FY26 and FY27 to address expanding broadband access as part of the DCCED run broadband program funded through the Infrastructure Investment & Jobs Act.
- \$858,000 for three positions (Two in Anchorage and one in Haines) to add capacity for a forest infrastructure development program to increase timber sales.
- \$800,000 to address work for reforestation, fire mitigation, and forest health on private lands.
- \$648,00 for two positions for emergency response and prevention to assist with disasters like the recent flooding and landslides.

### **Law:**

- Fifteen new positions funded.
- \$1.9 million for the Criminal Division budget to support five new attorneys and three support staff to address caseloads.
- Request of half a million for statehood defense.

### **Other:**

- The Governor, via Administrative Order 356, has moved the Labor Relations section from DOA to the Office of the Governor (OOG) and Department of Law. This may impact labor relations negotiations.
- AHFC, through their new subsidiary the Alaska Sustainable Energy Corporation, is requesting authority to seek up to \$20 million in federal revenues over the next three years to establish and support a green bank. The green bank concept will provide capital for individuals and entities looking to make renewable energy efficient investments. This concept was part of legislation passed last year.
- State assistance for retirement payments has increased by \$36.1 million.

### **Conclusion**

This is just the beginning of the budget process. At this point, the proposed budget is mostly flat funded and not particularly exciting. Many senators noted that both the capital and operating budgets failed to address a number of items that will need to be considered. Additionally, the education community will be strongly advocating for increased funding after years of rising inflation and no permanent increase to base funding. J&H Consulting will continue to monitor the budget as it works through the process starting in January.

Best regards,  
*Reggie Joule and Christine Hess*  
*J&H Consulting*

*The Senate leadership is very similar to the last legislative session but with some new committee chairs:*

Sen. Gary Stevens, R-Kodiak Senate President; Sen. Cathy Giessel, R-Anch., Senate Majority Leader; Sen. Bill Wielechowski, D-Anch., Rules chair; Sen. Kelly Merrick R-Eagle River, Majority Whip; Sen. Elvi Gray-Jackson, Budget and Audit chair.

*The committee chair assignments are as follows:*

**Senate Finance cochairs:** Sens. Bert Stedman, R-Sitka, Donny Olson, D-Golovin, Lyman Hoffman, D-Bethel; **Resources:** Sen. Cathy Giessel, R-Anch; **Community and Regional Affairs:** Sen. Kelly Merrick, R-Eagle River; **Education:** Sen. Loki Tobin, D-Anch.; **Health and Social Services:** Sen. Forrest Dunbar, D-Anch.; **Judiciary:** Sen. Matt Claman, D-Anch., **Labor and Commerce:** Sen. Jesse Bjorkman, R-Nikiski; **Legislative Council vice chair:** Sen. Gary Stevens, R-Kodiak; **Joint Armed Services co-chair:** Sen. Scott Kawasaki, R-Fairbanks; **World Trade (special committee) co-chairs:** Sens. Gary Stevens, R-Kodiak, Sen. Cathy Giessel, R-Anch.; **Arctic Affairs (special committee)** Sens. Gary Stevens, Cathy Giessel, cochairs:

*The House leadership reflects the switch from a thin Republican control in the last Legislature to a thin Democrat-led coalition control for the upcoming Legislature.*

Rep. Bryce Edgmon, I-Dillingham, Speaker; Rep. Louise Stutes, R-Kodiak Rules chair; Rep. Chuck Kopp, R-Anch., Majority Leader.

*The committee chair assignments are as follows:*

**House Finance co-chairs;** Rep. Neal Foster, D-Nome, Rep. Andy Josephson, D-Anchorage, Rep. Calvin Schrage, D-Anch; **Resources co-chairs:** Reps. Maxine Dilbert, D-Fairbanks, Robyn Burke, D-Utqiagvik; **Energy co-chairs:** Rep. Donna Mears, D-Anch., Rep. Ky Holland, I-Anch.; **Health and Social Services:** Rep. Genevieve Mina, D-Anch.; **Labor and Commerce co-chairs,** Rep. Zack Fields, D-Anch., Rep. Carolyn Hall, D-Anch.; **Community and Regional Affairs co-chairs:** Rep. Donna Mears, D-Anch., Rep. Rebecca Himschoot; **Judiciary:** Rep. Andrew Gray, D-Anch.; **Transportation co-chairs:** Rep. Ted Eischeid, D-Anch., Rep. Ashley Carrick, D-Fairbanks; **Military and Veteran Affairs,** Rep. Ted Eischeid, D-Anch.; **Fisheries,** Rep. Louise Stutes, R-Kodiak; **Tribal Affairs co-chairs:** Rep. Bryce Edgmon, I-Dillingham, Rep. Maxine Dilbert, D-Fairbanks.

Chris, John and Reggie





## Legislative Update:

The session is set to begin on January 21<sup>st</sup>, 2025. This will be the first session of the 34<sup>th</sup> Alaska State Legislature. Members of the legislature will be officially sworn in on January 21<sup>st</sup> and committee membership will be officially announced by the Committee on Committees after it meets. We will forward membership information as soon as it is released. Both the House and the Senate have formed bipartisan coalitions, which have made addressing issues like education, energy and retirements an integral part of their platforms. The Legislative Finance Division has now posted the Overview of the Governor's Budget and the Subcommittee Books on their website. These overviews provide an excellent overview of the budget by state department and the overall health of state finances: <https://www.legfin.akleg.gov/>.

We are hearing that the House Education Committee will be introducing their Base Student Allocation (BSA) bill as early as Jan 22nd. The BSA is the main component of school funding. It has been one of the main issues in recent years and is a key component of year-end negotiations. Both education committees will be inviting public testimony immediately after presenting the BSA bill, so be ready to testify again. The expectation is that both bills will be in their respective finance committees for most of February as the budget is developed.

The second batch of prefile bills were posted on January 17<sup>th</sup> and can be found [HERE](#), and with short descriptions: [HERE](#). The first set of prefile bills can be viewed [HERE](#) and with short descriptions [HERE](#). In total, 96 bills have been introduced. These bills will be read into the record and referred to committee, along with Governor Dunleavy's proposed budget bills next week.

<b>Bill</b>	<b>Short Title</b>	<b>Prime Sponsor(s)</b>	<b>Current Status</b>	<b>Status Date</b>
<a href="#"><u>HB 38</u></a>	TEACHERS & SUPPLEMENTAL EMPLOYEE BENEFITS	REPRESENTATIVE SADDLER	PREFILE RELEASED	01/17/2025
<a href="#"><u>HB 39</u></a>	EDUCATION FOR DEAF & HARD OF HEARING	REPRESENTATIVE ALLARD	PREFILE RELEASED	01/17/2025
<a href="#"><u>HB 40</u></a>	DESIGNATE SEX FOR SCHOOL-SPONSORED SPORTS	REPRESENTATIVE ALLARD	PREFILE RELEASED	01/17/2025
<a href="#"><u>HB 41</u></a>	ELIMINATE DAYLIGHT SAVING TIME	REPRESENTATIVE ALLARD BY REQUEST	PREFILE RELEASED	01/17/2025
<a href="#"><u>HB 42</u></a>	SCHOOL GRANTS AND BOND DEBT REIMBURSEMENT	REPRESENTATIVE ALLARD	PREFILE RELEASED	01/17/2025
<a href="#"><u>HB 43</u></a>	ELECTIONS, VOTING, BALLOTS	REPRESENTATIVE SCHRAGE	PREFILE RELEASED	01/17/2025
<a href="#"><u>HB 44</u></a>	WORKERS COMP DEATH BENEFITS	REPRESENTATIVE JOSEPHSON	PREFILE RELEASED	01/17/2025
<a href="#"><u>HB 45</u></a>	DISPLAY OF U.S. FLAG	REPRESENTATIVE ALLARD	PREFILE RELEASED	01/17/2025
<a href="#"><u>HB 46</u></a>	APP STORES, PARENTS, AND MINORS	REPRESENTATIVE VANCE	PREFILE RELEASED	01/17/2025
<a href="#"><u>HB 47</u></a>	GENERATED OBSCENE CHLD SEX ABUSE MATERIAL	REPRESENTATIVE VANCE	PREFILE RELEASED	01/17/2025

<a href="#"><u>SB 40</u></a>	HISPANIC HERITAGE MONTH	SENATOR GRAY- JACKSON	PREFILE RELEASED	01/17/2025
<a href="#"><u>SB 41</u></a>	PUBLIC SCHOOLS: MENTAL HEALTH EDUCATION	SENATOR GRAY- JACKSON	PREFILE RELEASED	01/17/2025
<a href="#"><u>SB 42</u></a>	LAW ENFORCEMENT: REGISTRY; USE OF FORCE	SENATOR GRAY- JACKSON	PREFILE RELEASED	01/17/2025
<a href="#"><u>SB 43</u></a>	WOMEN'S HISTORY MONTH	SENATOR GRAY- JACKSON	PREFILE RELEASED	01/17/2025
<a href="#"><u>SB 44</u></a>	MINORS & PSYCHIATRIC HOSPITALS	SENATOR CLAMAN	PREFILE RELEASED	01/17/2025
<a href="#"><u>SB 45</u></a>	MEDICAID MENTAL HEALTH PARITY	SENATOR DUNBAR	PREFILE RELEASED	01/17/2025
<a href="#"><u>SB 46</u></a>	EDUCATION FUNDING	SENATOR CLAMAN	PREFILE RELEASED	01/17/2025
<a href="#"><u>SB 47</u></a>	CHUGACH STATE PARK EASEMENTS	SENATOR GIESSEL	PREFILE RELEASED	01/17/2025
<a href="#"><u>SB 48</u></a>	NOT INTRODUCED		--	01/17/2025
<a href="#"><u>SB 49</u></a>	WORKPLACE VIOLENCE PROTECTIVE ORDERS	SENATOR CLAMAN	PREFILE RELEASED	01/17/2025
<a href="#"><u>SB 50</u></a>	MUNICIPAL COMPREHENSIVE PLANS: HOUSING	SENATOR DUNBAR	PREFILE RELEASED	01/17/2025

An overview of the important bills will be out soon. This is just the beginning of the legislative process. As we have seen over the last several years, not many of the bills will make it across the finish line. J&H Consulting will keep you updated as the process unfolds. We look forward to working with you on your priorities this session.

Chris and Reggie  
J&H Consulting