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City of Unalaska Legislative Report **6/2/25**

The 34th Alaska State Legislature adjourned its first session a day early, gaveling out in the early afternoon Tuesday, May 20th. Earlier that morning the House and Senate garnered enough votes in a joint session [to override the Governor's veto of the education funding bill, HB 57](#), that includes some policy measures and around a \$700 increase to the BSA. Whether the Governor line-item vetoes the associated appropriation is yet to be seen.

While lawmakers met their constitutional duty to pass a balanced budget for FY26, totaling \$6.07 billion in Unrestricted General Funds (UGF), they failed to secure the three quarters vote needed to fund the FY25 supplemental budget (\$193 million) using the Constitutional Budget Reserve (CBR), one of the State's main savings accounts. Without the CBR available, funding FY25 expenses will now default to contingency language added by the Conference Committee to use up to \$100 million from the unrestricted balance of the Alaska Industrial Development and Export Authority (AIDEA) and any remaining deficit above \$100 million from the Higher Education Investment Fund (HEIF) - not an ideal fix, as this could have a significant negative impact on AIDEA's bonding rate.

It's speculated that the Governor will likely veto funding the FY25 supplemental budget with AIDEA funds and instead use the HEIF to fund the entire balance. The Governor has 20 days (minus Sundays) to determine his vetos once the budget is transmitted, the bills have been transmitted and that deadline is June 19th.

BUDGET HIGHLIGHTS

The Legislature during the Conference Committee process managed to produce an FY26 Operating Budget \$381 million below the previous year's post-supplemental budget ([HB 53](#)). This largely had to do with significant reductions in agency spending and a reduced PFD.



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| Governor | | Conference Committee | Gov to CC | |
|----------------------------|-----------|----------------------|-----------|---------|
| FY2025 | | | | |
| Revenue (3/12 Forecast) | 6,261.4 | 6,261.4 | | |
| Budget | | | | |
| Enacted Budget | 6,342.4 | 6,342.4 | 0.0 | 0.0% |
| Supplementals | 91.8 | 111.8 | 20.0 | 21.7% |
| UGF Expenditures | 6,434.2 | 6,454.2 | 20.0 | 0.3% |
| Surplus/(Deficit) | (172.8) | (192.8) | (20.0) | 11.5% |
| FY2026 | | | | |
| Revenue (3/12 Forecast) | | | | |
| POMV | 3,798.9 | 3,798.9 | | |
| Traditional | 2,329.7 | 2,329.7 | | |
| Total UGF Revenue | 6,128.6 | 6,128.6 | | |
| Budget | | | | |
| Agency | 4,601.1 | 4,569.9 | (31.2) | -0.7% |
| Statewide | 416.0 | 453.1 | 37.1 | 9.0% |
| Total Operating | 5,017.1 | 5,023.1 | 6.0 | 0.1% |
| Capital | 294.0 | 173.4 | (120.6) | -41.0% |
| Transfers | 6.6 | 0.3 | (6.3) | -95.3% |
| Fiscal Notes | | | | |
| HB57 - K12 | | 184.1 | | |
| SB95 - Childcare | | 5.9 | | |
| Other FNs | | 0.6 | | |
| Subtotal | 5,317.7 | 5,387.4 | 69.7 | 1.3% |
| Pre-PFD Surplus(Deficit) | 810.9 | 741.2 | (69.7) | -8.6% |
| PFD | 2,504.4 | 685.3 | (1,819.1) | -72.6% |
| Total Budget | 7,822.1 | 6,072.7 | (1,749.4) | -22.4% |
| Post-PFD Surplus/(Deficit) | (1,693.5) | 55.9 | 1,749.4 | -103.3% |

The Capitol Budget also remained bleak, at just \$167.9 million in general funds, a significant reduction from last year's Capitol Budget. A large portion of this year's Capitol Budget is matching funds needed to capture federal grants like within the Department of Transportation where \$57 million of included general funds will be unlocking over \$2



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billion in federal transportation matching funds. Other highlights include the notable absence of district priority projects and the inclusion of funds for deferred maintenance and statewide emergency response.

Key Legislation Passed

Of the 30 pieces of legislation passed this session, several notable bills include:

- [HB 57](#), the education funding package increasing the Base Student Allocation by \$700, which was vetoed by Governor Dunleavy but later overridden by lawmakers—the first veto override since 2009.
- [SB 113](#), a tax measure on digital businesses like Amazon and Netflix, also passed but is expected to be vetoed due to constitutional concerns.
- [HB 65](#), a bill passed early in session allowing the Alaska Railroad to borrow money to fund a new cruise ship dock in Seward passed, which will be a boon to tourism in the region.
- [SB 15](#) allows teens (18 and older) to serve alcohol in restaurants, breweries and distilleries, a response to workforce needs especially during the tourism season.
- Three bills that came out of the Seafood Task Force recommendations passed this session including:
 - [HB 31](#) that will exempt many commercial fishing boats from having to register with the Alaska DMV when they've already licensed with the Commercial Fisheries Entry Commission (CFEC)
 - [HB 116](#) allows commercial fishermen to form cooperatives for insurance
 - [SB 156](#) would allow the Alaska Commercial Fishing and Agriculture Bank (CFAB) to receive additional funds to issue low-interest loans to fishermen
 - [SB 132](#), a major overhaul of the state's insurance laws, passed both bodies. The bill amongst many other changes allows coverage for major multi-owner residential construction projects involving at least 40 units, three or more property owners, and a total cost of \$20 million or more.
 - [SB 183](#), gives the state's legislative auditor additional support to require the executive branch to provide requested information during the audit process, an issue that came to a point in recent years with the Alaska Department of Revenue regarding tax payments by oil and gas companies.

Significant legislation that did not make it across the finish line this year but will likely be revisited next session include a major elections reform bill, [SB 64](#), a long-time-coming pension bill, [HB 78](#), which made its way out of the House and over to the Senate, and a campaign finance limits bill, [HB 16](#), which sits in the Senate Rules Committee.

Finally, changes to the state's oil and gas tax system in [SB 92](#) and [SB 112](#) remain in limbo, awaiting action next session, as the state will likely need to explore new revenue sources to offset decreasing oil prices and other ongoing fiscal challenges.



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Please remember that all bills introduced this year, that did not pass, will still be in play next year. Have a great summer!!

| Bill | Title | Prime Sponsor | Status & Upcoming Hearings | Position |
|----------------------|------------------------|---------------|--------------------------------|----------|
| HB 1 | Specie As Legal Tender | MCCABE | (H) REFERRED TO FINANCE (5/18) | |

This legislation would allow gold and silver specie to be used as legal tender in Alaska, exempting them from borough and city sales and use taxes. It also defines specie and requires a study on establishing additional forms of legal tender for state debts.

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| HB 13 | Municipal Property Tax Exemptions | GRAY | (S) REFERRED TO COMMUNITY & REGIONAL AFFAIRS (5/13) | |
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This legislation would allow municipalities to exempt certain properties from taxation, including long-term rental units converted from short-term rentals, mobile home parks for up to 10 years, and real property rented to low-income families at affordable rates, promoting affordable housing and community development.

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| HB 18 | Vehicles/boats: Transfer On Death Title | RAUSCHER | (H) Heard & Held (2/13) | |
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This legislation aims to simplify the process of transferring ownership of vehicles and boats in Alaska upon the death of the owner. The bill allows the owner to obtain a "transfer on death title" for their vehicle or boat, which automatically transfers ownership to a designated beneficiary upon the owner's death.

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| HB 26 | Statewide Public & Community Transit Plan | MINA | (S) -- MEETING CANCELED -- (5/20) | |
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This legislation would require DOT to develop a comprehensive, long-range intermodal transportation plan, including public, tribal, and community transit programs. It also mandates the department to study alternative means of transportation, considering economic, social, and environmental effects.

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| HB 31 | Vessels: Registration/derelect Fund | STUTES | (H) AWAITING TRANSMITTAL TO GOV (5/20) | |
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This bill would exempt active commercial fishing vessels from duplicative registration requirements created by the passage of SB 92, "the derelict vessel bill," in 2018. Specifically, the bill removes the requirement for U.S. Coast Guard (USCG) documented vessels with a current Commercial Fisheries Entry Commission (CFEC) license to register every three years with the Division of Motor Vehicles (DMV).



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| <u>HB 33</u> | Conflict Of Interest: Bds Fisheries/game | STUTES | (S) REFERRED TO COMMUNITY & REGIONAL AFFAIRS (5/14) | |
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This legislation amends Alaska's conflict of interest laws for the Board of Fisheries and Board of Game members. It allows members to deliberate and participate in matters related to their personal or financial interests, but prohibits voting if it would result in a conflict of interest

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| <u>HB 78</u> | Retirement Systems; Defined Benefit Opt. | HOUSE FINANCE | (S) REFERRED TO LABOR & COMMERCE (5/13) | |
|------------------------------|------------------------------------------|---------------|-----------------------------------------|--|

This bill would amend Alaska's retirement systems, allowing certain employees to choose between defined benefit and defined contribution plans. The legislation applies to teachers and public employees who first became members of the defined contribution retirement plan after June 30, 2006, and before July 1, 2025. It also provides for the transfer of contributions and purchase of credited service, and makes changes to medical benefits, actuarial assumptions, and plan administration.

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| <u>HB 125</u> | Board Of Fisheries Membership | JIMMIE | (S) REFERRED TO COMMUNITY & REGIONAL AFFAIRS (5/19) | |
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The bill proposes a seven-member board, appointed by the governor, including two members each from commercial, sport, and subsistence fishing, with the latter being selected from a list submitted by the Alaska Federation of Natives. One member will represent the scientific community, chosen from a list provided by the National Oceanic and Atmospheric Administration. Existing board members will continue to serve until their term expires, with new appointments following the revised guidelines.

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| <u>HB 169</u> | Municipal Property Tax Exemption | TO-MASZEWSKI | (H) REFERRED TO COMMUNITY & REGIONAL AFFAIRS (4/2) | |
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This bill would exempt primary residences of residents 65+, disabled veterans, and their widows/widowers from municipal property taxes on the first \$250,000 (an increase from existing \$150,000) of assessed value. Municipalities may grant additional exemptions for hardship cases or service-connected deaths. Effective immediately.

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| <u>HB 203</u> | Prohibit Bottom Trawling | MCCABE | (H) REFERRED TO FISHERIES (4/22) | |
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HB 203, Prohibit Bottom Trawling, is introduced to protect Alaska's seafloor ecosystems and fish habitats by restricting the use of trawl or dredge fishing gear that makes substantial bottom contact. The bill requires the Department of Fish and Game to conduct a comprehensive study on the effects of bottom trawling and submit a report by January 1, 2027. The bill's provisions would take effect on January 1, 2028, if passed.



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| SB 10 | Paid Family Leave/wage Replacement Insur. | DUNBAR | (S) REFERRED TO LABOR & COMMERCE (1/22) | |
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This bill would establish a paid family leave insurance program in Alaska, providing wage replacement coverage for employees taking family leave. The program will be available to state employees, and private employers with over 50 employees can opt-in. A purchasing pool will be established for other employees.

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| SB 50 | Municipal Comprehensive Plans: Housing | DUNBAR Josephson | (S) AWAITING TRANSMITTAL TO GOV (5/22) | |
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This bill would require first and second-class boroughs to include a housing plan in their comprehensive plans. The bill aims to guide physical, social, and economic development, including private and public sectors, and provide recommendations for implementation.

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| SB 55 | Trs Contr Rate; Pers/trs Soc Secur Or Sbs | STEDMAN | (S) Heard & Held (4/14) | |
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This bill would adjust employer contributions in the Teachers' Retirement System and supplemental employee benefits. It amends contribution rates and eligibility for the supplemental employee benefits program, particularly for employers not participating in the federal social security system. The bill takes effect on July 1, 2025.

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| SB 79 | Payment Of Wages; Payroll Card Account | SENATE LABOR & COMMERCE | (H) REFERRED TO FINANCE (5/18) | |
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This bill would amend Alaska's wage payment laws to allow employers to pay employees via payroll card accounts, provided employees have voluntarily authorized the method. The bill sets requirements for payroll card accounts, including cost-free withdrawals, balance checks, and insurance of employee wages.

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| SB 81 | Public Employer Pension Contributions | STEDMAN | (S) Heard & Held (4/4) | |
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This bill would adjust employer contribution rates in Alaska's Teachers' Retirement System and Public Employees' Retirement System. It ensures the annual employer contribution rate covers normal costs, past service liability, and required employer contributions.

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| SB 130 | Fisheries Prod Development Tax Credit | RULES | (S) REFERRED TO FINANCE (4/15) | |
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This bill expands the Fisheries Product Development Tax Credit to further incentivize value-added products, new technologies, and innovative processes that enhance the quality and value of Alaska's seafood.

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| SB 131 | Duties Of Asmi Board; Meaning Of Seafood | RULES | (S) REFERRED TO FINANCE (5/7) | |
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This legislation would allow the Alaska Seafood Marketing Institute (ASMI) to promote and market aquatic farm products as defined in AS 16.40.199 as ASMI currently does for other commercially-caught seafood and their by-products. Currently, ASMI is prohibited by statute from marketing or promoting Alaska aquatic farm products such as oysters and seaweed.

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| <u>SB 135</u> | Refund Of Fish Business Tax To Munis | RULES | (S) REFERRED TO FI- NANCE (4/15) | |
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This bill would revise how fisheries tax revenue from the fisheries business tax and the fishery resource landing tax is distributed to or “shared” with municipalities in Alaska. Its intent is to ensure that additional revenue provided under this act is used by municipalities specifically for the maintenance and improvement of harbor facilities.

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| <u>SB 161</u> | Prohibit Bottom Trawling | CRONK | (S) Heard & Held (5/7) | |
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The bill restricts the use of trawl or dredge fishing gear that makes substantial bottom contact. It adds a new section to AS 16.10, prohibiting such gear in state waters. It also requires the Department of Fish and Game to conduct a comprehensive study on the effects of bottom trawling and submit a report by January 1, 2027.