Budget Overview:

The Biggest Budget:

The operating budget contains all the budgets, operating, capital and supplemental, after the Senate rolled all the budgets into one. The budget totals $13.4 billion when all funds from all sources are included, with $8.4 billion coming from state funds. The supplemental part of the budget, which continues to cover the current fiscal year, is $744 million with $717 million coming from state funds. The capital portion of the budget totals $3.7 billion, the largest in decades, with $1.1 billion coming from state funds. Note that $70 million in state funding leverages $900 million in federal infrastructure money. Adjusted for inflation it is the 10th largest budget in history for state spending alone. With funding from all sources (think federal) it is nearly the largest in state history.

Across departments there was funding for negotiated salary increases, retention and new hire bonuses, and moving costs to help with hiring and retaining employees. Many departments included new temporary grant positions to help communities and school districts apply for all the upcoming federal grant funds. There is a fuel subsidy for state agencies once oil reaches various trigger prices, providing additional funds for agencies to operate. The state’s unfunded pension debt was funded at $89 million and $300 million is deposited into the corpus of the Permanent Fund. Oil and gas tax credits are funded at no more than $409 million and actual funding will depend on the price of oil. The University of Alaska system saw a 6.7% increase to its base operating budget. In the end, the debate over the State taking 404 wetlands permitting primacy from the federal government was settled with a $1 million dollar study about the feasibility of the State meeting all the requirements and the costs. Another provision deposits any revenue over $100 a barrel into the Permanent Fund principal. Other budget highlights, excluding any capital items covered in a separate update, are listed below:

- $3,200 per eligible resident for a combined permanent fund dividend (50/50) and energy relief check.
- Full funding for FY 23 BSA at $1.17 billion and pupil transportation.
- A set-aside of $700 million for education in FY24 if oil prices average $100 per barrel.
- $57 million additional one-time funding for Foundation Formula funded outside the formula for K-12 and an additional $30 per student through legislation.
- $5.7 million for 2-year Pre-Kindergarten grants (FY2023-FY2024).
- $262,900 for two temporary grant administrators to assist rural school districts; the funding is for FY23 and FY24 and $10,000 for equipment/supplies for the grant.
- Increases for the 10 TVEP programs.
- Senate adds $4.3 million for residential schools, a 50 percent increase.
- Broadband Grants, $6.7 million.
Live Homework Help, $138,000.
OWL, $447,000.
$400 million to recapitalize the Higher Education Investment fund that provides for scholarships and medical school. Legislation will protect the funds from the reverse sweep moving forward.
$10 million for DOL workforce development and training, about $324,000 for ATC to be used over 2 years.
Full funding for FY23 school bond debt reimbursement program at $78.9 million; $24.1 million for FY17; $47.9 million for FY20; and $100.1 million for FY20 for total reimbursement in funding for these years FY17-22.
$32.7 million is appropriated from the general fund to the REAA and Small School District school fund for FY 23, $17.1 million to restore funding for FY 22; $10,410,000 million to restore funding to the statutory level for the REAA Fund for FY17; $19,694,500 million to restore funding to the statutory level for the REAA Fund for FY20; and $36,739,000 million to restore funding to the statutory level for the REAA Fund FY21. This is total reimbursement in funding for the FY 17-22.
LIHEAP is funded at a base of $9.6 million, plus last year’s $23.7 million in federal funds which is available to use through FY 24. There is also $314,000 through ILJA in the supplemental budget.
Community Assistance: Includes proposed $31.8 million FY22 supplemental capitalization into the community assistance fund and an additional $7.1 million directly to DCCED to distribute as community assistance payments to eligible recipients under CAP. This would result in approximately $37 million being available for distribution to eligible recipients in FY23.
$23.9 million is appropriated to communities under the shared fisheries business tax and $18.1 million based upon collections in calendar year 2022 is appropriated for the first seven port of call communities under the commercial passenger vessel tax collection program (cruise ship head tax sharing program).
Increased Community Jails funding by $3 million.
Municipal Harbor Debt reimbursement is fully funded.
The VPSO program is funded at $17 million, a steady increase over prior years.
There’s a prohibition against the RPL process, which means if the State receives extra federal funds they must come back to the Legislature to appropriate.

More budget information can be found at the following links: http://www.legfin.akleg.gov/ and https://omb.alaska.gov/fiscal-year-2022-proposed-budget/.

**Bills:**

Throughout this session, bills have moved slowly. In the waning days of session legislators began to look for fast-moving bills near the finish line that they could amend and add their bills into. This made for a messy end of session that was at times hard to track. In the end, the Legislature failed to pass any campaign finance restrictions. This means there are no campaign finance limits and representatives can accept unlimited donations from people in or out of the state. The legislature did ban marriages for children under sixteen (HB 62), and it updated the definition of sexual assault adding consent as a factor, not just violence or the threat of violence (HB 325 and HB 5).

Following some consternation, the Reads Act/Pre-K bill passed when the Senate inserted an updated version of SB 111 into another school funding bill passed earlier by the House, HB 114. The combined
new bill went back to the House for a “concurrence” motion on the House floor, where the senators’ combined bill prevailed by a narrow 21-19 vote. The reading bill will establish a set of focused reading programs for children in grades K-4 with new resources to pay for them, provide technical assistance, and provide professional training. The bill also expands pre-kindergarten programs with state funding, starting with the lowest performing school districts and eventually encompassing the entire state. The program is voluntary for Pre-K. The bill also establishes the reading curricula for prekindergarten through grade 3 based on the five components of evidence-based reading instruction (phonemic awareness, phonics, vocabulary development, reading fluency, oral language skills, and reading comprehension). The bill specifies that these programs will be locally designed and culturally responsive. The reading program is accompanied by interventions for students struggling with reading, as well as a DEED-established statewide reading program to assist and provide support and resources for school districts and teachers in providing reading intervention services.

The bill supports and provides resources to school districts with dual-language, language immersion, and culturally integrated curriculum, including by providing the following:

- Reader screeners that meet local needs, are culturally responsive, and available in any language taught by the school
- Teacher professional development and support services in culturally responsive evidence-based reading intervention services
- Targeted reading intervention support programs for struggling districts that requires reading specialists to have training in indigenous languages and any other culturally responsive training identified by indigenous stakeholders

Additionally, the following new revisions were added in the last days:

- Increase to the Base Student Allocation (BSA) of $30 per student, equaling $7.6 million in additional annual resources.
- Ensures pre-K students are included in Average Daily Membership (ADM) calculations for pupil transport. This change makes sure our pre-K students can get to school where district student transportation occurs.
- Expands the duties of the annual stakeholder meeting to include providing recommendations and guidance to the state board of education, DEED, and the legislature on how the “Alaska Reads Act” may integrate with tribal compacting or other programs focused on cultural education. The meeting is also directed to discuss support for reading in Alaska Native languages and other non-English languages.
- Reduces any district reporting burdens by streamlining the reporting process.
- Reduces employment barriers for department reading specialists.
- Based on feedback from Indigenous language stakeholders, the amendment ensures every component is culturally responsive and meets the unique needs of students across the state – urban and rural. For example, reading specialists funded by this legislation would require Indigenous language training, an understanding of the community and culture, and live within the school district. Also, the reading tools used by educators can be in any language.
- Provides two technical changes: (1) clarifies the relationship between districts and Head Start, and (2) provides clarity, sideboards, and “does no harm” in providing a clearer process to implement existing department authority related to school funding.
HB 147 and HB 413 were also added to HB 114. There were two other education bills rolled into HB 114: HB 413 - Facilities Constituting a School; HB 147 - Rural Definition, Teacher Education Loan Program. HB 147 changes the definition of “rural community” for the Teacher Education Loan Program. The new language defines rural as a community with a population of 5,500 or less that is not connected by a road or rail to Anchorage or Fairbanks or a community with a population of 1,500 or less that is connected by road or rail to Anchorage or Fairbanks. HB 413 is a bill that address an issue in Hooper Bay and excludes charter schools from the definition of facilities constituting a school, allowing the district to be eligible for $1 million in school funding. The original bill, HB 114, expands the authority of the Alaska Commission on Postsecondary Education to better meet Alaskans’ student loan needs, and is expected to increase the origination of loans funded by the Alaska Student Loan Corporation. The bill expands the eligible population and increases loan limits.

Other notable bills that passed:

COMMUNITY

SB 243, PCE: Raise PCE eligible ceiling from current 500kwh to 750kwh, providing much needed relief to rural communities.

HB 363, Broadband: HB 363 establishes the Office of Broadband within the Department of Commerce, Community, and Economic Development (DCCED), the Statewide Broadband Advisory Board, and an eight-member Broadband Technical Board. These will all be repealed on June 30, 2030. The Office will work on equitably distributing the billions in federal infrastructure broadband funds coming to the state.

HB 123, Tribal Recognition: Establishes formal state recognition of Tribes.

HB 184, Tribal Compact: The bill amends AS 47.05 by adding a new section to codify the Alaska Tribal Child Welfare Compact into statute. The bill ensures State participation in the Compact in the administration of child welfare services by Tribes and Tribal Organizations. The Alaska Tribal Child Welfare Compact (the Compact) is between certain Alaska Native Tribes and Tribal organizations (referred to as Co-Signers) and the State of Alaska. Currently, the State of Alaska and 18 Co-Signers participate in the Compact. The Compact encourages government-to-government collaboration and cooperation to promote the autonomy of Tribes in Alaska related to the delivery of child welfare services, and aims to improve the outcomes and strengthen child welfare services.

SB 7, State Trooper Policies: This bill requires Department of Public Safety to publish on its website the Department's current policies and procedures related to the conduct of peace officers employed or regulated by the department.

SB 95, Surplus State Property: This bill allows for volunteer search and rescue groups organized to provide services in the state to exercise right of first refusal on obsolete or surplus state property that may assist in carrying out future search and rescue services.

HB 298, Food: The bill establishes the Alaska Food Strategy Task Force in the legislative branch with an executive board of nine members, to include four legislators, who select an additional 21 members. The task force will focus on improving food security for the long-term benefit of Alaska’s
communities, economy, and environment. It also creates a loan program for meat processing facilities and farm development.

SB 45, E-Cigs: Bill implements higher taxes on e-cigarettes and sets the age limit to purchase at 21, aligning with federal law.

**EDUCATION**

SB 20, Out of State Teacher Reciprocity: Requires DEED to issue a teacher certificate to individuals who hold a teaching certificate from another state, have passed a background check, and paid the required fee.

SB 34, State-Tribal Compact: This bill directs the State Board of Education and Early Development to negotiate with federally recognized tribes on establishing a state-tribal education compact school that may operate for a five-year term.

SB 174, Hair Discrimination: Prohibits hair discrimination in public schools and prevents school boards from adopting a dress code that prohibits a student from wearing traditional tribal regalia or objects of cultural significance at a graduation ceremony. Workplace protections were removed from the bill.

HB 19, Limited Language Certificate: The legislation allows for a person with expertise in a language other than English to qualify for a limited language immersion teacher certificate without having a bachelor's degree or having completed a teacher preparation program.

HB 332, Scholarships: The ferry funding and the Higher Education Investment Funds are shifted to a new location so the funds are not subject to the yearly reverse sweep, which will preserve the funds.

**HEALTH:**

HB 265, Telehealth: The bill expands the state’s current telehealth authorization with flexibility to include audio as well as video consultation, which is important in rural Alaska where broadband service is typically absent. An important part of the bill requires “parity,” or equal payment for telehealth and in-person visits at medical facilities.

HB 392, Nurses: The bill expands authority for nurse practitioners and allows them to sign end-of-life paperwork.

HB 145, Pharmacist: Expands pharmacist authority and updates statutes regulating pharmacies for the first time in 30 years.

HB 172, Mental Health Facilities: The bill allows establishment of temporary acute mental health treatment centers to take the burden off local police, who respond to these emergencies and are often untrained to deal with them. The bill provides that in cases where probable cause exists, a peace officer will take into custody and transport certain persons to a subacute mental health facility, evaluation facility, or treatment facility. The bill also adds a new subsection to AS 47.30.705 to require a peace officer to give priority for transport to a crisis stabilization center if one exists in the community served.
by the peace officer. The legislation fulfills the Department of Health and Social Services obligations under the settlement in Case No. 3AN-18-9814 CI with the Disability Law Center (DLC).

HB 168, Public Benefits: This bill requires the Department of Health to provide online applications for public benefits.

**BUSINESS**

HB 227, Municipal Energy Improvements: This bill expands the existing municipal Property Assessed Clean Energy, or PACE, program so new construction and refinancing can be done for energy improvements in commercial buildings. Anchorage has the only established PACE program, but other municipalities are waiting for the passage of HB 227. The program allows financing with payments made with local property taxes, like sewer and water assessments.

SB 33, Tax Credits: Reestablishes an incentive tax credit for new seafood products and facilities with updated technology.

SB 131, Workers Comp: Increases the presumptions for career-related diseases for firefighters, especially certain cancers.

SB 185, Pay: Eliminates a state law that allowed employers to pay workers below minimum wage if they have a mental or physical disability.

SB 9, Alcohol: The bill updates regulations relating to alcohol, bars, breweries and tap rooms. The big debate surrounded population limits. To address the concerns of existing licensees, new taproom licenses will be limited to 1 for every 9,000 people in a town or city. Other licenses are available on a 1 per 3,000-person basis, and the number of breweries and distilleries has no limit — they just can’t open a taproom. Existing taprooms can stay open, even if their city is over the new limit. Taprooms will also be able to be open from 9 a.m. to 9 p.m., extending closing time by one hour. Taprooms will also be allowed to hold a limited number of live music events per year. It took 10 years to get this bill passed. A good write-up on the bill can be found here: [https://www.alaskapublic.org/2022/05/16/alaska-house-approves-major-update-to-alcohol-laws-including-changes-for-breweries/](https://www.alaskapublic.org/2022/05/16/alaska-house-approves-major-update-to-alcohol-laws-including-changes-for-breweries/).

The Governor has stated that he will begin reviewing the budget and passed legislation this week. J&H Consulting will report any of the Governor’s actions related to the budget or legislation in the coming weeks.

Best regards,

Reggie Joule and Christine Hess
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The capital items can be found within **HB 281**, the FY23 operating, capital, and supplemental budget, as all the budgets were rolled into the operating budget on the Senate side. However, the capital budget alone totals $3.7 billion with $1.1 billion coming from state funds. There are capital items that directly benefit local governments, nonprofits, Tribes, communities, and schools. There are capital items for just about everyone. For the first time in many years, some projects requested by districts are funded.

Some highlights include:

- **School major maintenance**: $100 million, which covers funding to about number 55 on the maintenance list.
- **Kwethlek power resiliency project**, $614,000.00; **Napakiak School**, $54.8 million; **$15,000 for the Anchorage School District Airport Heights Elementary School ice rink**; $302,500 for the **Yukon Flats School District Tsuk Taih School water tank roof replacement**; $500,000 for the Anchorage School District Russian Jack Area School pedestrian and safety upgrades; and $6.1 million for **Mt. Edgecumbe High School repairs**, along with $95,000 for bleachers and water survival equipment.
- **Volunteers of America**: $960,000 for school-based mental health.
- **School Breakfast Expansion**: $600,000.
- **Harbor matching grants**: $20 million (including a Homer project).
  - **Homer large vessel harbor**: $750,000.
  - **Port of Alaska**: $200 million, $100 million contingent on receiving federal matching funds.
  - **Port of Nome**: $175 million.
  - **Airport improvements**: $400 million (**for Homer, $14.2 million for improvements**).
  - **Federal transit grants**: $26 million.
  - **Surface transportation**: $868.5 million, with $33.6 million funding Dalton Highway Projects.
  - **AMHS, mainline ferry replacement and other ferry funding**: $30 million.
  - **Alaska Long Trail**: $15 million, with funding scattered throughout the bill.
  - **Community Block Grants**: $6.3 million.
  - **Kenai River Bank Stabilization**: $6.5 million.
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  - **NPR Grants**: $13.8 million.
  - **Arctic Strategic and Resource Transportation Project**: $2.5 million.
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  - **Mine Reclamation**: $4.5 million.
  - **Abandoned well cleanup**: $32.3 million.
- Arctic Fisheries: $3 million.
- AEA-Renewable Energy Grants: $15 million, including $1.9 million in funding for Kotzebue Electric Association plus other AEA funding (bulk fuel, rural power system upgrades, energy efficiency conservation block grants).
- AEA-Bulk Fuel Upgrades: $13 million.
- AEA Energy Conservation grants: $2 million.
- Electric Vehicle Infrastructure: $7.7 million.
- Village Safe Water Upgrades and Expansions: $89.8 million.
- Village Safe Water First Time Projects: $27 million.
- Increased Clean Water and Drinking Water funds to DEC for revolving loan fund and Village Safe Water.
- Statewide deferred maintenance and repair: $50 million.
- University of Alaska deferred maintenance and repair: $50 million.
- Code Blue: $500,000.
- Crisis Stabilization Center: $8 million.
- Pacific Coastal Salmon Recovery Fund: $4.4 million.
- Pacific Salmon Treaty Chinook Fishery Mitigation: $6.4 million.
- Alaska Salmon: $1.15 million.
- Sport Fish Boater and Angler Access: $9 million.
- State Parks Facilities Upgrades: $81.4 million.
- National Recreational Trails Grants: $1.65 million.
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- AHFC Energy Programs, Weatherization: $23.1 million.
- Energy Efficiency Research: $2.5 million.
- Food Security Agriculture Incentive Grant Program: $3 million.
- Food Security Mariculture Incentive Grant Program: $5 million.
- Food Bank Statewide: $10 million.
- University of Alaska Fairbanks – Bartlett Hall and Moore Hall Modernization and Renewal: $18.5 million.
- New Broadband Office: $6 million.
- Cybersecurity grant program (it looks like the five-year amount was appropriated) to local governments.
- Food Aid to Ukraine $300,000.
- Grants to named recipients: a long list, including AML and AFN for infrastructure support.
- Grants to municipalities: Some CIP list items – Homer large vessel harbor, Kodiak fire hall, Emmonak port completion, Haines Lutak dock, Mat-Su first responder facility, Petersburg public health center, and many other health facilities, community buildings and museum support.
- DPS radio replacement, and VPSO program support.
• And so much more!

**Conclusion**

Next, the budget heads to Governor Dunleavy to sign and he can exercise his right to veto individual items. Also note, federal grants funds will flow to Alaska over the course of several years and will cover several budget cycles. Additionally, new grant programs are being implemented at both the state and federal level and will provide additional opportunities to fund projects. J&H Consulting will continue to provide information about these opportunities as they arise.

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