



## Representative Andy Josephson

District 17: Midtown, University, & East Anchorage

*I Answer to You!*

Your Voice in the Alaska House of Representatives

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### *Josephson's Journal*

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Dear Friends and Neighbors,

With the finish line in sight, I'm **working hard** for you on all the critical issues that the legislature must decide before adjourning on or before Day 121, May 16.

Here's a roundup of the most pertinent issues facing our state: big picture fiscal matters, budgets and priority legislation.

#### Early Funding of Education

The House and Senate, via [HB 287](#), appropriated \$1.32 billion for K-12 next school year, the same amount as this year. This allows school districts to budget and avoid most teacher layoffs, but flat-funding education means cutting education. Inflation has eroded \$90 million in education funding since 2014, resulting in 500+ fewer teachers and support staff, increased class sizes, and reduced programming. In its version of the bill, the Senate added \$1.32 billion for the school year that begins September 2019, plus \$30 million in one-time grants to school districts, if the House passes the Permanent Fund Draw, (see below).

#### Senate Bill 26, Permanent Fund Draw

Leaving the principal intact, SB 26 would draw a percent of market value (POMV) out of Permanent Fund earnings yearly to pay dividends and help fund essential state services. Last year, the House and Senate passed different versions of SB 26, so a conference committee is meeting to hammer out a compromise. Most legislators agree that it's time to tap our rainy-day fund, but we've yet to agree on what percentage to draw. If we can hit the sweet spot, probably 4.75% - 5%, we could draw about \$2.4 billion a year, close much of our ongoing budget gap, inflation proof the fund principal, and pay PFDs.

## WHY USE PERMANENT FUND EARNINGS

|   |                      |
|---|----------------------|
| FY18 Budget                             | \$4.3 billion        |
| <b>FY18 Budget Gap</b>                  | <b>\$2.8 billion</b> |
| <u>Potential Tools to Close the Gap</u> |                      |
| Motor Fuels Tax Increase                | \$0.1                |
| Broad Based Tax                         | \$0.6                |
| Oil Tax Credit Reform                   | \$0.1                |
| Max. Cuts Proposed (over 3 years)       | \$0.75               |
| SB26 (net dividend)                     | \$2.0                |



## The Operating Budget

The conference committee has finished most of its work reconciling the 145 differences between the House and Senate versions of the bill that funds state agency operations, and that committee will resume negotiations once the House strikes a deal with the Senate on SB26. Here's how the two chambers differ on some major budget items:

|   | House    | Senate   |
|---|----------|----------|
| <i>PFD</i>  | \$1,600  | \$1,600  |
| <i>Oil Tax Credits</i>                            | \$49 M   | \$184 M  |
| <i>Medicaid</i>                                   | \$2.23 B | \$2.01 B |
| <i>University</i>                                 | \$336 M  | \$322 M  |
| <i>AK LNG authority to receive investor funds</i> | \$1 B    | \$0      |
| <i>Permanent Fund inflation proofing</i>          | \$942 M  | \$0      |
| <i>Undesignated General Fund (UGF) draw</i>       | \$4.5 B  | \$4.5 B  |
| <i>Constitutional Budget Reserve (CBR) draw</i>   | \$600 M  | \$600 M  |

## What Remains Outstanding?

In addition to the state's budget and Permanent Fund reform, there are several other pieces of priority legislation that we continue to consider in the final days of session.

### 1. Alcohol Reform

Through six years of collaborative effort on the part of all stakeholders involved, including mental health advocates, public safety officers, the administration, and the industry itself, an overhaul of antiquated alcohol laws has been developed and unanimously passed the Senate. We will discuss [this legislation](#) soon in Labor and Commerce Committee of which I am a member. I have researched this issue extensively and support a modernization of statutes to help the industry, as well as tight rules and punishments for offenders of our state laws.



*Conferring with Finance Co-Chair, Rep. Foster on the House Floor*

### 2. Criminal Law Reform

As a former prosecutor and concerned Alaskan, I care deeply about our criminal laws and their relation to public safety. With the passage of Senate Bill 91 last year, judges can no longer consider out-of-state crimes when setting bail; a policy I fought against.

[House Bill 387](#) and [Senate Bill 150](#) fix this problem and several

others as they relate to conditions of release.

### 3. Increase of Base Student Allocation

Currently, the state gives school districts a base student allocation (BSA) of \$5,930 per student per year, but House-passed HB 339 adds \$100 to bring the BSA to \$6,030. This 1.6 percent increase amounts to \$25 million for districts statewide, roughly equal to the amount lost since 2015. The Senate hasn't agreed to this BSA increase; it's a bargaining chip in adjournment negotiations. [This legislation](#) recently passed the House, and I was very pleased to support an increase in school funding.

#### 4. *Smoke-Free Workplace*

Many constituents have inquired about the status of the [smoke-free workplace bill](#) in the House Rules Committee. Despite having much bipartisan support, SB 63 remains in Rules, which recently made several changes to the bill. Language referring to e-cigarettes and marijuana was deleted, and a municipal opt-out provision was inserted, allowing municipalities to choose not to adhere to this law. I support the original version of this bill, but I believe the opt-out language will survive in the final version.

#### 5. *Workers' Compensation Reform*

A lot of legislation this year aims to change our workers' compensation statutes. My [House Bill 38](#), which adjusts permanent partial disability benefits for inflation, increases a death benefit to financially dependent family members that hasn't been adjusted since 1968, and creates a new death benefit for single, childless workers, has made it all the way through the House and is being discussed by the Senate Finance Committee, along with several other big workers' compensation bills. It is likely that before the session's end we will negotiate some reform to our system that everyone can agree on, and hopefully make some positive changes.



*Speaking to Legislation on the House Floor*

#### 6. *Bonds for Oil Tax Credits*

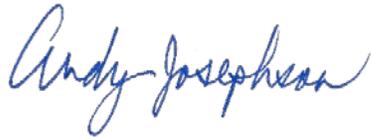
Governor Walker introduced [HB 331](#) that establishes a mechanism to quickly pay tax credits the state owes some smaller oil companies. This bill would provide \$700 million in economic stimulus to the oil and gas sector. I support this measure that will put Alaskans back to work.

### **Session Wind Down**

That is to say, we're fast approaching day 121 of the legislative session. I am confident that the legislature will fully adjourn by the constitutional deadline of May the 16<sup>th</sup>.

That's my update for now. As always, I look forward to input from my constituents as we work through such pivotal issues to the state of Alaska. Feel free to reach out to my office anytime. I'd be happy to hear from you.

Sincerely,



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