

ALASKA STATE LEGISLATURE

HOUSE FINANCE:
Operating Budget Co-Chair



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TAKU-CAMPBELL

REPRESENTATIVE ANDY JOSEPHSON

Date: January 7, 2026
To: Taku/Campbell Community Council
From: Representative Andy Josephson
Re: January 2026 Taku/Campbell CC Update

Hello Neighbors,

The legislative session is less than two weeks away. My office is busy pre-filing bills and reviewing the Governor's proposed budget. Below is an update.

Pre-Filed Bills

Yesterday, I submitted three bills for the first pre-file deadline. Bills numbers are assigned once the Legislature convenes, so the bills are referenced by their act title.

An Act relating to allocations for the special education service agency

The Special Education Services Agency (SESA) is an agency comprised of a low incidence disability (LID) service inclusive of a statewide lending library. The agency funding formula is \$23.13 multiplied by Alaska's average daily membership (ADM) of students enrolled in a school district ($\$23.21 \times \text{ADM}$). The issue is that the ADM has decreased in recent years, but the LID caseload is steadily increasing per education specialist. This bill would increase the multiplier to $\$26.89 \times \text{ADM}$, increasing the appropriation to the agency by approximately \$482,300.

An Act relating to the climate change response fund and grant program

Extreme weather events are becoming increasingly more common. In just the second half of 2025, the Governor issued disaster declarations for

- Dalton Highway flooding (06/18/25)
- Mat-Su Borough flooding (07/09/25)
- The City of Chevak fire (08/02/25)
- The City and Borough of Juneau Glacier Outburst flood (08/14/25)
- Allakaket flooding (09/04/25)
- The Elfin Cove landslide (10/03/25)
- The West Coast storm/Typhoon Haalong (10/16/25)
- The FY2026 Fire Season Disaster Declaration (11/26/25), and
- The Mat-Su Borough windstorms (12/17/25)

Appropriations to the Disaster Relief fund are made ad hoc during the operating and supplemental budget process. However, there is no funding set aside or appropriated for disaster mitigation efforts. Waiting for a disaster to occur, rather than taking proactive measures, costs both lives and money. This bill would charge a \$0.20 per barrel surcharge on oil produced in state to be set aside for a new Climate Change Response fund. The purpose of the fund would be to provide grants aimed to build, repair, upgrade, or improve capital assets or infrastructure which meet an anticipated risk from climate change.

An Act relating to workers' compensation tax rate and service fees

The Alaska Worker's Compensation Division operations are tied to worker's compensation insurance premiums. We can all agree that lower insurance premiums are great for the insured. For the Worker's Compensation Division, however, lower premiums are directly associated with a cut to their operational funding. Same staff, same work, and same administrative expenses, but less funding for ongoing operations. This bill would change the percentage of the insurance premium being paid to the division for worker's compensation operations, otherwise known as the service fee. The percentage will be set by the division and be no more than 4%.

Governor's Proposed Budget

At your December meeting, my office provided a very high-level overview of the Governor's proposed budget. My office has since spent additional time reviewing the proposed budget and here are a few notable mentions:

- The statutory Permanent Fund Dividend is included in the Governor's budget. This is

estimated to be \$3,650 per eligible Alaskan for a total cost of \$2.47 billion.

- The proposed deficit is \$1.53 billion in FY27. This would be paid by the \$3 billion in the Constitutional Budget Reserve fund (CBRF) and require 3/4ths approval of all legislators (45 of 60) to pass.
- The FY26 supplemental plus deficit will cost an additional \$347 million, paid for by the CBRF. This includes \$55 million for fire suppression, \$40 million for disaster relief, and \$70 million for Department of Transportation federal highway match, even though the Governor partial vetoed or fully vetoed efforts by the Legislature to fund these items.
- The Higher Education Investment fund (HEIF) covered the FY25 supplemental costs and deficit after a failed attempt to access the CBRF and veto of AIDEA reserve funds. The Governor proposes paying back the HEIF in the FY26 supplemental (\$130 million).
- The actuarial rate determined by the Alaska Retirement and Management Board (ARMB) was fully funded for state employees, but it was partially funded for municipal PERS and teacher retirement payments.
- The Governor increases agency operations by less than \$1 million (0.0%) from FY26.
- Payroll services have been transferred from the Department of Administration to various departments, including Corrections, Fish and Game, Law, Military and Veterans' Affairs, Public Safety, Transportation and Public Facilities, and Natural Resources. These departments will now be responsible for processing their own employee's payroll.
- The Shared Services of Alaska office was closed. This office was intended to streamline business processing, reduce costs, and enhance service quality across state agencies.
- The Governor includes a Department of Agriculture in the budget and transfers existing positions from the Department of Natural Resources. The Governor argues Executive Order (EO) 137, the second attempt to create the Department of Agriculture, was constitutional to introduce during the August special session. The Legislature argues that a special session does not count as a "full session" under Article III, Section 23, therefore the Governor's EO 137 is unconstitutional. The Governor argues that the department was created upon the Legislature's refusal to take up the EO. The Alaska First Judicial Superior Court recently sided with the Legislature and found the EO unconstitutional.
- To address new public assistance requirements in 2029 and 2030, the Governor has shifted funding from Division of Public Assistance grants and benefits to field services. No new funding was proposed to address upcoming eligibility determinations and maximum error rates required by H.R.1 ("One Big Beautiful Bill").

Closing

I deeply appreciate serving you. My office doors are always open to address your questions, concerns, or anything else you need. Call my staff at (907) 465-4939 to schedule an in-person or teleconference appointment. Looking forward to hearing from you!

Sincerely,

A handwritten signature in black ink, appearing to read "Andy Josephson".