

**LASKA STATE LEGISLATURE**  
**HOUSE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE**

April 6, 2023

8:01 a.m.

**MEMBERS PRESENT**

Representative CJ McCormick, Chair  
Representative Kevin McCabe, Vice Chair  
Representative Tom McKay  
Representative Justin Ruffridge  
Representative Rebecca Himschoot  
Representative Donna Mears

**MEMBERS ABSENT**

Representative Josiah Patkotak

**COMMITTEE CALENDAR**

HOUSE BILL NO. 70

"An Act relating to property exempt from municipal taxation."

- HEARD & HELD

HOUSE BILL NO. 69

"An Act relating to the reclassification of first class cities as second class cities; and providing for an effective date."

- MOVED CSHB 69(CRA) OUT OF COMMITTEE

HOUSE BILL NO. 123

"An Act relating to an amendment to the articles of incorporation of a corporation organized under the Alaska Native Claims Settlement Act; and providing for an effective date."

- MOVED HB 123 OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: HB 70

SHORT TITLE: MUNICIPAL PROPERTY TAX EXEMPTIONS

SPONSOR(S): REPRESENTATIVE(S) TOMASZEWSKI

02/13/23	(H)	READ THE FIRST TIME - REFERRALS
02/13/23	(H)	CRA

04/06/23 (H) CRA AT 8:00 AM BARNES 124

BILL: HB 69

SHORT TITLE: RECLASSIFICATION OF FIRST CLASS CITIES

SPONSOR(S): REPRESENTATIVE(S) CRONK

02/10/23 (H) READ THE FIRST TIME - REFERRALS  
02/10/23 (H) EDC, CRA  
03/01/23 (H) EDC AT 8:00 AM DAVIS 106  
03/01/23 (H) Heard & Held  
03/01/23 (H) MINUTE(EDC)  
03/13/23 (H) EDC AT 8:00 AM DAVIS 106  
03/13/23 (H) Heard & Held  
03/13/23 (H) MINUTE(EDC)  
03/20/23 (H) EDC AT 8:00 AM DAVIS 106  
03/20/23 (H) Moved HB 69 Out of Committee  
03/20/23 (H) MINUTE(EDC)  
03/22/23 (H) EDC RPT 5DP 2NR  
03/22/23 (H) DP: STORY, MCKAY, MCCORMICK, ALLARD,  
RUFFRIDGE  
03/22/23 (H) NR: HIMSCHOOT, PRAX  
04/04/23 (H) CRA AT 8:00 AM BARNES 124  
04/04/23 (H) Heard & Held  
04/04/23 (H) MINUTE(CRA)  
04/06/23 (H) CRA AT 8:00 AM BARNES 124

BILL: HB 123

SHORT TITLE: ARTICLES OF INCORPORATION FOR ANCSA CORPS

SPONSOR(S): REPRESENTATIVE(S) C.JOHNSON

03/17/23 (H) READ THE FIRST TIME - REFERRALS  
03/17/23 (H) CRA  
04/04/23 (H) CRA AT 8:00 AM BARNES 124  
04/04/23 (H) Heard & Held  
04/04/23 (H) MINUTE(CRA)  
04/06/23 (H) CRA AT 8:00 AM BARNES 124

**WITNESS REGISTER**

REPRESENTATIVE FRANK TOMASZEWSKI

Alaska State Legislature

Juneau, Alaska

**POSITION STATEMENT:** As prime sponsor, answered questions on HB 70.

MICHAELLA ANDERSON, Staff

Representative Frank Tomaszewski

Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Presented HB 70 and provided the sectional analysis, on behalf of Representative Tomaszewski, prime sponsor.

DAVE STANCLIFF, Staff  
Representative Mike Cronk  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Addressed the proposed changes in HB 69, Version B, on behalf of Representative Cronk, prime sponsor.

REPRESENTATIVE MIKE CRONK  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** As prime sponsor, spoke to HB 69, Version B.

NILS ANDREASSEN, Executive Director  
Alaska Municipal League  
Juneau, Alaska

**POSITION STATEMENT:** Testified in support of HB 69.

TOM WRIGHT, Staff  
Representative Craig Johnson  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Recapped HB 123 on behalf of Representative C. Johnson, prime sponsor.

ROBERT MISULICH, General Counsel  
Aleut Corporation  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 123.

SUSAN TAYLOR, CEO  
St. Mary's Native Corporation  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 123.

NICHOLAS OSTROVSKY, General Counsel  
Ahtna, Inc.  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 123.

SARAH OBED, Senior Vice President

External Affairs  
Doyon, Limited  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of HB 123.

**ACTION NARRATIVE**

[8:01:17 AM](#)

**CHAIR CJ MCCORMICK** called the House Community and Regional Affairs Standing Committee meeting to order at 8:01 a.m. Representatives McKay, Ruffridge, Himschoot, and McCormick were present at the call to order. Representatives Mears and McCabe arrived as the meeting was in progress.

The committee took a brief at-ease at 8:03 a.m.

**HB 70-MUNICIPAL PROPERTY TAX EXEMPTIONS**

[8:03:50 AM](#)

**CHAIR MCCORMICK** announced that the first order of business would be HOUSE BILL NO. 70, "An Act relating to property exempt from municipal taxation."

[8:04:18 AM](#)

**REPRESENTATIVE FRANK TOMASZEWSKI**, Alaska State Legislature, as prime sponsor, thanked the committee for hearing HB 70 and introduced his staff to give an overview of the bill.

[8:04:43 AM](#)

**MICHAELLA ANDERSON**, Staff, Representative Frank Tomaszewski, Alaska State Legislature, gave a brief overview of HB 70 on behalf of Representative Tomaszewski, prime sponsor. She paraphrased the sponsor statement [included in the committee packet] which read as follows [original punctuation provided]:

House Bill 70 adds new language exempting non-profits from municipal taxation on certain properties. This includes parking lots owned by non-profits and used for parking or other uses free of charge. This also includes property of a store operated by a non-profit that distributes food, shelter, clothes, or health care for below market value or free. Additionally, this maintains a non-profit's tax

exemption if they rent out their property to another non-profit.

The Fairbanks Community Food Bank was founded in 1982 in the midst of a recession. People were struggling to put food on their table, but stores had an excess and food was going to waste. While in the first year they collected and distributed a few thousand pounds of food to a couple hundred people, they now collect and distribute approximately five million pounds of food.

Food banks and other charitable non-profits are a pillar of our communities. They help our communities' least fortunate when they need basic goods and services. Of course, many nonprofits turn to fundraising and facility rentals to keep their lights on and doors open so they can continue to provide their essential services.

This bill aims to support our non-profits in a time of economic uncertainty in our state. With revenues being down and permanent fund dividends being cut creating a regressive tax on our least fortunate, we must help those who help those in need.

MS. ANDERSON pointed out locations on a service map [copy included in the committee packet], showing all the areas that the Fairbanks Community Food Bank has assisted with "food through shipping."

[8:06:38 AM](#)

REPRESENTATIVE HIMSCHOOT asked if Representative Tomaszewski's office had spoken with any local municipalities about the possible impact of HB 70 on local revenue.

MS. ANDERSON replied that there have been conversations with the Fairbanks North Star Borough (FNSB) on potential minor changes in the bill language. She noted she has not reached out to any other municipalities.

REPRESENTATIVE HIMSCHOOT questioned any potential impacts to education funding in terms of how the cap is related to property tax.

MS. ANDERSON replied that she can provide the answer at a later date.

REPRESENTATIVE HIMSCHOOT expressed the understanding that this would be a state statute governing at the local level, as it would be removing some of the tax base at the local level. Because of this, she inquired whether there would be a tax reimbursement.

MS. ANDERSON replied that staff will research this issue and provide the committee with clarification at a later date. She suggested that there would not be a loss of revenue, as the assessment is new revenue.

REPRESENTATIVE TOMASZEWSKI explained that the food bank traditionally has had no property taxes, and the assessment is new to the municipality.

REPRESENTATIVE HIMSCHOOT expressed support for local control. She stated she would further investigate HB 70.

[8:09:41 AM](#)

REPRESENTATIVE RUFFRIDGE, [regarding Section 1 of HB 70, which lists property that is exempt from taxation], referenced [paragraph (3)], beginning on page 2, line 16, which read:

(3) property used exclusively for nonprofit religious, charitable, cemetery, hospital, or educational purposes;

REPRESENTATIVE RUFFRIDGE questioned why the additional language [proposed on page 3, line 19, through page 4, line 2] is necessary and not covered already by paragraph (3).

MS. ANDERSON replied that the intent of the added language is to make explicit in statute that the other instances would be exempt.

[8:10:43 AM](#)

REPRESENTATIVE MCCABE requested confirmation that the City of Fairbanks is attempting to tax the foodbank, which is a nonprofit that does not make money.

REPRESENTATIVE TOMASZEWSKI responded that the food bank brings in food donated by many organizations and gives the food away for free.

MS. ANDERSON clarified that it is FNSB, not the City of Fairbanks.

REPRESENTATIVE MCCABE expressed the understanding that the food bank does not have any income except what is donated, and the food bank would have to find a source of revenue to pay taxes to FNSB.

REPRESENTATIVE TOMASZEWSKI expressed uncertainty concerning the food bank's income sources. He suggested that it is mostly run on grants and does not generate very much money.

8:13:00 AM

MS. ANDERSON gave the sectional analysis for HB 70 [included in the committee packet] which read as follows [original punctuation provided]:

Section 1: Amends AS 29.45.0303(a) to add new subsections (11) and (12)

(11): Adds parking lots

(A) owned by organizations incorporated under state law being exempt under 26 U.S.C. 501(c)

(B) that is used for parking or other use free of charge

(12): Adds real and personal property of a store operated by organizations incorporated under state law being exempt under 26 U.S.C. 501(c) if the store

(A) deals with exclusively donated inventory of food, shelter, clothes, or health care distributed at no cost to needy individuals

(B) sells merchandise below market value to support a literacy program or a program providing needy persons with food, shelter, clothes, or health care free of charge.

Section 2: Amends AS 29.45.030 to add a new subsection (o) stating organizations exempt from (a)(11) or (a)(12) may lease property and still qualify if

- (1): the leasing organization is incorporated under state law being exempt under 26 U.S.C. 501(c) and that organization uses the property for an exempt activity under (a)(11) or (12)
- (2): the lease payments are not the product of the owner's main profit motive
- (3): The amount charged is incidental and reasonable for the exempt use of the property not exceeding operational requirements for the activity.

[8:15:00 AM](#)

REPRESENTATIVE HIMSCHOOT questioned whether it was a local decision to tax a parking lot.

MS. ANDERSON offered her understanding that it is under the discretion of local control.

[HB 70 was held over.]

[8:16:26 AM](#)

The committee took an at-ease from 8:16 a.m. to 8:18 a.m.

**HB 69-RECLASSIFICATION OF FIRST CLASS CITIES**

[8:18:41 AM](#)

CHAIR MCCORMICK announced that the next order of business would be HOUSE BILL NO. 69, "An Act relating to the reclassification of first class cities as second class cities; and providing for an effective date."

[8:19:00 AM](#)

REPRESENTATIVE MCCABE moved to adopt the proposed committee substitute (CS) for HB 69, Version 33-LS0407\B, Dunmire, 4/4/23, as a working document.

[8:19:15 AM](#)

CHAIR MCCORMICK objected for the purpose of discussion and an explanation of changes.

[8:19:45 AM](#)

DAVE STANCLIFF, Staff, Representative Mike Cronk, Alaska State Legislature, on behalf of Representative Cronk, prime sponsor of HB 69, explained that there had been a meeting with the Local Boundary Commission to discuss matters as HB 69 moves forward, and this resulted in two issues. He explained that the commission had requested time to develop a better system for communities which fall below the threshold population of 400, and there was an agreement for a two-year sunset to allow the commission to internally deal with the issue. He relayed that it would take time for the Local Boundary Commission to give public notice and organize a meeting with a 10-day interval for notifying communities. He stated that the commission had asked for 60 days, but 30 days was agreed upon.

[8:21:01 AM](#)

CHAIR MCCORMICK removed his objection. There being no further objection, Version B was before the committee. He gave the bill sponsor the opportunity to add any closing comments.

[8:21:31 AM](#)

REPRESENTATIVE MIKE CRONK, Alaska State Legislature, as prime sponsor of HB 69, commented that the bill had been written for the City of Tanana, but mainly for the students in the Tanana City School District. He noted that now the Tanana City School District is under contract with the Yukon-Koyukuk School District, it has been an improvement for the community.

[8:22:10 AM](#)

CHAIR MCCORMICK opened public testimony on HB 69.

[8:22:41 AM](#)

NILS ANDREASSEN, Executive Director, Alaska Municipal League, gave testimony in support of HB 69. He explained that the bill would offer an expedited process for local governments to reclassify from a first class city to a second class city. He expressed the opinion that this would improve and strengthen local control.

[8:23:13 AM](#)

CHAIR MCCORMICK, after ascertaining that there was no one else who wished to testify, closed public testimony on HB 69. He entertained a motion to move the bill out of committee.

[8:23:34 AM](#)

REPRESENTATIVE MCCABE moved to report CSHB 69, Version 33-LS0407\B, Dunmire, 4/4/23, out of committee with individual recommendations and the accompanying zero fiscal note. There being no objection, CSHB 69(CRA) was reported from the House Community and Regional Affairs Standing Committee.

**HB 123-ARTICLES OF INCORPORATION FOR ANCSA CORPS**

[8:24:00 AM](#)

CHAIR MCCORMICK announced that the final order of business would be HOUSE BILL NO. 123, "An Act relating to an amendment to the articles of incorporation of a corporation organized under the Alaska Native Claims Settlement Act; and providing for an effective date."

[8:24:14 AM](#)

TOM WRIGHT, Staff, Representative Craig Johnson, Alaska State Legislature, recapped HB 123, on behalf of Representative C. Johnson, prime sponsor. He explained that HB 123 would bring the Alaska Native Claims Settlement Act (ANCSA) in line with the Alaska Corporations Code, wherein those who formed a corporation after 1989 are allowed to have [an affirmative vote of] 50 percent plus one threshold for amendments to the articles of corporation. He explained the bill would eliminate the two-thirds threshold corporations are currently under.

[8:25:05 AM](#)

CHAIR MCCORMICK opened public testimony on HB 123.

[8:25:27 AM](#)

ROBERT MISULICH, General Counsel, Aleut Corporation, testified in support of HB 123, which addresses the important issue of the voting threshold for Alaska Native corporations. The proposed legislation would allow these corporations to be able to amend their articles of incorporation through a simple majority vote of the outstanding voting shares.

[8:27:11 AM](#)

SUSAN TAYLOR, CEO, St. Mary's Native Corporation, testified in support of HB 123, noting that Mr. Misulich had covered all the points she had planned to make.

[8:27:58 AM](#)

NICHOLAS OSTROVSKY, General Counsel, Ahtna, Inc., testified in support of HB 123. He stated the bill would bring Native corporations in line with the modern corporation code. He stated that this would help Native corporations be more agile and efficient, so they can continue with the important mission of providing economic and social benefits for Alaska Native shareholders.

[8:28:43 AM](#)

SARAH OBED, Senior Vice President, External Affairs, Doyon, Limited, testified on behalf of the ANCSA Regional Association (ARA) in support HB 123. She stated that ARA and the member organizations are tasked with providing for their Alaska Native shareholders, supporting them socially, culturally, and economically. She noted the current two-thirds majority requirement is an outdated rule and a hurdle. She thanked the committee for its consideration of the proposed legislation.

[8:31:56 AM](#)

CHAIR MCCORMICK, after ascertaining that there was no one else who wished to testify, closed public testimony on HB 123.

[8:32:33 AM](#)

REPRESENTATIVE MCCABE moved to report HB 123 out of committee with individual recommendations and the accompanying zero fiscal note. There being no objection, HB 123 was reported out of the House Community and Regional Affairs Standing Committee.

[8:33:26 AM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at 8:33 a.m.