

ALASKA STATE LEGISLATURE
SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

April 18, 2023

1:35 p.m.

MEMBERS PRESENT

Senator Forrest Dunbar, Chair
Senator Elvi Gray-Jackson
Senator Jesse Bjorkman
Senator Cathy Giessel

MEMBERS ABSENT

Senator Donald Olson, Vice Chair

COMMITTEE CALENDAR

SENATE BILL NO. 79

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

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 79

SHORT TITLE: RECLASSIFICATION OF FIRST CLASS CITIES

SPONSOR(S): SENATOR(S) BISHOP

02/24/23	(S)	READ THE FIRST TIME - REFERRALS
02/24/23	(S)	CRA, EDC
04/18/23	(S)	CRA AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

SENATOR CLICK BISHOP, District R
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Sponsor of SB 79.

CHEYENNE DIBERT, Staff
Senator Click Bishop
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Presented the sectional analysis on SB 79.

NILS ANDREASSEN, Executive Director
Alaska Municipal League
Juneau, Alaska

POSITION STATEMENT: Gave invited testimony in support of SB 79.

JEDEDIAH SMITH, Local Government Specialist
Division of Community and Regional Affairs
Department of Commerce, Community and Economic Development
Anchorage, Alaska

POSITION STATEMENT: Answered questions on SB 79.

ED MARTIN, Jr., representing self
Kenai, Alaska

POSITION STATEMENT: Testified in opposition to SB 79.

ACTION NARRATIVE

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CHAIR FORREST DUNBAR called the Senate Community and Regional Affairs Standing Committee meeting to order at 1:35 p.m. Present at the call to order were Senators Gray-Jackson, Bjorkman, and Chair Dunbar. Senator Giessel arrived during the meeting.

SB 79-RECLASSIFICATION OF FIRST CLASS CITIES

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CHAIR DUNBAR announced the consideration of SENATE BILL NO. 79 "An Act relating to the reclassification of first class cities as second class cities; and providing for an effective date."

CHAIR DUNBAR stated this is the introductory hearing of this bill in this committee.

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SENATOR CLICK BISHOP, District R, Alaska State Legislature, Juneau, Alaska, sponsor of SB 79, stated that the House companion bill is House Bill 69. He summarized the sponsor statement:

[Original punctuation provided.]

Senate Bill 79 Sponsor Statement Reclassification of First-Class Cities

Senate Bill 79 will give first-class cities, that have fallen below the required 400 resident standard for becoming and maintaining a first-class city, a way to reclassify themselves as a second-class city.

The 2022 annual report by the Local Boundary Commission to the legislature states that "A community must have a population of more than 400 to incorporate as a first-class city" and says, "there is no mechanism that automatically reclassifies a community if the population drops below that threshold."

Tanana, for example, once had the tax base and was able to run as a first-class city; however, the population has dropped significantly to where the community can no longer do so. A member of the Tanana City Council contacted the Local Boundary Commission in February 2022 to ask how to reclassify themselves from a first-class city to a second-class one. Senate Bill 79 will help them do it.

SENATOR BISHOP explained that the City of Tanana no longer has the tax base to function as a first-class city due to a population decline, making it difficult for the city to fund a school. The Tanana school was formerly under the Yukon-Koyukuk School District's (YKSD) jurisdiction. The two school districts agreed to bring the school back under the Yukon-Koyukuk jurisdiction.

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CHEYENNE DIBERT, Staff, Senator Click Bishop, Alaska State Legislature, Juneau, Alaska, presented the sectional analysis on SB 79:

[Original punctuation provided.]

**Senate Bill 79 Sectional Analysis Reclassification of
First-Class Cities**

Section 1

AS 29.04. Classification of Municipalities

Adds a new section relating to reclassification of first-class cities with less than 400 permanent residents:

- (a) Allows a first-class city with a population of less than 400 persons to be reclassified as a

second-class city if the council submits a written request to the Local Boundary Commission.

- (b) Gives the commission 10 days after receiving the request to notify the council that the city is eligible for reclassification if the agency verifies that the population is less than 400 people.
- (c) Gives the council 30 days after being notified by the commission that the city is eligible for reclassification to reject it. If the council rejects the reclassification, it may not petition the agency for one year. If the council does not reject the reclassification, then the reclassification takes effect after the date of notification of eligibility.

Section 2

Effective date

Provides an immediate effective date.

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NILS ANDREASSEN, Executive Director, Alaska Municipal League (AML), Juneau, Alaska, gave invited testimony in support of SB 79. He said this bill is a great way for local governments to exert local control over decisions affecting their communities. The proposed reclassification provides an expedited method for community leaders to meet the needs of their communities and be responsive to fairly critical changes when populations drop below statutory classification thresholds. AML is supportive of this methodology for reclassifying first-class cities as second-class cities.

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SENATOR BJORKMAN asked why the proposed reclassification is the right tool to fix the problem of combining school districts.

SENATOR BISHOP replied that if the problem could have been fixed any way other than through the Local Boundary Commission, he would have. He expressed his understanding that this is the vehicle that has to be used. He pointed out that the legislature did the same thing last year for the Rampart School in the Yukon Flats School District (YFSD). With the mutual agreement of YKSD and YFSD and their respective school boards, the legislature passed a bill allowing the Rampart School to become part of the YKSD through a regional educational attendance area boundary change. SB 79 is the only way to accomplish the mission for Tanana.

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CHAIR DUNBAR asked about the main differences between first-class and second-class cities and whether this reclassification would impact other issues.

MS. DIBERT answered that the community tax base funds schools in first-class cities, whereas the state funds schools in second-class cities. The City of Tanana no longer has the tax base to fund its school. The state would fund the school district if Tanana were reclassified as a second-class city.

SENATOR BISHOP added that the Tanana school would be in the Yukon-Koyukuk School District jurisdiction if the city reclassifies as a second-class city.

CHAIR DUNBAR sought confirmation that local contributions and state dollars fund first-class cities.

MS. DIBERT replied yes.

SENATOR BISHOP expressed his understanding that Tanana had a cash flow shortage. They had to assign some teacher housing to leverage their cash flow and make them whole. The City of Tanana's finances are tight, and they worked with the Yukon-Koyukuk School District this year on the issue.

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SENATOR BJORKMAN asked whether the YKSD would provide a local contribution if the Tanana City School District joined it or if YKSD was within a regional educational attendance area (REAA).

MS. DIBERT answered that by law, a second-class city does not have to provide a tax contribution.

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SENATOR BISHOP chimed in that Tanana brings benefits to the table even with this new arrangement. The Tanana school is on biomass, so the heating bills are lower than in other rural communities, and it is on city water and sewer.

CHAIR DUNBAR asked whether some of the City of Tanana's school funding would go to the YKSD.

SENATOR BISHOP replied that it could be in kind or in lieu of fees from the Yukon-Koyukuk School District back to the city for water and sewer.

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SENATOR GRAY-JACKSON asked, besides school issues, whether there were any other differences between first-class and second-class cities.

JEDEDIAH SMITH, Local Government Specialist, Local Boundary Commission, Department of Commerce, Community and Economic Development (DCCED), Anchorage, Alaska, answered that in the context of this bill, the fundamental difference between a first-class and a second-class city in an unorganized borough is the power to operate a school district. A first-class city is obligated to do so, and a second-class city is prohibited from doing so. He said other major differences are:

- A first-class city is required to conduct a single audit for financial purposes, whether in a borough or an unorganized borough. A second-class city generally may adopt a certified financial statement depending on grant funding eligibility and how much it spends.

- Title 29 indicates a first-class city shall have planning and platting powers, whereas a second-class city may exercise those powers.

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SENATOR BJORKMAN said that in his experience with organized boroughs, first-class boroughs and cities can vote themselves significant powers and authorities, whereas second-class may not. He wondered whether the same applies to first-class and second-class cities within an unorganized borough.

MR. SMITH replied yes, that is correct. He said another fundamental difference for boroughs is that the powers are vested with the city council in a first-class city as opposed to a second-class city. He expressed his belief that this is not the same for cities.

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CHAIR DUNBAR opened public testimony on SB 79.

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SENATOR GIESSEL joined the meeting.

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ED MARTIN, Jr., representing self, Kenai, Alaska, testified in opposition to SB 79, stating this is a backdoor way to skirt

current law. He said that if a community lacks sufficient population for a tax base, it must size down. He recalled that a road to Tanana was recently constructed. He said his company built an airport there in the early 1980s. If this community cannot support itself with an airport and a road, it is unconscionable that the community continue under its current status. The City of Tanana should be deemed a second-class city by virtue of law. He referenced statehood and mineral rights and suggested committee members needed to understand the ramifications of this bill.

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CHAIR DUNBAR closed public testimony and held SB 79 in committee.

CHAIR DUNBAR said the public may submit written testimony to senate.community.and.regional.affairs@akleg.gov.

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There being no further business to come before the committee, Chair Dunbar adjourned the Senate Community and Regional Affairs Standing Committee meeting at 1:55 p.m.