

ALASKA STATE LEGISLATURE
HOUSE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

March 25, 2025

8:03 a.m.

MEMBERS PRESENT

Representative Rebecca Himschoot, Co-Chair
Representative Donna Mears, Co-Chair
Representative Carolyn Hall
Representative Ky Holland
Representative Mike Prax
Representative Justin Ruffridge

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 13

"An Act relating to optional municipal property tax exemptions for certain long-term rental units, certain mobile home parks, real property rented to low-income families, real property owned and occupied as a permanent place of abode, and real property owned by first-time homebuyers."

- HEARD AND HELD

CS FOR SENATE BILL NO. 50(L&C)

"An Act relating to the comprehensive plans of first and second class boroughs."

- HEARD AND HELD

HOUSE BILL NO. 133

"An Act establishing a 30-day deadline for the payment of contracts under the State Procurement Code; establishing deadlines for the payment of grants, contracts, and reimbursement agreements to nonprofit organizations, municipalities, and Alaska Native organizations; relating to payment of grants to named recipients that are not municipalities; and providing for an effective date."

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 13

SHORT TITLE: MUNICIPAL PROPERTY TAX EXEMPTIONS

SPONSOR(S): REPRESENTATIVE(S) GRAY

01/22/25 (H) PREFILE RELEASED 1/10/25
01/22/25 (H) READ THE FIRST TIME - REFERRALS
01/22/25 (H) CRA, FIN
03/10/25 (H) SPONSOR SUBSTITUTE INTRODUCED
03/10/25 (H) READ THE FIRST TIME - REFERRALS
03/10/25 (H) CRA, FIN
03/25/25 (H) CRA AT 8:00 AM BARNES 124

BILL: SB 50

SHORT TITLE: MUNICIPAL COMPREHENSIVE PLANS: HOUSING

SPONSOR(S): SENATOR(S) DUNBAR

01/17/25 (S) PREFILE RELEASED 1/17/25
01/22/25 (S) READ THE FIRST TIME - REFERRALS
01/22/25 (S) CRA, L&C
02/04/25 (S) CRA AT 1:30 PM BELTZ 105 (TSBldg)
02/04/25 (S) Heard & Held
02/04/25 (S) MINUTE(CRA)
02/11/25 (S) CRA AT 1:30 PM BELTZ 105 (TSBldg)
02/11/25 (S) Moved CSSB 50(CRA) Out of Committee
02/11/25 (S) MINUTE(CRA)
02/12/25 (S) CRA RPT CS 2NR 2DP SAME TITLE
02/12/25 (S) NR: MERRICK, YUNDT
02/12/25 (S) DP: DUNBAR, GRAY-JACKSON
03/03/25 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/03/25 (S) Heard & Held
03/03/25 (S) MINUTE(L&C)
03/07/25 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/07/25 (S) Moved CSSB 50(L&C) Out of Committee
03/07/25 (S) MINUTE(L&C)
03/10/25 (S) L&C RPT CS 3DP SAME TITLE
03/10/25 (S) DP: BJORKMAN, DUNBAR, YUNDT
03/17/25 (S) TRANSMITTED TO (H)
03/17/25 (S) VERSION: CSSB 50(L&C)
03/21/25 (H) READ THE FIRST TIME - REFERRALS
03/21/25 (H) CRA, L&C
03/25/25 (H) CRA AT 8:00 AM BARNES 124

BILL: HB 133

SHORT TITLE: PAYMENT OF CONTRACTS

SPONSOR(S): REPRESENTATIVE(S) HIMSCHOOT

03/12/25 (H) READ THE FIRST TIME - REFERRALS
03/12/25 (H) CRA, STA
03/25/25 (H) CRA AT 8:00 AM BARNES 124

WITNESS REGISTER

REPRESENTATIVE ANDREW GRAY
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: As prime sponsor, presented SSHB 13.

SANDRA MOLLAR, Director
Division of Community & Regional Affairs
Department of Commerce, Community & Economic Development
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the hearing on SSHB 13.

KYLE JOHANSEN, Staff
Representative Andrew Gray
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on SSHB 13 on behalf of Representative Gray, prime sponsor.

SENATOR FORREST DUNBAR
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: As prime sponsor, presented CSSB 50(L&C).

HAHLEN BEHNKEN, Staff
Senator Forrest Dunbar
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented the sectional analysis for CSSB 50(L&C), on behalf of Senator Dunbar, prime sponsor.

ANNA BRAWLEY, representing self
Anchorage, Alaska

POSITION STATEMENT: Gave invited testimony during the hearing on CSSB 50(L&C).

ELLA LUBIN, Staff
Representative Rebecca Himschoot
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented the sectional analysis for HB 133 on behalf of Representative Himschoot, prime sponsor.

LAURIE WOLF, President/Chief Executive Officer
Foraker Group
Anchorage, Alaska

POSITION STATEMENT: Gave invited testimony during the hearing on HB 133.

STEPHANIE BERGLUND, Chief Executive Officer
Thread Alaska
Anchorage, Alaska

POSITION STATEMENT: Gave invited testimony during the hearing on HB 133.

CAROLE TRIEM, Government Affairs Manager
Alaska Municipal League
Juneau, Alaska

POSITION STATEMENT: Gave invited testimony during the hearing on HB 133.

TOM MAYER, Chief Procurement Officer
Office of Procurement and Property Management
Department of Administration
Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 133.

ACTION NARRATIVE

[8:03:33 AM](#)

CHAIR REBECCA HIMSCHOOT called the House Community and Regional Affairs Standing Committee meeting to order at 8:03 a.m. Representatives Ruffridge, Hall, Holland, Himschoot, and Mears were present at the call to order. Representative Prax arrived as the meeting was in progress.

HB 13-MUNICIPAL PROPERTY TAX EXEMPTIONS

[8:04:34 AM](#)

CHAIR REBECCA HIMSCHOOT called the House Community and Regional Affairs Standing Committee meeting to order at 8:03 a.m. Representatives Ruffridge, Hall, Holland, Himschoot, and Mears

were present at the call to order. Representative Prax arrived as the meeting was in progress.

HB 13-MUNICIPAL PROPERTY TAX EXEMPTIONS

[8:04:34 AM](#)

CO-CHAIR HIMSCHOOT announced that the first order of business would be SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 13, "An Act relating to optional municipal property tax exemptions for certain long-term rental units, certain mobile home parks, and real property rented to low-income families."

[8:04:59 AM](#)

REPRESENTATIVE ANDREW GRAY, Alaska State Legislature, as prime sponsor, presented SSHB 13. He read from the following prepared remarks [original punctuation provided]:

Thank you Co-chairs Himschoot and Mears and all members of the C&RA committee for hearing house bill 13 today. What this bill seeks to do is provide tools to municipalities for tackling a crisis in our state today - that crisis is lack of housing that Alaskans can afford.

Alaska has faced a sharp rise in home prices over the past decade. In 2024 state economists reported that our housing was the least affordable it had been in two decades. In my home city of Anchorage, the average price of a single-family home jumped to \$524,000 this fall, a 23% increase from just 4 years ago. Add to this the increase in mortgage rates, monthly payments for an average Alaska home have nearly doubled in the past 4 years.

Statewide, the average price of a new home is \$423,000, which about 70% of Alaskans cannot afford. The cost of a newly constructed home in Anchorage is now \$683,000, which 86% of Anchorage households cannot afford.

Along with the sharp increase in home prices, Alaska has seen a sharp increase in rents. This is due to several factors. The first is that when homeownership is not affordable, many renters who previously would have exited the rental market with the purchase of a

home, are unable to purchase that home. So, they remain in the rental market indefinitely. As a result, fewer units are available for young Alaskans entering the rental market for the first time. A 2024 AHFC housing survey showed that rental vacancy rates across the state remain historically low. As the pool of rental properties shrink landlords face less competition from other landlords while renters face more competition from other renters. The free market drives up rents due to increase in demand with a decrease in supply. Finally, of course, inflation also drives rents up. when landlord's operating costs rise, they pass those costs onto their renters. I think we can agree that we have experienced significant inflation over the past few years.

I've identified the problem, House Bill 13 is part of the solution. This bill incentivizes

- more rental properties
- of better quality
- at lower cost.

It does so by offering OPTIONAL PROPERTY TAX EXEMPTIONS to municipalities. Alaska municipalities decide which if any of the following options are right for them. And they have great discretion in crafting the exemptions to meet their local needs. Here are the possibilities:

1. An optional property tax exemption can be offered to landlords who transition a short-term rental property to a long-term rental property. This incentivizes Alaskan properties being leased NOT BY TOURISTS (as most short-term rentals are used for) but by Alaskans.
2. An optional property tax exemption can be offered to mobile home park owners who make major infrastructure investment in their mobile home parks. Alaska's mobile home parks are often the most affordable housing option for our lower-income families - but we know that our mobile home parks are absolutely not what they used to be. This would allow municipalities to encourage major repairs inside the park.
3. An optional property tax exemption can be offered to landlords who rent to low-income families. This is self-explanatory. We want landlords who

are willing to rent to low-income families without overcharging them. HB 13 would allow municipalities to reward landlords who are doing the right thing. This particular section of the bill is still having its language adjusted, and a CS should be coming forward soon.

4. Finally, number 4, An optional property tax exemption could be offered for first-time home buyers - as I said in my introduction - homes are very expensive, mortgages have doubled in recent years, and if we want people to be able to buy their first homes - which I for one do -- we have to figure out how to help them.

Those are the four different criteria that municipalities could potentially offer property tax exemptions for.

The bill does one additional thing and that is it allows property tax exemptions to be offered for owner-occupied residential properties only. This aspect of the bill grew out of a recent proposal by the Anchorage Economic Development Corporation which had proposed an Anchorage sales tax that would be used in part for property tax relief - passing HB 13 would allow that relief to go to residential homeowners rather than to commercial property owners which was not the intent of that proposal.

[8:10:11 AM](#)

CO-CHAIR HIMSCHOOT sought questions from committee members.

[8:10:29 AM](#)

CO-CHAIR MEARS shared through her experience in the Anchorage Health Department, that she had observed code violations in the water/sewer infrastructure in mobile home parks that were expensive to fix. For that reason, mobile home parks struggle to remain in compliance. She opined that making it affordable to live in these mobile home communities by bringing them up to code would be a great option.

REPRESENTATIVE RUFFRIDGE shared his understanding that currently, changes to this municipal ordinance require approval by voters in an election, whereas if the bill were to pass,

municipalities would be able to offer exemptions without voter ratification.

[8:12:48 AM](#)

SANDRA MOLLAR, Director, Division of Community & Regional Affairs (DCRA), Department of Commerce, Community & Economic Development (DCCED), answered yes, the bill would allow municipalities to create the exemption without the existing process.

REPRESENTATIVE RUFFRIDGE asserted that boroughs would not be granted the authority outlined in Section 1.

REPRESENTATIVE GRAY said he would want to amend the language to include boroughs.

[8:14:44 AM](#)

REPRESENTATIVE RUFFRIDGE shared that the statutory definition of "dwelling unit" is a place a person sleeps and in reference to page 1, line 10, suggested that a person could take advantage of this exemption by converting a one-bedroom short-term rental to a long-term rental to get the entire house exempted.

REPRESENTATIVE GRAY said he would accept an amendment to the bill to correct that language.

[8:17:13 AM](#)

REPRESENTATIVE HOLLAND asked why sub-subparagraph (ee) would not require first-time home buyers to occupy the residence they are purchasing.

REPRESENTATIVE GRAY said he would consider that as a possible amendment to ensure that people are not buying their first home and remaining renters; however, he said it is not a common issue in his community.

REPRESENTATIVE HOLLAND maintained that he had seen renters buy their first home as an investment property and rent it for cash flow. He pointed out that the bill might reduce revenues from property tax at a time when municipalities are struggling financially. Additionally, if Anchorage were to grow its economy, he asked how the bill would contribute to available housing.

REPRESENTATIVE GRAY reiterated that no borough or municipality would be required to implement these tax exemptions. He stated that the bill was created at the request of municipalities - specifically the Municipality of Anchorage (MOA) - for the purpose of incentivizing certain behavior. He spoke to population decline and the drastic decrease in new construction. He added that affordable homes are "derelict and falling apart" and advocated for measures that incentivize the availability of properties, property improvement, and the construction of new homes.

[8:23:28 AM](#)

REPRESENTATIVE RUFFRIDGE pointed out that any reduction in revenue would have to be offset by implementing another form of tax or raising property taxes on eligible homeowners, which would solve one small problem while creating others. He expressed concern that the bill might have the opposite effect of its intended outcome by incentivizing property investment and short-term rentals. He also stated his concern that it would circumvent voter oversight.

REPRESENTATIVE GRAY addressed local control and questioned whether the state should be deciding how Anchorage makes and spends its money. He reiterated that the Anchorage Assembly passed a resolution in unanimous support of the bill.

REPRESENTATIVE RUFFRIDGE speculated that the Anchorage Assembly is in support of the bill because it would give them unchecked authority [to enact property tax exemptions] without the approval of the electorate. He expressed concern that property taxes would increase for individuals who may not qualify for these exemptions, and that the assembly could do this without voter approval.

[8:28:51 AM](#)

KYLE JOHANSEN, Staff, Representative Andrew Gray, Alaska State Legislature, on behalf of Representative Gray, prime sponsor, pointed out that there are 26 other instances in statute that give municipalities the direct ability to enact the exemptions beginning on page 1, line 7 of SSHB 13.

[8:29:56 AM](#)

CO-CHAIR MEARS opined that explicit language is better for public process and clarity. She said one limitation on local government is that the state must allow them to act. She said

the bill would add clarity and give permission for discrete economic development tools.

REPRESENTATIVE GRAY pointed out that municipalities can already enact these property tax exemptions in the interest of economic development without voter approval; however, they cannot provide blanket property tax relief while excluding commercial real estate, which the bill would allow for.

[8:32:12 AM](#)

REPRESENTATIVE PRAX sought to confirm that there would still be public hearings on the ordinance change proposed in the bill.

MR. JOHANSEN confirmed that it would go through the public process.

REPRESENTATIVE PRAX opined that if the public had wanted to enact these exemptions, they would have voted for it. He shared his belief that the bill would drive people out of Anchorage.

REPRESENTATIVE GRAY acknowledged Representative Prax's concern, adding that the bill has been met with "joy" in other areas of the state with high property tax burdens.

[8:35:43 AM](#)

REPRESENTATIVE RUFFRIDGE asked whether there would be a cap on the exemptions in the bill.

REPRESENTATIVE GRAY said he supports local control so much so that he would like municipalities and boroughs to set their own criteria. He reiterated that these tax exemptions would not be required.

REPRESENTATIVE RUFFRIDGE expressed concern that the bill would grant authority to a small group of people and asked whether the sponsor would be amenable to, instead of exempting by ordinance in sub-subparagraph (aa), exempt by ordinance "adopted by voters at an election." He maintained his concern that the bill would set in motion an inequitable approach to government in addition to taking away people's vote on the matter.

REPRESENTATIVE GRAY stated that Anchorage Assembly members are elected by the citizens to make decisions in the best interest of the public. He emphasized that his intention is to

incentivize the availability of higher quality rentals at a lower cost, not to provide property tax relief.

[8:45:03 AM](#)

REPRESENTATIVE RUFFRIDGE asked how the bill would prevent rent from increasing.

REPRESENTATIVE GRAY said he was still working on crafting the right language for the low-income property tax exemption, which would apply if the monthly rent charged to a low-income family is not more than 30 percent of the median family income. For properties that are on the verge of qualifying, he explained that it would be in the landlord's best interest to drop rent by \$100 to qualify for the exemption, thereby putting downward pressure on rent.

[8:47:24 AM](#)

CO-CHAIR HIMSCHOOT referred to sub-subparagraph (bb) and asked what would qualify as a renovated mobile home park.

REPRESENTATIVE GRAY said the language is intentionally vague to allow municipalities to define major infrastructure investment.

CO-CHAIR HIMSCHOOT expressed concern that a wealthy person could buy a dilapidated mobile home park and replace it with a single-family mansion. She said there needs to be solutions for upgrading mobile home parks and making the owner's investment more durable.

REPRESENTATIVE GRAY said the bill would not address that issue, but it's something to be considered.

[8:51:07 AM](#)

REPRESENTATIVE HALL spoke to the differences in each community with regard to the housing crisis and emphasized the importance of offering numerous levers to address the home shortage. According to a 2023 Agnew Beck Consulting study, she reported that Alaska is in need of 27,500 new housing units over the next 10 years. She asked the bill sponsor to speak to the housing shortage in Anchorage.

REPRESENTATIVE GRAY said it's a complicated issue because there are different types of housing. In anchorage, the average

single-family home costs \$524,000 and the average new build is \$683,000.

REPRESENTATIVE HALL shared her understanding that any additional housing would be helpful due to the bottleneck in the market.

REPRESENTATIVE GRAY shared an anecdotal example of an apartment building complex in his district and the price of recouping building costs on new construction in Anchorage. He acknowledged that landlords are in a difficult position as well.

[8:56:54 AM](#)

CO-CHAIR HIMSCHOOT announced that SSHB 13 was held over.

SB 50-MUNICIPAL COMPREHENSIVE PLANS: HOUSING

[8:57:14 AM](#)

CO-CHAIR HIMSCHOOT announced that the next order of business would be CS FOR SENATE BILL NO. 50(L&C), "An Act relating to the comprehensive plans of first and second class boroughs."

[8:57:33 AM](#)

SENATOR FORREST DUNBAR, Alaska State Legislature, as prime sponsor, presented CSSB 50(L&C). He paraphrased the sponsor statement [included in the committee packet], which read as follows [original punctuation provided]:

Alaska is experiencing a housing crisis. The people of our state have been stretched past their limits by rapidly increasing costs and a scarcity of adequate housing. Our population is stagnant and rapidly aging. An exodus of working-age people has left the state with chronic labor shortages. Housing is a crisis in every Alaskan community, urban and rural, and every community needs to be part of resolving it.

SB 50 adds a new section to the statutory description of first- and second-class boroughs' comprehensive plans, encouraging the inclusion of a housing development plan. Title 29 already recognizes the importance of community planning, with longstanding requirements for cities and boroughs to adopt and periodically update comprehensive plans. In the past, housing has often been considered a general land use

issue, but the topic has reached a degree of urgency that necessitates its own consideration. This legislation will prompt boroughs to give specific attention to the housing needs of their community, critically examine their housing policies, and engage the public via the comprehensive planning process.

SB 50 is a way to broaden Alaska's response to the housing crisis. By prompting discussion, examination, and strategizing at the local level some challenges will be resolved without State intervention. Simultaneously, communities will identify remaining obstacles and local priorities, which will make any subsequent State action more effective and efficient. I urge your support for SB 50 so we can develop locally driven initiatives to repair Alaska's housing environment.

[9:00:26 AM](#)

HAHLEN BEHNKEN, Staff, Senator Forrest Dunbar, Alaska State Legislature, on behalf of Senator Dunbar, prime sponsor, presented the sectional analysis for CSSB 50(L&C) [included in the committee packet], which read as follows [original punctuation provided]:

Section 1: AS 29.40.030(a): Adds a new subsection 5 to AS 29.40.030(a) stating that a housing development plan will now be one of the components that may be included in a comprehensive plan. Redesignates the former subsection 5 as subsection 6.

[9:01:00 AM](#)

REPRESENTATIVE HOLLAND spoke to his experience creating the Hillside district plan in Anchorage and the interplay between comprehensive plans and district plans. He asked how the bill would bring light to the importance of district and neighborhood plans.

SENATOR DUNBAR clarified that the bill only applies to first- and second-class boroughs, so it would not apply to Anchorage. He said the bill is a relatively modest reform intended to maximize local control while still encouraging new construction and would not address conflicts between district and comprehensive plans.

[9:05:00 AM](#)

ANNA BRAWLEY, representing self, stated her support for SB 50 because it would take action on community needs like housing and engage with communities to create a clear vision and set clear goals to achieve it. There is already a process in place for this function, otherwise known as a comprehensive plan, which she defined as a big picture, wide ranging plan that serves as a 20-year roadmap for communities. She pointed out that it's sometimes hard to see how housing fits into these plans, as housing intersects with many topics while being distinct and different. Given the challenges Alaska faces, [housing] deserves local attention and local solutions. She shared her experience as a planning consultant and gave the example of the City of Valdez's comprehensive plan update, which identified housing as a top priority.

[9:08:29 AM](#)

CO-CHAIR HIMSCHOOT announced that CSSB 50(L&C) was held over.

HB 133-PAYMENT OF CONTRACTS

[9:08:43 AM](#)

CO-CHAIR HIMSCHOOT announced that the final order of business would be HOUSE BILL NO. 133, "An Act establishing a 30-day deadline for the payment of contracts under the State Procurement Code; establishing deadlines for the payment of grants, contracts, and reimbursement agreements to nonprofit organizations, municipalities, and Alaska Native organizations; relating to payment of grants to named recipients that are not municipalities; and providing for an effective date."

[9:08:56 AM](#)

The committee took an at-ease from 9:08 a.m. to 9:10 a.m.

[Co-Chair Himschoot passed the gavel to Co-Chair Mears.]

[9:10:26 AM](#)

CO-CHAIR HIMSCHOOT, as prime sponsor, introduced HB 133. She paraphrased the sponsor statement [included in the committee packet], which read as follows [original punctuation provided]:

House Bill 133 seeks to ensure timely payment from the State of Alaska to parties that provide essential support under state agreements. The State relies on nonprofits, municipalities, and tribal organizations to deliver critical services to Alaskans. Delayed payments create financial hardships, disrupt crucial resources, and threaten the financial stability of service providers statewide for years. HB 133 aims to bring prompt payment for nonprofits, municipalities, and tribal organizations that rely on state funding in their grants, contracts, and reimbursements. This measure ensures both state and federal pass-through funds are disbursed promptly to these parties, which benefits the Alaskans they serve.

Currently, there is no mechanism in place to ensure prompt payment to nonprofits, municipalities, and tribes. HB 133 would levy penalties and interest against the state when payments are delayed. HB 133 is modeled after AS 36.90.200, which requires the State of Alaska to pay private-sector contractors performing construction or public works activities in a timely manner, including imposing penalties for non-compliance and interest on late payments. This reimburses the contractor for opportunity costs or additional burdens experienced. HB 133 would bring parity in the payment system to nonprofits, municipalities, and tribes.

The lack of payment parity is a long-standing, systemic issue. It affects entities across the state for payments of all sizes, with delays between three months to over a year. The impacts are wide-ranging. For some organizations, delayed payments threaten the continuity of programs and services, leaving organizations to pause operations, tap into reserves, pursue lines of credit, or reduce staff until payments are received. Municipalities have reported that delayed payments affect payroll, project funding, insurance renewals, and critical infrastructure investments. For tribes and nonprofits, the risk is even greater—delayed payments directly impact vulnerable populations who rely on consistent, high-quality care and support. The state's failure to pay in a timely manner not only harms these organizations but also increases long-term costs due to interest,

lost investment returns, and administrative inefficiencies.

Prompt payment is a fundamental principle of fair contracting. Ensuring prompt payments will strengthen partnerships between the state and the organizations that serve Alaskans. This legislation will increase transparency, implement penalties for late payments, and streamline reimbursement processes. House Bill 133 ensures that funds are distributed efficiently, equitably, and on time, and upholds the state's commitment to those who work tirelessly on behalf of our communities.

[9:14:48 AM](#)

ELLA LUBIN, Staff, Representative Rebecca Himschoot, Alaska State Legislature, on behalf of Representative Himschoot, prime sponsor, presented the sectional analysis for HB 133 [included in the committee packet], which read as follows [original punctuation provided]:

Section 1 amends AS 36.30 by adding a new section requiring a state agency to promptly pay a contractor for satisfactory service. Criteria are established for acceptable delays in payment and the protocol related to alerting a contractor to the reason for this delay. This section provides several timelines for the accrument of interest on late payments: a late payment will begin to accrue interest on the thirty-first calendar day after invoice, and a reasonably delayed payment will begin to accrue interest on the twenty-first calendar day after resolution on the contract has been found.

Section 2 amends AS 36.30 article 4 by adding a new section to include the prompt payment of grants and reimbursements for nonprofit organizations, municipalities, and Alaska Native organizations. Timelines delineating the accrument of interest on late payments for state funds and federal pass-through funds are established, as are acceptable delays in payment and the protocol for noticing as such. An agency has twenty one calendar days from invoice to pay without interest penalty if using federal pass-through funds and thirty calendar days from invoice to pay without

interest penalty for all other funds. This section also defines the terms used throughout this bill.

Section 3 amends AS 37.05.316 by adding a new subsection (d) which requires a state agency to pay at least twenty percent of the grant amount within 10 days. This section also specifies how the rest of the grant must be paid out to a named recipient.

Section 4 provides an immediate effective date for this measure.

[9:17:09 AM](#)

CO-CHAIR MEARS opened invited testimony.

[9:17:21 AM](#)

LAURIE WOLF, President/Chief Executive Officer, Foraker Group, gave invited testimony on HB 133. She said the state relies on its partnership with the Foraker Group to deliver services through grants, contracts, and reimbursements; however, the partnership is broken when it comes to money. Because of the current process, the Foraker Group is asked to report on money that has not been received in order to stand in line for the next payment that will also be delayed. Importantly, this money has been approved by the legislature, she noted. She explained that prompt payment must be followed when conducting transactions with for-profit businesses, as directed by AS 36.90.200; unfortunately, this rule does not apply to municipalities, nonprofits, and Tribal organizations. She said the Foraker Group's goal is to ensure that the state is efficient and that the work organizations provide to Alaskans is predictable, stable, and available. After surveying Alaska organizations to demonstrate the severity of the issue, top impacts of delayed payments include cash flow issues, operational delays, increased administrative burdens, uncertainty and financial planning challenges, negative impacts on staff, strained relationships, and impact on program continuity. Delayed payments also directly impact economies around the state because nonprofits cannot pay their bills to other for-profit and nonprofit vendors. She clarified that the purpose of HB 133 is to establish a foundation for moving forward based on prompt payment parity, along with incentives for timely payments - just like the private sector. She encouraged members to consider the bill favorably.

9:22:11 AM

REPRESENTATIVE RUFFRIDGE, referencing the Foraker Group's written testimony [included in the committee packet], asked how many dollars would fall into the category of "behind by thirty days" in the nonprofits represented by the Foraker Group.

MS. WOLF explained that every department has its own system, so it's difficult to account for all delayed payments. She added that the Foraker Group has been asking for the total amount of delayed payments for many years.

9:24:10 AM

STEPHANIE BERGLUND, CEO, Thread Alaska, gave invited testimony paraphrased the following written remarks [included in the committee packet]:

Thread is Alaska's statewide child care resource and referral organization. We are a private 39-year-old nonprofit serving families, early educators, early childhood education programs, businesses and communities across the state - all to increase access to affordable and high quality child care.

Thread is a grantee of the State, receiving most of our organizational funding from the State Department of Health and the State Department of Education and Early Development. We are proud to be close partners with the State's early childhood offices regularly working to execute projects and grants that support the child care sector, including the distribution of millions in COVID-19 Relief funds. thread strongly supports House Bill 133 and Senate Bill 129. As an organization that relies on State funding to provide services, pay parity is critical to ensure services are delivered timely and with intent to meet the required grant/contracted scopes of work. While we have seen some important improvements at the Department of Health, we continue to encounter significant delays and uncertainty surrounding payments and reimbursements from the State of Alaska. Overall, there is inconsistency in how Departments issue, approve, disperse and pay for granted/contracted services. This includes irregularity in following agreement timelines. The lack of payment parity has been a growing issue and

has persisted across multiple administrations, affecting organizations statewide including thread clients.

Many of the child care programs we work with have also experienced the negative impact of these inconsistencies and delays. Child Care Assistance Program payments are issued monthly, and when those payments are delayed, it creates financial strain on the small margins that many child care small businesses operate on. The cost of leases, utilities, and wages are fixed expenses, regardless of when reimbursements are processed. Payment delays put the sustainability of these programs at risk, compromising the high-quality services they provide to families and early educators across the state.

HB 133 and SB 129 address a long-standing inequity by ensuring that nonprofits, municipalities, and tribal organizations receive timely payments for essential work. These bills would bring payments to nonprofit partners in line with the existing statutory protections for private contractors, ensuring that critical funding is distributed as intended and without unnecessary delays. Resolving this issue is essential to Alaska's nonprofit sector and ensuring that we continue to effectively serve our communities.

We strongly urge you to prioritize the passages of HB 133 and SB 129 to allow nonprofits like thread to continue our vital work without the financial instability caused by delayed payments. Thank you for your leadership on this issue and your commitment to supporting Alaska's families and communities.

[9:28:21 AM](#)

CAROLE TRIEM, Government Affairs Manager, Alaska Municipal League (AML), gave invited testimony on HB 133. She explained that all of AML's 165 members receive payments from the state either through grants or pass through of federal funds. For many members, Community Assistance is the most important of those programs, which remits payments from the state to local governments, and for several dozen communities, represents between 40-90 percent of their annual budgets. In communities without large tax bases, municipal resources are depleted or stretched thin by the end of the year and local government

operations will sometimes shut down as they wait for new revenue to come in, which makes prompt payments very important. Without timely payments, cities face cash flow issues and problems making payroll, and the delays may cause extra costs in contracts and purchases. The city of Toksook Bay, for example, reported that delays in Community Assistance payments resulted in higher insurance costs due to interest penalties after missed payment deadlines. She listed other programs through which communities receive payments from the state.

[9:31:47 AM](#)

REPRESENTATIVE RUFFRIDGE highlighted the Department of Administration's (DOA) zero fiscal note and sought to verify that the department could implement this bill at zero cost. In addition, he asked how the interest would be paid and whether the bill would require that interest be paid.

CO-CHAIR HIMSCHOOT said if the state makes prompt payment there would be no added expense. She said the desire is for the state to get out and stay out of arrears with nonprofits, Tribes, and municipalities. She offered to follow up on the query about interest payments.

REPRESENTATIVE RUFFRIDGE referred to AS 45.45.010, which according to the court, does not actually prescribe interest on anything despite seemingly intending to do so. He asked whether each department would need to submit a fiscal note to explain how this goal would be accomplished.

CO-CHAIR HIMSCHOOT pointed out that if all departments were to provide timely payments, the fiscal note would be zero. With regard to interest, she said the bill would not change state requirements when partnering and providing funds to another private or nonprofit entity.

[9:36:56 AM](#)

REPRESENTATIVE RUFFRIDGE asked whether interest had been paid on late payments for other contractual arrangements and if so, whether it was 10.5 percent.

CO-CHAIR HIMSCHOOT said she did not know the answer and had been trying to find that information. She contemplated where the funding for the extra payment would come from and offered to follow up with the requested information if there are concrete examples of late payments.

[9:38:08 AM](#)

REPRESENTATIVE HOLLAND expressed appreciation for the bill and highlighted the importance of Section 3. He recommended clarifying that payments are not automatic and that civic organizations must be compliant within the payment system and submit proper documentation.

CO-CHAIR HIMSCHOOT sought to confirm that Representative Holland was suggesting that Section 3 should further clarify that certain benchmarks must be met.

REPRESENTATIVE HOLLAND said he was looking for clarification that checks would not be automatically sent without the recipient setting themselves up for payment.

CO-CHAIR HIMSCHOOT shared her understanding that those steps are inferred but could be made explicit.

[9:43:00 AM](#)

REPRESENTATIVE PRAX suggested that the administration should speak to why they cannot do this without direction from statute and asked whether the committee would be hearing from departments.

CO-CHAIR HIMSCHOOT said the problem is widespread and longstanding and has spanned multiple administrations. She offered to reach out to department leadership for further insight.

[9:46:01 AM](#)

REPRESENTATIVE RUFFRIDGE referenced the pie chart on a handout from the Foraker Group [included in the committee packet] and questioned why the percentages total 128 percent, not 100 percent. He said it can't be assumed that payments would be made on time and expressed his hope that further conversations with departments, particularly the Department of Education and Early Development (DEED) and the Department of Health (DOH), would be had.

CO-CHAIR HIMSCHOOT deferred to Ms. Wolf.

[9:49:54 AM](#)

MS. WOLF said the data is a point in time survey from summer 2024, and not meant to be a representative sample of all 5,600 nonprofits within the state. Similarly, the pie chart represents organizations' responses and is not meant to add up to 100 percent. She said she hoped the takeaway is that the problem is systemic and therefore, a systemic solution is needed.

[9:51:59 AM](#)

TOM MAYER, Chief Procurement Officer, Office of Procurement and Property Management, Department of Administration (DOA), confirmed that the dollar impact would be minimal because only a few forms would need to be modified. He said the Office of Procurement and Property Management does not process or pay bills, and that invoices are generally approved by project managers.

[9:52:53 AM](#)

REPRESENTATIVE RUFFRIDGE asked how many grant payments to nonprofits the Office of Procurement and Property Management is responsible for.

MR. MAYER said his office establishes multi-agency contracts for things like office supplies that all agencies use. He explained that the procurement office does not track payments to allow for a separation of powers that avoids the responsibility of both procuring something and approving the payment for that thing.

REPRESENTATIVE RUFFRIDGE asked why then, DOA wrote a fiscal note for the bill.

MR. MAYER answered, "We were required to write a fiscal note, and in our case, for my particular section, there was no dollar cost to it. All we can do is modify forms."

[9:54:40 AM](#)

REPRESENTATIVE PRAX asked who is responsible for making and tracking the payments.

MR. MAYER suggested the accounting team for each department.

[9:55:50 AM](#)

REPRESENTATIVE HOLLAND commented that he's stunned that the procurement process is not tracking payments to contractors.

REPRESENTATIVE PRAX commented that in addition to nonprofits, employees are not getting paid. He stressed the need to speak with each department face to face to resolve the issue.

[9:57:39 AM](#)

CO-CHAIR HIMSCHOOT reiterated that her intention with HB 133 is to solve a problem and set a performance standard that is on par with private contractors.

CO-CHAIR MEARS announced that HB 133 was held over.

[9:58:37 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at 9:58 a.m.