

ALASKA STATE LEGISLATURE
SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

April 1, 2025

1:30 p.m.

MEMBERS PRESENT

Senator Kelly Merrick, Chair
Senator Elvi Gray-Jackson
Senator Robert Yundt

MEMBERS ABSENT

Senator Forrest Dunbar, Vice Chair
Senator Donald Olson

COMMITTEE CALENDAR

HOUSE JOINT RESOLUTION NO. 5

Urging the United States Congress and the President of the United States to reinstate the Secure Rural Schools and Community Self-Determination Act of 2000 and make the funding mechanism in the Act permanent.

- HEARD & HELD

SENATE BILL NO. 129

"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 & HELD

PREVIOUS COMMITTEE ACTION

BILL: HJR 5

SHORT TITLE: SECURE RURAL SCHOOLS PROGRAM

SPONSOR(S): REPRESENTATIVE(S) BYNUM

01/22/25	(H)	READ THE FIRST TIME - REFERRALS
01/22/25	(H)	EDC
02/05/25	(H)	EDC AT 8:00 AM DAVIS 106

02/05/25 (H) Heard & Held
02/05/25 (H) MINUTE(EDC)
02/12/25 (H) EDC AT 8:00 AM DAVIS 106
02/12/25 (H) Heard & Held
02/12/25 (H) MINUTE(EDC)
02/17/25 (H) EDC RPT 4DP
02/17/25 (H) DP: EISCHEID, ELAM, STORY, HIMSCHOOT
02/17/25 (H) EDC AT 8:00 AM DAVIS 106
02/17/25 (H) Moved HJR 5 Out of Committee
02/17/25 (H) MINUTE(EDC)
03/17/25 (H) TRANSMITTED TO (S)
03/17/25 (H) VERSION: HJR 5
03/18/25 (S) READ THE FIRST TIME - REFERRALS
03/18/25 (S) CRA
04/01/25 (S) CRA AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 129

SHORT TITLE: PAYMENT OF CONTRACTS
SPONSOR(S): SENATOR(S) KAWASAKI

03/12/25 (S) READ THE FIRST TIME - REFERRALS
03/12/25 (S) CRA, L&C
04/01/25 (S) CRA AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

REPRESENTATIVE JEREMY BYNUM, District 1
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Sponsor of HJR 5.

TREVOR SHAW, Staff
Representative Jeremy Bynum
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Introduced HJR 5 on behalf of the sponsor.

SENATOR SCOTT KAWASAKI, District P
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Sponsor of SB 129.

JENNA COLQUHOUN, Staff
Senator Scott Kawasaki
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Presented the sectional analysis for SB 129.

TOM MAYER, Chief Procurement Officer
Department of Administration
Juneau, Alaska

POSITION STATEMENT: Answered questions on SB 129.

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

POSITION STATEMENT: Presented invited testimony on SB 129.

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

POSITION STATEMENT: Presented invited testimony on SB 129.

STEPHANIE BERGLUND, Chief Executive Officer
thread
Anchorage, Alaska

POSITION STATEMENT: Presented invited testimony on SB 129.

ACTION NARRATIVE

[1:30:28 PM](#)

CHAIR MERRICK called the Senate Community and Regional Affairs Standing Committee meeting to order at 1:30 p.m. Present at the call to order were Senators Yundt, Gray-Jackson, and Chair Merrick.

HJR 5-SECURE RURAL SCHOOLS PROGRAM

[1:31:02 PM](#)

CHAIR MERRICK announced the consideration of HOUSE JOINT RESOLUTION NO. 5 Urging the United States Congress and the President of the United States to reinstate the Secure Rural Schools and Community Self-Determination Act of 2000 and make the funding mechanism in the Act permanent.

[1:31:29 PM](#)

REPRESENTATIVE JEREMY BYNUM, District 1, Alaska State Legislature, Juneau, Alaska, introduced himself and emphasized that HJR 5 is important for rural schools across the state. He apologized, explaining that he needed to step away, and turned the presentation over to his staff.

[1:32:11 PM](#)

TREVOR SHAW, Staff, Representative Jeremy Bynum, Alaska State Legislature, Juneau, Alaska, moved to slide 2 and provided a brief overview of HJR 5:

[Original punctuation provided.]

HOUSE JOINT RESOLUTION No. 5

Urging the United States Congress and the President of the United States to reinstate the Secure Rural Schools and Community Self Determination Act of 2000 and make the funding mechanism in the Act permanent.

The Secure Rural Schools and Community Self-Determination Act of 2000 ("SRS Act") was enacted by the U.S. Congress to provide financial assistance to rural counties and school districts impacted by the sharp reduction of revenue from timber sales on federal lands and National Forests.

[1:32:54 PM](#)

MR. SHAW moved to slide 3 and provided historical context:

[Original punctuation provided.]

Historically, a portion of Forest Service funds generated through multi-use activities, such as grazing, timber production, and special use permits, were distributed to eligible counties to help maintain local roads and schools. However, with the significant decline of the timber industry in the 1990s, lawmakers sought to provide relief to local communities and economies through an alternative funding mechanism.

In Fiscal Year 2023, forest counties across the United States received \$252.6 million in payments under the SRS Act, including \$12.6 million for communities in the State of Alaska.

[1:33:28 PM](#)

MR. SHAW moved to slide 4, FY2023 SRS Act Payments in Alaska:

[Original punctuation provided.]

FY2023 SRS Act Payments in Alaska

- Anchorage: \$92,404.67

- Haines: \$272,886.54
- Juneau: \$629,713.94
- Kenai: \$604,468.39
- Ketchikan: \$1,194,087.61
- Mat-Su: \$22,365.14
- Petersburg: \$764,911.32
- Sitka: \$606,023.02
- Skagway: \$37,927.48
- Wrangell: \$888,492.07
- Yakutat: \$595,621.47
- Unorganized: \$5,229,332.69
(Chugach & Tongass National Forests)

[1:34:21 PM](#)

MR. SHAW moved to slide 5 and explained what SRS means to Alaska communities:

[Original punctuation provided.]

What does SRS mean to Alaska communities?

- In the Ketchikan Gateway Borough, SRS payments go to the Local Education Fund, which is primarily funded through property taxes - the mill rate percent equivalent of the SRS payment is 14 percent, or 10 percent of their total local contribution to schools.
- In the City & Borough of Wrangell, SRS payments accounted for approximately 55 percent of their local contribution to the school district.
- In the Petersburg Borough, SRS payments were equal to approximately 38 percent of their school funding contribution.
- In the City & Borough of Yakutat, SRS payments were roughly equal to the total amount in local contribution to their school district in FY23 and constituted nearly half of their total municipal revenue.

[1:35:09 PM](#)

MR. SHAW moved to slide 6, which contains a bar chart titled, "SRS \$ Impact per Student - Examples." Communities represented include Ketchikan, Juneau, Sitka, Wrangell, Petersburg, and Yakutat. He pointed out that Wrangell, Petersburg, and Yakutat (and other small communities) are disproportionately impacted by

the loss of SRS funding. He noted that there are several communities (e.g. Kake and Yakutat) where SRS payments equal or exceed the total local contribution to schools. In communities where the SRS funding exceeds the total local contribution to schools, the excess funds are used for other community needs such as road maintenance.

[1:36:07 PM](#)

MR. SHAW moved to slide 7 and explained the issue of SRS funding reauthorization:

[Original punctuation provided.]

The Issue?

- SRS Act funding was reauthorized in the Infrastructure Investment and Jobs Act through September 30, 2023.
- The Secure Rural Schools Reauthorization Act of 2023 (S.2581) was introduced to extend the SRS Act funding mechanism through 2026. This bill passed the U.S. Senate by unanimous consent. However, it died without being heard by the House upon the adjournment of the 118th Congress.
- The last SRS payments under the most recent reauthorization were distributed to states in April 2024.
- Without Congressional action, there will be no further payments to communities under SRS. Bipartisan reauthorization legislation was introduced back in February.

MR. SHAW noted that, while legislation was introduced in both the U.S. House of Representatives and the U.S. Senate, neither bill has received a hearing.

[1:37:07 PM](#)

MR. SHAW moved to slide 8 and discussed how HJR 5 would encourage Congress and the President to reinstate SRS payments and create a permanent funding mechanism:

[Original punctuation provided.]

THE SOLUTION

House Joint Resolution No. 5 urges the United States Congress and President to reinstate this source of

critical revenue for Alaska forest communities, and to go one step further by creating a permanent funding mechanism according to the existing SRS Act formula.

Removing the uncertainty of these stop-gap reauthorizations would provide stability and predictability to these affected communities across the nation, especially the small rural communities that are disproportionately impacted by these lapses in funding.

MR. SHAW noted questions about how a future increase in timber receipts would impact SRS payments. He explained that there is a mechanism in the SRS Act that would allow county-level equivalents to receive timber receipts in lieu of SRS payments, should an increase occur.

[1:38:15 PM](#)

SENATOR GRAY-JACKSON expressed concern about federal budget cuts and asked about the likelihood that SRS would be reinstated.

MR. SHAW replied that, while he would not venture to guess what Congress would decide, it is important to act as a unified voice and make a statement regarding the importance of reauthorizing SRS. He mentioned conversations with Alaska's congressional delegation regarding SRS and what it means for Alaska. He emphasized the importance of SRS to rural communities that lack the tax base to make up the lost revenue. He expressed hope that the discussions would continue - both with Alaska's congressional delegation and other states that rely on this funding source. He emphasized the importance of communicating the program's significance and noted that, while it may seem like an inconsequential amount of money, the impacts are vast.

[1:40:08 PM](#)

CHAIR MERRICK held HJR 5 in committee.

[1:40:14 PM](#)

At ease.

SB 129-PAYMENT OF CONTRACTS

[1:41:43 PM](#)

CHAIR MERRICK reconvened the meeting and announced the consideration of SENATE BILL NO. 129 "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."

[1:42:04 PM](#)

SENATOR SCOTT KAWASAKI, District P, Alaska State Legislature, Juneau, Alaska, paraphrased the sponsor statement for SB 129:

[Original punctuation provided.]

Sponsor Statement

SB 129

Prompt Payment

Any large-scale endeavor requires money. Whether that organization is structured as a profit or nonprofit organization money is required to fulfill the goals of a company. In order for these entities to run efficiently, they rely on good faith dealings that when a deal for services is entered upon, they will get paid, in a timely manner, for those services. Currently, for profit construction businesses enjoy legislation that prioritizes prompt payment from the State to ensure they can run effectively. That same consideration is not presently extended to Alaska Native organizations, municipalities, and nonprofits, who face the same operational challenges as for-profit businesses. SB 129 seeks to rectify this disparity by legislating the need for prompt payment to these essential organizations.

[1:43:51 PM](#)

SENATOR KAWASAKI continued to paraphrase from the sponsor statement for SB 129:

[Original punctuation provided.]

The State of Alaska is responsible for distributing funds such as Medicaid reimbursements to healthcare organizations, Community Assistance to municipalities, and grants for public service initiatives. According to a survey distributed by the Foraker Group the groups entitled to these monies wait an average of 3-6 months and in some cases over a year, for these funds. These chronic delays force these organizations to

operate without a guaranteed cash flow and maintain minimal cash reserves. Which is not ideal for any organization and jeopardizes their ability to pay and retain staff, maintain services for Alaskans, and meet financial obligations. Some organizations must choose between relying on costly lines of credit or deplete their cash reserves altogether.

Municipalities have reported that the delays in receiving funds from the state have affected payroll, project funding, insurance renewals, and critical infrastructure investments. Alaska Native organizations have reported the same issues but feel them more keenly due to the vulnerable populations they serve who rely on consistent, high-quality care and support, especially when it comes to their health care. The State's inability to pay these entities in a timely manner is not only harmful to them but also increases long-term costs due to interest, lost investment returns, and administrative inefficiencies.

[1:44:49 PM](#)

SENATOR KAWASAKI continued to paraphrase from the sponsor statement for SB 129:

[Original punctuation provided.]

Prompt payment parity is fundamentally agreed to be a principal of fair contracting. The State of Alaska is not exempt from that expectation and has an obligation to honor its financial commitments in a timely manner. In not doing so, they are causing undue hardship for the organizations that support our communities. This legislation, which is already present for construction contracts, will ensure the financial security of Alaska Native organizations, municipalities, and nonprofits which will lead to our communities being better served by these entities.

This legislation will ensure that prompt payment to Alaska Native organizations, municipalities, and nonprofits will be a matter of fact, which will improve the partnerships the State has with these entities. It will also increase governmental transparency, implement penalties for late payments, and streamline reimbursement processes. SB 129 also

ensures that funds are distributed efficiently, equitably, and on time. In so doing, the State of Alaska will uphold their contractual obligations to those citizens who work tirelessly on behalf of Alaskan communities.

[1:45:30 PM](#)

CHAIR MERRICK invited Ms. Colquhoun to proceed with the sectional analysis for SB 129.

[1:45:33 PM](#)

JENNA COLQUHOUN, Staff, Senator Scott Kawasaki, Alaska State Legislature, Juneau, Alaska, presented the sectional analysis for SB 129:

[Original punctuation provided.]

Senate Bill 129

"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."

SECTIONAL ANALYSIS

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.

MS. COLQUHOUN continued her presentation of the sectional analysis for SB 129:

[Original punctuation provided.]

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 payments. 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 delineates how the rest of the grant must be paid out to a named recipient either in monthly installments equal to the recipient's monthly expenditures or a lump sum determined by the Department of Commerce, Community, and Economic Development.

Section 4:

Provides an immediate effective date for this measure.

[1:47:34 PM](#)

CHAIR MERRICK asked why payments are not made promptly and whether late payment is related to staffing issues. She directed the question to Mr. Mayer, Chief Procurement Officer.

TOM MAYER, Chief Procurement Officer, Department of Administration (DOA), Juneau, Alaska, replied that his office does not make payments but establishes contracts that are used by multiple agencies. He recalled that most of the late payments are related to grant funding that is not being processed and dispersed to grantees. He said he is unsure whether this is related to staffing issues. He added that DOA has reached out to other agencies for fiscal notes.

CHAIR MERRICK asked Senator Kawasaki what might cause the delayed payments.

[1:48:34 PM](#)

SENATOR KAWASAKI replied that he has seen anecdotal evidence and heard reports of 20 to 30 percent vacancy rates at basic levels in various departments. He added that these are often the positions responsible for ensuring funding is processed and payments are dispersed on time. He said for the past 10 years there has been a shortage of governmental employees and commented on the large amount of paperwork required for bureaucratic processes. He emphasized the importance of prompt payment and opined that high vacancy rates are part of the problem.

CHAIR MERRICK expressed concern that SB 129 would not help if the late payments are a result of a staffing issue.

[1:50:00 PM](#)

CHAIR MERRICK announced invited testimony on SB 129.

[1:50:15 PM](#)

CAROLE TRIEM, Government Affairs Manager, Alaska Municipal League, Juneau, Alaska, read the following written testimony on SB 129:

[Original punctuation provided.]

Every single one of our 165 members receives payments from the State in one way or another and every single one provides essential services that cannot stop or be turned off. For the smallest communities in the state especially, receiving delayed payments is not just an administrative inconvenience - it creates real hardship.

For many small cities, Community Assistance is the most important state program that remits payments from the State to local governments. Community Assistance is the State's way to fulfill its promise of revenue sharing. It is one of the main sources of revenue in smaller communities, particularly those without large tax bases or gaming revenue. Municipal resources are typically stretched thin or depleted by the end of the fiscal year, making it very important that these local governments receive payments from the State on time. Without timely payments, cities face cash flow issues,

problems making payroll, and delays can cause extra costs in contracts and purchases. For example, in the City of Toksook Bay, delayed Community Assistance payments resulted in higher insurance costs when interest penalties were added after missed payment deadlines.

Community Assistance is not the only program through which the State remits money to local governments. Here is a non-exhaustive list of others, just to give a sense of the scope that we're talking about:

- PCE
- Community Assistance (94)
- Legislative Grants (212 active)
- Community Development Block Grant (16)
- Shared state taxes, including fisheries business and landing taxes
- School Bond Debt Reimbursement

Additionally, federal money is passed through the state through PILT, National Forest Receipts and Secure Rural Schools, and NPR-A Impact Mitigation Grants.

Thank you for allowing us this time today. We appreciate your consideration of SB 129.

[1:52:51 PM](#)

LAURIE WOLF, President and Chief Executive Officer, Foraker Group, Anchorage, Alaska, paraphrased the following testimony on SB 129:

[Original punctuation provided]

**Foraker Supports Senate Bill 129:
Prompt Payment Parity**

Good morning, Committee Chair Merrick, Vice-Chair Dunbar, and committee members. For the record, my name is Laurie Wolf. I am the President/CEO of The Foraker Group.

Thank you for inviting me to testify in support of SB 129, which establishes prompt payment parity for Alaska nonprofits, municipalities, and tribal

organizations for grants, contracts, and reimbursements from the State of Alaska, including federal pass-through funding.

We appreciate the attention from Representative Himschoot and Senator Kawaski and other co-sponsors to one of the most important pieces of legislation supporting Alaska nonprofits since the passage of the Pick.Click.Give. program 16 years ago.

[1:53:25 PM](#)

MS. WOLF continued to paraphrase the following testimony on SB 129:

[Original punctuation provided.]

Here's what Alaska organizations are facing right now and why this legislation is critical. Three, six, nine months, some more than a year in delayed payments. A couple hundred thousand dollars to more than one million dollars in delayed payments.

Delayed payment comes from almost every department in the state and impacts all types of services from seniors to child care to domestic violence to housing, food security, transportation, public safety, and more. The state relies on us to deliver services as its partner through grants, contracts, and reimbursements. Yet, this partnership - when it comes to the money - is broken. Because of the current process, we are asked to report on money that we have not received in order to stand in line for the next payment, which could also be delayed.

This should sound odd and unbelievable, and yet, it's real for hundreds of Alaska organizations far too often. Some of our executives don't even know a reality that could look different because this has been their reality for so long. Sadly, delayed payments have become a normal and even acceptable practice for nonprofits that are providing essential services around the state. Importantly, this is money that has been approved by the legislature. One would simply assume that if the money is budgeted, approved, and allocated, then spending could occur. That seems efficient. That seems like good government. In fact, prompt payment is exactly the rule the state must

follow when conducting transactions with for-profit businesses as directed by Statute: AS 36.90.200. Unfortunately, these rules do not apply to nonprofits, municipalities, and tribal organizations - and they should.

[1:55:09 PM](#)

MS. WOLF continued to paraphrase the following testimony on SB 129:

[Original punctuation provided.]

Over many years and multiple administrations, we have tried to solve this problem, hoping honestly that we wouldn't get to this stage. One former commissioner told us that nonprofits should just take out a line of credit to manage delayed payments - as though it was the job of the nonprofit to subsidize the state. Not only do lines of credit require collateral, which many nonprofits will never have, it is not the job of nonprofits to subsidize the state and that is exactly what many of them do every day. What other choice do they have? Our goal is to ensure the state is efficient and that the work organizations provide for Alaskans is predictable, stable, and available.

To demonstrate the severity of this issue, we surveyed Alaska organizations to learn more about their experiences. Here's what they told us about their reality.

The survey data you have in your packet of information from us is simply a point-in-time survey to give a snapshot of the pervasive nature of this issue. The top-line impact of delayed payments includes:

[1:56:08 PM](#)

MS. WOLF continued to paraphrase the following testimony on SB 129:

[Original punctuation provided.]

Cash Flow Issues: Many respondents emphasized the severe strain on cash flow, with organizations needing to use reserves, lines of credit, or borrow funds to cover operational costs such as payroll, purchases,

and bills. This was particularly difficult for organizations that rely on grant funding or reimbursable services.

Operational Delays: Delays disrupted services, project timelines, and the ability to make necessary purchases (e.g., books, equipment, vehicles). Some organizations even had to pause operations or reduce staff until payments were received.

[1:56:40 PM](#)

MS. WOLF continued to paraphrase the following testimony on SB 129:

Increased Administrative Burden: Organizations reported spending significant time and resources dealing with delayed payments, including advocating for overdue funds, rebilling, and communicating with funding agencies. This diversion of resources led to additional stress on staff and operational inefficiencies.

Uncertainty and Financial Planning Challenges: The lack of predictability of payment schedules created uncertainty in budgeting and financial planning. Several organizations had to make difficult decisions about whether to proceed with projects or delay them based on the expectation of when funds might eventually arrive.

Negative Impact on Staff and Services: Some respondents noted that delayed payments led to late payrolls, staff dissatisfaction, and the possibility of layoffs. In certain cases, it was reported that delays could jeopardize continuing vital services for vulnerable populations.

Strained Relationships: Delays also strained relationships with contractors, vendors, and other third parties, with some organizations reporting difficulty in meeting obligations or renegotiating payment terms.

Impact on Program Continuity: For some organizations, delayed payments threatened the continuity of programs and services, especially in critical areas such as

health care and education, where funding delays can have immediate consequences.

[1:57:58 PM](#)

MS. WOLF continued to paraphrase the following testimony on SB 129:

[Original punctuation provided.]

Our reality is that nonprofits do not have the financial reserves to float a major state grant or contract to support a program or project with their own funds while waiting for allocated state dollars to come through. And even if they do, as I have already pointed out, it is not the responsibility of nonprofits to subsidize the state's delayed payments.

These impacts should be enough to compel us all to change how this process operates. But consider, too, that it's not just our entities and Alaskans who are hurt - the economies around the state are also harmed. Specifically, we know that: Delayed payment has a direct impact on the ability of Alaskans to access essential services. It has a direct impact on nonprofit staff recruitment and retention across Alaska. It hurts the whole economy because nonprofits cannot pay their bills to other for-profit and nonprofit vendors.

We need this legislation because unlike a business or contractor working on a public project, where current Alaska statute says they will be paid on time or receive penalties and interest, the rules also say the contractor can stop work until payment is received. Our reality is that we cannot just stop doing what we are doing to get the state's attention—the consequences are too high for Alaskans who depend on us.

I anticipate one of your questions is: "How much money are we talking about?" Unfortunately, we have been trying to calculate this number for years. We have solid data from surveys and personal accounts, but there is no single system for tracking delayed payments that we know about. Each state department has its own system and process for tracking.

[1:59:28 PM](#)

MS WOLF continued to paraphrase the following written testimony on SB 129:

[Original punctuation provided.]

I anticipate that you will also ask how we think this problem should be fixed. To be sure, we know the state faces workforce shortages and technology issues, but we can't tell you how to fix those. Still, we will say that we are no longer willing to remain silent while a broken system asks nonprofits, municipalities, and tribal organizations to carry the burden of both delivering services and covering the costs while we wait. We want parity with for-profit businesses and to be treated as partners in the work of serving Alaskans. After all, that is how Alaska's economy works best - when we as organizations come together with local, state, and federal governments to serve Alaskans.

[2:00:09 PM](#)

MS. WOLF continued to paraphrase the following testimony on SB 129:

[Original punctuation provided.]

To be clear, we are not asking the state to go back and address their past delays with penalties and interest. We simply want to establish a foundation for moving forward based on prompt payment parity, along with powerful incentives for the state to pay on time - just like in the private sector. That is the purpose of Senate Bill 129.

I will end with this reminder. The health and well-being of Alaskans and Alaska's economy depend on strong working relationships among nonprofits, tribal organizations, municipalities, and the state. Payment for services is an expected part of this relationship. I strongly urge you to consider this bill favorably.

Foraker, Alaska's nonprofit association, is pleased to be working arm-in-arm with the Alaska Municipal League, Alaska's statewide association supporting local governments, and Senate Bill 129 sponsors on this critical issue. As part of this testimony, we

will also share the resolutions that both Foraker and AML approved last year as well as our most recent survey results on the impact of delayed payment on Alaska organizations.

Thank you.

[2:00:54 PM](#)

CHAIR MERRICK asked what reasons were given for the delayed payments.

MS. WOLF replied that, over the years, a host of reasons have been offered as explanation; however, none address the systemic issues that create delayed payments in every department.

[2:01:39 PM](#)

SENATOR YUNDT asked what percentage of payments are made late, and, of those, what is the average length of the delay.

MS. WOLF replied that she has a survey that she can provide; however, there is no one system to track all late payments across all departments. Foraker Group previously requested this information and has not received an answer. She said she would provide the data that is available.

[2:02:48 PM](#)

SENATOR YUNDT said any data available for review before the next committee hearing would be helpful.

[2:03:20 PM](#)

STEPHANIE BERGLUND, Chief Executive Officer, thread, Anchorage, Alaska, read the following testimony on SB 129:

[Original punctuation provided.]

SB 129 testimony
Senate Community and Regional Affairs Committee

Thank you chair Merrick and members of the committee for the opportunity to testify. I'm Stephanie Berglund, CEO of thread - Alaska's statewide Child Care Resource and Referral organization. thread is a 39-year-old nonprofit - primarily a direct service organization - and our largest sources of funding come from partnerships with the State Department of Health (DOH) and the Department of Education and Early Development (DEED).

While we work very closely with the State and are thankful for their partnership to empower families in finding child care and ensuring early educators are trained and supported to deliver high quality early care and learning services - the grant process, namely timely payments - has been a long-standing problem impacting consistent and reliable early care and education support services. That is why I'm here today endorsing SB 129.

[2:04:10 PM](#)

MS. BERGLUND continued to read the following testimony on SB 129:

[Original punctuation provided.]

While some of our DOH grants have most recently seen improvements to the payment process, grants and contracts through both the DOH and the DEED are overall inconsistent and do not follow the agreements as outlined. thread encounters significant delays and uncertainty surrounding payments and reimbursements from the State of Alaska.

Over the last five years alone, it has been the exception, not the norm that thread's State grants and contracts are processed and paid on time, following the outlined agreements. While thread can usually support the cash flow of the irregular or unpredictable payment schedules, we have been put in tight financial and programming situations. This includes a few years back when two of our grants were paid for the advance payment (agreed on and expected in early July) in January of that FY. We've also been in the situation to provide first quarter fiscal reports to receive the subsequent quarter payment without ever receiving the first payment - that triggered needing to get direction on how to report spending that did not use State money for the actual expenses. The grant payment process is further compounded when there are amendments needed, which are also repeatedly not timely or responsive to the scope of work and service delivery needs. These issues disrupt and delay services and ultimately create a bottleneck of service delivery needing to be completed

in a shortened period of time as grants need to be fully spent by June 30th.

2:05:41 PM

MS. BERGLUND continued to read the following testimony on SB 129:

[Original punctuation provided.]

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.

thread supports the nearly 400 child care small businesses across the state. Most are enrolled in the Child Care Assistance program, relaying on State assistance payments to support their operations and regular business expenses. Unlike private pay family tuition paid at the start of a child care service, the State Child Care Assistance is paid as a reimbursement and is - and has been - paid inconsistently to child care business owners. One child care business in Soldotna shared that she at times has to negotiate paying her utilities late due to late child care assistance reimbursement payments. Child care programs work on very tight margins and need reliable reimbursement payments. Payment delays put the sustainability of these child care programs at risk, compromising the high-quality services they provide to families every day.

I strongly urge you to prioritize the passage of SB 129 to allow nonprofits like thread to continue our vital work without the financial and service delivery instability caused by delayed payments. Resolving this issue is essential to Alaska's nonprofit sector and ensuring that we continue to effectively serve our communities.

Thank you.

[2:07:28 PM](#)

CHAIR MERRICK asked how the sponsor envisions the enforcement of SB 129.

SENATOR KAWASAKI opined that agencies want to do the best they can. He directed attention to the fiscal note from the Department of Labor and Workforce Development, [OMB Component Number 340, dated March 28, 2025,] which discusses the potential for assessment obligations and estimates interest and liability for those obligations. He pointed out the last sentence, which discusses the issue from a programmatic perspective and states that the department would make every effort to change program processes in order to avoid interest. He emphasized that everyone wants on-time payments and shared his belief that, if SB 129 passes with a zero fiscal note, state agencies will respond by improving the process. He added that, in addition to an improved process, organizations doing business with the State of Alaska would be assured of timely payments.

[2:09:38 PM](#)

CHAIR MERRICK noted that the fiscal note in question is from Department of Labor and Workforce Development, OMB Component Number 340, dated March 28, 2025.

[2:09:56 PM](#)

SENATOR KAWASAKI expressed appreciation to the committee.

[2:10:16 PM](#)

CHAIR MERRICK held SB 129 in committee.

[2:10:29 PM](#)

There being no further business to come before the committee, Chair Merrick adjourned the Senate Community and Regional Affairs Standing Committee meeting at 2:10 p.m.