

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

April 10, 2017

9:03 a.m.

MEMBERS PRESENT

Senator Mia Costello, Chair
Senator Shelley Hughes, Vice Chair
Senator Kevin Meyer
Senator Gary Stevens
Senator Berta Gardner

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE CONCURRENT RESOLUTION NO. 10
Proclaiming 2018 to be the Alaska Year of Innovation.

- HEARD & HELD

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 81(ENE)
"An Act making certain entities that are exempt from federal taxation under 26 U.S.C. 501(c)(3), (4), (6), (12), or (19) (Internal Revenue Code), regional housing authorities, and federally recognized tribes eligible for a loan from the Alaska energy efficiency revolving loan fund; relating to loans from the Alaska energy efficiency revolving loan fund; and relating to the annual report published by the Alaska Housing Finance Corporation."

- HEARD & HELD

HOUSE BILL NO. 157
"An Act relating to the Alaska Life and Health Insurance Guaranty Association; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SCR 10

SHORT TITLE: ALASKA YEAR OF INNOVATION

SPONSOR(s): SENATOR(s) COSTELLO

04/07/17 (S) READ THE FIRST TIME - REFERRALS
04/07/17 (S) L&C, STA
04/10/17 (S) L&C AT 9:00 AM BELTZ 105 (TSBldg)

BILL: HB 81

SHORT TITLE: AK ENERGY EFFICIENCY LOANS: ELIGIBILITY

SPONSOR(s): REPRESENTATIVE(s) KREISS-TOMKINS

01/25/17 (H) READ THE FIRST TIME - REFERRALS
01/25/17 (H) ENE, FIN
01/31/17 (H) ENE AT 10:15 AM CAPITOL 17
01/31/17 (H) Heard & Held
01/31/17 (H) MINUTE(ENE)
02/07/17 (H) ENE AT 10:15 AM CAPITOL 17
02/07/17 (H) Heard & Held
02/07/17 (H) MINUTE(ENE)
02/14/17 (H) ENE AT 10:15 AM CAPITOL 17
02/14/17 (H) Moved CSHB 81(ENE) Out of Committee
02/14/17 (H) MINUTE(ENE)
02/15/17 (H) ENE RPT CS(ENE) NT 5DP 2NR
02/15/17 (H) DP: JOHNSTON, WESTLAKE, SPOHNHOLZ,
CLAMAN, WOOL
02/15/17 (H) NR: RAUSCHER, JOHNSON
03/06/17 (H) FIN AT 1:30 PM HOUSE FINANCE 519
03/06/17 (H) Heard & Held
03/06/17 (H) MINUTE(FIN)
03/16/17 (H) FIN AT 1:30 PM HOUSE FINANCE 519
03/16/17 (H) Moved CSHB 81(ENE) Out of Committee
03/16/17 (H) MINUTE(FIN)
03/17/17 (H) FIN RPT CS(ENE) NT 6DP 4NR
03/17/17 (H) DP: KAWASAKI, ORTIZ, GUTTENBERG, GRENN,
SEATON, FOSTER
03/17/17 (H) NR: WILSON, PRUITT, THOMPSON, TILTON
03/24/17 (H) TRANSMITTED TO (S)
03/24/17 (H) VERSION: CSHB 81(ENE)
03/27/17 (S) READ THE FIRST TIME - REFERRALS
03/27/17 (S) L&C, FIN
04/10/17 (S) L&C AT 9:00 AM BELTZ 105 (TSBldg)

BILL: HB 157

SHORT TITLE: LIFE & HEALTH INSURANCE GUARANTY ASSN.

SPONSOR(s): LABOR & COMMERCE BY REQUEST

03/06/17 (H) READ THE FIRST TIME - REFERRALS

03/06/17 (H) L&C
 03/13/17 (H) L&C AT 3:15 PM BARNES 124
 03/13/17 (H) -- MEETING CANCELED --
 03/15/17 (H) L&C AT 3:15 PM BARNES 124
 03/15/17 (H) -- MEETING CANCELED --
 03/20/17 (H) L&C AT 3:15 PM BARNES 124
 03/20/17 (H) Heard & Held
 03/20/17 (H) MINUTE(L&C)
 03/22/17 (H) L&C AT 3:15 PM BARNES 124
 03/22/17 (H) Moved HB 157 Out of Committee
 03/22/17 (H) MINUTE(L&C)
 03/24/17 (H) L&C RPT 6DP 1NR
 03/24/17 (H) DP: SULLIVAN-LEONARD, STUTES, WOOL,
 BIRCH, KNOPP, KITO
 03/24/17 (H) NR: JOSEPHSON
 04/05/17 (H) TRANSMITTED TO (S)
 04/05/17 (H) VERSION: HB 157
 04/06/17 (S) READ THE FIRST TIME - REFERRALS
 04/06/17 (S) L&C, JUD
 04/10/17 (S) L&C AT 9:00 AM BELTZ 105 (TSBldg)

WITNESS REGISTER

WESTON EILER, Staff
 Senator Mia Costello
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: Introduced SCR 10 on behalf of the sponsor.

JOHNATHON KREIS-THOMPSON
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: Sponsor of HB 81.

BERETT WILBER, Staff
 Representative Kreiss-Tomkins
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: Delivered the sectional analysis and answered questions related to HB 81.

STACEY SCHUBERT, Director
 Government Relations and Public Affairs
 Alaska Housing Finance Corporation (AHFC)
 Anchorage, Alaska

POSITION STATEMENT: Offered information related to HB 81.

CHRIS ROSE, Executive Director
Renewable Energy Alaska Project (REAP)
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 81.

REPRESENTATIVE SAM KITO
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced HB 157, speaking as chair of the House Labor and Commerce Committee.

LORI WING-HEIER, Director
Division of Insurance,
Department of Commerce, Community and Economic Development
Anchorage, Alaska

POSITION STATEMENT: Provided an overview of HB 157.

SHEILA TALLMAN, Senior Manager of Legislative Policy
Premera Blue Cross
Seattle, Washington

POSITION STATEMENT: Urged the committee to wait for the NCIS to release the new model law before acting on HB 157.

DONALD THOMAS, Executive Director
Alaska Life and Health Insurance Guarantee Association,
Anchorage, Alaska

POSITION STATEMENT: Responded to questions related to HB 157.

ACTION NARRATIVE

[9:03:28 AM](#)

CHAIR MIA COSTELLO called the Senate Labor and Commerce Standing Committee meeting to order at 9:03 a.m. Present at the call to order were Senators Meyer, Gardner, and Chair Costello.

SCR 10-ALASKA YEAR OF INNOVATION

[9:04:14 AM](#)

CHAIR COSTELLO announced the consideration of SCR 10. She asked Mr. Eiler to share the background leading to the resolution.

[9:04:25 AM](#)

WESTON EILER, Staff to Senator Mia Costello, sponsor of SCR 10, introduced the legislation on behalf of the sponsor, speaking to the following sponsor statement:

Senate Concurrent Resolution 10 would proclaim 2018 as the Year of Innovation in Alaska. Innovation has been a constant theme throughout the first session of the 30th Alaska Legislature. Whether growing our state's economy, harnessing technology to improve Alaskans' quality of life, or modernizing state government in a tough fiscal environment; innovation can help address challenges facing Alaska.

Alaskans are innovators by tradition and necessity. The pioneering spirit that founded and built our state is rooted in innovation. These range from engineering marvels that built early mines, railroads and the Trans-Alaska Pipeline, to public policies that have transformed life in our state such as the Alaska Permanent Fund and Community Development Quotas.

Collaboration between regional and statewide economic development groups, universities, investors, businesses and entrepreneurs has helped create an innovation community in Alaska. Aligning stakeholders around collective action helps engage the next generation of Alaskan entrepreneurs. Events such as UAF's Arctic Innovation Competition, the Innovation Summit, Alaska Startup Week, and the Launch: Alaska accelerator create an ecosystem for innovation and help bring new ideas to market.

Innovation and entrepreneurship are crucial for long-term economic development and diversifying Alaska's economy. The National Bureau of Economic Research reports that net job creation is driven by startups -- creating an average of three million jobs annually. Alaska's current fiscal climate calls for innovative solutions, as seen in the work of many legislative committees and formation of a bipartisan, bicameral Innovation Caucus.

Proclaiming 2018 as the Year of Innovation in Alaska raises the level of this discussion and highlights how creativity can improve our state. Senate Concurrent Resolution 10 directs the attention of Alaskans toward out-of-the-box thinking, creating a culture in Alaska where innovation and entrepreneurship are accepted and encouraged.

MR. EILER highlighted that over the last three years this committee has heard from individuals who were speaking at the Innovation Summit put on by the Juneau Economic Development Corporation. These include Harvard business professor Dr. Christian Ketels who briefed the committee about the concept of economic clusters and the need for a strategy; Michael Shuman who highlighted some of the benefits of crowdfunding; and Robert Tucker who talked about innovation being everyone's job. One of Mr. Tucker's suggestions was to declare a year of innovation, which is what this resolution proposes.

Providing historical context, he reminded the committee that the 29th Alaska Legislature passed HCR 5 that proclaimed 2015-2017 the Years of the Arctic. Before that, the 26th Alaska Legislature declared 2009 the year of the Noncommissioned Officer, and the 24th Alaska Legislature proclaimed 2005 to be Rotary International Year.

He mentioned the innovations the committee has recently heard about and opined that this resolution will help advance out-of-the-box thinking, ensuring that Alaska develops a culture where innovation and entrepreneurship is encouraged.

[9:10:11 AM](#)

CHAIR COSTELLO stated that she would hold SCR 10 in committee. She asked the members to pay special attention to the language on page 1, line 16 through page 2, lines 1-3 and offer suggestions for changes or additions. She noted that the commissioner of education is particularly excited about naming 2018 the Year of Innovation

HB 81-AK ENERGY EFFICIENCY LOANS: ELIGIBILITY

[9:12:10 AM](#)

CHAIR COSTELLO announced the consideration of HB 81. She stated that the intention is to hear the introduction, take questions, open public testimony, and hold the bill for further consideration. [CSHB 81(ENE) was before the committee.]

[9:12:38 AM](#)

JOHNATHON KREIS-THOMPSON, Alaska State Legislature, sponsor of HB 81, introduced the legislation speaking to the following sponsor statement:

This bill gives nonprofit organizations and federally-recognized tribes the power to apply for loans from the Alaska Energy Efficiency Revolving Loan Fund.

Because AEERLF is such a god-awful acronym, we call this bill the More Energy Efficient Buildings Act ("MEEBA").

The AEERLF was created by the Alaska Sustainable Energy Act in 2010. It authorized the Alaska Housing Finance Corporation to make \$250 million in low interest loans for energy efficiency improvements to public entities, namely municipalities and school districts. Only one loan has been closed since the program's creation in 2010, to the City of Galena for \$2.6 million.

Especially given our new and more austere fiscal climate in which legislative grants are going to be rare to nonexistent, many nonprofits are interested in becoming more self-sufficient, and accessing loans from the program to invest in energy efficiency. These projects allow them to save money on energy costs, make the state money in interest, create jobs, and stimulates the economy. Recognizing these clear benefits, the MEEBA authorizes Alaska Housing to accept applications from non-profits, regional housing authorities, and federally recognized tribes to invest in energy efficiency.

The More Energy Efficient Buildings Act improves energy efficiency in Alaska. It's an economic stimulator, makes the state money, and helps create a public benefit for a state program that's presently underused.

[9:14:55 AM](#)

REPRESENTATIVE KREISS-TOMKINS noted that HB 81 passed the other body by a 35:1 vote.

CHAIR COSTELLO asked Ms. Wilber to walk through a sectional analysis for HB 81.

BERETT WILBER, Staff, Representative Kreiss-Tomkins, Alaska State Legislature, delivered the following sectional analysis for HB 81.

Section 1 requests the Alaska Housing Finance Corporation to include a report of activities under the Alaska Energy Efficiency Revolving Loan Fund in their annual report.

Section 2 adds federally recognized tribes, regional housing authorities, and non-profits to the list of entities that can be offered loans through the Alaska Energy Efficiency Revolving Loan Fund.

Section 3 is a conforming change to existing law which adds tribes to the current loan enforcement terms. Under this section, tribes would join the list of entities which agree to waive a sovereign immunity defense as such a defense could be applied to an energy efficiency loan.

Section 4 adds tribes and nonprofits to the list of those authorized to borrow from the loan program.

Section 5 is a conforming change which adds the newly eligible entities to existing laws, which lay out the financial responsibilities of loan recipients to the State of Alaska if they default on a loan.

Section 6 includes definitions for the bill, including definitions for federally recognized tribes, regional housing authorities, and nonprofits. Under this bill, nonprofits that are designated as 501(c)(3), (c)(4), (c)(6), (c)(12) and (c)(19) can apply for loans under the Alaska Energy Efficiency Revolving Loan Fund.

Section 7 adds a provision to the bill that requires the loan program to preference originally eligible entities, which are municipalities, schools, and state buildings, or the newly eligible entities. It also expressly forbids for-profit entities from receiving loans from the fund.

[9:17:28 AM](#)

CHAIR COSTELLO asked where the language is broadened to include schools.

MS. BARRETT advised that schools are already eligible to apply for these energy loan funds. She directed attention to the language on page 2, line 17, and said that while the language doesn't specifically mention schools, Legislative Legal agrees that they are included.

CHAIR COSTELLO listed the individuals available to answer questions.

SENATOR MEYER asked if just one entity had taken advantage of the loan program.

REPRESENTATIVE KREISS-TOMKINS said that's correct. "It's dramatically underused."

SENATOR MEYER asked why that's the case.

REPRESENTATIVE KREISS-TOMKINS said his anecdotal assessment is that entities have been accustomed to looking for grants or getting money through capital projects. Why would you assume a loan when there's free money? He opined that thought processes are changing as people look to be more self-sufficient in this more austere environment.

[9:21:21 AM](#)

SENATOR MEYER commented that the last sizeable capital budget was in 2013 so it's surprising that the loan fund is so underused. He asked if he sees this program as competition to banks.

REPRESENTATIVE KREISS-TOMKINS said him thinks there will be increased interest in the program going forward. The fact that the first loan was taken out just last December supports the notion that entities are realizing that free money is a thing of the past and that the more austere fiscal environment is likely here to stay. He explained that the loan program does not compete with banks because the financing for the Alaska Energy Efficiency Revolving Loan Fund is highly unique and banks don't have an analog. The way the program works is that the structure first needs an energy audit that identifies specific energy efficiency improvements and the amount that the improvements will save. The loan is based on the cost of the improvements.

SENATOR MEYER asked if he has an estimate of the number of nonprofits and tribes that might apply for a loan.

REPRESENTATIVE KREISS-TOMKINS said he's speculating but a few facts might inform what would happen if this becomes law. A partnership in Fairbanks between the Denali Commission, Foraker Group, Cold Climate Housing Research Center and others is looking at energy efficiency improvements for nonprofits. That pilot program was designed to look at the payback and cost benefits of making these sorts of improvements. He said he knows that those entities are interested in scaling this in the future and have been involved in drafting and supporting the bill. He

pointed out that many of the nonprofits in Alaska have relatively small budgets compared to a school district or municipality and their loans would conceivably be just \$20,000 to \$50,000, but that size energy efficiency improvement would proportionally make a big difference.

[9:27:04 AM](#)

SENATOR GARDNER asked if this applies to all nonprofits such as churches and the Girl Scouts.

MS. WILBER clarified that the bill only applies to a specific subsection of nonprofits. It specifically opens eligibility to 501(c)(3)s that include churches, religious, educational, charitable, literary, and scientific groups; 501(c)(4)s that include civic and social welfare organizations such as Lions and Rotary Clubs; 501(c)(6)s that tend to be business leagues, chambers of commerce, and industry umbrella organizations such as the Alaska Pharmacist Association and the Alaska Truckers Association; 501(c)(12)s that are mutuals and cooperative associations like telephone and electrical cooperatives; and 501(c)(19)s that are organizations that have to do with past or present members of the armed forces such as VFWs or American Foreign Legions.

CHAIR COSTELLO asked Stacey Schubert to address the question why schools and other nonprofits haven't taken advantage of the loan fund.

[9:29:29 AM](#)

STACEY SCHUBERT, Director, Government Relations and Public Affairs, Alaska Housing Finance Corporation (AHFC), Anchorage, said she agrees with the sponsor's explanation. When the legislation passed in 2010, authorizing AHFC to go to the market and bond up to \$250 million for the program, schools and other public facilities had grant money available so they didn't need to go to AHFC for a loan. As the fiscal climate has changed there has been more interest in the program. For example, AHFC worked with the Department of Transportation and Public Facilities on projects they identified for public facilities, but the department found less expensive funds from another source. AHFC is participating with the Alaska Municipal League and others to make sure they are aware of the program, she said.

[9:30:36 AM](#)

CHAIR COSTELLO opened public testimony on HB 81.

[9:30:48 AM](#)

CHRIS ROSE, Executive Director, Renewable Energy Alaska Project (REAP), stated that REAP supports HB 81. He said we are a statewide nonprofit education advocacy group that has focused on promoting renewable energy and energy efficiency for the last 13 years. HB 81 offers nonprofits and tribes an opportunity to take advantage of this loan program. He said REAP estimates that Alaskans collectively spend about \$5 billion on heat, transportation, and electricity each year. He estimated that about 20 percent of the energy consumption could be saved through energy efficiency. Keeping close to \$1 billion in the economy is a worthy goal. The nonprofits and tribes around the state often reside in energy inefficient buildings. The structure of the loans that AHFC is offering is something that tribes and nonprofits could take advantage of. He urged the committee to consider and move the bill forward.

[9:32:42 AM](#)

CHAIR COSTELLO closed public testimony on HB 81 and held the bill in committee for further review.

HB 157-LIFE & HEALTH INSURANCE GUARANTY ASSN.

[9:33:07 AM](#)

CHAIR COSTELLO announced the consideration of HB 157.

[9:33:34 AM](#)

REPRESENTATIVE SAM KITO, Alaska State Legislature, Chair, House Labor and Commerce Committee, introduced HB 157 speaking to the following sponsor statement:

House Bill 157 updates the Alaska Life and Health Insurance Guaranty Act (Act) to conform to the National Association of Insurance Commissioners Life and Health Guaranty Model Act. These changes update the Act and improve uniformity nationwide in the administration of life and health guarantee associations.

The Alaska Life and Health Insurance Guarantee Association (Association) is composed of insurers who transact life insurance, health insurance, or annuities in Alaska. The purpose of the Association is to guarantee that residents and certain nonresidents will continue to receive benefits in the event one of the members becomes impaired or insolvent. In order to accomplish this, the Act directs the insurers to form a board and collect assessments from members to pay

for the operations of the Association and obligations of insolvent or impaired members.

House Bill 157 amends terms for consistency with the model act, raises payment limits, adds language clarifying what products are included and excluded from the protections under the Act, and adds language clarifying that medical and hospital service corporations and their products are subject to the provisions of the Act. House Bill 157 amends the powers and duties section for the Association to follow the model act, authorizes the board to increase assessments, grants the Association the ability to develop procedures to remove an Association governor for cause, and adds new definitions.

[9:34:49 AM](#)

LORI WING-HEIER, Director, Division of Insurance, Department of Commerce, Community and Economic Development (DCCED), stated that there are two insurance guarantee associations in Alaska. One was formed for property and casualty and one was formed for life and health. She agreed with Representative Kito's explanation that if an insurance company becomes insolvent, one of the associations steps in and assesses the member insurers up to two percent to pay the claims that have been presented to the insolvent insurer.

She advised that about three weeks ago a long-term care insurer went insolvent nationwide and about 36 consumers in Alaska were at risk of not having their claims paid. The claims totaled about \$2 million. The association sent out assessment letters to collect the money and they will hold it and pay the claims as they are presented. She reported that this has happened to workers' compensation insurers and property insurers in the past even though the Division of Insurance closely monitors insurance company financials. She summarized that, "These two associations are the protections that stop consumers from not having any recourse from which to collect the claims they may have presented to the insurance company prior to the insolvency."

MS. WING-HEIER said SB 157 does two things. It updates the Act to conform with the current National Association of Insurance Commissioners (NAIC) model law, and it brings hospital medical service corporations in as member insurers. She noted that most of the changes are technical and offered to walk through the sectional analysis.

[9:37:52 AM](#)

SENATOR HUGHES joined the committee.

SENATOR GARDNER asked what the hospital medical service corporations think of the bill.

MS. WING-HEIER said Premera Blue Cross is the only hospital medical service corporation in Alaska and their representative is on line to comment on the bill. She added that the representative will probably say Premera doesn't oppose the bill entirely, but would like to wait for the new model law that has not been released. It brings in life insurance companies to address long term care, which is a problem nationwide. These claims are huge and health care insurers alone cannot sufficiently address these policies.

[9:40:38 AM](#)

CHAIR COSTELLO opened public testimony on HB 157.

SENATOR STEVENS joined the committee.

[9:40:48 AM](#)

SHEILA TALLMAN, Senior Manager of Legislative Policy, Premera Blue Cross, Seattle, Washington, stated that Premera recognizes that the instability in health care and long-term care insurance markets is occurring and solvency is a concern. She advised that the National Association of Insurance Commissioners (NAIC) has been discussing this issue since early this year and is considering updates to their life and health guarantee association models to respond to the changing marketplace for life, health, and long-term care policies and to address insolvencies. Premera is working with Blue plans in other states and with the Blue Cross Blue Shield Association to provide comments on new approaches that will not negatively impact costs to consumers.

She said it is Premera's view that some of the changes in House Bill 157 would negatively impact Premera customers through an assessment and increased rates when there is an insolvency.

MS. TALLMAN urged the committee to consider the work NAIC is doing right now before making any changes to Alaska's guarantee association that may not be consistent with the forthcoming model. She opined that there may be other ways of tackling insolvency issues, particularly in a state with limited competition in the health care market when the policies at the

crux of the issue typically are not offered by health insurance companies.

She concluded advising that the new administration in D.C. is open to new ideas that offer long term solutions and increased competition in insurance markets and Premera urges legislators to take time before implementing new ideas there too.

SENATOR GARDNER asked if she has a sense of the timeline for the new model through NAIC.

MS. TALLMAN said she has heard that the intent is to have something ready by the end of 2017.

[9:43:58 AM](#)

CHAIR COSTELLO noted that David Phifer and Donald Thomas were available to answer questions.

SENATOR GARDNER asked Mr. Phifer or Mr. Thomas would advise waiting until the model law is released or moving forward now.

[9:44:31 AM](#)

DONALD THOMAS, Executive Director, Alaska Life and Health Insurance Guarantee Association, Anchorage, said he was not aware until this hearing that a new model law was being prepared. The association administers the law and he doesn't have a feel for the timeline.

[9:45:44 AM](#)

CHAIR COSTELLO closed public testimony on HB 157 and held the bill in committee for further consideration.

[9:46:12 AM](#)

There being no further business to come before the committee, Chair Costello adjourned the Senate Labor and Commerce Standing Committee meeting at 9:46 a.m.