

**ALASKA STATE LEGISLATURE
HOUSE STATE AFFAIRS STANDING COMMITTEE**

March 10, 2022

3:06 p.m.

MEMBERS PRESENT

Representative Jonathan Kreiss-Tomkins, Chair
Representative Matt Claman, Vice Chair
Representative Geran Tarr
Representative Andi Story
Representative Sarah Vance
Representative James Kaufman
Representative David Eastman

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 396

"An Act restricting certain investments of state funds in certain Russian entities; and providing for an effective date."

- HEARD & HELD

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 218

"An Act relating to the inspection and testing of fire dampers, smoke dampers, combination fire and smoke dampers, and smoke control systems; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 396

SHORT TITLE: DIVEST INVESTMENTS IN RUSSIAN ENTITIES

SPONSOR(s): STATE AFFAIRS

03/09/22	(H)	READ THE FIRST TIME - REFERRALS
03/09/22	(H)	STA, FIN
03/10/22	(H)	STA AT 3:00 PM GRUENBERG 120

BILL: HB 218

SHORT TITLE: SMOKE/FIRE DAMPERS & SMOKE CTRL SYSTEMS

SPONSOR(s): TUCK

05/19/21 (H) READ THE FIRST TIME - REFERRALS
05/19/21 (H) STA, FIN
01/18/22 (H) SPONSOR SUBSTITUTE INTRODUCED
01/18/22 (H) READ THE FIRST TIME - REFERRALS
01/18/22 (H) STA, FIN
03/10/22 (H) STA AT 3:00 PM GRUENBERG 120

WITNESS REGISTER

LUCINDA MAHONEY, Commissioner
Department of Revenue
Juneau, Alaska

POSITION STATEMENT: Co-presented a PowerPoint presentation, titled "Divestment regarding Russian Entities," dated 3/10/22.

MARCUS FRAMPTON, Chief Investment Officer
Alaska Permanent Fund Corporation
Juneau, Alaska

POSITION STATEMENT: Co-presented a PowerPoint presentation on divestment from Russian entities.

ZACHARY HANNA, Chief Investment Officer
Department of Revenue
Juneau, Alaska

POSITION STATEMENT: Co-presented a PowerPoint presentation on divestment from Russian entities.

JENS SCHURIG, Organizer
Sheet Metal Workers Local 23
Anchorage, Alaska

POSITION STATEMENT: Provided a PowerPoint presentation on ventilation verification and energy optimization during the hearing on SSHB 218.

SCOTT HAMMOND, Director of Research
National Energy Management Institute Committee
Falls Church, Virginia

POSITION STATEMENT: Testified during the hearing on SSHB 218.

MIKE MASON, Staff
Representative Chris Tuck
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced SSHB 218, on behalf of Representative Tuck, prime sponsor, and reviewed the changes in the proposed CS, Version W.

ACTION NARRATIVE

[3:06:03 PM](#)

CHAIR JONATHAN KREISS-TOMKINS called the House State Affairs Standing Committee meeting to order at 3:06 p.m. Representatives Vance, Tarr, Kaufman, Story, Claman, and Kreiss-Tomkins were present at the call to order. Representative Eastman arrived as the meeting was in progress.

HB 396-DIVEST INVESTMENTS IN RUSSIAN ENTITIES

[3:07:07 PM](#)

CHAIR KREISS-TOMKINS announced that the first order of business would be HOUSE BILL NO. 396, "An Act restricting certain investments of state funds in certain Russian entities; and providing for an effective date."

[3:08:47 PM](#)

LUCINDA MAHONEY, Commissioner, Department of Revenue, co-presented a PowerPoint presentation, titled "Divestment regarding Russian Entities" [hard copy included in the committee packet]. She provided an overview of the presentation on slide 2, which read as follows [original punctuation provided]:

- Introduction
- Status and Sanctions
- Market Overview
- Treasury Investments
- APFC Investments
- Actions by Institutional Investors
- Fiduciary Standards
- Q&A

[3:10:58 PM](#)

COMMISSIONER MAHONEY continued to slide 3, which provided a summary of Alaska investments in Russian assets. She pointed out that the Alaska Permanent Fund Corporation (APFC) had \$219 million invested in Russian assets, the majority of which was in stocks; the Alaska Retirement Management Board (ARM Board) had \$94 million invested in Russian assets; state funds had \$7 million invested in Russian assets; and defined contribution

investments in Russian assets totaled \$13 million. In total, \$333 million was invested in Russian assets. She estimated that liquidating the stocks would yield 2 percent of the value, the bonds would yield 20 percent, and private equity investment would yield zero percent, resulting in a combined total estimated value of \$18 million, as of 3/7/22.

[3:14:23 PM](#)

REPRESENTATIVE EASTMAN inquired about the definition of Russian assets.

COMMISSIONER MAHONEY said in regard to stocks, Russian assets were investments in Russian companies that were traded on the stock exchange. In terms of bonds, "Russian assets" were bonds that were issued by a Russian company or the Russian government itself.

REPRESENTATIVE EASTMAN inquired about the definition of private equity investments in Russian assets.

COMMISSIONER MAHONEY deferred to Mr. Frampton.

[3:15:26 PM](#)

MARCUS FRAMPTON, Chief Investment Officer, Alaska Permanent Fund Corporation, explained that APFC was a limited partner in three venture capital funds, which were each invested in at least one technology software company in Russia.

CHAIR KREISS-TOMKINS asked which fund had those private equity investments.

MR. FRAMPTON reiterated that the venture capital funds had made those investments. One, he said, was a European venture fund called Index Ventures and another was a global fund called Y Combinator.

[3:16:52 PM](#)

REPRESENTATIVE VANCE asked whether any additional fees or costs would be incurred in the divestment process that would reduce the estimated valuation of \$18 million.

COMMISSIONER MAHONEY acknowledged that there would be fees associated with divestment, which were not included in the \$18

million. She reiterated that the valuation was a rough estimate.

REPRESENTATIVE VANCE expressed her concern that the state could lose more money by taking sudden action. She asked whether there was a more prudent divestment method to minimize losses.

COMMISSIONER MAHONEY recommended providing the Department of Revenue (DOR) with as much time as possible to watch the market and potentially work with large banks that may consolidate and procure some investments. She said flexibility was the most important factor to allow investment managers to take appropriate action.

[3:19:53 PM](#)

REPRESENTATIVE KAUFMAN wondered whether legislative action was required in this scenario. He asked whether the Russian assets could be managed within the regular risk management process.

COMMISSIONER MAHONEY confirmed that they could be managed within the regular risk management process.

REPRESENTATIVE KAUFMAN opined that [the Russian assets] should be managed within the autonomy of the fund managers to the greatest extent possible.

COMMISSIONER MAHONEY pointed out that there were different perspectives among the trustees. Some believed that the prudent course of action was to hold off on divestment, thereby avoiding a "fire sale." Other trustees might conclude that the financial conditions in Russia would continue to deteriorate making it prudent to sell sooner than later. She ventured that the majority of the trustees recommended holding off in anticipation of a recovery period.

[3:22:58 PM](#)

REPRESENTATIVE TARR shared her understanding that the chair of the APFC Board of Trustees was seeking direction from the legislature on this issue. She asked if that was correct.

COMMISSIONER MAHONEY said the board was not authorized to make decisions based on social factors. She noted that slide 11 reviewed the Prudent Investor Rule, which was the foundation for investment decisions.

[3:26:23 PM](#)

COMMISSIONER MAHONEY resumed the presentation on slide 4, which highlighted unprecedented global sanctions against Russia. She noted that the swift ban enacted on seven Russian banks crippled Russia's financial system by denying them access to international markets. She turned the presentation over to Mr. Hanna

[3:29:13 PM](#)

ZACHARY HANNA, Chief Investment Officer, DOR, provided a summary of international equity markets in Russia on slide 5, which read as follows [original punctuation provided]:

- Most institutional investors invest in a diverse basket of global securities.
- The Morgan Stanley All-Country World Index Investable Market Index (MSCI ACWI IMI) is a common institutional index that incorporates 99% of globally publicly traded equities.
- The index is diversified across 48 countries - 23 developed and 25 emerging market- and includes roughly 9,300 securities.
- The index is a reasonable proxy for many institutional investor portfolios:

CHAIR KREISS-TOMKINS sought to clarify whether the term "securities" in bullet points one and three should be replaced with the term "equities," as equities were being discussed on this slide.

[3:31:53 PM](#)

MR. HANNA confirmed that equities were being discussed on slide 5. He advanced provided an update on the current status of Russian equity investments on slide 6, which read as follows [original punctuation provided]:

- Russian equities decreased by 53% in value in February.
- Trading halted on February 25th for all Russian-listed equities.
- There is currently no way to buy or sell Russian equities on an exchange.
- Valuations are now highly speculative since they are no longer provided by the market.

- All major stock indexes are taking Russian securities out this month and passive index funds are holding Russian securities at low-to-no-value.

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REPRESENTATIVE EASTMAN inquired about the 90-day divestment period in HB 396 and how that would impact the board's ability to act with discretion.

MR. HANNA suggested that the [90-day timeframe] should begin once markets open, as there was no ability to transact in volume with these securities at present.

[3:35:53 PM](#)

MR. HANNA resumed the presentation on slide 7, which read as follows [original punctuation provided]:

Treasury Russian equity investments - 0.23% of \$50.6 billion in assets:

Defined Benefit Retirement Systems - 0.28% of \$33.9 billion in assets

- 0.28% of the retirement funds had Russian equity exposure on 1/31/22 (\$93.5 million).
- 7 investment managers - 4 active, 3 passive/index.

State Investments - 0.10% of \$7.7 billion in assets

- 0.10% of state assets had Russian equity exposure on 1/31/22 (\$7.4 million).
- 1 passive/index investment manager.

Participant Directed - 0.15% of \$9.0 billion in assets

- 0.15% of participant directed assets had Russian equity exposure on 1/31/22 (\$13.4 million).
- 4 investment managers - 2 managers active, 2 passive/index funds.
- All of the Russian exposure is through commingled funds where the ARMB is not the direct fiduciary for the funds.

Treasury has directed a halt to the purchase of Russian securities at this time.

CHAIR KREISS-TOMKINS inquired about the impetus of the Treasury's direction to halt the purchase of Russian securities.

MR. HANNA said the direction was due to market conditions, which were completely illiquid. He added that the risk profile for Russian securities was highly uncertain due to that illiquidity.

[3:40:37 PM](#)

CHAIR KREISS-TOMKINS asked how index funds absolved themselves of any exposure in Russian securities if the Moscow Stock Exchange (MOEX) was closed.

MR. HANNA explained that index managers publish a list of securities included in the index, which investment managers use to invest passive investment funds. He conveyed that when an index manager takes something out of its holding list, it would no longer be included in something that's passively managed. He noted that securities in such portfolios still exist; however, they're largely held at a zero value and therefore, have no impact on the portfolios. He expected that over time, the securities would be divested from.

CHAIR KREISS-TOMKINS sought to confirm that there were still Russian assets held by the index funds that the State of Alaska was invested in.

MR. HANNA confirmed, adding that the passive index funds were being managed to track the overall index without any Russian securities in it to minimize their tracking error. Once markets reopen, he said, the managers that manage index funds would be highly motivated to sell the securities in question, as they would become a source of tracking error.

CHAIR KREISS-TOMKINS concluded that in the near future, the index funds would not hold Russian assets, which they do hold at present.

MR. HANNA said, "Correct."

[3:44:04 PM](#)

REPRESENTATIVE EASTMAN inquired about the limitations on purchasing Russian securities.

MR. HANNA noted that there was no ability to purchase Russian securities in any case at present; further, there was a prohibition on the purchase of Russian securities when the option became available again. He addressed sanctions, noting

that the ARM Board and other fiduciaries were considered U.S. persons for that purpose, making the prohibitions applicable to them. He emphasized that the prohibition was on new issuance of equities, as opposed to a prohibition on secondary sales of equities.

REPRESENTATIVE EASTMAN asked to what extent Ukrainian assets had been sanctioned due to volatility.

MR. HANNA said that step had not been taken.

[3:49:19 PM](#)

MR. FRAMPTON addressed APFC's exposure to Russian securities on slide 8, which read as follows [original punctuation provided]:

As of December 31, 2021 APFC's exposure to Russian securities totals to \$219 million which accounts for 0.3% of Alaska Permanent Fund's \$82 billion assets under management.

Fixed Income:

\$63 million in Russian and Ukrainian governments bonds in the Fixed Income portfolio. Less than \$10 million of that under internal management.

Public Equity:

\$153 million in publicly traded Russian stocks, traded on the Moscow Stock Exchange. All public stocks held in APFC's name are in externally managed accounts.

Private Equity:

\$2.7 million represents Private Equity stakes in portfolio companies held by funds in which APFC is one of many investors. APFC does not maintain control of the investments in these portfolio companies.

[3:52:18 PM](#)

CHAIR KREISS-TOMKINS inquired about the status of the London equities and asked whether they had been delisted.

MR. FRAMPTON explained that in New York and London, there was a type of security, called an ADR or GDR, that reference securities traded in another market. He conveyed that the London Stock Exchange halted trading in Russian GDRs over a week ago.

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MR. FRAMPTON proceeded to slide 9, highlighting APFC's current situation, which read as follows [original punctuation provided]:

Global Complexity:

Divestment strategies are complicated. Given the market conditions, selling Russian assets today would be challenging.

Markets Closure:

The vast majority of APFC's Russian securities are blocked from trading due to Russian and US sanctions.

Valuations Uncertain:

External and internal managers have been directed not to purchase any Russian securities.

APFC Board and Staff are and will comply with all policy directives from federal and state levels.

[3:57:55 PM](#)

CHAIR KREISS-TOMKINS asked Mr. Frampton whether he knew what portfolio companies were invested in by funds in which APFC was a limited partner (LP).

MR. FRAMPTON said yes, noting that APFC receives data on portfolio companies from every fund its in. He listed the portfolio companies as follows: ClickHouse, TradingView, and Datrix.

[3:59:19 PM](#)

REPRESENTATIVE TARR asked whether the portfolio companies would be evaluated on the policy set by the legislature if the proposed legislation, HB 396, were to pass.

MR. FRAMPTON pointed out that HB 396 included a provision on co-mingled funds.

[4:00:55 PM](#)

REPRESENTATIVE CLAMAN inquired about Y Combinator's investments in Russian companies and asked whether APFC would have to direct the company to sell its Russian investments.

CHAIR KREISS-TOMKINS shared his understanding that HB 396 would create a carveout for comingled funds such as Y Combinator; therefore, APFC could hold its interests in Y Combinator, which in turn had interests in Russian companies. He asked Mr. Frampton whether that analysis was accurate.

MR. FRAMPTON answered yes.

REPRESENTATIVE CLAMAN inquired about slide 5.

MR. FRAMPTON explained that the Morgan Stanley All-Country World Index Investable Market Index (MSCI ACWI IMI) was a benchmark used by APFC to manage its public equity portfolio against. He said the purpose of the slide was to highlight the weight of Russia in that market index. Further, MSCI had announced that Russia would be removed from the index by the end of March [2022].

[4:04:45 PM](#)

REPRESENTATIVE CLAMAN considered a scenario in which APFC owned stock in a Russian company. He inquired about the process of selling stocks that were no longer economically viable to hold - unrelated to a divestment order that may come from the legislature.

MR. FRAMPTON perceived Russian stocks as close to worthless in today's state of affairs. Despite some option value, he said, it was not possible to sell interest in these stocks at present, which was why flexibility would be important in the proposed legislation.

[4:06:56 PM](#)

COMMISSIONER MAHONEY resumed the presentation on slide 10, titled "What are others doing?" which read as follows [original punctuation provided]:

States

- Based on a survey administered by The Pennsylvania Treasurer, on 3/4/22, there were a total of 27 states who are currently looking into or currently freezing

state money or pension funds going to Russian companies, investments or oligarchs

• Other actions taken by other states include the following:

- Looking into or currently banning state agencies from doing business with Russian state-owned firms and subcontractors

- Blocking Russian businesses and nonprofits from acquiring property in their state for 1 year

- Looking into or ending sister state relationship with Russia

- Officially condemned Russia's invasion

- Welcoming refugees

- Calling on businesses to ban Russian made goods

Norway Sovereign Wealth Funds

- Norway announced that they are divesting from Russia
- Russian assets at the end of 2021 made up 0.2% of Norway fund (\$3 billion in total)

- Recognize that divestment takes time because they want to ensure sales are not made to sanctioned individuals/entities

[4:09:56 PM](#)

REPRESENTATIVE TARR asked whether the administration was considering the call for businesses to ban the sale of Russian-made goods.

COMMISSIONER MAHONEY agreed that such a call would be made by the governor.

[4:10:34 PM](#)

CHAIR KREISS-TOMKINS asked whether the administration supported divesting the State of Alaska of its Russian assets.

COMMISSIONER MAHONEY relayed that the governor supported divestment; however, the governor would be proposing a separate divestment bill that would differ from HB 396. She stated that the governor's bill would not include APFC or the retirement fund; further, it would extend the timeframe for divestiture and have a different repeal date. The forthcoming bill would also include language addressing the global banks that had been reportedly profiteering from trading Russian investments.

CHAIR KREISS-TOMKINS asked what the governor's bill would be divesting from if it didn't include APFC and the pension funds.

COMMISSIONER MAHONEY said the \$7 billion managed under the fiduciary control of the commissioner of DOR.

CHAIR KREISS-TOMKINS asked why the governor's proposal would have such a limited scope.

COMMISSIONER MAHONEY said the governor was concerned about compromising concerns.

CHAIR KREISS-TOMKINS questioned the perceived upside of holding Russian assets at this moment.

COMMISSIONER MAHONEY said the governor wanted to allow the Board of Trustees to make the determination to divest if and when appropriate.

CHAIR KREISS-TOMKINS asked why the governor would only apply that rationale to the pension fund and APFC.

COMMISSIONER MAHONEY indicated that the \$7 billion "wasn't that significant of an impasse" while still sending a message of support for divestiture from Russian assets.

[4:14:09 PM](#)

REPRESENTATIVE KAUFMAN asked how reentry could be structured if a divestment bill were to pass.

COMMISSIONER MAHONEY explained that the governor's legislation would likely incorporate a simultaneous repeal of the bill with the federal government's repeal of the sanctions identified in Executive Order (EO) 14024. In summary, the administration would feel comfortable reengaging with Russian investments when the federal government lifted its sanctions.

[4:16:22 PM](#)

COMMISSIONER MAHONEY concluded the presentation on slide 11, titled "Guiding Statutes for Investing," which read as follows [original punctuation provided]:

- Prudent Investor Rule Summary
- In addition to other considerations, a fiduciary shall exercise the judgment and care under the

circumstances then prevailing that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments.

- ARMB/Treasury Statutes
- AS 37.10.071(c) - In exercising investment, custodial, or depository powers or duties under this section, the fiduciary of a state fund shall apply the prudent investor rule and exercise the fiduciary duty in the sole financial best interest of the fund entrusted to the fiduciary. Among beneficiaries of a fund, the fiduciaries shall treat beneficiaries with impartiality.
- AS 37.10.210(a) - Consistent with standards of prudence, the board has the fiduciary obligation to manage and invest these assets in a manner that is sufficient to meet the liabilities and pension obligations of the systems, plan, program, and trusts.

- APFC Statutes
- 37.13.120. Investment responsibilities. (a) The board shall adopt regulations specifically designating the types of income-producing investments eligible for investment of fund assets. When adopting regulations authorized by this section or managing and investing fund assets, the prudent-investor rule shall be applied by the corporation. The prudent-investor rule as applied to investment activity of the fund means that the corporation shall exercise the judgment and care under the circumstances then prevailing that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the designation and management of large investments entrusted to it, not in regard to speculation, but in regard to the permanent disposition of funds, considering preservation of the purchasing power of the fund over time while maximizing the expected total return from both income and the appreciation of capital.

[4:19:03 PM](#)

CHAIR KREISS-TOMKINS inquired about the GeFONSI [General Fund and Other Non-segregated Funds] acronym.

COMMISSIONER MAHONEY explained that the acronym referenced the general government funds that comprised the \$7 billion.

CHAIR KREISS-TOMKINS, returning to slide 3, asked what category the \$7 billion in general government funds fell under.

[4:20:24 PM](#)

MR. HANNA said the \$7 billion would fall under "State Funds." He noted that the \$7 million on slide 3 was composed of any state funds with a longer time horizon and therefore exposure to international equities

CHAIR KREISS-TOMKINS asked whether the \$7 million on slide 3 was a pre-war evaluation before Russian trading activity shut down.

MR. HANNA confirmed.

[4:21:18 PM](#)

REPRESENTATIVE CLAMAN recalled that Commissioner Mahoney had mentioned investing in the full best interest of the fund. He asked where that language was referenced on slide 11.

COMMISSIONER MAHONEY asked Representative Claman whether he was referring to her statement on "the sole financial best interest of the fund?"

REPRESENTATIVE CLAMAN answered yes.

COMMISSIONER MAHONEY cited AS 37.10.071(c), which was featured in the second bullet, titled "ARM/Treasure Statutes," on slide 11.

REPRESENTATIVE CLAMAN sought to confirm that the language in questions only applied to the ARM Board - not the management of the Alaska Permanent Fund.

COMMISSIONER MAHONEY said the permanent fund statutes were highlighted in bullet three of slide 11. She pointed out that the same language was not used; nonetheless, APFC trustees managed the fund in the same manner, as the sole financial interest was executed on.

[4:22:54 PM](#)

REPRESENTATIVE EASTMAN asked for Ms. Mahoney to opine on the broad exemption [in HB 396] statutes given the importance of the Prudent Investor Rule.

COMMISSIONER MAHONEY asked whether Representative Eastman was referring to exemptions associated with co-mingled funds.

REPRESENTATIVE EASTMAN remarked:

I'm talking about the exemptions dealing with any conflicting statute or law that might conflict with this bill. In the scenario where, perhaps, the Prudent Investor Rule might conflict with this bill, I think that exemption might apply.

COMMISSIONER said if the legislature were to provide direction to divest and if the bill exempted the prudent investor rule, the trustees would follow that directive.

[4:24:11 PM](#)

REPRESENTATIVE TARR expressed her surprise that APFC lacked a specific environmental, social, and governance (ESG) directive. She wondered whether a military invasion would be considered ESG policy.

COMMISSIONER MAHONEY answered yes, adding that the goal was to keep the funds [APFC and the retirement fund] completely independent. To the extent that either fund deviated from the Prudent Investor Rule, she said, the trustees would require a directive.

[4:25:38 PM](#)

CHAIR KREISS-TOMKINS sought to confirm that the governor's forthcoming proposal would relate to \$7 million of the \$333 million in Russian assets.

COMMISSIONER MAHONEY said yes. Additionally, the bill would evaluate working with companies that were profiteering from trades, she noted.

[4:26:37 PM](#)

REPRESENTATIVE CLAMAN asked whether the legislature would have any assurance that the trustees wouldn't buy options in Russian stocks, which were practically worthless.

COMMISSIONER MAHONEY pointed out that both the retirement fund and APFC were given a directive not to purchase Russian stocks based on the uncertainty associated with the risk of such investment. She reiterated that the trustees were not allowed to make decisions based on anything other than financial benefit to the funds.

REPRESENTATIVE CLAMAN sought to confirm that absent legislation directing a halt to investment in Russian assets, APFC could make an investment in Russian assets while the war was ongoing.

COMMISSIONER MAHONEY answered yes.

[4:29:20 PM](#)

REPRESENTATIVE STORY asked the commissioner to elaborate on companies that were profiteering.

COMMISSIONER MAHONEY recalled that various media had reported that Goldman Sachs and JP Morgan were profiteering from facilitating transactions in the secondary market between buyers and sellers. It was reported that they were encouraging investors to buy in an attempt to represent a significant recovery opportunity. Additionally, she pointed out that Goldman Sachs had listed "human rights" as one of its social goals, which she found to be hypocritical if the company was indeed profiteering from facilitating transactions. She suggested using alternative banks if they provided the same services.

CHAIR KREISS-TOMKINS expressed his interest in the subject.

[4:31:43 PM](#)

REPRESENTATIVE VANCE asked whether APFC had ever faced a similar situation in regard to potential divestment.

MR. HANNA understood that in 2012, the ARM Board and state funds divested from Iran due to a nuclear decommissioning effort; however, he was unsure whether APFC took part in that effort.

[4:34:13 PM](#)

REPRESENTATIVE EASTMAN asked whether any policies dealt with an organization's criminal history or habitual criminal actions.

COMMISSIONER MAHONEY said she was not aware of any statutes that addressed that.

CHAIR KREISS-TOMKINS announced that HB 396 was held over.

HB 218-SMOKE/FIRE DAMPERS & SMOKE CTRL SYSTEMS

[4:37:37 PM](#)

CHAIR KREISS-TOMKINS announced that the final order of business would be SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 218, "An Act relating to the inspection and testing of fire dampers, smoke dampers, combination fire and smoke dampers, and smoke control systems; and providing for an effective date."

[4:38:53 PM](#)

JENS SCHURIG, Organizer, Sheet Metal Workers Local 23, provided a PowerPoint presentation on ventilation verification and energy optimization during the hearing on SSHB 218. He began on slide 2, which read as follows [original punctuation provided]:

What is the Fire & Life Safety Ecosystem?

The Fire & Life Safety Ecosystem has 8 components; each plays a critical role in protecting people and property.

MR SCHURIG noted that the 8 components were government responsibility, development and use of current codes, referenced standards, investment in safety, skilled workforce, code compliance, preparedness and emergency response, and informed public. Essentially, he said, SSHB 218 would raise the standard for those who test and inspect fire smoke dampers and smoke control systems to include special training, a proctor exam, and certifications by the American National Standards Institute. He noted that currently, the break in the Fire and Life Safety Ecosystem illustrated on slide 2 was an untrained workforce.

[4:42:51 PM](#)

MR. SCHURIG proceeded to describe the photos on slides 3-14, which depicted various examples of faulty inspections.

[4:46:02 PM](#)

MR. SCHURIG continued to slide 15, which read as follows [original punctuation provided]:

But we have Sprinklers...

- According to the National Fire Protection Association (NFPA), smoke travels at 120-420 feet per minute (fpm) during an active fire.
- Statistics show that approximately 70 percent of all building-related deaths are associated with smoke inhalation.
- Most victims are not located in the same room as the fire's origin.

MR. SCHURIG turned to slide 16, which read as follows [original punctuation provided]:

What does HVAC have to do with Fire Life Safety?

- HVAC systems penetrate every occupied space in a building
- Potentially could convey fire, lethal smoke, toxic gasses throughout structure
- Operation of dampers within HVAC system to control flow and movement of these items is critical to the safety of occupants within any structure.
- Can water put out smoke?
- Fire sprinklers save property.

MR. SCHURIG continued to slide 19 and deferred to Mr. Hammond to expound on the extent of the problem.

[4:47:35 PM](#)

SCOTT HAMMOND, Director of Research, National Energy Management Institute Committee, explained that last year, NEMIC worked in collaboration with the University of Maryland to oversee a research project that determined the reliability of fire and smoke dampers. The research indicated that 1,401 buildings containing 170,354 fire or smoke dampers of which 81,038, or 47.5 percent, were in need of repair; further, there were over 3,000 dampers were completely inoperable.

[4:49:31 PM](#)

MR. SCHURIG resumed the presentation on slide 23, which addressed local code. International Fire Code (IFC) code called for an inspection one year after the initial acceptance testing, and every four years in buildings with the exception of hospitals, which called for every six years. He noted that many people were in violation of these codes due to a lack of knowledge.

[4:50:43 PM](#)

MR. SCHURIG turned to slide 25, which read as follows [original punctuation provided]:

Juneau, AK

Adopts the 2012 International Fire Code

- Chapter 19.10 - FIRE CODE
- 19.10.010 - International Fire Code (IFC) adopted.
- For the purpose of regulating the storage, handling and use of hazardous substances, materials and devices and other conditions hazardous to life or property in the use or occupancy of buildings or premises or portions thereof in the City and Borough, there is adopted by reference as the fire code of the City and Borough that certain compilation of rules and regulations jointly prepared and published by the International Code Council, a nationally recognized professional and trade organization, which compilation is entitled "International Fire Code, 2012 Edition," (IFC) and once copy which has been filed in the office of the municipal clerk of the City and Borough or such other places as designated by the municipal clerk for public use, inspection and examination and which compilation is made a part of this chapter as if fully set forth in this section, subject only to the enumerated additions, deletions and changes in this chapter.

MR. SHURIG continued to slide 26, noting that Anchorage, Alaska had adopted the 2018 IFC.

[4:51:13 PM](#)

CHAIR KREISS-TOMKINS sought to confirm that Mr. Schurig was suggesting that there were existing rules and regulations; however, there was a high failure rate in terms of those standard being met.

MR. SCHURIG answered yes.

[4:51:49 PM](#)

MR. SCHURIG jumped to slide 33 and touched on the topic of access, noting that, often times, it was insufficient. He turned to slide 37, which addressed labeling requirements, and emphasized the importance of labeling during testing and inspection. He discussed quality control on slide 38, which read as follows [original punctuation provided]:

For inspection and testing of fire and Smoke Dampers, employ only persons who are certified to inspect and test fire and Smoke Dampers and hold certification from the International Certification Board as a HVAC Fire Life Safety Technician through a program accredited by ANSI under the ISO/IEC 17024 standard.

[4:53:31 PM](#)

MR. SCHURIG concluded the presentation by briefly summarizing slides 39-44 and welcoming questions from the committee.

[4:54:09 PM](#)

REPRESENTATIVE VANCE asked why the requirements for hospitals differed from regular buildings [6-year inspections instead of 4-year].

MR. SCHURIG explained that hospitals were required to have inspections on file to maintain Medicare and Medicaid funding; therefore, they were given a break due to their stringent inspection policy.

REPRESENTATIVE VANCE inquired about the buildings under a 4-year cycle and asked whether there was any leverage to requiring inspections.

MR. SCHURIG said the leverage was code.

[4:56:17 PM](#)

CHAIR KREISS-TOMKINS asked what the bill would do.

4:57:00 PM

MIKE MASON, Staff, Representative Chris Tuck, Alaska State Legislature, provided an explanation of changes [hard copy included in the committee packet] in the proposed CS, ("Version W"), for SSHB 218, which read as follows [original punctuation provided]:

Page 2, lines 19-20: Following the word "program" on line 19, the CS inserts "a mechanical engineer registered under AS 08.48, a fire protection engineer registered under AS 08.48."

The addition of this language adds properly registered mechanical engineers and properly registered fire protection engineers to the list of persons that can conduct the inspection and testing of fire dampers, smoke dampers, combination fire and smoke dampers, and smoke control systems in Alaska.

4:58:08 PM

REPRESENTATIVE TARR moved to adopt the proposed CS for SSHB 218, labeled 32-LS0931\W, Bannister, 3/7/22, as working document. There being no objection, Version W was adopted.

4:58:31 PM

MR. MASON provided an overview of the bill, paraphrasing the sponsor statement [included in the committee packet], which read as follows [original punctuation provided]:

As a result of Alaska's cold climate, nearly every commercial, industrial, and public building must be heated. The goal of House Bill 218 is to ensure that the fire life safety components as part of the HVAC systems in these buildings are functioning as designed. These components include fire dampers, smoke dampers, and smoke control systems. House Bill 218 requires technicians and contractors to obtain a certification recognized by the American National Standards Institute (ANSI) under the ISO/IEC 17024 standard to perform inspections and testing of fire dampers, smoke dampers, and smoke control systems.

Alaska law follows the International Fire Code by requiring the HVAC fire life safety components within the commercial, industrial, and public buildings to be inspected and tested consistent with the developed standards of the National Fire Protection Association (NFPA). Currently, sprinkler systems, fire alarms, and fire extinguishers in Alaska are inspected by a technician and/or contractor that must be certified. House Bill 218 would create a similar requirement for a technician and/or contractor to perform periodic inspections of fire dampers, smoke dampers, and smoke control systems.

NFPA standards 80 and 105 require fire and smoke dampers to be inspected within one year of initial installation and every four years thereafter, except for hospitals which must be inspected once every six years. NFPA standard 92 requires dedicated smoke control systems to be tested every six months and non-dedicated smoke control systems to be tested annually.

House Bill 218 is a public safety bill that will help ensure that the heating, ventilation, and air conditioning fire life safety components utilized and installed in commercial, industrial, and public structures in Alaska are safe and in good working order.

[5:03:28 PM](#)

CHAIR KREISS-TOMKINS announced that SSHB 218, Version W, was held over.

[5:04:47 PM](#)

ADJOURNMENT

There being no further business before the committee, the House State Affairs Standing Committee meeting was adjourned at 5:04 p.m.