

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

March 23, 2022

1:30 p.m.

MEMBERS PRESENT

Senator Mia Costello, Chair
Senator Joshua Revak, Vice Chair
Senator Peter Micciche
Senator Elvi Gray-Jackson

MEMBERS ABSENT

Senator Gary Stevens

COMMITTEE CALENDAR

SENATE BILL NO. 160

"An Act providing a premium tax credit for flood insurance; relating to flood insurance; relating to property insurance; establishing the Alaska Flood Authority and the Alaska flood insurance fund; and providing for an effective date."

- HEARD & HELD

SENATE BILL NO. 174

"An Act relating to dress codes and natural hairstyles."

- MOVED CSSB 174(EDC) OUT OF COMMITTEE

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 133(L&C)

"An Act relating to the Alaska savings program for eligible individuals; relating to education savings programs; relating to the Education Trust of Alaska; relating to the Alaska advance college tuition savings fund; relating to the Alaska education savings program for children; and relating to the Governor's Council on Disabilities and Special Education."

- HEARD & HELD

SENATE BILL NO. 233

"An Act relating to allowable absences for permanent fund dividend qualification; and providing for an effective date."

- HEARD & HELD

SENATE BILL NO. 234

"An Act establishing the office of broadband; creating the broadband parity adjustment fund; establishing the Statewide Broadband Advisory Board; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: SB 160

SHORT TITLE: FLOOD INSURANCE

SPONSOR(s): SENATOR(s) STEDMAN

01/18/22 (S) READ THE FIRST TIME - REFERRALS
01/18/22 (S) L&C, FIN
03/23/22 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 174

SHORT TITLE: ALLOW NATURAL HAIRSTYLES

SPONSOR(s): SENATOR(s) WILSON

02/01/22 (S) READ THE FIRST TIME - REFERRALS
02/01/22 (S) EDC, L&C
02/16/22 (S) EDC AT 9:00 AM BUTROVICH 205
02/16/22 (S) Heard & Held
02/16/22 (S) MINUTE(EDC)
02/23/22 (S) EDC AT 9:00 AM BUTROVICH 205
02/23/22 (S) Moved CSSB 174(EDC) Out of Committee
02/23/22 (S) MINUTE(EDC)
02/25/22 (S) EDC RPT CS 1DP 4NR SAME TITLE
02/25/22 (S) DP: HOLLAND
02/25/22 (S) NR: HUGHES, STEVENS, BEGICH, MICCICHE
02/28/22 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/28/22 (S) Heard & Held
02/28/22 (S) MINUTE(L&C)

BILL: HB 133

SHORT TITLE: AK ED SAVINGS PROGRAMS/ELIGIBILITY

SPONSOR(s): LABOR & COMMERCE

03/10/21 (H) READ THE FIRST TIME - REFERRALS
03/10/21 (H) L&C, FIN
03/17/21 (H) L&C AT 5:45 PM BARNES 124
03/17/21 (H) <Bill Hearing Canceled>
03/19/21 (H) L&C AT 3:15 PM BARNES 124
03/19/21 (H) Heard & Held

03/19/21 (H) MINUTE (L&C)
 03/24/21 (H) L&C AT 3:15 PM DAVIS 106
 03/24/21 (H) Moved CSHB 133(L&C) Out of Committee
 03/24/21 (H) MINUTE (L&C)
 03/24/21 (H) L&C AT 5:45 PM DAVIS 106
 03/24/21 (H) -- MEETING CANCELED --
 03/25/21 (H) L&C RPT CS(L&C) 6DP 1NR
 03/25/21 (H) DP: SNYDER, SCHRAGE, MCCARTY, NELSON,
 SPOHNHOLZ, FIELDS
 03/25/21 (H) NR: KAUFMAN
 04/07/21 (H) HSS REPLACES FIN REFERRAL
 04/07/21 (H) BILL REPRINTED
 04/20/21 (H) HSS AT 3:00 PM DAVIS 106
 04/20/21 (H) Heard & Held
 04/20/21 (H) MINUTE (HSS)
 04/22/21 (H) HSS AT 3:00 PM DAVIS 106
 04/22/21 (H) Moved CSHB 133(L&C) Out of Committee
 04/22/21 (H) MINUTE (HSS)
 04/26/21 (H) HSS RPT CS(L&C) 5DP 1NR
 04/26/21 (H) DP: FIELDS, SPOHNHOLZ, MCCARTY,
 ZULKOSKY, SNYDER
 04/26/21 (H) NR: KURKA
 05/07/21 (H) TRANSMITTED TO (S)
 05/07/21 (H) VERSION: CSHB 133(L&C)
 05/10/21 (S) READ THE FIRST TIME - REFERRALS
 05/10/21 (S) HSS, L&C
 02/03/22 (S) HSS AT 1:30 PM BUTROVICH 205
 02/03/22 (S) Heard & Held
 02/03/22 (S) MINUTE (HSS)
 02/08/22 (S) HSS AT 1:30 PM BUTROVICH 205
 02/08/22 (S) Heard & Held
 02/08/22 (S) MINUTE (HSS)
 02/15/22 (S) HSS AT 1:30 PM BUTROVICH 205
 02/15/22 (S) Moved HB 133 Out of Committee
 02/15/22 (S) MINUTE (HSS)
 02/16/22 (S) HSS RPT 3NR 2DP
 02/16/22 (S) NR: WILSON, REINBOLD, COSTELLO
 02/16/22 (S) DP: BEGICH, HUGHES
 03/23/22 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 233

SHORT TITLE: PFD ALLOWABLE ABSENCE/MERCHANT MARINE
 SPONSOR(s): LABOR & COMMERCE

03/15/22 (S) READ THE FIRST TIME - REFERRALS
 03/15/22 (S) L&C
 03/23/22 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

SENATOR BERT STEDMAN
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Sponsor of SB 160.

DAVID SCOTT, Staff
Senator Bert Stedman
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Presented the sectional analysis for SB 160.

LORI WING-HEIER, Director
Division of Insurance
Department of Commerce, Community and Economic Development
Anchorage, Alaska
POSITION STATEMENT: Answered questions and provided information during the hearing on SB 160.

SENATOR DAVID WILSON
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Sponsor of SB 174.

REPRESENTATIVE ZACK FIELDS
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Sponsor of HB 133.

GRACE KUBIT, Staff
Representative Zack Fields
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Presented the sectional analysis for HB 133.

CATHY TAYLOR, Board Member
Alaska Behavioral Health
Kenai, Alaska
POSITION STATEMENT: Testified by invitation in support of HB 133.

DAN SADDLER, former Representative
Eagle River, Alaska
POSITION STATEMENT: Testified by invitation in support of HB 133.

KATIE MCCALL, Staff
Senator Mia Costello
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced SB 233 on behalf of the Senate Labor and Commerce Standing Committee.

RICH BERKOWITZ, Consultant
Transportation Institute (TI)
Seattle, Washington

POSITION STATEMENT: Testified by invitation in support of SB 233.

TIFFANY ALBERT, Director of Communications
Alaska State Chamber
Anchorage, Alaska

POSITION STATEMENT: Testified by invitation in support of SB 233.

MYKEL POTTER, representing self
Sitka, Alaska

POSITION STATEMENT: Testified in support of SB 233.

ANNA MACKINNON, Director
Permanent Fund Dividend Division
Department of Administration (DOA)
Juneau, Alaska

POSITION STATEMENT: Expressed concern that the language in SB 233 was too broad.

ACTION NARRATIVE

[1:30:31 PM](#)

CHAIR MIA COSTELLO called the Senate Labor and Commerce Standing Committee meeting to order at 1:30 p.m. Present at the call to order were Senators Micciche, Gray-Jackson, Revak, and Chair Costello.

SB 160-FLOOD INSURANCE

[1:31:06 PM](#)

CHAIR COSTELLO announced the consideration of SENATE BILL NO. 160 "An Act providing a premium tax credit for flood insurance; relating to flood insurance; relating to property insurance; establishing the Alaska Flood Authority and the Alaska flood insurance fund; and providing for an effective date."

CHAIR COSTELLO stated that this is the first hearing and the intention is to hear the introduction and take invited and public testimony.

[1:31:39 PM](#)

SENATOR BERT STEDMAN, Alaska State Legislature, Juneau, Alaska, sponsor of SB 160, introduced the legislation. The sponsor statement read as follows:

SB 160 has been introduced to protect Alaskans from financial abuse at the hands of the Federal Emergency Management Agency (FEMA).

Over the past 5-years, FEMA has expanded its 'flood zone' maps and for the first time ever, hundreds and possibly thousands of homes and businesses will now be in a federally designated 'high risk' zone. Virtually none of these homes or businesses have ever experienced a flood and are unlikely to flood in the future.

Homes and businesses in a new FEMA flood zone could see significant negative impacts to property values from requirements to purchase expensive flood insurance (flood insurance must be purchased if the owner uses a federally insured bank). Also, the new and expanded flood zones can also restrict how a structure is built on private property and impact existing homes and businesses that want to rehabilitate, upgrade, expand, and repair building.

FEMA administers the National Flood Insurance Program (NFIP). The NFIP was created to share the risk of flood losses (nationwide) via flood insurance. The program enables property owners in participating communities to purchase insurance protection, administered by the government, against losses from flooding, and requires flood insurance for all loans or lines of credit that are secured by existing buildings, manufactured homes, or buildings under construction, located in the FEMA Flood Zone in a community that participates in the NFIP.

[1:33:56 PM](#)

Currently, Alaskans are paying flood insurance to offset the billions in hurricane losses in the Lower

48. Combine this with very few payouts to flood victims and it can easily be concluded that the NFIP doesn't work for Coastal Alaskans.

It is the intent of SB 160 to supplant the NFIP with an Alaska based insurance program that keeps the premium payments in Alaska, benefitting Alaskans.

SENATOR STEDMAN stated that he contacted the Division of Insurance to discuss addressing this issue by creating an Alaska insurance program that sets premiums commensurate to the losses and overhead to administer the program. He highlighted that FEMA's focus on limiting waterfront development in coastal Alaska to reduce risk would no longer be an issue if Alaska had its own insurance program.

CHAIR COSTELLO asked if he was aware of other states that have started their own insurance program.

SENATOR STEDMAN answered no, but his office would do a little research to provide a more accurate answer.

CHAIR COSTELLO said it would also be interesting to look at the miles of coastline in Alaska compared to other coastal states.

She asked Mr. Scott to walk through the sectional analysis.

[1:43:10 PM](#)

DAVID SCOTT, Staff, Senator Bert Stedman, Alaska State Legislature, Juneau, Alaska, presented the sectional analysis for SB 160. It read as follows:

[Original punctuation provided.]

Section 1 - Amends AS 21.09.210 to add
A Qualified insurer in the Alaska Flood Authority
is entitled to a premium tax credit.

Section 2 - Amends AS 21.39.030(a) to add
Flood insurance rates must be made with
consideration of historical flood and damage on
real and personal property to be insured.

Section 3 - amends 21.39.030(c) to add
Definition of 'flood'.

Section 4 - Adds 21 subsections (AS 21.60.100 thru .300) creating the "Alaska Flood Authority".

AS 21.60.100 - Creation & Membership

Creates Flood Authority. Membership includes all licensed property insurers. Membership is required and they must submit reports or provide information as required by the Board or the Director.

AS 21.60.110 - Board; Organization; Report

Creates 7-member Board for the Alaska Flood Authority:

- 3 selected by Authority members, subject to Director's approval.
- 2 selected by Director who represent consumers.
- 1 selected by director who represents banks.
- 1 selected by director who represents AHFC.

Requires an annual report of operations to:

- Analyze effectiveness.
- Evaluate the benefits in comparison to the National Flood Insurance Act.
- Identify penalties imposed or potentially imposed on individuals and communities by the federal government.

[1:45:04 PM](#)

AS 21.60.120 - Powers of Authority

The Authority may:

- Exercise powers granted to insurers under laws of the state.
- Sue or be sued.
- Enter into contracts with insurers, similar authorities in other states for the performance of administrative functions.
- Establish administrative and accounting procedures.
- Receive funds from sources other than members.

AS 21.60.130 - Plan of Operation

Requires Authority to submit a plan of operations. The Director must approve and may adopt regulations to carry out the provisions. Members are required to comply with the plan.

AS 21.60.140 - Administrative Procedures Act

Authority is exempt from the Administrative Procedures Act.

AS 21.60.150 - Tax Exemption

Authority is exempt from fees and taxes of the state or political subdivisions, except property taxes.

AS 21.60.160 - Types of Insurance Plans

Requires Authority to provide at least one state plan of flood insurance.

AS 21.60.170 - Coverage & Terms

Requires state flood insurance plan to be the same as coverage provided by the National Flood Insurance Program. Further defines terms of state flood insurance plan.

AS 21.60.180 - State Plan Premiums

Rates must not be discriminatory. Board must use actual historical flood and damage data to determine rates. The Director must approve rates before use.

AS 21.60.190 - Duties of Authority

The Authority shall:

- Perform administrative and claims payment required.
- Provide a policy statement to enrolled persons.

[1:46:58 PM](#)

AS 21.60.200 - Funding; Penalties; Premium Tax Credit

Each member of the authority shall share in the losses, pay dues, and share in the operating and administrative expenses.

Calculates member's liability and requires board to make annual assessment. Addresses

failure to pay assessments. Provides for a premium tax credit of 50% of assessment. If the amount of assessments is insufficient to satisfy a claim, the Legislature may appropriate up to \$10m to DCCED.

AS 21.60.210 - Eligibility

Authority determines eligibility. Director may impose additional requirements.

AS 21.60.220 - Enrollment by Eligible Person

A person must apply to enroll in a state plan.

AS 21.60.230 - Response by the Authority

Authority must reject or accept within 90 days.

AS 21.60.240 - Effective Date of Insurance

Insurance takes effect upon receipt of first premium. Retroactive if plan expires and person re-applies within 60 days and pays premium.

AS 21.60.250 - Solicitation of Eligible Persons

The Authority shall inform persons in a special flood hazard area the existence of a state flood insurance plan.

1:49:00 PM

AS 21.60.260 - Duties of Director of Insurance

Requires Director to formulate general policy and adopt regulations to administer the State Flood Insurance Program. The regulations must establish a reserve of payment or flood claims and require the amount held in reserve an amount required by a private insure participating in the National Flood Insurance Program based on a similar risk profile.

AS 21.60.270 - State not Liable

State is not liable for acts or omissions of the Authority.

AS 21.60.280 - Board Member Civil & Criminal Immunity

Board member not liable if acting in good faith.

AS 21.60.290 - Alaska Flood Insurance Fund
Establishes Alaska Flood Insurance Fund.
Money in the Fund does not lapse.

AS 21.60.300 - Definitions

[1:50:06 PM](#)

Section 5 - Amends AS 37.05.146(c) to add Assessments and civil penalties of the Alaska Flood Authority to the list program receipts.

Section 6 - Uncodified Law: Applicability
Section 2 applies to policies/renewals after the effective date of this Act.

Section 7 - Uncodified Law: Transition
Director may adopt regulations if the Authority does not submit a suitable plan of operation by January 1, 2023.

Section 8 - Effective Date
Immediate effective date for Section 7.

Section 9 - Effective Date
July 1, 2022 effective date.

CHAIR COSTELLO asked whether any federal action would be necessary to allow Alaska to stop participating in FEMA's National Flood Insurance Program.

MR. SCOTT deferred the question to Ms. Wing-Heier.

CHAIR COSTELLO asked Mr. Scott to discuss the funding mechanism for the bill.

MR. SCOTT asked if she was referring to the \$2 million fiscal note.

CHAIR COSTELLO answered yes.

[1:52:16 PM](#)

MS. SCOTT offered his understanding that the fiscal note reflects the cost to establish a reserve to cover any claims

that may be filed immediately after the program is implemented. He deferred further explanation to Ms. Wing-Heier.

CHAIR COSTELLO asked Ms. Wing-Heier to talk about the bill, how it would work, and what her role would be as the director of the Division of Insurance.

1:53:39 PM

LORI WING-HEIER, Director, Division of Insurance, Department of Commerce, Community and Economic Development (DCCED), Anchorage, Alaska, agreed with the sponsor that flood premiums in Alaska are prohibitive. So much so that some people have been unable to sell their property because interested buyers could not afford the premiums. She said the funding for the National Flood Insurance Program (NFIP) that FEMA manages is upside down and a political football. Right now the program is funded until just September 30, and if it's not funded after that it will be necessary to take action to help property owners.

MS. WING-HEIER stated that the division is a member of the National Association of Insurance Commissioners (NAIC). As such, it has been working diligently with other members to find private property insurers to step in and provide coverage in Alaska and all the other coastal states where flooding routinely occurs. She said insurers are willing to write policies but banks and mortgage holders require insurance policies to come from the National Flood Insurance Program (NFIP). She said she can't argue with what the sponsor is saying, but the bill does need some work and her understanding is that it will be done during the interim.

MS. WING-HEIER referenced the large fiscal notes and explained that the Division of Insurance currently collects a 2.7 percent tax on every insurance policy that is sold. SB 160 imposes an additional 6 percent tax to fund the Alaska Flood Authority then provides a 50 percent credit. This reduces the premium taxes the state collects by about \$41-45 million. Based on the additional 6 percent tax, the fund is expected to collect more than \$90 million a year. She said this is a problem, but if the legislature decides to move forward with a program, the division will work cooperatively to make it happen.

1:57:30 PM

CHAIR COSTELLO asked if the requirement for mortgage holders to have insurance policies from the National Flood Insurance Program (NFIP) could be addressed in state statute.

MS. WING-HEIER replied she didn't know that amending state statutes would help when the requirement is in federal statute.

CHAIR COSTELLO noted who was available to answer questions.

[1:58:24 PM](#)

CHAIR COSTELLO opened public testimony on SB 160; finding none, she closed public testimony.

[1:58:40 PM](#)

CHAIR COSTELLO held SB 160 in committee for future consideration.

SB 174-ALLOW NATURAL HAIRSTYLES

[1:58:44 PM](#)

CHAIR COSTELLO announced the consideration of SENATE BILL NO. 174, "An Act relating to dress codes and natural hairstyles."

[CSSB 174(EDC) was before the committee.]

She asked the sponsor if he had any final comments.

[1:59:10 PM](#)

SENATOR DAVID WILSON, Alaska State Legislature, Juneau, Alaska, sponsor of SB 174, thanked the committee for considering the bill. He clarified that the intent of SB 174 is to ensure that schools and workplaces do not discriminate against someone's natural hair style. This will give voice to this issue that some people have been dealing with silently for a very long time.

CHAIR COSTELLO found no questions and solicited a motion.

[1:59:55 PM](#)

SENATOR GRAY-JACKSON moved to report SB 174, work order 32-LS1298\G, from committee with individual recommendations and attached fiscal note(s).

CHAIR COSTELLO asked Senator Jackson to restate the motion to reflect the current version before the committee.

[2:01:50 PM](#)

SENATOR GRAY-JACKSON moved to report SB 174, work order 32-LS1298\W, from committee with individual recommendations and attached fiscal note(s).

CHAIR COSTELLO found no objection and CSSB 174(EDC) was reported from the Senate Labor and Commerce Standing Committee.

HB 133-AK ED SAVINGS PROGRAMS/ELIGIBILITY

2:02:15 PM

CHAIR COSTELLO announced the consideration of CS FOR HOUSE BILL NO. 133(L&C) "An Act relating to the Alaska savings program for eligible individuals; relating to education savings programs; relating to the Education Trust of Alaska; relating to the Alaska advance college tuition savings fund; relating to the Alaska education savings program for children; and relating to the Governor's Council on Disabilities and Special Education."

She stated that this is the first hearing and the intention is to hear the introduction and take invited and public testimony.

2:02:40 PM

REPRESENTATIVE ZACK FIELDS, Alaska State Legislature, Juneau, Alaska, sponsor of HB 133, stated that the House Labor and Commerce Committee worked collectively on the bill. He thanked Representative Nelson whose staff Kim Skipper was working when the original ABLE Act was introduced by Representative Dan Saddler. He said that is relevant because HB 133 has conforming changes to the federal law that passed after that original ABLE Act passed.

REPRESENTATIVE FIELDS gave a presentation to explain the updates HB 133 makes to the ABLE Act. He paraphrased slide 2 that read as follows:

WHAT IS AN ABLE ACCOUNT?

- ABLE: "Achieving a Better Life Experience"
- Tax-free savings account for individuals with qualifying disabilities
- Funds may be used to pay for items such as disability expenses, education, housing, transportation
- Distributions into accounts are not counted against individual in determining eligibility for Medicaid and needs-based assistance programs

REPRESENTATIVE FIELDS provided a brief history of the 2013 federal ABLE Act:

- Signed into federal law in December 2014 as part of the Tax Extenders package.
- Established 529A (ABLE) savings account exclusively for individuals with disabilities.

REPRESENTATIVE FIELDS reviewed the Alaska ABLE Act, paraphrasing slide 5:

- Signed into law in July 2016.
- Authorized establishment of a state ABLE program to be administered by Department of Revenue.
- Matched the 2013 ABLE Act passed by Congress.
- Alaska joined the National ABLE Alliance, a group of 17 states formed to share information, create economies of scale and provide a hub for financial inquiries.
- Since passage, 787 accounts have been created in Alaska with more than \$7,100,000.00 in assets.

[2:05:11 PM](#)

REPRESENTATIVE FIELDS reviewed the improvements Congress made to the federal ABLE Act. He spoke to the bullet points on slides 7-9, which read as follows:

ABLE TO WORK ACT

- Signed into law in 2017 as part of the Tax Cuts and Jobs Act.
- Increased annual contributions levels.
- Incentivized employment by increasing the contribution level for employed beneficiaries from \$15,000 to \$27,060.

ABLE FINANCIAL PLANNING ACT

- Signed into law in 2017 as part of the Tax Cuts and Jobs Act.
- Allowed college saving account funds (529 accounts) to roll over into ABLE accounts.
- Allowed individuals who incurred disabilities after they established 529 college savings plan to roll over savings into ABLE account.

ABLE AGE ADJUSTMENT ACT

- Will increase the age of eligibility from 26 to reflect federal code-legislation is under way to increase this age eligibility to 46.
- Will allow more participation in ABLE accounts.

[2:05:46 PM](#)

REPRESENTATIVE FIELDS noted that in the previous committee of referral Senator Hughes suggested writing to the federal delegation to voice support for raising the age of eligibility. The argument is why shouldn't someone who becomes disabled after age 26 be allowed to create an ABLE account. HB 133 will link to the federal age threshold so it won't be necessary to amend the statute in the future because it will track the federal enabling law automatically.

REPRESENTATIVE FIELDS reviewed the updates proposed in HB 133:

HB 133 PROPOSED UPDATES

- Expands age eligibility limits.
- Allows greater flexibility in using funds to pay for education expenses.
- Allows 529 program accounts to roll into an ABLE account.
- Aligns with federal regulations regarding program savings accounts.

CHAIR COSTELLO asked the members if there were any questions.

[2:07:46 PM](#)

SENATOR MICCICHE summarized this state statute will automatically update when the federal law changes.

REPRESENTATIVE FIELDS agreed.

[2:08:24 PM](#)

GRACE KUBIT, Staff, Representative Zack Fields, Alaska State Legislature, Juneau, Alaska, read the sectional analysis for HB 133.

[Original punctuation provided with small formatting changes.]

Section 1 Establishes AS 06.65.020 (b) .

Directs the Department of Health and Social Services to consult with the Governor's Council on Disabilities

and Special Education when overseeing the Alaska Savings Program.

Section 2 Amends AS 06.65.100.

Expands the age of eligibility for a program account from age 26 to match that in the federal authorizing law. This effectively removes an age cap that prevented those who became disabled after 26 years of age from being eligible.

Section 3 Amends AS 06.65.160(a).

Expands the rules allowing a person to make a contribution for a designated beneficiary to match the guidelines in AS 14.40.802(f)(3).

Section 4 Amends AS 06.65.160(c).

Expands the rules regarding who is eligible to make a program account contribution to match the guidelines in AS 14.40.802(f)(3).

Section 5 Amends AS 06.65.200(a).

Specifies that rollover may occur between a program account to another account as long as the new account is authorized by federal law.

Section 6 Amends AS 09.38.015(a)(8).

Replaces "higher education" savings account with "education savings account".

Section 7 Amends AS 14.10.170(a).

Replaces "postsecondary education" with "education" when referring to an education savings account and renames the "Alaska Higher Education Savings Trust" to the "Education Trust of Alaska".

[2:10:14 PM](#)

Section 8 Amends AS 14.40.802(a).

Renames the "Alaska Higher Education Savings Trust" to the "Education Trust of Alaska" and replaces "postsecondary education" with "education" when referring to education savings accounts. Removes the allowance that education savings accounts can be used to pay for room and board when using funds for education costs as this language is included already included federal law.

Section 9 Establishes AS 14.40.802(f)(3).

Allows a participant of an account to change the beneficiary of their account to any individual, not just a family member. Allows participants to transfer all or a portion of their account as a contribution to another account if it does not exceed federal limits when added to any other contributions and is for the beneficiary of that new account or for a family member who is an eligible individual as well.

Section 10 Amends AS 14.40.802 (g) .

Makes transfers between accounts limitable or deniable if the transfer does not meet the guidelines established in AS 14.40.802 (f) (3) .

Section 11 Amends AS 14.40.802 (j) .

Removes the restriction that when a beneficiary designates a successor participant to their account the change cannot take effect until after the death or mental incapacity of the beneficiary.

Section 12 Amends AS 14.40.802 (n) (2) .

Redefines "beneficiary" to match what is defined under federal law.

[2:11:59 PM](#)

Section 13 Amends AS 14.40.802 (n) (7) .

Replaces "qualified higher education expenses" with "qualified education expenses" and redefines the phrase to mean qualified higher education expenses as defined in federal law.

Section 14 Amends AS 14.40.802 (n) (8) .

Redefines "trust" to reflect the name change of "Alaska Higher Education Savings Trust" to the "Education Trust of Alaska".

Section 15 Amends AS 14.40.809 (b) .

Renames the "Alaska Higher Education Savings Trust" to the "Education Trust of Alaska".

Section 16 Amends AS 40.25.120 (a) .

Renames the "Alaska Higher Education Savings Trust" to the "Education Trust of Alaska".

Section 17 Amends AS 47.10.093 (b) .

Removes the distinction of higher education when referring to the Alaska education savings program.

Section 18 **Amends AS 47.12.310(b).**

Removes the distinction of higher education when referring to the Alaska education savings program.

Section 19 **Amends AS 47.14.400(a).**

Removes the distinction of higher education when referring to an education investment program and replaces "University of Alaska college savings plan" with "education savings plan".

[2:13:21 PM](#)

Section 20 **Amends AS 47.14.400(b).**

Removes the distinction of higher education when referring to an education investment program.

Section 21 **Amends AS 47.14.400(c).**

Replaces "college savings plan" with "education savings plan" and replaces "University of Alaska College savings plan" with "education savings plan".

Section 22 **Amends AS 47.14.400(e)(3).**

Replaces "higher education savings program" with "education savings program" and "college savings account" with "education savings plan".

Section 23 **Establishes AS 47.14.400(e)(5).**

Defines "education savings plan" to mean an education savings program.

Section 24 **Repeals AS 47.14.400(e)(2).**

CHAIR COSTELLO observed that most of the Act takes effect July 1, 2022, but Section 7 takes effect immediately.

[2:14:44 PM](#)

REPRESENTATIVE FIELDS replied he believes so and added that most of the sections are conforming changes to rename the Alaska Higher Education Savings Trust to the Education Trust of Alaska.

CHAIR COSTELLO asked if there was a reason for renaming the trust.

REPRESENTATIVE FIELDS replied it's a conforming change; the UA System renamed the trust in 2019.

CHAIR COSTELLO turned to invited testimony.

[2:15:50 PM](#)

CATHY TAYLOR, Board Member, Alaska Behavioral Health, Kenai, Alaska, testified by invitation in support of HB 133. She stated that she is the mother of two sons who receive disability benefits. Her background is in finance and the ABLE program has been one of the best resources she has found to help disabled persons manage their financial resources and become more independent. It builds self-confidence, she said.

MS. TAYLOR stated that the increase in the annual contributions from \$15,000 to \$20,060 allows people with disabilities to put away as much money as they can when they are able to work without jeopardizing their disability benefits. She described the ability to roll over college funds as a valuable enhancement. It will help people whose education is interrupted because of their disability. Prior to this they would lose the opportunity. Increasing the age of eligibility is another valuable enhancement. As the sponsor mentioned, disability doesn't just strike before age 27 so it makes sense to extend these benefits to a larger range of people. It is also beneficial to be able to use these funds for more than a typical university program. A four-year program isn't what everybody wants or needs, so being able to participate in a certificate or vocational program is very beneficial and will increase employment opportunities.

[2:20:23 PM](#)

MS. TAYLOR said the ABLE program has been very beneficial to her family, but because she didn't learn about it until just a few years ago she would like to see an education component attached to ensure that agencies that work with the disabled have this information so they can help people set up these accounts.

[2:21:19 PM](#)

DAN SADDLER, former Representative, Eagle River, Alaska, testified by invitation in support of HB 133. He reminded the committee that he sponsored the original legislation in 2016 that authorized ABLE accounts in Alaska. He shared that he supported ABLE as a legislator and a parent. His son Danny has autism and at age 23 is transitioning into adult life. He needs special behavioral support, special equipment for his physical needs, supplementary educational services, employment support services, and healthy recreational outlets. He said these are qualified disability expenses that will help him achieve a better life experience. He highlighted how important it is that deposits into an ABLE account would not disqualify his son from

Medicaid or Supplemental Social Security (SSI) benefits, because both are critical in meeting his life needs.

REPRESENTATIVE SADDLER opined that that ABLE accounts clearly have been successful in Alaska. A report in the bill packets indicates that there are 787 ABLE accounts in Alaska, and the private contributions to those accounts totals \$7 million. He posited that this has kept many individuals from seeking support from the state. He mentioned the other conforming changes and described HB 133 as legislation that makes the existing law better. He also thanked the Alaska Mental Health Trust that put \$100,000 into designing ABLE accounts and the Governor's Council on Disabilities and Education for its tireless efforts to get ABLE accounts established.

He concluded his comments with the observation that legislators often are faced with how to allocate limited public assets among limitless needs. The value of HB 133 is that it empowers private citizens to use their own money to take better care of loved ones without cost or burden to the state.

CHAIR COSTELLO expressed appreciation for his testimony.

[2:25:52 PM](#)

CHAIR COSTELLO opened public testimony on HB 133; finding none, she closed public testimony.

CHAIR COSTELLO held HB 133 in committee for further consideration.

[2:26:17 PM](#)

At ease

SB 233-PFD ALLOWABLE ABSENCE/MERCHANT MARINE

[2:28:07 PM](#)

CHAIR COSTELLO reconvened the meeting and announced the consideration of SENATE BILL NO. 233 "An Act relating to allowable absences for permanent fund dividend qualification; and providing for an effective date."

[2:28:39 PM](#)

KATIE MCCALL, Staff, Senator Mia Costello, Alaska State Legislature, Juneau, Alaska, introduced SB 233 on behalf of the Senate Labor and Commerce Standing Committee, paraphrasing the following sponsor statement:

In 1999, House Bill 157 was offered by Representative Jerry Sanders. The bill added those serving under articles of employment aboard oceangoing vessels of the US Merchant Marine to an allowable absence for the purposes of qualifying for the permanent fund dividend. At the time, the apprenticeship program that qualified them for these careers as commercial sailors was an allowable absence. This program was created in part with the help of Congressman Don Young, and decades ago when touring a ship, the Congressman had asked "where are all of the Alaskans?" To his disappointment, there were no Alaskans working on the ship. This interaction helped begin an effort to train more Alaskans for careers in the US Merchant Marine.

The intent of the 1999 legislation was to allow merchant mariners and trainees to qualify for an allowable absence, with that intent clearly expressed through the testimony and supporting documents for the original bill. Since 1999, over 750 Alaskans have graduated from the Harry Lundeberg School of Seamanship and the Paul Hall Center. However, due to statutes and regulations that have been amended since then, Alaskans who participate in this training program remain ineligible for the permanent fund dividend while they are out of state receiving the training.

Senate Bill 233 would amend state statute to include an allowable absence for Alaskans attending a merchant marine training program, so they are not disincentivized from attending.

[2:30:42 PM](#)

MS. MCCALL presented the sectional analysis for SB 233 that read as follows:

Sec. 1 - AS 43.23.008(a) (4) Page 2, Lines 6-7

Is amended by adding a new subsection specifying that an Alaska resident who is otherwise eligible to receive the permanent fund dividend remains eligible if they are absent from the state during the qualifying year for the purposes of attending a program that prepares students for careers in the United States merchant marine.

Sec. 2 - Page 3, Line 14

Provides for an effective date of January 1, 2023.

CHAIR COSTELLO turned to invited testimony.

2:31:45 PM

RICH BERKOWITZ, Consultant, Transportation Institute (TI), Seattle, Washington, testified by invitation in support of SB 233. He advised that until recently he worked as the Pacific Coast Vice President of Transportation Institute, which is an educational and research organization that supports US flagged vessel operators. He listed the companies in Alaska that are TI members.

MR. BERKOWITZ recapped the genesis of promoting maritime local hire of Alaskans on ocean going vessels plying trade in Alaska as outlined in the sponsor statement above. Despite the intent of Representative Jerry Sanders' House Bill 157 that passed the Alaska Legislature in 1999, Alaskans who participate in an out-of-state federally registered maritime training program are not eligible for the permanent fund dividend. SB 233 resolves this issue by amending state statute to include an allowable absence for Alaskans attending a merchant marine training program.

2:36:24 PM

TIFFANY ALBERT, Director of Communications, Alaska State Chamber, Anchorage, Alaska, testified by invitation in support of SB 233. She stated that the Chamber's mission is to promote a healthy business environment in Alaska. As such, the Chamber supports amending the PFD statute to assure that Alaskans who attend training out of state at federally registered apprentice programs are eligible to receive a PFD provided they have met all other eligibility criteria. Since 1997, over 700 Alaskans have been trained and placed in maritime employment after graduating from the Paul Hall Center for maritime training education. This includes a broad range of Alaskans whose training was paid for through a labor management training trust fund. This assures management that these individuals are thoroughly trained to US Coast Guard standards and uniformly meet security, safety, and competency standards. By recruiting Alaskans for maritime work in Alaska, maritime companies that ply trade in Alaska waters continue to meet their commitment to hire local. Denying PFD benefits to Alaskans while they are engaged in training for this work is an impediment to the pursuit of this career path.

MS. ALBERT reiterated support for SB 233 on behalf of the Alaska State Chamber and urged passage of this "good for business" bill.

[2:38:44 PM](#)

CHAIR COSTELLO opened public testimony on SB 233.

[2:39:03 PM](#)

MYKEL POTTER, representing self, Sitka, Alaska, testified in support of SB 233. He relayed his story of joining the Merchant Marine in 2017 through a local recruitment program and attending training at Piney Point, Maryland. He filed for the PFD and his application was denied because of the time he spent in training at Piney Point. He said the denial was particularly confusing because he had a contract with the Department of Labor to attend the training. He urged the committee to resolve this issue so Alaskans like himself are not denied a dividend for attending federally authorized maritime training outside the state.

[2:41:48 PM](#)

CHAIR COSTELLO discerned no others wished to comment and closed public testimony on SB 233.

She asked Anna MacKinnon if SB 233 would create a problem for the Permanent Fund Dividend Division.

[2:42:25 PM](#)

ANNA MACKINNON, Director, Permanent Fund Dividend Division, Department of Administration (DOA), Juneau, Alaska, directed attention to the new text in SB 233, "or attending a vocational program that" on page 2, lines 6-7. She described the provisions attached to that phrase as overly broad and potentially would allow programs beyond what is intended. She noted that the programs have been described as a certified federal program or one that is held at the US Coast Guard National Maritime Center, but that language is not in the bill so the division would have to look at each application and determine whether the program qualified to prepare the applicant for a career in the US Merchant Marine. She noted that the PFD division had received some interesting requests for out-of-state training and suggested that may have been what caused the Alaska Commission on Postsecondary Education to change its regulations. She said the PFD division recognizes the issue and appreciates that this registered merchant mariner training program benefits the Alaska workforce.

[2:45:39 PM](#)

CHAIR COSTELLO offered her belief that the drafters were not comfortable naming certain programs in statute and the bill attempts to provide that specificity. She committed to work with the PFD division and other interested parties to tighten the language so it is clear which programs qualify.

CHAIR COSTELLO held SB 233 in committee for further work.

2:47:01 PM

There being no further business to come before the committee, Chair Costello adjourned the Senate Labor and Commerce Standing Committee meeting at 2:47 p.m.