

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

February 10, 2025
1:32 p.m.

MEMBERS PRESENT

Senator Jesse Bjorkman, Chair
Senator Kelly Merrick, Vice Chair
Senator Elvi Gray-Jackson
Senator Forrest Dunbar
Senator Robert Yundt

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 73

"An Act relating to the registration of marijuana establishments; relating to a tax exemption for qualified small businesses; relating to marijuana taxes; and providing for an effective date."

- MOVED SB 73 OUT OF COMMITTEE

SENATE BILL NO. 11

"An Act 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. 17

"An Act establishing the crime of airbag fraud."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 73

SHORT TITLE: MARIJUANA: TAX/REGISTRATION; INCOME TAX

SPONSOR(S): SENATOR(S) CLAMAN

01/24/25 (S) READ THE FIRST TIME - REFERRALS
01/24/25 (S) L&C, FIN
02/03/25 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/03/25 (S) Heard & Held
02/03/25 (S) MINUTE (L&C)
02/10/25 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 11

SHORT TITLE: FLOOD INSURANCE
SPONSOR(s): SENATOR(s) STEDMAN

01/10/25 (S) PREFILE RELEASED 1/10/25
01/22/25 (S) READ THE FIRST TIME - REFERRALS
01/22/25 (S) L&C, FIN
02/10/25 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 17

SHORT TITLE: CRIME COUNTERFEIT/NONFUNCTIONING AIRBAG
SPONSOR(s): SENATOR(s) CLAMAN

01/10/25 (S) PREFILE RELEASED 1/10/25
01/22/25 (S) READ THE FIRST TIME - REFERRALS
01/22/25 (S) L&C, JUD
02/10/25 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

SENATOR MATT CLAMAN, District H
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Sponsor of SB 73.

PAUL DISDIER, Owner
The Fireweed Factory LLC
Juneau, Alaska
POSITION STATEMENT: Testified in support of SB 73.

SAM HACHEY, Co-Owner
Tanana Herb Company
Fairbanks, Alaska
POSITION STATEMENT: Testified in support of SB 73.

LACY WILCOX, Owner
Top Hat Cannabis
Juneau, Alaska
POSITION STATEMENT: Testified in support of SB 73.

GARY EVANS, representing self
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of SB 73.

LLOYD STIASSNY, Owner
Egan Management Group
Anchorage, Alaska

POSITION STATEMENT: Testified in support of SB 73.

DAN STICKEL, Chief Economist
Tax Division
Department of Revenue
Juneau, Alaska

POSITION STATEMENT: Discussed and answered questions on the fiscal note for SB 73.

BRANDON SPANOS, Deputy Director
Tax Division
Department of Revenue
Anchorage, Alaska

POSITION STATEMENT: Answered questions regarding the fiscal note for SB 73.

SENATOR BERT STEDMAN, District A
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor of SB 11.

ROSE FOLEY, Staff
Senator Bert Stedman
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided the sectional analysis for SB 11.

SENATOR MATT CLAMAN, District H
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor of SB 17.

CARLY DENNIS, Staff
Senator Matt Claman
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided the sectional analysis for SB 17.

CRAIG ORLAN, Director
American Honda Motor Company

Washington, D.C.

POSITION STATEMENT: Testified by invitation on SB 17.

ACTION NARRATIVE

[1:32:23 PM](#)

CHAIR BJORKMAN called the Senate Labor and Commerce Standing Committee meeting to order at 1:32 p.m. Present at the call to order were Senators Merrick, Gray-Jackson, Dunbar, Yundt and Chair Bjorkman.

SB 73-MARIJUANA: TAX/REGISTRATION; INCOME TAX

[1:33:26 PM](#)

CHAIR BJORKMAN announced the consideration of SENATE BILL NO. 73 "An Act relating to the registration of marijuana establishments; relating to a tax exemption for qualified small businesses; relating to marijuana taxes; and providing for an effective date."

[1:33:53 PM](#)

SENATOR MATT CLAMAN, District H, Alaska State Legislature, Juneau, Alaska, as sponsor, he explained SB 73 proposes a single wholesale tax on the marijuana industry to address concerns that the current tax structure is driving business towards the black market. He stated that the goal is to keep Alaska's legal marijuana industry strong and healthy.

[1:35:31 PM](#)

CHAIR BJORKMAN opened public testimony on SB 73.

[1:35:47 PM](#)

PAUL DSISDIER, Owner, The Fireweed Factory LLC, Juneau, Alaska, testified in support of SB 73 and shared concerns about the sustainability of the marijuana industry. He stated that at a recent Marijuana Control Board meeting, cultivators expressed difficulty operating under current conditions. Although his company is doing well, he feared that if smaller growers go out of business, those remaining will only produce enough to supply local stores. He emphasized this could lead to a collapse of the legal marijuana market and a shift back to the black market. He urged immediate support to prevent industry failure.

[1:39:19 PM](#)

SAM HACHEY, Co-Owner, Tanana Herb Company, Fairbanks, Alaska, testified in support of SB 73. He stated as the industry has matured and as more people have come online there was originally

400 licensed cultivations and now there are about 200-210 active cultivations. He highlighted a 50 percent failure rate among cultivators due to high costs, including energy, labor, and transportation. He advocated for adjusting the cannabis tax to reflect market conditions, the other industries like oil, gas, and fishing have seen adjustments. He emphasized that reforming the tax would help the industry remain sustainable, support employment, and generate more revenue for Alaska.

[1:42:01 PM](#)

LACY WILCOX, Owner, Top Hat Cannabis, Juneau, Alaska, gave the following testimony in support of SB 73:

[Original punctuation provided.]

At our healthiest, our company employed 12 Alaskans at a fair wage, offering retirement and health benefits. These were good jobs, jobs that meant something in our small city.

But today, in part because of the oppressive \$50-per-ounce excise tax, we've been forced to cut our workforce down to just five employees. Two of those are owners who hardly take a paycheck, and the benefits and perks we once offered are gone. In a community like ours, losing seven good-paying jobs is devastating. These jobs are like gold, and they're disappearing because of a tax structure that is simply unsustainable and an industry that is being squeezed from all sides.

The challenges we face go far beyond taxes. The cost of growing indoors is incredibly high, and unlike other industries, we are denied access to traditional banking and financing due to cannabis being federally illegal. The 280E tax code prevents us from deducting standard business expenses, creating a double tax burden. On top of that, the extreme regulatory hurdles we navigate are exhausting and expensive. Costs have not gone down, but the price customers are willing to pay sure has.

To make matters worse, we are competing with two unregulated markets that undermine everything we do. First, the fully illicit market, which I believe makes up around 60 percent of cannabis sales in Alaska. Second, the 2018 Farm Bill accidentally authorized the

sale of intoxicating hemp products, creating a gray market that directly competes with my business. These products are sold online, delivered to your door, and available to anyone—regardless of age. They are cheap, potent, and often packaged in ways that appeal to children. Even if we could create competing products within our business model, our rules and regulations prevent us from matching their potency, price, or packaging appeal. And both of these competing markets operate with little to no oversight or regard for public safety, and certainly without any taxation.

Tariffs on supplies already hurt us, and they're likely to increase. All of these factors work against us, and without immediate relief, businesses like mine will not survive. Next year will be too late—we will shut down.

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MS. WILCOX continued with her testimony.

I also serve as the Vice President of the Southeast Alaska Food Bank, and I am deeply aware of Alaska's fragile food network. In the case of a food security crisis—like a barge not coming in—cannabis farms like ours have the ability to pivot to food production. This makes us a valuable community resource in times of need. But to fulfill that potential, we must first survive.

Senate Bill 73 is a lifeline. Reducing the excise tax to \$12 dollars per ounce will provide immediate relief, allowing us to reinvest in our operations, rehire employees, and hopefully restore the benefits that once made us a proud employer in this community. I also strongly support the language in SB 73 that reinstates the C-Corp tax exemption for qualified small businesses. This provision recognizes the unique challenges all small Alaskan businesses face and helps level the playing field.

The cannabis industry has generated significant revenue for Alaska, growing from \$1.7 million in 2017 to over \$28 million in 2023. But the industry's growth has plateaued, and without meaningful tax reform, we risk losing these contributions entirely. SB 73 is a

crucial first step toward creating a sustainable and competitive market.

I urge you to pass this bill without delay. It's not just about supporting businesses like mine—it's about protecting jobs, strengthening our economy, and ensuring the long-term viability of an industry that has already provided immense value to our state.

[1:45:44 PM](#)

GARY EVANS, representing self, Fairbanks, Alaska, testified in support of SB 73 and echoed previous testimonies. He emphasized the struggles of the cannabis industry, particularly due to competition from the growing black and gray markets. He stated that marijuana is now widely available in the black market at low prices, and this is hurting legal businesses. He warned that if the state doesn't act, the industry could collapse, which would have significant consequences for the economy.

[1:47:45 PM](#)

LLOYD STIASSNY, Owner, Egan Management Group, Anchorage, Alaska, testified in support of SB 73 and highlighted the marijuana industry's current struggles and its importance for local employment and economic diversification. He stated that the cannabis sector is described as a valuable industry for the state, with potential for growth and employment. He stressed the need for the small business exemption to be extended. He stated that the exemption is crucial for the survival of small businesses across Alaska. He urged for action to help these businesses thrive in a challenging economic environment.

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CHAIR BJORKMAN closed public testimony for SB 73.

[1:51:22 PM](#)

DAN STICKEL, Chief Economist, Tax Division, Department of Revenue, Juneau, Alaska, Discussed and answered questions on the fiscal note for SB 73. He stated that the fiscal note outlines two main revenue impacts: the reintroduction of a small business exemption under the corporate income tax and changes to the marijuana excise tax. He stated that the marijuana tax change is estimated to have a net impact of over \$11 million annually, while the small business exemption is expected to impact revenue by about \$2.5 million per year. These two factors combined represent the total revenue impacted.

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SENATOR DUNBAR discussed two parts of the bill; the cannabis part, where many cultivators are struggling due to policy and a broader corporate tax exemption part, that expired two years ago. He stated that reinstating this exemption is expected to cost around \$2.65 million. He stated that the sponsor defined small businesses as those with up to \$50 million gross asset. He asked where the \$50 million amount comes from and what business growth is expected if the exemption returns.

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BRANDON SPANOS, Deputy Director, Tax Division, Department of Revenue, Anchorage, Alaska, Answered questions regarding the fiscal note for SB 73. He stated that the small corporate exemption in SB 73 resurrects language from the Internal Revenue Code (IRC) code 1202(e) that expired in 2023. This code defines a small corporation, with a \$50 million gross income threshold, as a qualifying entity for Alaska's small business exemption. The impact of the exemption was based on past revenue reductions observed in prior years. He said there hasn't been a detailed analysis conducted on the economic impact of the exemption. The original intent of the exemption was to bring new business growth, but instead, the exemption primarily benefited existing businesses, with no clear increase in new revenue for the state.

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SENATOR DUNBAR said the tax policy should drive economic benefits, not just reduce revenue. He questioned if the \$50 million threshold required by federal law fits Alaska's needs and suggested \$20-25 million might better stimulate business. He asked whether the \$50 million figure is required or just convenient and if the tax division would consider a lower threshold to balance growth with budget impact.

[1:58:06 PM](#)

MR. SPANOS clarified his role is a tax administrator not a policy maker. He corrected his earlier testimony stating over a five year period the marijuana industry constituted about 75 percent of credit claims, which was all new business. He explained that with the IRC 1202(e) excluding farming, cultivators may not qualify for the exemption, but the language can be changed. He stated that the \$50 million threshold isn't required by federal law; the threshold was simply a convenient reference and can be adjusted.

SENATOR DUNBAR asked for clarification on the comment that 75 percent of the tax exemption claims taken are by cannabis businesses. He asked if the exemption applied to all C-Corps,

whether the organizational structure of some businesses makes them ineligible for the exemption, and why the cannabis industry receives such a large portion of the tax break.

MR. SPANOS answered that the tax credit applies only to C-Corp entities, as these are the only businesses that pay corporate income tax in Alaska. Other business types, such as S Corps, partnerships, and LLCs, are not eligible unless they specifically choose to be taxed as a C-Corp. He stated that certain industries, like farming and healthcare, are excluded from this credit under federal definition, although businesses with a small portion of healthcare operations might still qualify. The marijuana industry makes up most of the claims for this credit because, as a new industry, many cannabis businesses are structured as C-Corps and meet the qualifications.

[2:02:06 PM](#)

CHAIR BJORKMAN asked to what extent the division considered the impact on tax revenue if marijuana cultivators go out of business due to lack of changes to the current tax structure.

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MR. STICKEL answered that the revenue impact is based on the analysis of the Fall 2024 revenue forecast, assuming steady consumption with population growth and possible cannabis industry consolidation. He said a 1 percent drop in retail price would lead to a demand increase of 1 percent. While elasticity varies, lowering taxes would likely boost legal market activity.

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CHAIR BJORKMAN asked whether the fiscal note assumptions account for cultivators going out of business if no action is taken and assumed reducing the wholesale tax would increase activity.

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MR. STICKEL answered that the analysis does not explicitly forecast the closure of any specific businesses. The baseline assumption is that the marijuana industry will maintain a stable level of activity.

CHAIR BJORKMAN asked if out-of-state growers and producers who sell hemp products in Alaska and compete with our local market pay a tax if they come into Alaska from out of state.

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MR. SPANOS answered that there are 25 tax types, so the out of state businesses might be subject to other taxes but they wouldn't pay the marijuana tax.

CHAIR BJORKMAN said the State of Alaska is adding high taxes on those businesses complying with state law but the state isn't collecting taxes from the people importing legal or non-legal products. He asked if Alaska is missing revenue from the imported products.

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MR. SPANOS responded that is correct. He said black market marijuana sales aren't taxed along with legal hemp sales. He stated that he isn't fully familiar with all hemp regulations and uses the word legal loosely.

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SENATOR DUNBAR stated that last year's bill included a retail sales tax to offset the tax cut. He asked whether the state could tax toxic hemp products at gas stations like cigarettes and does the state know how much toxic hemp is on the market.

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MR. SPANOS answered that almost any product that is sold at retail can be taxed either excise tax or sales tax. He stated that with imported products, a retail tax would be easier to track and administer. The Department of Revenue would need more data to come up with an estimated potential revenue.

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CHAIR BJORKMAN solicited the will of the committee.

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SENATOR MERRICK moved to report SB 73, work order 34-LS0324\G, from committee with individual recommendations and attached fiscal note(s).

[2:09:48 PM](#)

CHAIR BJORKMAN found no objection and SB 73 was reported from the Senate Labor and Commerce Standing Committee.

[2:10:01 PM](#)

At ease.

SB 11-FLOOD INSURANCE

[2:11:38 PM](#)

CHAIR BJORKMAN reconvened the meeting and announced the consideration of SENATE BILL NO. 11. "An Act 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."

[2:12:02 PM](#)

SENATOR BERT STEDMAN, District A, Alaska State Legislature, Juneau, Alaska, sponsor of SB 11. He stated that he is looking to create a system to replace federal flood insurance. He said this issue came up years ago when he noticed high premiums being paid in his district with very few claims. He said over time his office saw that the federal program not only provides limited coverage of \$250 thousand for homes and \$500 thousand for businesses but also imposes strict development rules on coastal properties. He stated that despite repeated records requests, he couldn't get data on premiums paid by Alaskans, so he added language to the operating budget to require a state report. The report showed most premiums went out with few claims in return, and strict compliance rules made results worse with the insurance company requiring a person to elevate or rebuild their home if repairs exceed 50 percent of the home's value. He said these rules are a fairness issue. Most people's biggest asset is their home and being forced to tear their home down or jack their home up because it's older or slightly too low in value isn't fair. He stated that the system traps homeowners by requiring flood insurance to qualify for loans in certain zones and is enforced through banks and the secondary mortgage market.

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SENATOR STEDMAN said the federal flood insurance program restricts coastal development by openly discouraging builds on beaches, using pilings, or adding rock fill. That doesn't fit in places like Juneau or Ketchikan, where most valuable property is on the shoreline. He stated that his office started looking into the Federal Emergency Management Agency (FEMA) program when his office saw Alaskans paying high premiums with almost no claims. He said the program is underfunded and uses the Alaskan people's premiums to subsidize disasters in places like Florida, the Carolinas, and the Gulf of Mexico (America). He stated that Alaskans get limited coverage and face strict rebuilding requirements if damaged often forcing people to elevate or demolish homes. He said because flood insurance is required in designated zones to get a mortgage, residents are forced into the program through the banking system. He stated that his office reached out to the Division of Insurance, which helped show how unfair these premiums are and that private insurers

wouldn't be allowed to charge these rates in Alaska. He stated that his office began drafting a bill to create a state authority, not as a charity, but as a self-funded alternative. Residents would pay regulated premiums, rising with losses and falling when risk is low. He said the authority might need seed funding, but that could be paid back.

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SENATOR STEDMAN stated that from 2008 to 2021, Kenai paid nearly \$3.7 million in premiums but had only \$103,000 in claims. Sitka paid \$1.5 million and had just one \$20,000 claim. He said that the one claim was filed only because filing with the insurance was easier than dealing with the city. Ketchikan paid \$1.5 million and had \$100,000 in claims. Fairbanks paid \$11 million and got back \$1.7 million. Meanwhile, Federal Emergency Management Agency (FEMA) recently added 1,100 more properties in Ketchikan to the flood zone. He said SB 11 would create an Alaska based flood insurance authority. SB 11 would raise coverage limits from \$250 thousand to \$1 million for residential and from \$500 thousand to \$2 million for commercial properties which is more in line with coastal property values. He said SB 11 also avoids many of FEMA's development restrictions and uses a broader definition of flood. He stated that as FEMA expands coverage and takes in more land, it's clear the state needs a better solution for Alaskans.

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SENATOR STEDMAN stated that the Mendenhall River in Juneau and Ketchikan Creek are known flood areas, with some losses over the decades. Mendenhall Valley is becoming more at risk due to glacial changes, and FEMA may soon impose strict requirements on homeowners there. He said the goal is to create an authority that raises coverage, lowers premiums, and removes unnecessary restrictions allowing local planning authorities to manage zoning. No one's asking for a free ride, just a fair system. He stated that if any planning authority starts approving permits below the tideline, they likely won't last long.

[2:29:36 PM](#)

SENATOR MERRICK asked if there were any analyses on earthquake insurance.

[2:29:46 PM](#)

SENATOR STEDMAN answered that SB 11 is focused on floods but issues like earthquakes, landslides, and mudslides could be addressed later. He said SB 11 could be a phased approach by getting the core structure in place, then expand it.

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SENATOR DUNBAR asked if a home is in a designated flood zone the federal government requires the homeowner to have flood insurance but not necessarily the federal governments insurance.

[2:31:05 PM](#)

SENATOR STEDMAN answered that's his understanding.

SENATOR DUNBAR said with the numbers clearly showing homeowners are overpaying and opens doors for an entrepreneur to come in to offer better rates and make a profit. He asked why the free market isn't offering this product and why shouldn't the state allow the free market to displace the federal government.

SENATOR STEDMAN answered the restrictions from the federal government would still be in place, unless the legislature passes SB 11 to remove those restrictions. He stated that the Division of Insurance is better suited to answer questions about private flood insurers but added that Alaska's small population makes it difficult to attract insurance carriers. He stated that if the state shuts down coastal development, the communities risk job loss and the states development.

SENATOR DUNBAR stated that the federal government requires [coastal homeowners] carry some kind of insurance that state law can't override unless its specifically allowed. He asked how SB 11 would remove federal development restrictions and wouldn't those restrictions still apply even with state or private insurance.

SENATOR STEDMAN answered the whole goal of SB 11 is to get rid of the restrictions.

SENATOR DUNBAR asked if the restrictions and development are built into the policies or do they exist in some other regulation.

SENATOR STEDMAN answered that the restrictions are coming through FEMA, and the goal is to get rid of the whole federal environment and have the state offer policies to get out from the high premiums.

[2:34:32 PM](#)

ROSE FOLEY, Staff, Senator Bert Stedman, Alaska State Legislature, Juneau, Alaska, read the sectional analysis on SB 11 as follows:

[Original punctuation provided.]

Sectional Analysis

Senate Bill 11 version A

Section 1: Requires insurance rates for flood insurance be based primarily on actual historical flood and damage data.

Section 2: Provides a definition of "flood".

Section 3: Adds a new Article 2 to AS 21.60 creating the Alaska Flood Authority.

Sec. 21.60.100 Creates the Alaska Flood Authority (authority) as a nonprofit entity and requires all insurers licensed to provide property insurance in Alaska to maintain membership in the authority and to provide all information required by the board or director.

Sec. 21.60.110 Defines membership on the board of the authority and requires an annual report by September 1 of each year detailing the effectiveness of the operations of the authority; the benefits of the insurance program; and identifies penalties or sanctions imposed on the state under the National Flood Insurance Act.

Sec. 21.60.120 Establishes the powers of the authority. Sec.

21.60.130 Outlines the required facets of the plan of operation for the authority, to be submitted to the director of the division of insurance.

Sec. 21.60.140 Exempts the authority from AS 44.62 (Administrative Procedures Act).

[2:36:11 PM](#)

MS. FOLEY continued with the sectional analysis for SB 11:

Sec. 21.60.150 Exempts the authority from any real and personal property taxes.

Sec. 21.60.160 Requires the authority to make at least one plan available to a person who is eligible for coverage and prohibits refusal by the authority to offer coverage to a qualified person.

Sec. 21.60.170 Provides that the policies offered by the authority shall be at least equivalent to those offered by the National Flood Insurance Program. Specifies coverage limits of authority plans.

Sec. 21.60.180 Requires premiums to be fair, and to be based primarily on actual historical flood damage data.

Sec. 21.60.190 Outlines the duties of the authority. These include performing the administrative and claims payment functions of this act, and providing the director of insurance a semiannual report of the plan of operation.

Sec. 21.60.200 Details funding for the authority and the insurance program. Each member will pay dues in an amount determined by the board and share in any losses of the insurance program. Additionally, the board will make an annual determination whether a fiscal year end assessment is necessary to operate the program and issue the assessment if needed. This section also allows for a legislative appropriation of up to \$5 million to satisfy a claim if the member assessments are insufficient.

Sec. 21.60.210 Defines eligibility for state flood insurance as any person with an insurable interest in insurable property. This section allows the board, with the approval of the director of the division of insurance, to create additional eligibility requirements.

[2:38:03 PM](#)

MS. FOLEY continued with the sectional analysis of SB 11:

Sec. 21.60.220 Outlines how an eligible person enrolls in a state insurance plan.

Sec. 21.60.230 Provides the authority 30 days after receiving an application to notify the applicant if the application has been accepted or rejected.

Sec. 21.60.240 Stipulates that insurance coverage begins immediately upon receipt of the first premium.

Sec. 21.60.250 Requires the authority to notify people who live in flood zones of the state insurance plan. Requires an insurance provider that denies a flood insurance application to notify the applicant of the state insurance plan and application process.

Sec. 21.60.260 Instructs the director of the division of insurance to formulate general policy and adopt regulations necessary to administer the state flood insurance plan.

Sec. 21.60.270 Clarifies the state is not liable for acts or omissions of the authority. **Sec. 21.60.280** Exempts board members from civil and criminal liability for an act or omission if that act or omission was done in good faith and within the scope of duties.

Sec. 21.60.290 Creates the Alaska Flood Insurance Fund as a separate fund in the state treasury and establishes a framework for use of the Fund.

[2:39:35 PM](#)

MS. FOLEY continued with the sectional analysis of SB 11:

Sec. 21.60.300 Provides definitions for the Alaska Flood Authority.

Section 4: Stipulates that assessments and civil penalties collected by the Alaska Flood Authority are defined as program receipts that are accounted for separately, and that appropriations of these funds are not made from the unrestricted general fund.

Section 5: Clarifies the Section 1 applies only to insurance policies or contracts entered into or renewed on or after the effective date of this legislation.

Section 6: Allows the director of the division of insurance to adopt regulations to carry out this act if the Alaska Flood Authority fails to submit a plan of operation by January 1, 2027.

Section 7: Establishes an effective date of July 1, 2026.

[2:41:03 PM](#)

CHAIR BJORKMAN held SB 11 in committee.

SB 17-CRIME COUNTERFEIT/NONFUNCTIONING AIRBAG

[2:41:31 PM](#)

CHAIR BJORKMAN announced the consideration of SENATE BILL NO. 17 "An Act establishing the crime of airbag fraud."

[2:41:36 PM](#)

SENATOR MATT CLAMAN, District H, Alaska State Legislature, Juneau, Alaska, as sponsor of SB 17 he delivered the following sponsor statement:

[Original punctuation provided.]

Senate Bill 17 was brought by Honda Motor Company and the automotive anti-counterfeiting council. In Alaska today, there is no law to prohibit the installation or reinstallation of airbags that do not meet federal safety standards. While airbags are made to protect us from serious injuries, counterfeit or nonfunctioning

airbags are known to improperly deploy or not deploy at all, potentially resulting in serious injuries.

[2:42:14 PM](#)

REPRESENTATIVE CLAMAN continued:

By establishing airbag fraud as a crime, SB 17 prohibits dangerous actors from knowingly selling, installing, or manufacturing these dangerous and improper devices. The bill references both counterfeit and nonfunctioning airbags. A counterfeit airbag is defined as a replacement airbag displaying an unauthorized mark that is similar to the mark of a motor vehicle manufacturer. A nonfunctioning airbag is an inoperable or damaged airbag, or an airbag that has previously been deployed or that was removed from a vehicle because it created an unreasonable safety risk.

Similar legislation has passed in over 30 states. For example, the Michigan penal code takes a more severe approach to this crime and punishes airbag fraud as a felony punishable by 4 years of imprisonment or a fine of \$10,000.00. In comparison, SB 17 defines airbag fraud as a class a misdemeanor punishable by up to 1 year of imprisonment, a fine of up to \$25,000 or both and as a class c felony punishable by up to 5 years of imprisonment, a fine of up to \$50,000 or both if serious injury or death is involved.

Passage of this legislation will support federal efforts to stop the importation of counterfeit or nonfunctioning airbags through the federal unfair trade practices act. Passage of this law will allow federal authorities to seize these products at Alaska's border.

Senate Bill 17 is supported by the coalition against insurance fraud, which believes in the protection of consumers and the idea that consumers should be able to trust their airbags.

The state has a responsibility to protect all Alaskans from counterfeit and nonfunctioning airbags. This bill acknowledges victims of airbag fraud and provides consequences for those who knowingly install or provide dangerous devices. This bill also provides a

protection for any party involved who might not be aware of this fraud, such as owners and employees of dealerships who unknowingly install or sell those devices.

[2:44:22 PM](#)

CARLY DENNIS, Staff, Senator Matt Claman, Alaska State Legislature, Juneau, Alaska, read the sectional analysis for SB 17 as follows:

[Original punctuation provided.]

Senate Bill 17
Sectional Analysis-Version A

Section 1

AS 28.35.248. Airbag fraud

Establishes and defines airbag fraud as knowingly selling, offering for sale, installing, reinstalling, or manufacturing a counterfeit or nonfunctioning airbag or device that is intended to conceal a counterfeit or nonfunctioning airbag, or intentionally selling, leasing or trading a vehicle that the person knows has a counterfeit or nonfunctioning airbag.

Establishes airbag fraud as a class A misdemeanor or a class C felony if death or serious physical injury to another person occurs as a result of the counterfeit or nonfunctioning airbag.

Establishes that the liability of any party in a civil action is not precluded. Provides that this legislation does not create a duty to inspect a vehicle for a counterfeit or nonfunctioning airbag before its sale.

This section excludes a person installing, reinstalling, or replacing an airbag on a vehicle used solely for police work; an owner or employee of a motor vehicle dealership or the owner of a vehicle who does not have knowledge that the vehicle's airbag is counterfeit or nonfunctioning; a person who transfers a vehicle title to an insurance company to satisfy an insurance claim; or an insurance company that sells or otherwise disposes of a vehicle as authorized by law or regulation.

[2:45:49 PM](#)

SENATOR DUNBAR asked if SB 17 is different than last year's bill.

[2:46:01 PM](#)

SENATOR CLAMAN answered that its identical to last year's bill.

SENATOR DUNBAR stated that there have been issues in several industries, including automotive, where companies limit repairs to happen only at the companies' shops. Since airbags fall under federal safety rules he asked if manufacturers require their own branded airbags and installers and if there are consumer protections that allow independent shops or generic replacements to help keep costs down.

[2:47:12 PM](#)

SENATOR CLAMAN responded he was not certain since that is market question, like Ford selling an oil filter but a person can buy a compatible one at an auto parts store with the same specifications Ford claims its filter is better consumers but most convenient and affordable. He stated that he's not sure how that works with airbags, but SB 17 highlights the risk of someone producing fake airbags that don't meet federal safety standards. He said Mr. Orlan from Honda is on the line and could possibly answer that question.

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SENATOR DUNBAR stated that the State of Alaska is using the state's police power, ability, and criminal law to enforce safety regulations. He asked if the state is sort of unwittingly a monopoly power in the airbag market.

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CRAIG ORLAN, Director, American Honda Motor Company, Washington D.C, answered questions and testified by invitation on SB 17. He stated that the auto industry already shares tools and diagnostics with independent parts makers and repair shops, supporting aftermarket repairs. This model is often cited by right-to-repair advocates. He said there's currently no generic airbag market, not due to legal barriers, but because airbags are costly, low-margin, high-liability products with low replacement volume. SB 17 doesn't change the cost or legality. Anyone can legally make airbags that meet federal safety standards. He stated that SB 17 targets bad actors intentionally selling fake airbags filled with debris like T-shirts, not real safety equipment.

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CRAIG ORLAN stated that counterfeit, non-functional airbags are a serious threat everywhere. This isn't an issue with the legitimate auto supply chain, it's others installing fake airbags after accidents. The fake airbags have included sawdust, rags, and even explosive devices. He said there was a case in L.A. where the airbags were so dangerous the airbags had to be detonated by the bomb squad. A Wall Street Journal investigation linked these counterfeits to injuries and deaths nationwide. He said in Florida, a repair shop owner was charged for installing over 350 fake airbags. He stated that most of these products come from overseas, especially China. While federal agencies like Customs and Border Patrol and the FBI are supportive, they're limited in what the federal agencies can do since most fakes don't violate federal laws. State laws fill the gap allowing better enforcement, helping e-commerce platforms crack down, and stopping dangerous products before the airbags reach cars. He stated that SB 17 has support from automakers, repair shops, law enforcement, insurers, and consumers. Similar laws have passed in 38 states with bipartisan backing and no public opposition.

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CHAIR BJORKMAN asked the reason why SB 17 excludes those who work on vehicles solely for law enforcement purposes. He said SB 17 includes a clause that exempts people who didn't know the airbag was counterfeit or defective and asked what stops someone from claiming ignorance to avoid liability.

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SENATOR CLAMAN stated he will answer the second question. He said the intent SB 17 is to avoid creating a duty to inspect for fraudulent airbags. If someone unknowingly buys and drives a car with a fake airbag, then later sells the airbag to a dealer who also doesn't know, neither is criminally liable. It's about not punishing those with no knowledge. He stated that criminal liability requires knowledge though civil liability could still apply, SB 17 doesn't address it.

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CRAIG ORLAN stated that the exemption for police vehicles was added based on law enforcement feedback. Some modifications—like removing airbags for barriers or performing PIT maneuvers—are necessary for their operations. He said these vehicles don't enter the consumer market, and the intent is to avoid unintentionally affecting law enforcement while targeting consumer safety.

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CHAIR BJORKMAN held SB 17 in committee.

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There being no further business to come before the committee, Chair Bjorkman adjourned the Senate Labor and Commerce Standing Committee meeting at 2:58 p.m.