

HOUSE FINANCE COMMITTEE
February 16, 2017
1:35 p.m.

1:35:00 PM

CALL TO ORDER

Co-Chair Seaton called the House Finance Committee meeting to order at 1:35 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Paul Seaton, Co-Chair
Representative Les Gara, Vice-Chair
Representative Jason Grenn
Representative David Guttenberg
Representative Scott Kawasaki
Representative Dan Ortiz
Representative Lance Pruitt
Representative Cathy Tilton
Representative Tammie Wilson

MEMBERS ABSENT

Representative Steve Thompson

ALSO PRESENT

Pat Pitney, Director, Office of Management and Budget, Office of the Governor; Jane Pierson, Staff, Representative Neal Foster; Lisa Weissler, Staff, Representative Andy Josephson; Representative Andy Josephson, Sponsor; Representative Charisse Millett.

PRESENT VIA TELECONFERENCE

Daniel Wayne, Attorney, Legislative Legal Services.

SUMMARY

HB 23 INS. FOR DEPENDS. OF DECEASED FIRE/POLICE

CSHB 23(FIN) was REPORTED out of committee with a "do pass" recommendation and with one new zero

fiscal note from the Department of Administration; one new zero fiscal note from the Department of Public Safety; and one new fiscal impact note from the Office of the Governor for Fund Capitalization.

HB 57 APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 57 was HEARD and HELD in committee for further consideration.

HB 59 APPROP: MENTAL HEALTH BUDGET

HB 59 was HEARD and HELD in committee for further consideration.

OVERVIEW: GOVERNOR'S FY 18 BUDGET AMENDMENTS

Co-Chair Seaton addressed the meeting agenda.

^OVERVIEW: GOVERNOR'S FY 18 BUDGET AMENDMENTS

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#hb57

#hb59

HOUSE BILL NO. 57

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; amending appropriations; repealing appropriations; making supplemental appropriations and reappropriations, and making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

HOUSE BILL NO. 59

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

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PAT PITNEY, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, expressed her intent to review amendments submitted by the governor's office the previous day. She provided a PowerPoint presentation titled "Governor's Budget Amendments, House Finance Committee" dated February 16, 2017 (copy on file). She reminded the committee there was a tremendous amount of backup material related to each of the amendment items. The backup was available in members' packets and on the Office of Management and Budget (OMB) website (copy on file). She shared that the amendments had also been transferred to the Legislative Finance Division (LFD) system. The packet included amendments to the FY 18 operating and capital budgets and to the FY 17 supplemental budget.

Ms. Pitney addressed slide 1, which included a summary of items impacting the FY 18 budget. The total FY 18 amendment request was \$58 million, of which, \$2.449 million was unrestricted general fund (UGF). The majority of the total fell under the "other funds" category and was comprised of international airports and highway funds.

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Ms. Pitney briefly highlighted slide 2 titled "UGF/DGF/Other/Fed Summary by Department Ignoring Included (1137)" and slide 3 titled "Department Two Way Comparison UGF/DGF/Other/Fed (1191)," which were operating and capital budget summaries respectively.

Ms. Pitney turned to operating budget amendments for HB 57 and HB 59 on slides 4 through 8. She noted an error in the title and explained the slides pertained to FY 18 (not FY 17). She began on slide 4, line 1. The first amendment was to delete a deputy commissioner position from the Department of Administration (DOA), which would be a decrease in the budget of \$173,000 in general funds and \$15,000 in other funds. Lines 2 and 3 were technical - the amendment would change where the state was accounting for the State of Alaska Telecommunications System and the Alaska Land Mobile Radio (ALMR) for budgeting and accounting purposes; the two amendments had no monetary impact, but had a budget structure impact. She moved to slide 4, lines 4 and 5. Both lines pertained to grant opportunities that had not previously been accounted for in the FY 18 budget for the Division of Motor Vehicles (DMV) and Community Resource for Justice Incorporated.

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Representative Wilson pointed to the \$500,000 for DMV on line 4. She asked about the previous fund source for the item. She wondered if the program had been costing the state \$500,000 in UGF.

Ms. Pitney replied in the negative; the item was the result of an audit of the state's contracted commercial driver's license trainers. The audit required more oversight and evidence that the contractors were meeting the right standards in the training. The increment was a federal grant to help the state implement the oversight and training standards.

Representative Wilson asked for verification the program was new. She surmised that the audit was based on 2015 law and that general funds were not used for the item.

Ms. Pitney explained that a federal audit had found the state to be out of compliance. The federal grant would enable the state to get into compliance.

Representative Pruitt referred to slide 4, line 5 and asked for detail about Community Resource for Justice Incorporated and the other funds included in the increment.

Ms. Pitney replied she would follow up. The group was recognized by the Alaska Criminal Justice Commission - the commission had been the primary driver in moving the justice reform initiative forward. She did not have specifics about Community Resource for Justice Incorporated on hand.

Co-Chair Seaton asked Ms. Pitney to follow up with the information.

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Ms. Pitney referred to slide 5 related to FY 18 operating amendments. She relayed lines 6, 12, 13, and 17 [on pages 5 through 7] were all related to the Technical Vocational Education Program (TVEP). She explained that the TVEP fund was comprised of funding from the unemployment insurance directed towards training. She detailed there was a formula distribution to which training providers received funds.

Due to the downturn in the state's economy, it was not collecting as much unemployment insurance as in the past. The amendment decreased the amount of money the state anticipated receiving in FY 18 by \$1.3 million. The Student and School Achievement portion of the distribution was being reduced by \$52,000. Lines 12, 13, and 17 had the remainder of the reductions.

Representative Guttenberg referred to declining taxes. He asked if there was an estimate of what would be lost in training facilities as a result. He remarked that the items were grants. He asked for the total collected tax amount.

Ms. Pitney answered that she did not know the total collected tax, but \$11.9 million equaled 1.6 percent [0.16 percent per the slide] of the tax [TVEP was funded by 0.16 percent of employee contributions to the unemployment insurance trust fund]. She moved to line 7 on slide 5 related to child nutrition programs. The increment reflected an increase of federal funds totaling \$10.172 million for the school lunch program and other child nutrition programs. Line 8 was a technical adjustment to account for a health insurance rate increase. She explained that because of the way the receipts worked it had to be a two-sided transaction. The governor's original budget had inadvertently missed one side of the transaction. Lines 9 through 11 all related to Department of Fish and Game (DFG) statutory designated receipts.

Representative Wilson referred back to line 8. She asked for verification that health insurance for the Student Loan Corporation had gone up \$115,000 in 2017 and it would cost an additional \$197,300 for the health insurance payment.

Ms. Pitney answered that the FY 17 supplemental she had presented within the past couple of weeks had included a mid-year health insurance rate increase that accounted for the \$115,000. The mid-year rate increase through an entire year in FY 18 was \$197,000. She stated it was \$115,000 in the current year for a total of \$197,000 in the following year. She clarified that the two numbers were not additive.

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Representative Wilson wondered if similar numbers were seen throughout other departments. Ms. Pitney replied the total increase for the mid-year was \$6.2 million, of which

roughly \$4-plus million was UGF. She noted that her \$4 million figure could be off. The FY 18 budget submitted by the governor in mid-December [2016] included the rate increase and it was in the range of \$14 million.

Representative Wilson stated it was a hard item to understand when the cost was presented in silos. She thought it may be prudent to have the discussion as part of the operating budget. She wondered how much insurance had gone up overall and what the state could expect. She noted the items were only seen individually and only represented a portion of a much larger picture. She thought a bigger discussion would be about action that could be taken to prevent increases from being so high.

Vice-Chair Gara believed the administration was working on the issue, but health insurance costs continued to rise. He was happy to work on the issue with the administration.

Ms. Pitney answered there was an administrative group working on the [healthcare cost] issue. The more legislators working with the administration the better. The goal was to look at costs for all of Alaska - the problem impacted every employer and residents without access to healthcare. The state ended up subsidizing the amounts both indirectly and directly. The cost needed to be addressed across the board.

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Ms. Pitney spoke to lines 9 through 11 that were DFG projects that private nonprofit entities or industry were willing to continue through grants. She noted the amounts were in the other funds category. The three increments were for a Coho salmon and dive fisheries research projects, Bristol Bay Science Research Institute watershed projects, and stock assessment projects, which totaled over \$1 million in grants to the state.

Co-Chair Seaton asked for verification the slide title should read FY 18. Ms. Pitney replied in the affirmative.

Ms. Pitney turned to slide 6, lines 12 and 13 related to TVEP funding. Line 12 included a \$448,000 reduction to the workforce development and line 13 included a \$224,000 reduction to Alaska Vocational Technical Center (AVTEC). Line 14 included an increment for the Council on Domestic

Violence and Sexual Assault (CDVSA) totaling \$1 million from the Recidivism Reduction Fund. She explained the money had been included in a fiscal note and had inadvertently been left out.

Representative Guttenberg asked how much was currently in the Recidivism Reduction Fund.

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Ms. Pitney did not have the number on hand. The fund received receipts from the marijuana tax. She believed it was on track.

Representative Guttenberg believed 50 percent of the fund's allocations would go towards programs like CDVSA and rehabilitation programs. He reasoned the programs did not open overnight and the marijuana industry did not blossom overnight.

Ms. Pitney turned to line 15 was related to the wording associated with the change record for the reorganization and optimization of the Department of Transportation and Public Facilities (DOT) design entities. The item included language-only changes that referenced the requirement for the feasibility study consistent with union contracts.

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Ms. Pitney moved to page 7, line 16 included a technical adjustment where only one side of the transaction for a health insurance rate increase for the Alaska Marine Highway System (AMHS) had been included in the governor's original proposed budget. She explained that it had been included in the total.

Representative Wilson requested a list showing how much an employee had to contribute to their health insurance in each union and others. She asked about the employee contributions before the newest contract and at present. She was interested in the bigger picture instead of looking at the costs in silos.

Ms. Pitney replied in the affirmative. The Department of Administration (DOA) had provided the information.

Vice-Chair Gara referred to lines 9 through 11 that all seemed to be new private funds. He asked Ms. Pitney to point out where the other funds were not private funds. He surmised that the agencies were probably being asked to absorb those costs.

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Ms. Pitney agreed. She advanced to a University of Alaska TVEP decrement of \$593,000 item on line 17. Line 18 was a Mat-Su Foundation grant for the therapeutic courts. Lines 19 through 21 pertained to the Judiciary and were all technical corrections to align its budget with the expected reality - reflecting an additional \$23,000 in general funds.

Co-Chair Seaton referred to line 15 and asked how the feasibility study would coincide with scheduled layoffs. He asked for detail.

Ms. Pitney replied that 76 positions had been deleted in the FY 18 budget. The positions were anticipated to be vacant without layoff prior to the end of FY 17. She explained that consistent with union contracts, layoffs required a feasibility study. Therefore, there would be no layoffs prior to the completion of the study.

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Representative Grenn asked for the feasibility study timing pertaining to layoffs.

Ms. Pitney replied there was an elimination of 76 positions in the FY 18 budget - the positions would cease to exist on July 1. The administration anticipated all of the positions to be empty by July 1 without needing a layoff. The feasibility study would start within the next 30 to 60 days and should be completed in September or October [2017]. Depending on the direction of the study, there may be positions put forward for the FY 19 budget.

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Ms. Pitney moved to lines 22 and 23 on slide 7.

Co-Chair Seaton asked for verification the slide pertained to FY 18.

Ms. Pitney affirmed. Lines 22 and 23 related to the international airport system budget and its debt service. She added that a related increment would appear later in her presentation pertaining to the FY 17 supplemental budget. She detailed that the international airport system wanted early redemption of some of its revenue bonds. The system had planned the early redemption in FY 17, which was being delayed to FY 18. Therefore, a reduction was reflected in the system's FY 17 budget and an increase was reflected in its FY 18 budget. Additionally, the administration wanted transparency in the borrowing agreement between the international airport system and the General Fund (GF). The system used GF while waiting on receivables from federal international highway funds. Line 23 included a language item specifying that the international airport system could borrow from GF while waiting on federal money. The system would pay the GF interest at the federal rate plus 3 percent or whatever amount the GF was earning if it was earning more. She characterized it as a win-win because otherwise the airport system would have to get a line of credit, which would be more expensive, and the state would not earn the interest.

Vice-Chair Gara noted that almost every year someone asked if DOT had finally started getting costs for the Deadhorse airport to be paid by users. He asked if the airport was self-funding with user fees.

Ms. Pitney replied she would follow up.

Vice-Chair Gara hoped the self-funding could be achieved.

Ms. Pitney spoke to FY 18 operating amendments on page 8. Line 24 reflected a change in timing for budgeting. She explained that the Oil and Hazardous Substance Release Prevention and Response Fund had been using projected FY 18 receipts to set its FY 18 budget. The item included a downward adjustment in FY 17. Rather than setting the budget on the projected FY 18, they wanted to set the budget based on FY 17 receipts in order to achieve much more accuracy. The supplemental request would set the FY 17 on FY 16 receipts. It provided more accurate budget reflection.

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Representative Wilson wondered why the funds were UGF versus designated general funds (DGF). She remarked there was over \$6 million in the specific fund.

Ms. Pitney answered believed that although the funds were in a segregated fund, they were classified as UGF.

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Ms. Pitney advanced to line 25 related to salary and benefits adjustment for all bargaining units. All bargaining units had not been included in the original language - line 25 made the correction. Line 26 reflected a revised Alaska Industrial Development and Export Authority (AIDEA) dividend that took place between December 15 [2016 and current day. The dividend had increased from \$9.5 million to \$12.8 million. Line 26 was a language item, but reflected an increase in revenue available for state spend.

Vice-Chair Gara asked why a number was not listed if it was a budget savings. Ms. Pitney replied it was a language item and a revised revenue estimate of \$12.8 million.

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Vice-Chair Gara asked for verification the money did not normally go back to AIDEA and reflected a dividend to the state. Ms. Pitney replied in the affirmative; it was money from AIDEA to the state GF.

Co-Chair Seaton asked for verification the slide reflected FY 18 operating budget totals. Ms. Pitney replied in the affirmative.

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Ms. Pitney addressed FY 18 capital budget amendments for HB 58/SB 23 on slides 9 and 10. She referred to line 1 and explained that she had discussed the item during the supplementals when a reappropriation had been made in the amount of \$3 million for ALMR. She had testified that another \$1.5 million would be needed. The administration had looked for additional reappropriations and had been unable to find them. The line pertained to the remaining amount that made the current year's maintenance and upgrade total whole.

Ms. Pitney advanced to line 2 on slide 9 related to the case management database system for DOA. The increment was \$665,000 to implement a case system consistent with those used by the Court System and the Department of Law (DOL). The current system used by the Public Defender Agency and the Office of Public Advocacy was no longer supported and needed to be upgraded. There was endorsement from the courts and DOL that the system would make discovery much more efficient and timing for court cases would be improved. Lines 3 through 6 all related to the National Petroleum Reserve-Alaska Impact Grant Program. The estimate initially put forward in the FY 18 budget was reduced by \$1.8 million (more than 50 percent), which was related to the number of leases and rents and royalties on federal lands shared 50/50 with the state. There was currently a lease sale underway, which could possibly bring the total closer to the traditional about \$3.5 million. The allocations were done in January - of the roughly \$1.3 million remaining it represented a distribution to various communities receiving money from the impact grant program.

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Ms. Pitney addressed page 10, line 7 that would provide the Department of Environmental Conservation with the ability to accept a federal grant for a heating device change-out program valued at \$2.4 million. Line 8 reflected the inclusion of fleet replacement funds from other funds. She detailed there was a renewal and replacement process for agencies using fleet vehicles. The increment would replace the oldest and highest mileage vehicles on a scheduled basis. The increment only covered about 5 percent of the entire fleet. She added that the reason the fund source was other funds was because it was funds already collected in the State Equipment Fleet Fund.

Representative Wilson asked for verification that although the money was going into a fund, the funds were still basically general funds used for the vehicles.

Ms. Pitney replied it was probably less than half GF. For DOT, depending on the split between GF and federal highway funds, it could be as much as 90 percent federal funding. For Department of Public Safety that participated in the [renewal/replacement] process with its trooper cars the funds would be largely GF. In total the increment was less than half GF.

Representative Wilson asked for a breakdown of the fund, specifically related to its composition of state versus federal funds. She asked what constituted old and high mileage.

Ms. Pitney answered she would provide a complete replacement schedule. The items on the schedule at hand covered some vehicles from the 1980s and 1990s; it was different depending on the vehicles. The schedules included the replacement time frame and a usage replacement - it was different depending on the vehicle. She detailed that trooper vehicles had recently gone from a five-year to a six-year replacement and from a 100,000-mile limit to 130,000-mile limit. Over the course of the past few years the refresh schedule had been extended for all types of vehicles. The administration had a breakdown of exactly what the \$15 million was slated to cover and why those particular vehicles were on the top of the list for replacement.

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Ms. Pitney referred to the capital amendments total of \$2.199 million UGF and \$17 million in total at the bottom of slide 10. She advanced to an FY 17 supplemental budget amendments summary on slide 11. The top half of the page showed the supplemental requests put forward two weeks earlier in the supplemental bill. The lower half of the page showed a summary of what the administration was submitting at present. The most significant item related to fire suppression expenses. She noted fire suppression had been inadvertently left out. The total supplemental total was \$14.4 million UGF, but due to the international highway fund decrease that had been pushed from FY 17 to FY 18, the actual supplemental total was a negative \$8.8 million.

Ms. Pitney discussed slides 12 through 14 titled "FY2017 Supplemental Amendments Submitted February 14, 2017." Lines 2 and 3 on slide 12 were technical adjustments accounting for expenses incidental to the sale and issuance of general obligation bonds. The amounts were a negative \$3 million and a positive \$745 million - the intent was to match the FY 17 budget with the anticipated actual issuance costs. She noted the increments were multi-year appropriations for the general obligation bond sales. Line 5 included a UGF increment for the Office of Public Advocacy. She specified

that the reductions to the public defenders and the Office of Public Advocacy (OPA) had been very tight. The request was to accommodate the extra effort related to a case in Palmer; there were five defendants. Public defenders could have one defendant and OPA was representing four of the individuals.

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Ms. Pitney turned to page 13, line 6 related to fire suppression for FY 17 totaling \$15 million. She noted that her office had sent a response that morning to questions about the balance of the fire fund and other accounting. The balance and historical trend was provided in the information. Line 7 allowed for the extension of money already appropriated for outside counsel and North Pole remedial action appropriation related to a Flint Hills and Williams water issue.

Representative Pruitt understood a conclusion had been determined. He wondered if some of the state costs would be covered in the conclusion.

Ms. Pitney knew it was still active, but she did not know the specifics.

Representative Pruitt thought it sounded like a positive thing for the state.

Representative Wilson relayed that the state was suing Williams as well. The agreement was between Flint Hills and the state. The ongoing litigation was between the city and Williams to see if the courts would decide whether they had some kind of share. The other portions would hopefully be settled after a public gathering in her community one week from the coming Saturday.

Ms. Pitney spoke to line 8 on slide 13 related to International Airports Revenue Fund for early redemption of international airports revenue bonds. She detailed that the airports had planned to do the early redemption in FY 17 and were delaying it to FY 18 - the FY 17 budget was being reduced. She noted that earlier in her presentation she had addressed the FY 18 increase.

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Ms. Pitney moved to line 9 included the same language related to international airport that allowed transparent borrowing between International Airports Revenue Fund and the GF effective FY 17. Line 10 pertained to FY 17 estimated collections related to the Oil and Hazardous Substance Release Prevention and Response Fund. The item was a reduction in the FY 17 budget based on FY 16 receipts. The last item on line 12, page 14 was a reappropriation of \$10 million for the Izembek Road project. She explained that the House (through its Joint Resolution 6) supported the federal action to build a road through the Izembek area. She explained it was one of the governor's priorities and had been a long-time priority of the state. She elaborated that the item would reappropriate \$10 million from projects that had been federalized and no longer required GF. The supplemental request reduced the FY 17 total by \$8.8 million, but included an increase of \$14 million in GF for fire suppression and other items.

HB 57 was HEARD and HELD in committee for further consideration.

HB 59 was HEARD and HELD in committee for further consideration.

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AT EASE

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RECONVENED

#hb23

HOUSE BILL NO. 23

"An Act relating to major medical insurance coverage under the Public Employees' Retirement System of Alaska for certain surviving spouses and dependent children of peace officers and firefighters; and providing for an effective date."

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Co-Chair Seaton MOVED to ADOPT the proposed committee substitute for HB 23, Work Draft 30-LS0258\U (Wayne, 2/10/17).

Representative Pruitt OBJECTED for discussion.

JANE PIERSON, STAFF, REPRESENTATIVE NEAL FOSTER, discussed the changes in the committee substitute (CS):

The first change occurred when the committee passed Amendment 1(a), which changed "health" insurance to "medical" insurance throughout the bill, insuring that the surviving dependents of a fallen officer is granted the same level of medical insurance benefits the deceased employee was receiving at the time of the employee's death as directed by the bill (see, page 3, lines 14-16).

The next amendment the committee passed was Amendment 3, as amended. These changes can be found on page 3, lines 14 through 26, which clarify the level of insurance that is required, how payments of premiums shall be paid. Additionally, on page 4, lines 7 through 9 and 13 through 15 large and small municipalities are defined.

The next amendment that passed was Amendment 4, on page 3, line 7 that changed age 65 to eligible for Medicare.

The committee in passing Amendment 10 changed police to peace officer throughout the bill and defined a peace officer on page 4, lines 10 through 12 to mean an employee occupying a position as a peace officer, chief of police, regional public safety officer, correctional officer, correctional superintendent, or probation officer.

The final changes to this bill were made when the committee passed Amendment 13(a) simplifying how money is appropriated to the fund.

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Co-Chair Foster relayed the committee had passed a number of amendments the previous week, which had been rolled into the current CS. He listed people available to answer questions. He noted that Representative Kawasaki had joined the meeting.

Representative Guttenberg pointed to the definition of a peace officer on page 4 line 10. He wanted to ensure there

were no unintended consequences caused by the change to the definition.

Ms. Pierson answered that the committee had expanded the definition and had not eliminated anything that had been previously in the bill.

Representative Guttenberg clarified his question. He wanted to ensure there were not unintended consequences in other places.

Co-Chair Foster recognized bill sponsor Representative Andy Josephson in the audience.

Ms. Pierson deferred the question to Legislative Legal Services.

DANIEL WAYNE, ATTORNEY, LEGISLATIVE LEGAL SERVICES (via teleconference), summarized his understanding of the question. He asked for verification that Representative Guttenberg was asking whether anyone had been dropped from the definition of peace officer.

Representative Guttenberg replied in the affirmative.

Mr. Wayne answered that he did not believe the change would have any unforeseen consequences. The previous definition had included Department of Transportation and Public Facilities employees and University of Alaska employees who had general police powers to arrest and so forth. He believed the individuals would qualify as peace officers under the bill's updated definition.

Vice-Chair Gara asked for verification that Medicaid did not count under the legislation, but Medicare did.

LISA WEISSLER, STAFF, REPRESENTATIVE ANDY JOSEPHSON, replied that medical, throughout the bill, referred to the level of coverage at the time of an employee's death, while major medical came into play for ineligibility. She addressed whether Medicare was considered major medical and did not believe it mattered for the purpose - the bill set the criteria and made it quite specific in terms of becoming eligible for major medical or Medicare.

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Vice-Chair Gara surmised it was the level of health insurance a person had previously and once an individual reached the Medicare eligibility age, they received Medicare.

Ms. Weissler replied in the affirmative.

Representative Wilson noted Alaska's Medicaid program covered much more than in some other states. She stated that Medicaid would be medical insurance. She believed that it probably would not happen for most of the population impacted by the bill. She surmised that Medicaid would be the same as if the state were providing other insurance.

Ms. Pierson replied that she did not believe anyone covered under the policy would qualify for Medicaid because the policy would be in effect.

Representative Wilson noted Medicaid did not have anything to do with whether or not a person had insurance. She stated that it was related to the individual's level of income. She detailed that a person qualified for Medicaid if their income was low enough. She noted that Medicaid was an insurance policy and because of the extras provided in Alaska, she wondered if Medicaid would cover the individuals.

Ms. Weissler replied she did not know how to answer the question. She referred to a document that had been passed out [by Co-Chair Foster's office] to the committee that included definitions for health, medical, and Medicare (copy on file).

Representative Wilson referred to the definition and believed Medicaid would fall under the medical insurance category.

Co-Chair Foster recognized Representative Charisse Millett in the audience.

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Ms. Pierson deferred Representative Wilson's question to Mr. Wayne.

Mr. Wayne replied that the definition of major medical, which was included on the handout. He detailed that the

document listed Medicare as a major medical plan under AS 21.55.500 (a definitions section relating to health insurance, but not necessarily about health insurance being discussed in the bill); it was the only statutory definition Legislative Legal Services had found. He asked for a repeat of the question.

Representative Wilson clarified she was speaking about Medicaid, not Medicare. She specified that Medicaid is based on a person's income - a person could apply for Medicaid at any time. She continued that if a person was eligible, Medicaid covered health insurance, dental, and other extras. She was trying to determine that if a person qualified for Medicaid they would not be eligible for the other insurance under the bill.

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Ms. Pierson answered that Medicaid was usually the payer of last resort, as long as another insurance was available the person would not qualify for Medicaid.

Representative Wilson explained that she had been concerned that an individual may end up going back and forth and could become disqualified when their income changed. It would be a hardship on families if they were passed back and forth between plans. She asked someone to double check that if a person had a health plan that they may be able to receive the supplements and would not be disqualified for the insurance under the bill.

Vice-Chair Gara believed Medicaid did not count as the kind of insurance a person would receive under the bill. He reasoned that major medical was defined in AS 21.55.500 as an expense incurred insurance. He relayed that Medicaid was not an expense incurred insurance.

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Vice-Chair Gara spoke to the three fiscal notes associated with the bill. The first was a zero fiscal note from the Department of Public Safety (DPS). He explained that DPS would manage the fund that funded the benefits provided under the legislation at no cost with existing staff. The next fiscal note had no OMB component number because it was the creation of a new fund called fund capitalization. The note reflected the cost of the program, estimated at

\$70,100 in FY 18 through FY 23. The last note was for the Department of Administration, Division of Retirement and Benefits and had zero fiscal impact. The Department of Administration would help DPS manage the new fund with existing staff.

Co-Chair Seaton MOVED to REPORT CSHB 23(FIN) out of committee with individual recommendations and the accompanying fiscal notes.

Representative Pruitt noted he WITHDREW his OBJECTION to the adoption of the CS.

There being NO further OBJECTION, CSHB 23(FIN) was REPORTED out of committee with a "do pass" recommendation and with one new zero fiscal note from the Department of Administration; one new zero fiscal note from the Department of Public Safety; and one new fiscal impact note from the Office of the Governor for Fund Capitalization.

Co-Chair Foster addressed the schedule for the following meeting.

ADJOURNMENT

2:50:33 PM

The meeting was adjourned at 2:50 p.m.