

HOUSE FINANCE COMMITTEE
April 17, 2018
9:10 a.m.

9:10:05 AM

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 9:10 a.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 Steve Thompson
Representative Cathy Tilton
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Senator Peter Micciche; Rachel Hanke, Staff, Senator Peter Micciche; Lisa Skiles Parady, Executive Director, Alaska Council of School Administrators; Mark Miller, Superintendent, Juneau School District, Juneau; Matt Moser, National Education Association-Alaska, Juneau; Kathy Lea, Deputy Director and Chief Pension Officer, Division of Retirement and Benefits, Department of Administration; Senator David Wilson, Sponsor; Gary Zepp, Staff, Senator David Wilson; Elizabeth Diamant, Staff, Representative Paul Seaton; Rachel Hanke, Staff, Senator Peter Micciche; Gene Therriault, Deputy Director, Statewide Energy Policy Development, Alaska Energy Authority, Department of Commerce, Community and Economic Development; Cathy Schlingheyde, Staff, Representative Jonathan Kreiss-Tomkins; Representative Jonathan Kreiss-Tomkins, Sponsor.

PRESENT VIA TELECONFERENCE

Jennifer Haldane, Director, Contract Administration, Labor Relations And Benefits, Anchorage School District, Anchorage; Scott McManus, Superintendent, Alaska Gateway School District, Tok; Margaret Brodie, Director, Division of Health Care Services, Department of Health and Social Services; Marla Thompson, Director, Division of Motor Vehicles, Department of Administration; John Springsteen, Alaska Industrial Development and Export Authority, Department of Commerce, Community and Economic Development; Marla Thompson, Director, Division of Motor Vehicles, Department of Administration; Elizabeth Ripley, CEO, Mat-Su Health Foundation, Wasilla; Rick Calcote, Mental Health Clinician, Division of Behavioral Health, Department of Health and Social Services.

SUMMARY

HB 119 AIDEA:DIVIDEND TO STATE;INCOME;VALUATION

HB 119 was HEARD and HELD in committee for further consideration.

HB 409 DMV ID CARDS & REGISTRATION FEES

CSHB 409(FIN) was REPORTED out of committee with a "do pass" recommendation and with one previously published fiscal impact note: FN1 (ADM).

CSSB 92 (FIN) am

VESSELS: REGISTRATION/TITLES; DERELICTS

HCS CSSB 92(FIN) was REPORTED out of committee with a "no recommendation" recommendation and with one new fiscal impact note from the Department of Administration; one new fiscal impact note from the Department of Natural Resources for Fund Capitalization; and two previously published zero notes: FN3 (DEC) and FN4 (DNR).

CSSB 105(FIN)

MARITAL/FAMILY THERAPY LIC & MED SERVICES

CSSB 105(FIN) was HEARD and HELD in committee for further consideration.

CSSB 185(EDC)

REEMPLOYMENT OF RETIRED TEACHERS & ADMIN

CSSB 185(EDC) was REPORTED out of committee with a "do pass" recommendation and with one previously published indeterminate fiscal note: FN2 (ADM).

Co-Chair Foster reviewed the meeting agenda.

#sb185

CS FOR SENATE BILL NO. 185(EDC)

"An Act relating to reemployment of persons who retire under the teachers' retirement system."

[9:11:04 AM](#)

Co-Chair Foster noted that the bill was companion to HB 224 by Representative Jennifer Johnston.

SENATOR PETER MICCICHE, thanked the committee for hearing the teacher retire/rehire bill. He spoke to the nationwide shortage of teachers and educators. Historically Alaska had relied on the recruitment of teachers from the Lower 48, but the pool in the Lower 48 had shrunken, which had exacerbated the teacher shortage in Alaska. He reported in 2015 there were 3.3 million teachers in the U.S.; 344,000 new teachers had graduated in 2017 and 531,000 teachers left the profession. He shared that the turnover rate in poverty schools was much higher; it was a nationwide problem. He detailed that teacher job fairs in Alaska had seen a steady decline in prospective teachers. In 2017 there had been only 211 registrants, 172 from in-state and 39 from out of state. He detailed that typically the numbers were more balanced. He elaborated that 36 districts had been represented. In 2018 the number of registrants had dropped to 179 and only 31 were from out of state. In some schools there were high school graduates supervising certain classrooms.

Senator Micciche explained that the bill returned to the retire/rehire provisions in place from 2001 to 2010. He explained that to be eligible [for re-employment] a person

62 years of age or older had to be retired for 60 days and a person younger than 62 had to be retired for six months. There were no salary deductions, retirement and benefits could still be received, there was no credited service, and there was no hit to the Teachers' Retirement System (TRS) system. He commented that the department would speak to the fiscal note later in the meeting. The districts would continue to pay the 12.56 percent TRS requirement. Benefits and pay would depend on the bargaining unit, some would be union represented and some would not. Sick leave was required by current state law and there would be a 12-month contract just like any other teacher. He detailed that from 2001 to 2010 there had been only 325 teachers rehired. The average reemployment time had been 18.7 months and the shortest had been 3 months. He specified the number equated to 32 teachers on average per year. He believed the number would be higher if the bill passed.

[9:15:11 AM](#)

Senator Micciche expounded that the bill would put Alaska retired teachers on equal footing with retired teachers from other states. Currently any retired teacher from another state could be rehired in Alaska; however, Alaska could not rehire its own retired teachers. He believed an experienced teacher was better for the students until a school could fill a position with a new full-time teacher. Additionally, he believed there were mentorship opportunities for younger teachers. The bill enabled districts to take advantage of a lifetime of experience at the same or lower cost of a new teacher until the position could be filled with a recent graduate. He pointed to a handout specifying that rural remote schools had the lowest retention among principals and teachers (copy on file). He detailed that urban schools included Juneau, Anchorage, and Fairbanks; the urban/rural fringe included Palmer, Sitka, Seward, Kenai; the rural hub category included places like Bethel, Healy, and Unalaska; and the rural remote category included places like Adak, Arctic Village, and Yakutat. The rural remote schools only retained 61 percent of their principals and 64 percent of their teachers in 2017 to 2018, whereas urban schools had retained 88 percent of their principals and 80 percent of their teachers. He reiterated there was a problem facing the state, which the bill would help to manage temporarily with qualified teachers.

[9:17:17 AM](#)

RACHEL HANKE, STAFF, SENATOR PETER MICCICHE, reviewed the sectional analysis (copy on file):

Section 1

Adds new section to AS 14.20:

AS 14.20.136(a) allows school districts to rehire educators that have retired under the defined benefit plan or the defined contribution plan when;

AS 14.20.136(b)(1) the retired member certifies that there was no prearrangement of reemployment made prior to retirement;

AS 14.20.136(b)(2) the member has been retired at least 60 days if they are 62 years of age or older or six months if the member is younger than 62 years of age;

AS 14.20.136(c) the school district has adopted a rehire policy by resolution and has publicly advertised the position for 10 business days and is actively recruiting to fill the position with a person other than a retired member.

AS 14.20.136(d) reemployment contracts may not exceed 12 consecutive months.

AS 14.20.136(e) the school district that hires a retiree must provide the administrator with a copy of the resolution and policy required by (e) as well as a report stating the retiree's name, description of circumstances, and actions taken to comply with the policy. The school district is also required to make contributions to AS 14.25.070.

AS 14.20.136(f) certain requirements of the section don't apply to a rehire member that's eligible for restoration of tenure rights.

Section 2

Allows retirees who are rehired, as permitted by section 1, to continue to receive retirement benefits during the period of reemployment unless they become an active member.

Section 3

Makes retirees who are reemployed, as permitted by section 1, ineligible to receive additional retirement benefits based on their service and salary during the period of reemployment.

Section 4

Clarifies that a member who is reemployed does not become an active member, the member will continue to receive retirement benefits, deductions under TRS will not be made to their salary and reemployed educators will not receive credited time for service during reemployment. This section also ensures that a retired and rehired teacher will be eligible to receive the group health plan coverage that is provided to active members employed by the school district if they so choose.

Section 5

Inserts reference to section 1 which will require the employer to make TRS contribution for reemployed retirees at a rate of 12.56%.

Section 6

Applies the bill's provisions to contracts made on or after the effective date.

[9:19:31 AM](#)

Co-Chair Foster listed individuals available for questions.

Representative Grenn asked why the tool had previously been removed in 2010.

Senator Micciche replied that he could not answer the question. He explained that as he had worked on the bill someone had suggested using a short sunset window in order to drive educators to find a long-term solution to the shortage. He remarked that if educators elsewhere in the U.S. could not solve the problem, he did not believe the idea was realistic. He thought the situation was a frequent challenge in the past. He spoke to the difficulty of getting a piece of legislation passed. He did not know why it sunset in the past. He thought they had probably believed a solution should be achieved, but he did not know that it was realistic. He believed the challenge was frequent in Alaska depending on the status of the economy and other issues.

LISA SKILES PARADY, EXECUTIVE DIRECTOR, ALASKA COUNCIL OF SCHOOL ADMINISTRATORS, responded that the school system had missed that the law had sunset; they now needed it back.

Representative Wilson pointed to Section 2 of the legislation that read "...continue to receive retirement and benefits during the period of reemployment unless they become an active member." She noted the language appeared in two places in the bill. She wondered if a person could be retired and receiving retirement and benefits and also become an active member.

Senator Micciche replied that a person could always be rehired and become an active member. He elaborated that a retired person could decide they would no longer be retired and go back to the profession of teaching. He stated that a person could not be both. The bill would enable a person to be a temporary teacher after retirement. He continued that if a person decided to return to being an active member they would come out of retirement and would no longer receive their retirement benefits.

Representative Wilson observed that many teachers were not coming out of retirement, otherwise the bill would not be needed. She surmised that a retired teacher could decide to come back [temporarily] under contract, while retaining their benefits. She believed the benefit to the [TRS] retirement plan was that 12.5 percent was put into the system and no additional money would go to the retiree because they were already in a plan.

Senator Micciche replied in the affirmative. He believed people had not chosen to become active employees because when people were ready to retire they were ready to retire. He remarked that the bill would very likely bring a significant savings for the state. He underscored that people did not retire to go back to work. However, sometimes a teacher retired and was amenable to coming back for a temporary period. He believed there were many more teachers in the queue in that scenario versus retired teachers wanting to come back to work full-time.

[9:24:44 AM](#)

Representative Kawasaki referenced a one-page document from the Division of Retirement and Benefits (copy on file) that listed the Lower Kuskokwim School District as the employer employing the largest number of individuals under the retire/rehire program ["Retiree Rehire Program Experience Summary 2001-2010 School Years (copy on file)]. He asked if

there were statistics available on other employers particularly related to rural and remote Alaska.

Ms. Parady believed Representative Kawasaki was referring to a summary of statistics in members' bill packets. The document specified that the employer employing the largest number of individuals under the retire/rehire program was the Lower Kuskokwim School District. The information was broken down by position. For example, there had been 149 teachers, 45 special education teachers, 18 superintendents. She explained it was possible to obtain who used what by district if necessary. She remarked that the program had been used more historically in rural areas, the urban areas desperately needed it for specific positions like special education. She believed every district would use the tool provided under the bill if possible.

Representative Kawasaki noted that the law had been in effect from 2001 to 2010. The committee had heard repeatedly in testimony that the reason so many individuals were retained in school districts, trooper ranks, and other places was primarily related to the retirement system currently in place. He asked Ms. Parady for comment.

Ms. Parady answered that Alaska was reflective of the national shortage, but it was having greater struggles due to its remoteness combined with its loss of competitiveness. She noted that teachers had testified throughout session that the state had lost ground with its retirement system and wages for the cost of living in Alaska. The state no longer drew [new teachers] from the Lower 48 as it had in the past. She noted that many recalled when there had been lines out the door to work in Alaska, whereas, currently the state was down to less than 200 and the majority were rotating between districts - not from the Lower 48.

[9:27:46 AM](#)

Senator Micciche elaborated that there were currently shortages in some areas that had some of the most lucrative defined benefit plans in the nation. He remarked that it was largely a social issue - the primary reason teachers were leaving was dissatisfaction. The social norms where teachers had been revered by parents and students had changed. He stressed the need to turn the situation around.

He believed it was a national problem and that teachers were tired of being abused and not being valued. The non-monetary problems seemed to be more pervasive than whether there was a lucrative defined benefit plan in a district.

Representative Kawasaki remarked that one of the criticisms he had heard about a retire/rehire program (e.g. for city police and teachers) was rather than hiring new teachers it was a way to keep individuals who had retired previously. He had heard the issue was a negative aspect of the program.

Ms. Parady countered that the districts were unable to fill vacant positions. She underscored it was not a situation where jobs were taken away from new teachers. The legislation was designed to require school districts to advertise and try to recruit a permanent teacher into the position. If the position was not filled, districts could hire a retired individual to fill the position. She understood that it may be a concern in times when the districts were able to attract teachers, but it was not applicable in the current situation. Currently there were many districts patch-working substitutes or para-educators. She believed the students would be much better served if districts had the ability to rehire retired teachers who were familiar with the Alaska content and was a proven resource for students. She concluded that patchworking substitutes and others to teach the class or to put additional load on teachers by double-hatting or merging classes was not good for students.

[9:30:41 AM](#)

Vice-Chair Gara stated the bill was easy for him to support for the reasons mentioned by Ms. Parady. He believed the bill had passed the other body unanimously because people with different views on education funding saw a common ground with the legislation. He recalled testimony that several years ago the job fairs had been filled with individuals looking to move to Alaska, whereas, currently the state was having difficulty attracting qualified teachers to come to Alaska. He believed the bill helped fill the gap.

Ms. Parady answered that Alaska was seeing a crisis that was unparalleled to anything in the past. She characterized the situation as the perfect storm. There were not enough

new teachers being produced nationally. She referenced research out of Penn from 2015 reporting there were 3.3 million teachers in the U.S.; 343,000 new teachers had been prepared that year, but over 500,000 teachers left the profession. The deficit in the country's teacher pool was exaggerated in Alaska because of its reliance on recruiting teachers from the Lower 48. She emphasized that education was hard; teachers were asked to do much more than in the past. She believed there were many reasons for the severe shortage. She asked members to think about the education system as a business.

Ms. Parady explained that education was the largest business in most of the state's communities. She equated superintendents to business CEOs and stressed there had been a 60 percent turnover rate over a four-year period. Additionally, districts had a 26 percent principal turnover rate. She referenced the handout provided by Senator Micciche about teacher turnover. She elaborated that the picture worsened with time in schools that needed the most stability. The bill was not a silver bullet, but it was one strategy to help fill vacancies. She communicated that educators understood that the proposal of additional strategies was needed, and she believed legislators would be seeing more proposals in the coming years.

[9:34:53 AM](#)

Senator Micciche spoke about retirement and believed money had much to do with the issue nationwide. He thought that the legislature was considering early funding for education because he and Co-Chair Seaton had attended a meeting with educators and administrators in Seward earlier in the year. He hoped the effort was successful. He believed flat funding had a dramatic impact on teaching. He agreed it was a discussion that needed to continue. There was struggle for many reasons and the bill offered a simple solution to part of the problem.

Vice-Chair Gara stated that more experienced teachers had a stabilizing effect. He believed mentors worked in numerous ways and that experienced teachers were also beneficial for other teachers. He remarked on a separate effort to get more mentors in the child protection system.

Representative Pruitt referred to financial impacts of the bill. He asked if retired teachers would come back to work at a new teacher salary or other.

Ms. Parady answered that it would depend based on the school district. She explained that a teacher was not locked into the salary they received at their previous district. She explained that if a person had been a master teacher at a higher level before retirement, the rehire negotiation would be between the school district and the retired individual. She guessed that depending how long a position had been vacant, the more leverage the retired individual would have. There was no locked in amount or prescribed way an individual would come back to work. The individual could only be hired after the district had tried to fill the position in the normal process.

[9:38:42 AM](#)

Representative Pruitt pointed to Section 1(d) and observed that contracted reemployment could not exceed more than 12 months. He asked for verification that the rehired teachers would not fall under a normal bargaining contract where they would move into [payroll] steps and tiers annually. He surmised it would be a year-by-year discussion and negotiation.

Ms. Parady answered that depending on the collective bargaining agreement of the district and the definition of teacher, the individual would or would not fall under that category. She confirmed that the contracts were negotiated year-by-year (as with every teacher) and a retired person would only be able to contract for one year at a time or less depending on the needs of the district.

Representative Pruitt noted that rehired teachers would be eligible for insurance under the current plan. He thought healthcare insurance would be secondary from the retirement system.

Senator Micciche read from page 2, paragraph 3 of the fiscal note [OMB Component Number 64]:

Current retired members covered under the AlaskaCare Retiree Health Plan who return to employment under this bill will generate a cost savings as their

retiree health insurance will become secondary to the active insurance received upon reemployment...

Representative Pruitt wanted to understand the fiscal impacts of the bill. He stated there was always cost concern about double dipping when there were discussions about retiree rehire in teaching or other systems. He recognized the need had been established due to the lack of teachers. He asked how to ensure people were comfortable that the legislature was not providing an opportunity for an individual to potentially benefit off the system. He stated that double dipping had cost some communities substantially.

Senator Micciche answered that the bill would implement some things that had not been in place under the prior program. He noted there had also been some Internal Revenue Service (IRS) changes. He elaborated that the bill required bona fide separation with no prearrangement allowed. He detailed that prearrangement had some significant consequences, which increased the likelihood that retirement systems would not be impacted. He explained that the fiscal note provided a set of facts. He detailed that if 100 percent were rehired from the retired population there would be a savings. He reported there would be a fiscal impact if people retired to take advantage of the program earlier. He stated that if 50 percent of the participants were retired over three years there would be a savings to the program, which he expected to be the case. He found it highly unlikely someone would retire to go back to work for the incremental increase they would receive with the program.

Senator Micciche did not view the bill as a retirement incentive. He anticipated the bill would result in savings. The fiscal note was indeterminate because it covered a set of facts specifying there would be a savings at certain percentages of people already being retired it would be a savings, whereas, there could be a cost with lower percentages and "x" number of people retiring to take advantage of the program. He thought the probability was unrealistic [that a cost would result].

[9:43:30 AM](#)

Representative Pruitt thought it was appropriate to mention the individuals would not be adding into their retirement

when doing the work. Individuals would step away from retirement and would be coming in under typical one-year contract. He underscored that individuals would not be adding to the retirement system or increasing the future retirement liability.

Senator Micciche replied he believed it was a disincentive to add to the program. He stated that if the situation became desperate enough he could see districts hiring back retired teachers to reenter as regular employees and then adding to their retirement benefits. The bill discouraged that situation and would allow districts to hire retired teachers temporarily while remaining on their regular retirement and not adding to their benefits. He concluded that hopefully a savings would result because the individuals were retired and there would be a savings in healthcare to the system. He stated that if a Tier I teacher was brought back they would begin adding to their benefits again. He saw the bill as discouraging additional cost in the retirement system.

Co-Chair Seaton clarified that the bill was different than the prior retirement incentive program that covered all state employees who would retire and be rehired at the same rate. It meant there had not been an upward mobility path for lower level employees. He appreciated that the bill required a teacher to be separated from the system for a minimum of 60 days or 6 months [depending on the person's age]. He also appreciated that Section 5 required districts to continue to put the 12.5 percent of salary into the retirement system. He believed it would keep the retirement system whole and would solve the problem of not being able to fill positions. He thought one of the reasons the past program had gone away was it had been combined with other state employees.

[9:47:02 AM](#)

Representative Guttenberg asked about attracting teachers. He remarked on the nationwide teacher shortage. He asked if Ms. Parady had thought about other ways to attract teachers to Alaska.

Ms. Parady replied that educators were actively thinking about ways to shift the terrain because the situation was not healthy for students or anyone. She remarked that the situation had been dwindling downward and it was necessary

to figure out how to stop the cycle and move forward. She referenced the organization's joint position statement she had previously provided to members; all its members focus and vote on the positions. One of the organization's highest priorities was preparing, attracting, and retaining qualified educators. She continued it would include innovative, alternative pathways to attract teaching. She spoke to the need to create education career pathways for current students. The organization was working with the University - she referenced University President Jim Johnson's goal of 90 percent by 2025, which the organization was supportive of. Many different strategies were being considered. She believed they would bring additional ideas about ways to attract teachers to Alaska in coming sessions. She listed the need for reciprocity with other states allowing certification in one state to transfer to another state. She referenced alternative certification. For example, making it possible for an engineer to teach math if they were willing. She shared there were many strategies used in other states that deserved consideration and possible implementation.

Representative Guttenberg shared that he had a friend who had started a dog mushing magazine and a local hospital had said it was the biggest recruiting tool it had ever had for doctors. He recalled a doctor in Juneau telling him he had been recruited to Alaska and his son had discovered hockey, which kept them in Alaska. There were many things outside the norm that anchored people to Alaska. He believed the state had a significant amount to offer.

Representative Kawasaki noted that the last sentence of the fiscal note specified a complete analysis by the plan actuary, Conduent Human Resources Services would be submitted with the fiscal note. He remarked that the analysis was not included in members' bill packets.

[9:51:03 AM](#)

Senator Micciche replied that he would have copies made and distributed to members.

Co-Chair Foster OPENED public testimony.

MARK MILLER, SUPERINTENDENT, JUNEAU SCHOOL DISTRICT, JUNEAU, testified in support of the bill. He shared that he had previously been a physics and chemistry teacher for 12

years. He provided details about his past career as a teacher. He had a passion for teaching. He provided a scenario where he decided to give up his job as superintendent. He provided an option where he could choose to work for ACE Hardware [he brought examples of items he could teach people to use]; however, he would be forbidden to return to teaching in Alaska if he worked part time. He believed it was wrong. He stressed it was not a finance issue, but a resource issue. He stated that whatever the fiscal note was, it would be budget dust in comparison to the overall state budget. Whether the bill passed or not, no one looking at the budget in the next year would know whether the bill passed. He detailed he and other individuals at a time in their lives where they no longer wanted a full-time job were the resource. He stated that teaching came from the heart and soul. He believed great teachers were born, not made. He wondered why a retired teacher in Alaska had to move out of state if they wanted to teach, yet a retired teacher from out of state could teach in Alaska.

Mr. Miller stressed that some of the state's most valuable resources (veteran teachers) were being wasted. He characterized the program under the bill as a win-win for teachers and school districts. The bill meant districts could stop rotating substitutes with no teacher training through classrooms and would allow retired teachers to work part-time. He believed committee members had become legislators because they wanted to contribute. He shared his favorite quote from Horace Mann "be ashamed to die until you have won some victory for humanity." He believed the bill would mean a win for humanity and the kids of Alaska. He did not believe the fiscal note would hurt the state and the bill would provide a powerful option for education in Alaska.

9:57:00 AM

MATT MOSER, NATIONAL EDUCATION ASSOCIATION-ALASKA, JUNEAU, testified in support of the bill. He read from a prepared statement:

NEA-Alaska supports having a qualified educator in front of every Alaska student at the beginning of the school year. We believe this legislation is one tool to help make that a reality.

NEA-Alaska is supportive of efforts to return our veteran educators to the classroom.

NEA-Alaska's understanding is that Senate Bill 185 will not affect existing collective bargaining units of certificated educators.

Collective Bargaining Agreements in districts that cover all "certificated educators" would continue to cover all "certificated educators", including retired-rehired educators and that the terms and conditions of employment would continue to be subject to collective bargaining agreements with the exception of continued employment.

NEA-Alaska believes this is a band aid for ensuring that students have a certified educator in every classroom. We strongly believe that the state legislature and governor will need to take a hard look at how to actually attract and retain quality educators. We believe that will happen by returning to a defined benefit, looking at salaries keeping up with inflation, and strong mentorship and professional development programs.

[9:59:06 AM](#)

JENNIFER HALDANE, DIRECTOR, CONTRACT ADMINISTRATION, LABOR RELATIONS and BENEFITS, ANCHORAGE SCHOOL DISTRICT, ANCHORAGE (via teleconference), spoke in favor of the bill with a prepared statement on behalf of superintendent Deena Bishop:

The district appreciates the opportunity to speak today in support of SB 185. As has already been discussed, teacher recruitment in Alaska is very challenging. The Anchorage School District hires approximately 250 teachers a year. We are always recruiting for qualified applicants and we consistently have vacancies, especially in hard to fill areas such as special education, CTE, and some of our language emersion programs. SB 185 provides an opportunity to utilize experienced retired teachers to fill gaps in these areas and our students benefit from that added flexibility. We believe this legislation would have a positive impact on school districts across the state. Thanks for your time today.

10:00:22 AM

SCOTT MCMANUS, SUPERINTENDENT, ALASKA GATEWAY SCHOOL DISTRICT, TOK (via teleconference), testified in support of the bill. He read from a statement:

You've heard today over and over how recruitment of teachers in today's environment is becoming more and more difficult. When I was a kid in the village being a teacher meant something and it meant doing something that was respected. Both my mother and father were teachers in Ambler where I grew up and it was something that I aspired to be. When I was going to college I went to an apprenticeship as a cement mason at a local 867 there and that was 35 years ago; 35 years ago, a journeyman mason made \$30 an hour, which is more than a starting teacher makes today.

When I went to the job fair this year as the superintendent, I went down there looking to hire five teachers. There were 180 teachers at the job fair and we were fortunate to be able to hire three of them. For those of you who know my district, we're on the road system, which gives us a little bit of an edge over some school districts that aren't. I was pleased with that outcome. I went down to the Portland job fair and there were 22 school districts in the room and less than 30 teachers looking for positions. I only interviewed one person and didn't hire them. I guess the point is that it's becoming more and more difficult, as you've been hearing.

Teachers were leaving their jobs because they find themselves in an unappreciated profession where they don't think they're making a difference. They're beat up by parents, they're beat up by politicians, they're beat up by the press. They leave because it's one of the lowest paying professions that require a college degree, they leave because they don't feel they have the support of the administration or the community, they leave because they don't feel they are making a difference. That is really the key. People want to do something with their lives that has meaning, they want to make a difference, they want to be a part of that solution.

I did a project a few years ago for a post graduate study and I surveyed 360 rural teachers in Alaska. I was interested in a study about why teachers stayed. It was really a profound learning experience. The reason they stay and the reason they leave are the same. Teachers stay where they feel like they're being appreciated and where they're making a difference. Teachers don't become teachers because they want to get rich, they just want to make a good living, which I think it's incumbent upon us socially that we do that. They've got to feel like their lives have meaning and if they're constantly getting beat up they want to leave. The long-term solution to the teacher shortage was like most things, it was really simple, but it was very difficult to do. What we need to do is effect social change that attracts quality teachers in order to improve the public perception of schools and in order to improve the quality of teachers we have to change that perception. It was an egg/chicken argument.

Personally, my feeling is that the long-term solution - and I think this bill is a short-term, stop-gap solution - but the long-term solution is counter-intuitive. I think it needs to become more difficult to become a teacher, not less. That's how you make it mean something. There's a long waiting list of people trying to get into military academies, there's no shortage of people trying to get into ranger school or getting into these special military schools, there's no shortage of people trying to get into upper end, elite ivy league schools because that means something and they're willing to work really hard to do it. The Finnish model of education really did that, they closed a number of teacher preparation programs, made it far more difficult to get in, as difficult to become a teacher in Finland as it is to become a doctor. I think we know what the end result of that was. It wasn't because they pay them more, it's because of their social status - they have some meaning in their lives and because they're respected by their community.

Mr. McManus concluded that the bill was a stop-gap solution, but it would help. There were teachers in his community he would hire if the bill passed.

Co-Chair Foster CLOSED public testimony.

10:05:46 AM

Vice-Chair Gara reviewed the indeterminate fiscal note from the Department of Administration. He detailed that teachers retiring after the bill's effective date may add some costs and teachers retiring prior to the effective date would save some costs. There was no way to know what mix of teachers would utilize the system.

Representative Wilson asked about page 2 of the fiscal note pertaining to the different percentages listed of teachers rehired from the current retired population (100 percent, 67 percent, 50 percent, etcetera). She did not understand why the information was shown for 200 and 400 rehired retirees.

KATHY LEA, DEPUTY DIRECTOR AND CHIEF PENSION OFFICER, DIVISION OF RETIREMENT AND BENEFITS, DEPARTMENT OF ADMINISTRATION, answered the goal had been to look at a band of numbers to demonstrate the potential impacts. She detailed there had been 325 participants in the previous program, but the department did not know whether more or fewer individuals would participate in the new program. Therefore, the department chose to show what would happen if there were 200 participants and what would happen if there were 400.

Representative Wilson asked about the 100 percent, 67 percent, 50 percent, and 33 percent [listed on the left of page 2 of the fiscal note]. She asked if the information indicated how a teacher retired with benefits or something else.

Ms. Lea replied that the percentages represented the number of retirees rehired under the program. She detailed that there would be a savings to the retirement plans if 100 percent of the rehired teachers had been retired because of the shift of cost from the retiree health plan to the active health plan.

Representative Wilson asked for verification it had nothing to do with how an individual retired, only the percentage

of retired individuals who would take advantage of the bill. Ms. Lea answered in the affirmative.

Representative Kawasaki stated that when the first retire/rehire program was done in 2001 the participants had been in either Tier I or II. He wondered if Tier III, implemented after 2004, had been taken into account.

Ms. Lea replied that the numbers in the fiscal note were limited to the Defined Benefit (DB) population because once a Defined Contribution (DC) employee could either leave their contributions in the fund or take them out once they retired. She explained the individuals were not accruing a DB-type benefit; therefore, they could come back into reemployment with no penalty.

10:10:02 AM

Representative Pruitt asked about a scenario where 50 percent of the people came back to the system. He was trying to understand why there was a cost increase to the retirement system for fewer people coming back in.

Ms. Lea answered that the information indicated that 50 percent were coming from the retired population and the other 50 percent came from the active teacher population who would retire and come into the program.

Representative Pruitt asked for verification the information was split between retirement timeframes prior to the bill and after the bill. He asked for the accuracy of his explanation.

Ms. Lea answered in the affirmative. She detailed that the chart looked at the utilization of the program between individuals who were currently retired and individuals who may come back in after retiring. She explained teachers retiring after the program's effective date may retire earlier than anticipated, which represented a cost.

Representative Pruitt surmised there was an expectation the bill may encourage people to retire early, meaning there would potentially be a cost to the system. He detailed that a memo [Conduent memorandum addressed to Ms. Lea dated March 19, 2018 (copy on file)] indicated that there was a potential for people to retire sooner, meaning there would

be a cost to the system. He asked if he was understanding the actuarial analysis correctly.

Ms. Lea answered that because the TRS DB plan was closed, its value was based on its precise experience when the valuations were done on what the future costs may be - in order to not overstate the unfunded liability. Under the current TRS system, most individuals retired within four years past their normal retirement date - their benefit was not 100 percent funded until that time. There was a table used showing the likelihood a person would retire every year after that person's normal retirement date. Anything that may incentivize a person to retire on their retirement date meant their benefit was not 100 percent funded at that time, which was the reason for the cost.

10:13:32 AM

Representative Guttenberg surmised that if a person's benefits were not 100 percent funded at a given point, they would only receive the benefits they were eligible for at that point. He provided a scenario where a person retired at 18 years instead of 20 years and wondered if the person's retirement benefit was diminished. He referenced a retirement plan he had been a part of, where a person received 90 percent or less if they retired early (depending on how early they retired), similar to the social security process.

Ms. Lea replied that Representative Guttenberg had mentioned two different terms. She explained that early retirement (before a person's normal retirement date) was a reduced benefit. In the case of the bill, the information looked at a person's age or service requirement (20 years). History had shown that teachers generally may retire after 24 years or at age 64 instead of age 60. Anything that incentivized teachers to retire earlier than the two assumptions the actuary made in order to determine funding for the plan, meant all of the funding was not there for them. She clarified that it did not impact the member's benefit. The member received the full benefit because they reached normal retirement age. She explained that it meant in the following valuation the state "on behalf" may be affected. She elaborated that the employer contribution could not be raised; therefore, the only place to get any shortfall would be from state assistance. The memo provided

by the actuary and the department's fiscal note showed what the affects on state assistance may be.

Representative Guttenberg surmised that for every year a person did not retire they continued to pay benefits into the retirement program, but their benefits did not increase.

Ms. Lea clarified that an individual would earn additional benefits as they continued to work.

Co-Chair Seaton MOVED to REPORT CSSB 185(EDC) out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSSB 185(EDC) was REPORTED out of committee with a "do pass" recommendation and with one previously published indeterminate fiscal note: FN2 (ADM).

[10:17:30 AM](#)
AT EASE

[10:18:22 AM](#)
RECONVENED

#sb105
CS FOR SENATE BILL NO. 105 (FIN)

"An Act relating to the licensure of marital and family therapists; relating to medical assistance for marital and family therapy services; and providing for an effective date."

[10:18:40 AM](#)

SENATOR DAVID WILSON, SPONSOR, introduced himself.

GARY ZEPP, STAFF, SENATOR DAVID WILSON, provided a brief bill summary. The bill provided expanded behavioral health access to Alaskans. He shared there had been testimony from therapists, emergency room (ER) doctors, school district administrators, and federally qualified health centers in Alaska. The bill would improve and streamline the training for associates to become fully licensed marital and family therapists to help provide expanded access to behavioral health services. The bill was not being touted as a cost-

savings measure, but as a way to help Medicaid clients in need of behavioral health services that were severely lacking. However, there was great potential for cost-savings if individuals could be diverted from emergency rooms. He detailed that in 2016 the Mat-Su Memorial Hospital had spent \$43.8 million on ER services. He detailed the costs had covered about 1,300 patients with an average cost of \$12,721 per person for one behavioral health assessment. In a clinical setting the cost ranged from \$150 to \$250.

Mr. Zepp referenced a 2017 document titled "Alaska Medicaid Facts and Figures" published by the Department of Health and Social Services (DHSS) (copy on file). He shared that in 2016 Medicaid patients cost Alaska ER facilities \$233 million and \$245 million in 2017. He stressed the patients were Medicaid clients the state was already paying for. He explained if the individuals could be diverted from the ER by expanding access and getting them into a clinical setting there was a great potential for savings. He shared there had been great support for the bill by various healthcare providers and it had passed the other body unanimously. He spoke to support by ER doctors, family therapists, the state Board of Therapy, and the national Board of Marital and Family Therapists. He noted DHSS had provided a letter addressed to the committee providing more detail on the bill [letter from the Division of Behavioral Health Director Randall Burns dated April 13, 2018 (copy on file)].

[10:22:51 AM](#)

Representative Wilson stated that the committee had received a letter [from the Division of Health Care Services Director Margaret Brodie dated April 19, 2018 (copy on file)] stating that the bill would expand [Medicaid services] and that it would be necessary to ask permission from the federal government to add the service. She asked what the process entailed. Additionally, she wondered about the process of going back to the federal government to remove the service if the bill added a substantial cost and no savings.

MARGARET BRODIE, DIRECTOR, DIVISION OF HEALTH CARE SERVICES, DEPARTMENT OF HEALTH AND SOCIAL SERVICES (via teleconference), answered that the bill would require a state plan amendment; it would be an update to the current

state plan. If anticipated savings did not come to fruition, a new state plan amendment would be made to remove the providers' ability to provide the services.

Representative Wilson stated that savings had been shown for HB 25. She wondered why it was so difficult to estimate potential savings under HB 105.

Mr. Brodie replied that it was difficult to project savings for SB 105 because it was not possible to anticipate who would be utilizing the services. She explained that with other bills the department was able to look at individuals' diagnoses and what procedures were being done in order to identify who would be able to utilize the services.

Representative Wilson was concerned about the \$1 million fiscal note. She was hoping to get a better understanding of potential savings because now the committee understood the service would be added [to the list of Medicaid services]. She stated the process was long and the state did not know how easy it would be to remove the service if the savings did not come to fruition. Given that Medicaid was currently one of the biggest [cost] drivers, she believed the committee should be concerned about adding more services.

Co-Chair Foster noted the committee would break for floor session.

CSSB 105 (FIN) was HEARD and HELD in committee for further consideration. [Note: the bill was heard again beginning at 2:20 p.m.]

[10:26:37 AM](#)

RECESSED

[12:52:29 PM](#)

RECONVENED

Co-Chair Foster relayed that the committee has posed some questions earlier on SB 105, which were being worked on. He relayed the bill would be heard last on the agenda.

#sb92

CS FOR SENATE BILL NO. 92(FIN) am

"An Act relating to abandoned and derelict vessels; relating to the registration of vessels; relating to certificates of title for vessels; relating to the duties of the Department of Administration; relating to the duties of the Department of Natural Resources; establishing the derelict vessel prevention program; establishing the derelict vessel prevention program fund; relating to the authority of certain persons to enforce laws relating to derelict vessels; and providing for an effective date."

12:53:00 PM

Co-Chair Foster asked Co-Chair Seaton's staff to review the changes in the committee substitute (CS).

12:53:30 PM

ELIZABETH DIAMENT, STAFF, REPRESENTATIVE PAUL SEATON, highlighted the changes in the CS ["Explanation of Changes: CSSB 92 (FIN)Version I.A to House Finance CS for CSSB92 (FIN) Version M (copy on file)]:

Section 7 (page 4, line 23)

Definition of Barge

In SB 92 Version I.A "barge" is defined as a "flat-bottomed boat used for carrying freight that is either nonmotorized and towed by another boat or motorized."

In the CS for CSSB92 (FIN) Version M the definition has been changed to "barge" means a boat that is: (A) motorized or nonmotorized, (B) designed to be towed, and (C) used for carrying freight.

Note: The main difference reflected is the removal of the flat-bottomed boat portion of the definition. There was some concern that definition from CSSB 92 Version I.A could misinterpret a flat bottom skiff as a barge.

Section 24 (page 14, line 30)

Instead of repealing Chapter 30. Article 03. Vessels Abandoned on Business Premises of Persons Engaged in Repair Business, the CS for CSSB92 (FIN) version M keeps the article in statute and amends it to add storage businesses, as well as extending the waiting

period for auctioning abandoned vessels from 5 days to 30 days.

Note: The change from 5 to 30 days was in the house companion bill which did not repeal but amended the section to be in line with the timeframe laid out in other sections of the bill.

12:55:07 PM

Co-Chair Seaton MOVED to ADOPT proposed committee substitute for CSSB 92(FIN)am, Work Draft 30-LS0481\M (Bruce, 4/17/18). There being NO OBJECTION, it was so ordered.

Representative Ortiz asked where he could find the language pertaining to an exemption for boats up to 24 feet long.

Co-Chair Seaton directed attention to page 3, line 30.

Ms. Diament confirmed the language was on page 3, line 30, subsection (f): "This section does not apply to an undocumented boat that is 24 feet or less in length, unless the owner of the boat chooses to apply..."

Representative Ortiz wondered if vehicles were currently exempt from registering or titling in rural areas without access to Division of Motor Vehicles (DMV) offices. If so, he asked if the exemption was maintained for boats under the legislation.

Ms. Diament deferred to the bill sponsor's staff.

RACHEL HANKE, STAFF, SENATOR PETER MICCICHE, replied that she could follow up with the information after speaking with DMV.

Co-Chair Seaton believed 24 foot boats were exempt in any location. He stated that vessels operating on inland waters were required to be registered.

12:58:29 PM

Representative Ortiz believed that current titling and registration requirements for vehicles in outlying areas were exempt. If there was an exemption for vehicles in

rural areas without access to DMV, he wondered if there was an exemption for all boat owners.

Co-Chair Seaton believed if there was an exemption it was not due to lack of access to DMV, but due to a lack of access to roads with state maintenance. He believed there was a registration exemption on vehicles not operated on any public road.

Representative Ortiz asked for verification that Co-Chair Seaton believed that the issue was not about lack of access to DMV offices, but was related to being on the road system.

Co-Chair Seaton added that registration with DMV could be accessed via mail. He noted some areas may not have internet, but there was phone and mail access.

Ms. Diament added that DMV would provide a written answer.

Representative Kawasaki stated that Section 4 dealt with inadequate evidence of ownership. He stated a person was supposed to obtain documentation to present to the Department of Administration (DOA) as proof of ownership of a boat. He asked if it was the same way people licensed and registered their cars.

Ms. Hanke responded that DMV considered current boat registration as proof of ownership, which was slightly different than vehicles.

[1:01:17 PM](#)

Representative Kawasaki was concerned they could be getting to a point where statute designated a person had ownership of a boat, even though they may not have ownership. He referenced Section 4(c)(2), which specified if it was uncontested for three years following the issuance of the "no title issued" registration that a person could become the owner of record even though they may not have been the owner of record. He asked if the issue had come up previously.

Ms. Ranke responded that someone could currently go in to DMV with a bar napkin as a bill of sale to get a registration. After starting to issue the titles with a sale and initial titling would use current registrations as

proof of ownership. She supposed it could be happening currently.

[1:02:37 PM](#)

Representative Kawasaki referenced the exemption for undocumented boats that were 24 feet or less. He wondered how 24 feet had been chosen.

Ms. Hanke replied that she would have to get back to the committee.

Representative Wilson thought a boat had to be larger than 24 feet and commercial.

Ms. Diament responded that the language Representative Wilson was referencing was in the house companion bill HB 386, whereas, SB 92 only contained a length determination. She explained boats that were 24 feet or less were exempt; boats over 24 feet would require a title.

Representative Wilson asked how many 25-foot personal use boats there were that would have to register. She thought the problem pertained to commercial boats, not personal boats. She wondered why the change had been made.

[1:04:09 PM](#)

Co-Chair Seaton responded that the 20-foot length was used because it was considered fairly easy to dispose of. Boats over 24 feet had built in fuel tanks and other things. He stated there was generally a length and width ratio. He continued it became a larger problem. The exemption used [by the House version] had been for non-commercial so that commercial vessels under 20 feet would still require a title, but that had not been in the Senate bill. He continued that the provisions considered what was a reasonable amount. He asked his staff for number of boats excluded pertaining to difference between 20 and 24 feet.

Ms. Diament relayed that there were about 9,100 boats between 20 and 25 feet that were exempt.

Co-Chair Seaton explained the consideration was a balancing act around what qualified as something that could be abandoned, but would need to be taken care of by a different mechanism; it was the reason for the length of 24

feet suggested by the Senate. He stated that the House version of the bill had used 20 feet, but it had agreed with the Senate.

Representative Wilson pointed out the 9,000 boats mentioned by Ms. Diament pertained to boats between 20 and 25 feet, not 20 and 24 feet. She asked if her understanding was accurate.

Ms. Diament replied that the current language was 24 feet. She stated the bill related to boats that were 20 feet and under or 24 feet and under. She explained it would be under 25 feet.

Representative Wilson restated her question. She explained that Ms. Diament had previously provided information about the number of boats between 20 and 25 feet.

Ms. Diament corrected her previous testimony and clarified that the [9,100] boats were between 20 and 24 feet.

[1:06:23 PM](#)

Vice-Chair Gara reviewed the four fiscal notes. There were two zero fiscal notes from the Department of Natural Resources and the Department of Environmental Conservation (OMB Component Numbers 3002 and 3094 respectively). There was one Department of Natural Resources fund capitalization fiscal note for funds from fees generated under the legislation - fees would generate roughly \$58,600 beginning in 2020 and would decline after registrations were completed to \$30,000 in 2022 and to \$2,500 in 2023 and 2024. The last note was from the Department of Administration (OMB Component Number 2348) DMV reflecting fee generation of \$65,000, declining to \$50,000 in 2020. The note reflected additional designated general fund (DGF) revenues from fees beginning at \$64,100 in 2019, increasing to \$108,600 in 2020 and 2021, \$80,500 in 2022, \$52,500 in 2023 and 2024. Undesignated general fund (UGF) revenues were projected at \$19,600 starting in 2020.

[1:09:16 PM](#)

Representative Wilson referred to page 2 of the Department of Administration fiscal note (OMB Component Number 2348) related to title and barge fees. The fiscal note specified there were over 68,000 motorized boats registered in the

State of Alaska, of which 8,418 are 25 feet and over. It also specified that a title fee of \$20 for boats above 24 feet would generate approximately \$168,360. She asked why the language used 25 feet in one sentence and 24 feet in the

MARLA THOMPSON, DIRECTOR, DIVISION OF MOTOR VEHICLES, DEPARTMENT OF ADMINISTRATION, (via teleconference), replied the language was merely an error. The language should read "25 feet and above."

Representative Wilson asked for verification that the reference to 24 feet should be changed to 25.

Co-Chair Foster replied in the affirmative.

Representative Ortiz asked about the fiscal note OMB Component Number 2348. He wondered if the fiscal note had been changed since the boat exemption had changed from 20 feet to 24 feet. He believed there would be less revenue with the inclusion of the exemption.

Ms. Thomson responded that the fiscal note reflected the change.

Co-Chair Seaton noted there had been a question about numbering of documented vessels. He read from a response he had received to the question: "states may require documented vessels to be registered and to display the state decal showing that they have complied with state requirements." However, there was some dispute about whether vessels could be renumbered. The bill specified the same numbers would be used in titling as used in the documentation. He noted that the Coast Guard was present for questions. Apparently other states had the same situation.

[1:12:17 PM](#)

Co-Chair Seaton MOVED to report HCS CSSB 92(FIN) out of Committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

HCS CSSB 92(FIN) was REPORTED out of committee with a "no recommendation" recommendation and with one new fiscal impact note from the Department of Administration; one new

fiscal impact note from the Department of Natural Resources for Fund Capitalization; and two previously published zero notes: FN3 (DEC) and FN4 (DNR).

[1:12:57 PM](#)

AT EASE

[1:13:15 PM](#)

RECONVENED

#hb119

HOUSE BILL NO. 119

"An Act relating to the dividends from the Alaska Industrial Development and Export Authority; relating to the meaning of 'mark-to-market fair value,' 'net income,' 'project or development,' and 'unrestricted net income' for purposes of the Alaska Industrial Development and Export Authority; and providing for an effective date."

[1:13:38 PM](#)

GENE THERRIAULT, DEPUTY DIRECTOR, STATEWIDE ENERGY POLICY DEVELOPMENT, ALASKA ENERGY AUTHORITY, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, explained that some committee members who had been on the committee in 2016 may recognize the legislation, given it had passed the House Finance Committee with 10 "do pass" signatures and had passed the House floor with 36 "yes" votes (other members had been excused or absent). He shared that the bill had not cleared the final hurdle in the Senate Rules Committee. The legislation before the committee was identical to the previously considered legislation. He referred to page 2, lines 2 and 3 of the bill and explained that when the Alaska Industrial Development and Export Authority (AIDEA) dividend had been established, the legislature had specified it wanted the dividend to be set on the net income in AIDEA's audited financial statement. The legislature had also realized that some things needed to be excluded from the number (line 3 of the bill). The existing statutory language made it clear that although it was necessary to follow all the accounting rules in order for AIDEA to receive its audited financial statement, the legislature got to specify which number it wanted AIDEA to use in the dividend calculation. Unfortunately, since the dividend had been established, some new accounting rules

had kicked in that were bringing unnecessary gyrations to the dividend. He explained that AIDEA would like to back those out and base the dividend on true net income.

[1:16:09 PM](#)

Mr. Therriault provided a PowerPoint presentation titled "Alaska's Development Finance Authority: HB 119 - Proposed Language Changes to Modernize AIDEA's Dividend Statute" (copy on file) beginning with slide 3. He explained the bill aimed to fix two problems. The first related to mark to market changes. There were numerous accounting rules that required following "real transactions," issues that generate revenue or real expense that impact that revenue. Another accounting rule related to estimates and allocations. For example, an asset depreciated over time and its economic value eroded. The third accounting rule pertained to mark to market adjustments for assets that had fluctuation in their valuation. The mark to market valuations brought the largest amount of volatility to the AIDEA dividend calculation.

Mr. Therriault turned to slide 4 and addressed current statutory language reading that AIDEA shall adopt a policy for payment of a dividend, which was supposed to be set on net income. Net income meant the change in net position in the agency's audited financial statements on an annual basis.

Mr. Therriault turned to slide 5 and addressed the mark to market valuation issue that needed correction. He provided a scenario where an asset's valuation fluctuated because of market changes. He asked members to imagine they owned the asset where a snapshot of the asset was taken and then to pretend they sold the asset at a gain or loss at that amount. Yet, in reality the asset had not been sold. He explained it was the type of fluctuation AIDEA was experiencing.

[1:18:02 PM](#)

Mr. Therriault moved to slides 7 and 8 showing an Internal Revenue Service (IRS) 1040 tax form. He detailed that for an individual the tax form would show income, perhaps a dividend from a stock portfolio, income from a rental property, and other. The example on slide 8 showed total income of \$109,000. He elaborated that income tax would be

based on the real \$109,000 the individual had made as income. However, slide 10 showed how the individual's tax form would be impacted if the individual had to apply the Governmental Accounting Standards Board (GASB) rules including GASB 31 that had been in place for a number of years and other more recent rules. Line 11 pertained to GASB 31 - the booking of an unrealized gain or loss on marketable securities. He expounded that GASB 31 had been in place for the longest.

Mr. Therriault explained that AIDEA held its cash reserves in marketable securities (e.g. T-bills and other). When the stock market was booming, the market for T-bills was suppressed. There had been a booming stock market in the past couple years; therefore, AIDEA's cash reserves held in T-bills were not worth as much. He noted that the T-bills had not been sold and AIDEA had not suffered a loss. The example showed that if the market was doing poorly and the market for marketable securities was booming, AIDEA may have a paper gain from GASB 31 and even though the asset had not been sold, AIDEA would have to pretend like the cash had been realized. He explained that it meant taxes would have to be paid on money that had not really been made.

Mr. Therriault pointed to line 16a on slide 10 pertaining to a value adjustment from a 401k account invested in stocks. He asked members to consider a situation where an individual had to take a picture of the valuation on the last calendar day of the year and pay taxes on gains that had not been realized. He explained that it was the type of thing GASB 68 was suggesting AIDEA had to do. He relayed that AIDEA had to follow all the rules to receive its audited financial statement. Additionally, AIDEA had to follow GASB 72 and 75 that had kicked in or would kick in soon. He returned to the personal tax example and explained that previously the individual had \$109,000 in income to pay taxes on, but if they had to follow all the same GASB rules and the economy was booming, it would increase the individual's income up artificially to \$169,000 and they would have to pay taxes on money they did not receive.

[1:21:32 PM](#)

Mr. Therriault continued to slide 11 and explained that HB 119 would mean AIDEA would follow all the GASB rules in order to get its audited financial statements, but it would

enable the agency to back out the paper adjustments and use its true cash earnings in the dividend calculation. It would mean the agency would be basing 25 to 50 percent of its true cash with the state treasury on a yearly basis instead of an artificially adjusted number.

Mr. Therriault advanced to a table on slide 12 showing AIDEA's adjusted true net income since it began paying a dividend [in 1991]. He pointed out that cash available to pay a dividend fluctuated depending on the level of activity AIDEA had. He pointed to a gold line on a table on slide 13 showing that GASB 31 artificially spiked or suppressed net income year-to-year, which brought volatility to the AIDEA dividend calculation. He discussed that three more GASB rules either had kicked in or would kick in soon. The agency feared that if the rules were all driven by the same dynamics in the economy, they would start stacking up, meaning the swings would become more pronounced. He continued it may be that from time to time they offset each other - one may be artificially positive and one may be artificially negative, but depending on what was driving things (e.g. evaluation of real estate, appreciation of stocks, and marketable securities) if they were all in the same direction they could bring some substantial swings to the AIDEA dividend calculation.

[1:23:53 PM](#)

Mr. Therriault addressed the second problem the bill would address related to the dividend penalty, which happened infrequently (slide 15). He referenced existing language specifying that AIDEA was supposed to exclude certain things. He explained that when the dividend had first been created, AIDEA informed members of the legislature that if it was supposed to pay 25 to 50 percent of its yearly net income back to the state as a dividend on a yearly basis and if the legislature gave an appropriation to work on a specific project, the money was brought onto the AIDEA books by showing an increase in the income. He continued that if the language had not been adjusted at the time and the legislature gave AIDEA \$1,000 for a specific project, at the end of the year AIDEA would have to write the legislature a check back for half of the money. The legislature at the time had determined the situation should be avoided. The legislature had specified if AIDEA received money for a specific project from the state General Fund by appropriation or a federal source, the agency was directed

to disregard the money as positive debt to net income when making its dividend calculation.

Mr. Therriault explained a scenario the legislature had not anticipated. He provided a hypothetical scenario where the legislature gave AIDEA \$1 million to explore a project including geotechnical and economic work, and a permitting process. He elaborated that AIDEA turned some of the dollars into work product. He continued that if the project did not move forward, AIDEA would have to write the project off its books. In order to write the project off, AIDEA took the expenditures as a deduction to net income. Previously, the legislature specified that if AIDEA received money from an outside source, the agency was to disregard it on the upside. Under the proposed legislation if AIDEA ever had to write money off because a project was not going forward, they did not want to artificially suppress the dividend in the year the write-off was taken. He stated that the write-offs happened infrequently, but when they did, they artificially pulled the dividend down.

Mr. Therriault elaborated that the previous year when the legislation had been proposed, AIDEA had advised the legislature that because of a booming stock market, it appeared there would be a paper loss in marketable securities. He explained that the AIDEA dividend had been suppressed by about \$6.5 million in 2017 because AIDEA did not have the ability to make mark to market adjustments. The agency believed it should be sharing with the state treasury out of its true cash on hand; AIDEA wanted to be able to back out the paper adjustments and it would follow all the rules to get its appropriately audited financial statement, but it wanted to remove the unnecessary volatility out of the dividend calculation.

[1:27:25 PM](#)

Co-Chair Foster referred to the example showing an individual's 1040 individual income tax. He wondered why GASB treated companies like AIDEA differently.

Mr. Therriault responded that GASB rules applied to all corporations. After going through the financial meltdown Congress and the governing board for accountants wanted to make sure that if someone was going to invest in a corporation, they did not want the corporation to be able to hide liabilities or assets. He expounded that AIDEA

would continue to disclose all the information if the bill passed. He explained the bill recognized that some of the items were merely paper adjustments - an asset had not been sold and AIDEA had not suffered a loss or gain; therefore, AIDEA should not pay the dividend on money it did not earn or suffer a loss on a loss that did not take place. For corporations, particularly corporations where citizens could invest, the accounting boards wanted to ensure substantial transparency in the audited financial statements.

[1:29:09 PM](#)

JOHN SPRINGSTEEN, ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY, Department of Commerce, Community and Economic Development (via teleconference), clarified that for publicly traded corporations regulated by the Securities Exchange Commission and other related entities there was an equivalent set of accounting rules set by the Financial Accounting Standards Board.

Co-Chair Foster surmised the primary reason for the GASB rules was to increase transparency. He explained typically a person used the 1040 IRS form to pay their taxes. He noted that the example included an unrealized gain of \$25,000, but it did not mean the individual had to pay taxes on the amount. He believed the information on the form was not for tax purposes, but merely helping to illustrate the situation AIDEA was facing. He surmised the \$25,000 was shown on the slide because AIDEA was trying to increase transparency and let investors know it had unrealized gains and losses.

Mr. Therriault responded affirmatively. The example was meant to illustrate that if a person had to include the gain in their tax calculation they would pay the federal government a larger check. Comparatively, when AIDEA had to book the gain it went into the dividend calculation; it did not increase AIDEA's taxes, but it increased the dividend AIDEA paid on money it did not actually make.

Co-Chair Foster stated his understanding that the GASB requirement was for auditing and financial purposes, not tax payment purposes. He believed the goal of the bill was to fix the system to ensure an accurate dividend was paid, which was not based on artificial paper.

Mr. Therriault agreed and explained the goal was for AIDEA to pay the dividend on its true net income.

Co-Chair Foster OPENED and CLOSED public testimony.

[1:32:36 PM](#)

AT EASE

[1:32:56 PM](#)

RECONVENED

Co-Chair Foster indicated there may be some amendments to the bill. He asked that amendments be submitted by Wednesday, April 18, 2018 at 5:00 p.m.

HB 119 was HEARD and HELD in committee for further consideration.

[1:33:55 PM](#)

AT EASE

[1:36:42 PM](#)

RECONVENED

#hb409

HOUSE BILL NO. 409

"An Act relating to identification cards; relating to vehicle registration fee rates; relating to changes of address; relating to driver's license fees; and relating to financial responsibility for motor vehicles."

[1:36:57 PM](#)

CATHY SCHLINGHEYDE, STAFF, REPRESENTATIVE KREISS-TOMKINS, explained that the bill was a House State Affairs Committee bill derived from a combination of recommendations from the Department of Administration finance subcommittee, Legislative Finance Division's indirect expenditure reports, and some statutory clean up ideas submitted by the Division of Motor Vehicles (DMV). She reviewed the sectional analysis (copy on file):

Section 1: This section standardizes the age for senior citizen fee waivers by changing the age for a senior citizen identification card from 60 to 65.

Ms. Schlingheyde detailed that currently the vehicle registration waiver went into effect when someone turned 65. However, the qualifying age for the senior citizen identification card fee waiver was 60. The bill would standardize the qualifying age to 65 for both.

Section 2: This section allows a person to authorize the Division of Motor Vehicles (DMV) to update their address based on the United States Postal Service (USPS) database.

Ms. Schlingheyde elaborated that currently if a person updated their address at the post office without notifying DMV, the agency had to send mail to the wrong address, wait for the mail to bounce back, and then seek out the correct address. She explained the process cost money and was inefficient.

Section 3: This section removes the vehicle registration fee exemption for amateur radio operators.

Section 4: This section raises the vehicle registration fee for municipalities to the standard \$100, and raises the vehicle registration fee for charitable organizations to \$50.

Section 5: This section sets the fee for DMV Knowledge Tests at \$5 and raises the fee for DMV Road Tests from \$15 to \$25.

Ms. Schlingheyde elaborated that Section 5 would generate revenue and reduce the no-show rate.

Section 6: This section raises the threshold for requiring deposit of security to DMV from \$501 to \$2,000 to align with the standard for the Department of Transportation (DOT).

Section 7: This section raises the threshold for requiring a peace officer to provide written notification about the requirements in the Motor Vehicle Safety Responsibility Act from \$501 to \$2,000.

Section 8: This section raises the threshold for accepting release from liability executed by a parent

or legal guardian on behalf of a minor from \$501 to \$2,000.

Section 9: This section raises the threshold for requiring proof of financial responsibility after a traffic offense from \$501 to \$2,000.

Section 10: This section raises the threshold for requiring proof of financial responsibility after an accident from \$501 to \$2,000.

Ms. Schlingheyde expounded that Sections 6 through 10 increased the reporting thresholds for various accidents and crashes. Currently the thresholds were \$501 at the DMV and \$2,000 at the Department of Transportation and Public Facilities (DOT). The bill would standardize the threshold at the DOT rate of \$2,000; the DMV number had not been updated for inflation for 33 years.

Section 11: This section requires proof of financial responsibility after a license is suspended for failure to pay a judgement be maintained for three years, rather than the existing lifetime provision. The section also changes the requirement to hold proof of financial responsibility after judgement satisfaction only if the failure to pay was due to driving while uninsured.

Ms. Schlingheyde addressed SR-22 insurance, a type insurance required after certain vehicle accidents. Insurance companies were required to submit SR-22 forms to notify DMV if a person's insurance lapsed. The section required SR-22 insurance for a lifetime if a person failed to pay a judgement within 30 days. The bill changed the SR-22 requirement for failure to pay within 30 days to 3 years and it would only kick in if the person was driving while uninsured.

Section 12: This section allows for a second payment plan in installments for people facing license suspension based on outstanding financial judgements.

Section 13: This section raises the threshold for showing proof of motor vehicle liability insurance from \$501 to \$2,000.

Section 14: This section removes the requirement to update DMV with address changes if the person has given permission for DMV to update addresses from the USPS database.

Ms. Schlingheyde elaborated that Section 14 was statutory cleanup for the post office update. She explained that if a person allowed DMV to update their address based off the post office, they did not have to notify DMV.

[1:40:27 PM](#)

Representative Kawasaki referred to Sections 6 through 10 and 13 dealing with the inflationary adjustment. He asked what happened in cases where a vehicle was worth less than \$2,000.

Ms. Schlingheyde responded that the judgement would still have to be paid. The threshold had to be reported to DMV and DOT for certain accidents, but it would not negate the requirement for an insurance company or an individual to compensate for damages.

Representative Kawasaki referred to Section 3, which removed an exemption for amateur radio operators. He shared that he had an amateur radio operator in his district. He wondered why the bill would remove the exemption. He asked if the reasoning was because the exemption was infrequently used.

Ms. Schlingheyde indicated there were only 44 people in the state who currently had the exemption.

Representative Kawasaki asked Ms. Schlingheyde to review Sections 11 and 12. He believed he liked the sections and wondered how they had been brought into the bill that dealt mostly with adjustments and indirect expenditures.

Ms. Schlingheyde responded that both sections had been recommended by DMV. She elaborated that DMV had worked with many individuals who had issues with the SR-22. She added that DMV was available for questions. Currently the insurance was required for five years in the case of a DUI and for a lifetime after four DUIs. The section required SR-22 insurance for a lifetime if a person failed to pay a judgement within 30 days, which was disproportionate to the rest of the statute. The bill would bring it in line with

the penalty for driving while uninsured or on a suspended license.

[1:42:31 PM](#)

Representative Kawasaki referenced Section 4 dealing with vehicle registration fees for municipalities and charitable organizations. He asked for verification that like the state, currently municipalities were exempt from registration fees.

Ms. Schlingheyde responded that municipalities currently paid a \$10 registration fee, which was a 90 percent discount.

Representative Kawasaki asked what charitable organizations currently paid. Ms. Schlingheyde responded that the registration fee for charitable organizations was also \$10.

Representative Tilton asked whether the post office database provision in Section 1 was optional for individuals.

Ms. Schlingheyde confirmed it was optional for individuals and was only based on permanent address changes. A temporary forwarding of mail would not affect a person's registration at DMV.

Representative Pruitt asked for verification Section 1 would apply to any mail correspondence with DMV including license and registration renewal. He shared that at one point DMV had sent his registration renewal to his old address.

Ms. Schlingheyde responded in the affirmative.

[1:44:22 PM](#)

Representative Pruitt referred to Sections 6 through 10 and 13 that would increase the threshold [for requiring deposit of security to DMV] from \$501 to \$2,000. He noted that it was difficult to determine the distinction between \$500 and \$2,000 damage on a vehicle. He recalled a situation where a police officer had specified that damage to a car did not appear to be over \$500; however, the damage had been over \$5,000. He had been fortunate that insurance companies had managed the situation. He asked how to determine whether to

contact a police officer to have them participate. He continued that having a police officer document that an accident took place and what occurred could be a huge asset to an individual dealing with damage to a vehicle. He asked how individuals should deal with accidents when trying to figure out how to manage going forward.

Ms. Schlingheyde responded that the sections in the bill did not address the issue of calling the police, but whether they had to file certain forms with DMV after the accident. Individuals would have time to assess what the damage level was. She deferred to DMV for any additional information.

[1:46:18 PM](#)

Co-Chair Foster indicated the committee had been joined by the bill sponsor.

REPRESENTATIVE JONATHAN KREISS-THOMKINS, SPONSOR, thanked the committee for hearing the bill.

Representative Pruitt referenced Section 7 that would increase the threshold for requiring a peace officer to provide written notification about the requirements in the Motor Vehicle Safety Responsibility Act from \$501 to \$2,000. He stated while it was related to the suspension of an operator's license or driving privileges, it involved a police officer assessing what the damage was. He stated that currently officers could look at the side of caution because \$500 was a small amount, but \$2,000 was four times that amount. He was concerned about putting an individual in a position where they did not have an officer present to provide credible assistance and determine the damage value that may be needed in a judicial proceeding later.

Co-Chair Foster indicated that DMV was available online.

Ms. Schlingheyde noted that they did assess \$2,000 worth of damage currently for reports to DOT. Currently two thresholds were reported on - \$500 to DMV and \$2,000 to DOT. The bill would change the reporting requirement to one threshold amount.

[1:49:28 PM](#)

Representative Pruitt spoke to the requirement of a police officer to assist a person who had been in an accident. With the higher threshold he believed police officers would be less likely to assist and more likely to give a card out because it was difficult to tell how much damage had been done. He believed officers could err on the side of caution when it did not appear significant damage had been done. He stated that with the higher threshold more damage could be done, and it would be easier for an officer to merely hand a card out as opposed to writing a report. He stated a report by a police officer could assist an individual and operate as a credible witness later on. He asked how the threshold would be administered, how a police officer would deal with the reporting, and how the change would impact people involved in an accident.

MARLA THOMPSON, DIRECTOR, DIVISION OF MOTOR VEHICLES, DEPARTMENT OF ADMINISTRATION (via teleconference), spoke about the goal of updating the discrepancy between reporting a person's insurance to DMV for everything at and above \$501 and reporting an accident and insurance on the DOT form. The goal was to only have one threshold.

Representative Pruitt wondered if the small tweaks did not necessitate an individual to have something put on their record if the damage was less than \$2,000.

Ms. Thompson agreed. Previously, if a person was in an accident and damage was over \$500 they were supposed to report the accident to DMV and provide proof of insurance. The bill would clean up the thresholds; if a person was in an accident they would fill out the DOT report, which included their insurance information - the bill would eliminate confusion by cutting out extra requirements that people did not know they were supposed to do.

[1:52:54 PM](#)

Co-Chair Foster stated his understanding that currently if an accident involved damages exceeding \$500, an individual was required to submit a form to DMV online. He asked for detail about the DOT report requirement.

Ms. Thompson responded that the DOT report was a crash report that individuals were required to fill out (the report was often filled out by police officers at the crash

site). The report also included the individual's insurance information.

Co-Chair Foster summarized that under the legislation if a person had a crash they did not have to submit a report to DMV if they believed damages were under \$2,000. However, if the person believed the damages exceeded \$2,000 they contacted a police officer. He asked for clarification.

Ms. Thompson responded that \$2,000 was a substantial number and most of the time the police would fill out the report; if the officer did not fill out the report, they tell the individual what to fill out. The report included a person's insurance information, meaning they only had to fill out one report, which was shared with DOT.

Vice-Chair Gara stated that in 2017 there had been a bill on Real ID; in the later stages of the bill the license fee had been increased substantially in his view. He recalled the fee was significantly higher than the cost of administering the license. He asked Ms. Thompson if she remembered the proposed license fee and the fee that had ultimately been adopted. He wondered what fee level (in the current legislation) would be cost neutral.

Ms. Thompson reported that the fee was \$20, which had been changed in the end. She believed DMV's original request had been \$10 and then \$5. The cost neutral amount was approximately \$5.

[1:55:48 PM](#)

Vice-Chair Gara asked for verification that the \$20 was in addition to the regular driver's license. Ms. Thompson replied in the affirmative.

Vice-Chair Gara asked for the total Real ID license cost. Ms. Thompson answered that a regular driver's license was \$20, and a Real ID was \$15.

Vice-Chair Gara asked for verification that the Real ID license cost \$40. Ms. Thompson responded that the cost was \$40, but the extension had increased from 5 years to 8 years.

Representative Wilson stated that several years back a bill contained a provision allowing people to pay an additional

\$25 for vehicles older than eight years, meaning the owner did not have to buy another registration until the car was sold. She asked if the sponsor would be amenable to the deletion of AS 28.10.155, which would remove the exemption.

Representative Kreiss-Tompkins responded that he had reviewed the indirect expenditure report. He stated that it was a substantial indirect expenditure and he had been let down to find that the anticipated cost of the expenditure had not yet been calculated by the Legislative Finance Division. He recalled when the exemption had been passed and he would be amenable to the change, which he believed created further reduction of indirect expenditures.

[1:57:53 PM](#)

Representative Wilson explained that the exemption had been automatic for individuals in an unorganized area, whereas organized areas had to vote on the exemption. Anchorage did not take the exemption because it utilized a different tax on vehicles. She noted that Fairbanks took the exemption; she did not have detail on other locations. Part of the reason the exemption had been passed was because the state had money and DMV was making more money than it needed. She did not believe the state was in the same position any longer. She thought it was time to remove the exemption. She reasoned her 10-year-old car probably wore on the road as much as 3-year-old vehicles.

Representative Kawasaki asked Ms. Thompson for the approximate vehicle registration costs.

Ms. Thompson answered that she would follow up with the information. She detailed that the rates had not been increased recently. There were things like \$15 for a road test that DMV was trying to increase to \$25 to cover costs.

Representative Kawasaki noted Section 4 of the bill would raise registration rates from \$10 to \$50 for a vehicle owned by a charitable organization and from \$10 to \$100 for vehicles owned by municipalities. He wondered if the state would suddenly be making money rather than breaking even. He understood it was difficult to suss out the total cost because of the various work done by the agency. He was trying to come up with a reasonable amount.

Ms. Thompson replied that in the fiscal note showed the registration changes with the difference in municipalities and charities separately.

[2:00:38 PM](#)

Representative Guttenberg asked if the division had a way to parse out how long it took when individuals got a vehicle registration or a license, had difficulty getting registration, or did not have sufficient information. He was interested in how long each of the items took separately and where the cost drivers resided. He provided various examples of different things individuals came to DMV for.

Ms. Thompson answered that she tracked the wait and transaction times across the state. The average transaction time was about seven minutes.

Representative Guttenberg stated that when he went to DMV he observed that some people were having significant difficulty. He stated that he typically had basic and simple business to conduct; however, he did not think seven minutes was the average time it took when he went in to renew something. He wondered about the time it took for someone with an out-of-state license to get an Alaska license in comparison to other items.

Ms. Thompson replied that she could probably come up with some averages on registration and driver's licenses. She did not know whether she could parse down to the level Representative Guttenberg was looking for, but she offered to come up with some figures.

Representative Guttenberg clarified that he did not need the figures, but was trying to determine how easy it was for DMV to come up with the data.

[2:04:04 PM](#)

Representative Kreiss-Tompkins followed up on an earlier question by Representative Wilson. He explained when the initial authorizing legislation that created the permanent vehicle registration passed it had not contained a provision from an earlier version that gave blanket statewide applicability in the fiscal note where the cost had been estimated at \$20 million per year. The exemption

had been tightened up since that time. He noted it could be a little complicated to eliminate the exemption because permanent vehicle registration was at a higher rate than normal vehicle registration. He thought there may need to be an accommodation or transition incorporated if the permanent vehicle registration was eliminated.

Representative Wilson explained that the permanent vehicle registration cost the typical two-year fee plus an additional \$25. She explained that individuals with the exemption would have to be grandfathered in. She explained [the removal of the exemption] would stop the bleeding and bring in a portion of the \$20 million. She reported she would work with the sponsor on an amendment but would not hold the bill up in committee.

Co-Chair Foster OPENED and CLOSED public testimony.

[2:06:52 PM](#)

Representative Kawasaki MOVED to ADOPT conceptual Amendment 1 on page 2, line 22. The amendment would maintain the current \$10 vehicle registration fee for charitable organizations instead of the proposed \$50 fee.

Representative Wilson OBJECTED. She asked about the impact and queried the number of charitable organization licenses.

Co-Chair Seaton pointed to the third paragraph on page 2 of the fiscal note that specified there were 2,657 vehicles registered to charitable organizations. The new \$50 fee would generate an additional \$106,280. Due to the two-year registration cycle the additional yearly revenue for FY 19 and FY 20 would be \$53,140.

Representative Wilson did not believe \$25 per year [\$50 for two years] was drastic. She remarked that the bill did not increase the fee as high as it could have (to \$100).

[2:08:52 PM](#)

Representative Kawasaki noted there had been discussion the previous day about the public, private, and nonprofit sectors. He stated the nonprofit sector worked closely with Alaska's public sector. He elaborated that the nonprofit sector thrived and fell based on the state's economy. He reasoned nonprofits provided more services. At a time where

the public sector was trying to find money, the nonprofit sector was also trying to scrape by. He reported the senior center in his district that ran the Meals on Wheels program probably took advantage of the \$10 registration. He did not believe \$40 would break the bank for the nonprofits, but it did not seem right to add to their burdens. He supported deferring their burdens longer.

Representative Grenn provided some context as the Department of Administration finance subcommittee chair. The Legislative Finance Division indirect expenditure report noted that the discount had started in 1978. When the discount was first offered only a few hundred vehicles were eligible, compared to the current number of close to 6,000.

Representative Wilson MAINTAINED her OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Guttenberg, Kawasaki, Foster

OPPOSED: Thompson, Tilton, Wilson, Gara, Grenn, Ortiz, Pruitt, Seaton

The MOTION to adopt conceptual Amendment 1 FAILED (3/8).

[2:11:28 PM](#)

AT EASE

[2:13:10 PM](#)

RECONVENED

Representative Wilson MOVED to ADOPT conceptual Amendment 2:

Delete 8-year-old car exemption in Sec. 28.10.155.
Permanent motor vehicle registration.

Except for anyone who already has a permanent registration and the permanent registration expires when the owner transfers or assigns the owner's title or interest in the vehicle.

Co-Chair Seaton OBJECTED for discussion.

Representative Wilson explained that the amendment would remove the 8-year-old car permanent registration exemption under AS 28.10.155. She explained that currently someone

could pay a fee plus \$25, which exempted their vehicle [from another registration fee] until they sold the vehicle. She elaborated that when the vehicle was sold the new owner had to reregister and pay the fee.

Co-Chair Seaton asked for verification that when a new owner purchased a car that had previously been under the exemption, they would pay the regular registration fee.

Representative Wilson replied in the affirmative. There would no longer be an exemption; therefore, individuals would pay a two-year registration fee like everyone else.

Co-Chair Seaton WITHDREW his OBJECTION.

Representative Thompson OBJECTED. He stated that a person over the age of 65 could get a permanent vehicle registration. He asked for verification the exemption addressed by the amendment was separate.

Representative Wilson answered that Representative Thompson was referencing a different statute. She clarified that individuals over the age of 65 were allowed a permanent vehicle registration for one vehicle.

Representative Thompson WITHDREW his OBJECTION.

There being NO further OBJECTION, Conceptual Amendment 2 was ADOPTED.

[2:15:49 PM](#)

Representative Kawasaki stated that he had planned to offer a separate conceptual amendment dealing with municipalities. He detailed that the fee for municipalities would increase from \$10 to \$100. He remarked that the legislature had done numerous things in the past couple of years to harm municipal governments, including school bond debt reimbursement, reduced revenue sharing, reduced capital budget, and reduced education. He thought the increased fee would add an additional burden to municipalities at a time when they were having trouble making ends meet. He appreciated the bill and would not be offering the amendment.

[2:16:21 PM](#)

Vice-Chair Gara reviewed the previously published fiscal impact note from the Department of Administration, DMV. There was no cost. The change in revenue was \$815,300 per year starting in FY 19. He believed an updated fiscal note would follow.

Co-Chair Seaton MOVED to report CSHB 409(FIN) out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSHB 409(FIN) was REPORTED out of committee with a "do pass" recommendation and with one previously published fiscal impact note: FN1 (ADM).

[2:17:37 PM](#)

AT EASE

[2:20:25 PM](#)

RECONVENED

#sb105

CS FOR SENATE BILL NO. 105 (FIN)

"An Act relating to the licensure of marital and family therapists; relating to medical assistance for marital and family therapy services; and providing for an effective date."

[2:20:33 PM](#)

Co-Chair Foster noted the committee had heard the bill earlier in the meeting.

Co-Chair Seaton mentioned his earlier question about whether the bill would require a plan amendment.

Co-Chair Foster remarked that the bill sponsor had asked to hear from Elizabeth Ripley with the Mat-Su Health Foundation.

ELIZABETH RIPLEY, CEO, MAT-SU HEALTH FOUNDATION, WASILLA (via teleconference), spoke in support of the bill. She read from prepared remarks:

The foundation shares ownership in Mat-Su Regional Medical Center and invests its profits back into the

community to improve the health and wellness of Mat-Su residents. The Mat-Su Health Foundation fully supports SB 105 because it will help our citizens access behavioral health treatment services through marriage and family therapists to get care early before their problems escalate to a crisis stage. In the foundation's 2013 Mat-Su community health needs assessment, Mat-Su residents told us their top five health issues were all related to mental health and substance abuse. They asked us for a coordinated system of care that makes treatment for behavioral health more readily accessible. Instead, the way our system currently works, Mat-Su Regional Medical Center is the number one portal in Mat-Su for people suffering from a behavioral health problem.

In 2016 alone, 1,196 patients with a behavioral health diagnosis, 46 percent of which were on Medicaid, went to the Mat-Su Regional emergency department (ED). These patients had a total of 3,227 visits and their charges totaled \$14 million, not counting an additional cost of \$1.6 million estimated for law enforcement, 911 dispatch, and transportation. If we can intervene early with a system where all residents can get timely access to a behavioral health provider we can save pain, suffering, and money. By example, an individual session for Medicaid is \$75, while an average charge for a behavioral health ED visit is \$4,370. Granted an individual needs more than one visit early on to prevent a crisis, but even if you paid for ten visits at \$750 you would be saving \$3,600. The prevalence of mental health and substance abuse problems and crises is increasing in the Mat-Su and statewide. The average annual growth rate for visits in our ED by patients with a behavioral health diagnosis grew 20 percent from 2015 to 2017 due to the opioid epidemic and lack of treatment access. Additionally, from 2014 to 2017 the number of behavioral health assessments required for patients in crisis in our ED grew from 349 to more than 1,000 - all in a hospital that does not currently provide behavioral healthcare.

This legislation could bring the appropriate level of care to people who need help when a problem first starts instead of after it develops into a crisis. The Mat-Su Health Foundation is actively doing its part to

build a complete behavioral health continuum of care that's fully staffed with caring professionals. We offer scholarships to train new behavioral health providers and invest to help our nonprofits provide badly needed services. We are financing care coordination projects to keep people out of the ED and institutional care and work to advocate for smart policy like SB 105. We hope you will move this timely and important legislation forward. Thank you.

[2:24:54 PM](#)

Co-Chair Foster invited the sponsor and staff to the testimony table.

SENATOR DAVID WILSON, SPONSOR, introduced himself.

GARY ZEPP, STAFF, SENATOR DAVID WILSON, noted that Director Margaret Brodie with the Division of Health Care Services could provide an answer to Co-Chair Seaton's earlier question about whether the legislation would require a change in the state Medicaid plan.

Co-Chair Foster intended to take questions for Ms. Ripley first.

Co-Chair Seaton presumed a large portion of individuals coming into the Mat-Su hospital were there for drug abuse reasons. He asked if marital and family therapists were licensed to treat opioid and other drug abuse. He asked if it would open a treatment avenue for the health foundation.

Ms. Ripley shared her understanding that the primary focus of marital and family therapists was mental health. Frequently, mental health and substance abuse cooccurred. It was necessary to treat the underlying cause leading someone to self-medicate. She believed marital and family therapists would have the ability to address the mental health component vital to addressing substance abuse.

Co-Chair Seaton asked if marital and family therapists were licensed to treat mental health.

Ms. Ripley replied, "that's my understanding."

[2:27:33 PM](#)

Mr. Zepp noted that Ms. Brodie could answer Co-Chair Seaton's question from earlier in the day regarding the state Medicaid plan.

MARGARET BRODIE, DIRECTOR, DIVISION OF HEALTH CARE SERVICES, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, replied there was no cost to do a state plan amendment for the addition or deletion of a service. The department had staff to ensure the state complied with the state plan at all times.

Co-Chair Seaton asked how difficult it would be to delete a service if the bill did not accomplish what was intended.

Ms. Brodie answered that the process was easy; the Department of Health and Social Services (DHSS) would write a new state plan and submit it to the Centers for Medicare and Medicaid Services (CMS).

Representative Wilson asked when the state had last deleted a service from its Medicaid plan. Ms. Brodie responded that she would have to follow up with an answer.

Representative Wilson stated the legislature had asked the question frequently and had always been told proof of need for the deletion of a service and what kind of a negative impact it would have on individuals using the service would have to be provided. She was amazed to hear that it would be easy to remove something from the plan because it had not been the understanding since she had been on the committee. She asked if marital and family therapists were currently able to do anything in the behavioral health realm and to bill Medicaid if they were working under a clinic.

Ms. Brodie answered in the affirmative. She elaborated that the services could be billed to Medicaid if provided in a clinic or the service could be provided anywhere if the therapist was serving a duly eligible Medicare and Medicaid recipient.

Representative Wilson asked for verification that if a therapist was already able to bill Medicare and a client also had Medicaid, the therapist could bill Medicare/Medicaid even though they were not part of a clinic.

Ms. Brodie agreed. She added that the state would pick up the copayment.

Representative Wilson asked for verification that the bill only pertained to therapists with an independent practice and clients with Medicaid but not Medicare.

[2:30:57 PM](#)

Ms. Brodie responded in the affirmative pertaining to the recipient. The provider would also have to be enrolled in Medicare.

Representative Wilson referenced the fiscal note that specified there were 100 licensed marital and family therapists in Alaska. She wondered if there was a database showing the number of independent therapists who may want to take Medicaid patients.

Ms. Brodie deferred to the DHSS Division of Behavioral Health.

Representative Guttenberg surmised that the reason for the bill was not to expand the services provided by marital and family therapists, but to expand the group of individuals receiving the benefits the therapists had to offer. He referenced the fiscal note that extrapolated the anticipated number of individuals who would use the service and what the cost would be. He wondered if there was a way to estimate what the cost avoidance would be. He looked at the 633 estimated recipients and considered what the cost would be for the individuals to go to the emergency room. He explained that in the future it would be helpful to look back and know what the savings had been. He wondered if the avoidance cost could be reflected in the fiscal note.

Ms. Brodie replied that she could do a calculation, but it would not be 100 percent accurate. She could take all of the emergency room visits and could extrapolate the number of individuals who had received a diagnosis for a behavioral health disorder. However, not all providers were comfortable giving that type of diagnosis; therefore, the figure would be off some.

Representative Guttenberg stated that in the future it would be helpful to look back to see what the avoidance

cost had been in the five years since the passage of the bill.

Co-Chair Seaton asked if Representative Guttenberg was suggesting including a requirement for a report to the legislature in the bill.

Representative Guttenberg thought it would be a good idea in order to know in the future what avoidance costs had come from the legislation. He hoped the department was looking at avoidance costs to understand other places the state needed to expand or contract services.

[2:34:50 PM](#)

Mr. Zepp believed the state was on the verge of what Representative Guttenberg was asking for through a separate bill (SB 74) and the federal 1115 Medicaid waiver the state had recently submitted. The waiver was just upon the shortage of behavioral healthcare and trying to manipulate the system to demonstrate a project and redefine behavioral healthcare and address the shortages throughout the state. He believed the components were addressed in the 130-page document submitted to the federal government by DHSS.

Co-Chair Seaton was trying to determine if the legislature would be getting information back on the effectiveness of expanding a service. He asked if the reporting requirement needed to be more specific than a generalized report on behavioral health. He wondered if the department could provide the requested information in a report if the legislation passed.

Ms. Brodie replied that the report would need to be specialized because it could get lost in the other activities the department was undertaking with waivers and Medicaid reform. She relayed that the report was definitely something DHSS could provide; if the department knew a report was due it could compile the data beforehand.

Representative Wilson pointed to research in members' packets from the Division of Behavioral Health that mentioned an existing report. She believed the report could help the legislature contemplate what should be included in another report. She stated the legislature should be concerned that in 2016 as a result of Medicaid expansion, statewide payments to behavioral health providers was

\$8,641,000, while in 2017 expansion brought in \$25,173,825 to providers statewide. She stated the number was far beyond \$25 million. She thought it was necessary to be very specific when determining what the report would include. She wondered if Representative Guttenberg was talking about only marital and family therapists or behavioral grants throughout the state. She remarked there had been significant discussion in the committee on where the money was going and whether the state was seeing any return for its money in terms of opioid and other issues related to behavioral health. She added that the problem was increasing as was the cost.

[2:38:02 PM](#)

Representative Wilson mentioned a document regarding a Medicaid expansion legislative research grant (copy not on file). She stated the document specified the DHSS was in the process of developing a reporting tool that would enable the legislature to get the type of information [Representative Guttenberg was requesting]. She asked if the tool had been finished.

RICK CALCOTE, MENTAL HEALTH CLINICIAN, DIVISION OF BEHAVIORAL HEALTH, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, ANCHORAGE (via teleconference), replied that he did not have the information; the tool was being developed elsewhere in the department.

Representative Wilson was uncertain who to talk to because the report she was referencing anticipated the tool would be operational by early 2018. She wanted to know whether the tool had been developed and what information the state had. She thought the tool could help determine how much money would be diverted. She believed the bill needed more work.

Vice-Chair Gara understood the need to expand the group of people providing mental health services. He asked if adding marital family services would add marital counseling as a covered service.

Senator Wilson answered that marital and family therapists were licensed to provide myriad services. He provided examples including psychotherapy, group psychotherapy, and substance abuse counseling dealing with family dynamic. He clarified that it did not have to be limited to a family

unit, but included whatever the therapist was licensed to do. He continued that marital and family therapists went through similar schooling to social workers, and licensed professional counselors. Marital and family therapists went through the same licensure requirements through their board and could provide the scope of services throughout. He stated it was more than family counseling. He explained that like a car mechanic that could treat more than one limited issue on a car, marital and family therapists were licensed professionals who were able to provide myriad services. He believed Director Randall Burns with the Division of Behavioral Health had addressed the issue in his letter [to the committee co-chairs dated April 13, 2018 (copy on file)]. He reiterated that the services marital and family therapists could provide were expansive.

[2:41:54 PM](#)

Co-Chair Seaton was concerned that getting a big report on behavioral health services across the state would lose the essence of whether expanding services for marital and family therapists helped the system and decreased the amount of behavioral health services provided in emergency rooms. He was trying to determine whether requesting a report in the four-year timeframe would provide the information on give the information to determine whether the system had improved and what the cost had been. He thought looking at the overall system would lose the detail about what was needed pertaining to the topic.

Ms. Brodie responded that after the bill's effective date there should be one full fiscal year before the report was required. She believed going out four or five years would be too long. She explained there were a high number of Medicaid reform initiatives underway; therefore, she recommended tracking the information from the beginning in order to receive actuals in the report. The savings would show up in healthcare services Medicaid, not behavioral health Medicaid. The savings would also show up in the Department of Corrections, law enforcement, and the Office of Children's Services. She did not know whether those agencies would have the ability to track the information, but Medicaid would.

Representative Wilson stated that the bill only included marital and family therapists working independently. She

asked if there was a way to track only the individuals under the bill.

Ms. Brodie answered there would be a way to track the individuals through the bill because it would require building specialized business rules into the Medicaid Management Information System (MMIS). She detailed DHSS could use the same rules to track who was paid under the bill.

[2:45:34 PM](#)

Representative Wilson asked how many states had tried to take extras out of their plan and had been denied.

Ms. Brodie did not know any states that had been denied. There were states that had lengthy discussions with CMS and had been required to prove access. However, other states were far ahead of Alaska in behavioral health issues and already had the infrastructure.

Representative Wilson requested information on the criteria required to remove any extra services.

Vice-Chair Gara stated that he had first been told the purpose of the bill had was to allow marital and family therapists to provide behavioral health services. More recently he had been asked if the bill would cover marital counseling through Medicaid. He asked if the intent of the bill was limited to allowing marital and family therapists to provide direct behavioral health services or to expand the services provided through Medicaid.

Senator Wilson confirmed the original intent of the bill was to allow therapists not practicing in a community behavioral health clinic the ability to bill Medicaid through the optional service. The bill would allow a new provider type to be added to the list of licensed providers that could bill Medicaid, just like a licensed clinical social worker could bill for marital and family counseling through group therapy. Other non-marriage family therapists could bill for the same services that those providers bill for as well.

[2:48:51 PM](#)

Co-Chair Seaton asked whether January 2020 would be the appropriate report deadline if the bill passed with its current effective date.

Ms. Brodie thought it would be better to line the due date up with the department's other Medicaid reports due at the end of November.

Co-Chair Seaton asked for the year. Ms. Brodie replied 2020.

Co-Chair Seaton asked for verification that the following was an adequate parameter for DHSS to design the data collection: a report to the legislature on the effectiveness and the cost-effectiveness of providing the services allowed under the bill by the authorized providers and the impact on diversion of services provided in more costly settings.

Ms. Brodie replied in the affirmative.

Representative Wilson communicated she had a forthcoming amendment.

[2:51:06 PM](#)

AT EASE

[2:51:39 PM](#)

RECONVENED

Co-Chair Foster stated there would be forthcoming amendment. He set a deadline of 5:00 p.m. the following day.

Senator Wilson relayed that the bill had been brought forward to address behavioral health shortages in the state. He emphasized there was an extensive line [for behavioral health services] and he encouraged committee members to reach out to their communities to learn how long it took for someone to get scheduled for an integrative behavioral health assessment. He stated the wait ranged from several weeks to one month depending on what a person needed to be seen for. He noted that residential substance abuse treatment facilities had long waitlists. The bill would help open a second door for individuals to access and lessen the burden of Alaskans seeking mental health services. He thanked the committee for hearing the bill.

Vice-Chair Gara thanked Senator Wilson for his patience.

CSSB 105(FIN) was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the schedule for the following day. He recessed the meeting to a call of the chair [note: meeting never reconvened].

#

ADJOURNMENT

2:54:18 PM

The meeting was adjourned at 2:54 p.m.