

SENATE FINANCE COMMITTEE
April 13, 2018
9:24 a.m.

9:24:59 AM

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 9:24 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Anna MacKinnon, Co-Chair
Senator Click Bishop, Vice-Chair
Senator Peter Micciche
Senator Donny Olson
Senator Gary Stevens
Senator Natasha von Imhof

MEMBERS ABSENT

None

ALSO PRESENT

Representative Scott Kawasaki, Staff; Mercedes Colbert, Staff, Representative Scott Kawasaki; Jessica Bogard, Division of Public Assistance, Administrative Operations Manager, Department of Health and Social Services; Heidi Drygas, Commissioner, Department of Labor and Workforce Development; Marie Marx, Director, Division of Workers Compensation, Department of Labor and Workforce Development; Denny Dewitt, State Director, National Federation of Independent Businesses; Pete Ecklund, Staff, Senator Lyman Hoffman.

PRESENT VIA TELECONFERENCE

Monica Windom, Director, Division of Public Assistance, Juneau, Department of Health and Social Services.

SUMMARY

CSHB 79 (FIN)

OMNIBUS WORKERS' COMPENSATION

CSHB 79(FIN) was HEARD and HELD in committee for further consideration.

CSHB 236(FIN)

EXTEND: SENIOR BENEFITS PAYMENT PROGRAM

CSHB 236(FIN) was REPORTED out of committee with a "do pass" recommendation and with one new fiscal note from the Department of Health and Social Services.

HB 287(brf sup maj fld)

APPROP: PUPIL TRANSPORTATION; EDUCATION

SCS HB 287(FIN) was REPORTED out of committee with a "do pass" recommendation.

#hb236

CS FOR HOUSE BILL NO. 236(FIN)

"An Act extending the Alaska senior benefits payment program."

[9:26:38 AM](#)

REPRESENTATIVE SCOTT KAWASAKI, STAFF, introduced himself

MERCEDES COLBERT, STAFF, REPRESENTATIVE SCOTT KAWASAKI, introduced herself.

Representative Kawasaki stated that the fiscal note represented a slight change. He remarked that the sunset extension should occur, and thanked the committee for its attention to detail.

[9:28:50 AM](#)

MONICA WINDOM, DIRECTOR, DIVISION OF PUBLIC ASSISTANCE, JUNEAU, DEPARTMENT OF HEALTH AND SOCIAL SERVICES (via teleconference), introduced herself.

Co-Chair MacKinnon wished Ms. Windom a happy birthday.

[9:29:33 AM](#)

JESSICA BOGARD, DIVISION OF PUBLIC ASSISTANCE, ADMINISTRATIVE OPERATIONS MANAGER, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, discussed the fiscal note. She noted that, for FY 2019, the requested amount was \$19.9 million; which would hold steady the funding from FY 2018. The possible impact to seniors in Alaska would be a reduction of the top tier benefit of \$125 to an amount of \$66 a month. She stated that the FY 2020 showed an increase, which was an acknowledgement of the increase in senior population in the state who would possibly be eligible for the benefit. She shared that it would fully fund, back to \$125 a month. She stated that it was estimated that the \$125 a month benefit would go to 5171 seniors in 2020. The acknowledgement of the increase would be a total appropriation request of \$24.5 million. She outlined the requests: in 2022, a request of \$25 million; in 2023, a request of \$25.5 million; and 2024, a request of \$26 million. She announced that the logic was focused on the benefit to the seniors, and the calculation of the poverty levels related to program eligibility and acknowledgement of the growth.

Co-Chair MacKinnon wanted information about the fiscal note from Vice-Chair Bishop.

Vice-Chair Bishop outlined the fiscal note. He stated that the department was the Department of Health and Social Services, and the appropriation was Public Assistance. The allocation was the Senior Benefits Program. The OMB component number was 2897. He stated that the cost for 2019 was \$19.980 million; 2020 was \$24.044 million; and the projected growth for the out years was at 2 percent.

Vice-Chair Bishop MOVED to REPORT CSSB 236(FIN) out of committee with individual recommendations and accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSHB 236(FIN) was REPORTED out of committee with a "do pass" recommendation and with one new fiscal note from the Department of Health and Social Services.

[9:33:13 AM](#)

AT EASE

[9:35:07 AM](#)

RECONVENED

#hb79

"An Act relating to workers' compensation; relating to the second injury fund; relating to service fees and civil penalties for the workers' safety programs and the workers' compensation program; relating to the liability of business entities and certain persons for payment of workers' compensation benefits and civil penalties; relating to civil penalties for underinsuring or failing to insure or provide security for workers' compensation liability; relating to preauthorization and timely payment for medical treatment and services provided to injured employees; relating to incorporation of reference materials in workers' compensation regulations; relating to proceedings before the Alaska Workers' Compensation Board; relating to the authorization of the workers' compensation benefits guaranty fund to claim a lien; excluding independent contractors from workers' compensation coverage; establishing the circumstances under which certain nonemployee executive corporate officers and members of limited liability companies may obtain workers' compensation coverage; relating to the duties of injured employees to report income or work; relating to misclassification of employees and deceptive leasing; defining 'employee'; relating to the Alaska Workers' Compensation Board's approval of attorney fees in a settlement agreement; and providing for an effective date."

[9:35:45 AM](#)

Co-Chair MacKinnon REOPENED and CLOSED public testimony. She disclosed that her family was involved in this legislation.

[9:37:08 AM](#)

HEIDI DRYGAS, COMMISSIONER, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, agreed to address concerns. She deferred to Ms. Marx to address the Sectional Analysis.

Vice-Chair Bishop wondered whether Commissioner Drygas had read the letters highlighting some concerns. Commissioner Drygas replied that she had received a copy of the letter from the Worker's Compensation Committee of Alaska. She stated that she had seen the other letters, but did not

receive copies. She remarked that some concerns had been addressed, and other concerns were new concerns. She stated that she was prepared to address those concerns.

Co-Chair MacKinnon wondered whether Commissioner Drygas had a copy of the letter from the Worker's Compensation Committee of Alaska. Commissioner Drygas replied in the affirmative.

[9:39:09 AM](#)

MARIE MARX, DIRECTOR, DIVISION OF WORKERS COMPENSATION, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, discussed the Sectional Analysis (copy on file):

Section 1: Amends AS 23.05.067(a), by allowing the department of labor and workforce development to receive a greater percentage of the annual service fees that insurers pay.

Senator von Imhof wondered how the increase would "trickle" down to employers or employees. Ms. Marx replied that there would be no fiscal impact on the insurers and self-insured employers, because there was no additional money to be collected. She stated that the current fee was 2.7 percent, and it would not change. She explained that, of that 2.7 percent, the division only received 1.82 percent of that. The rest went to the Alaska Comprehensive Health Insurance Fund. She stated that the money was no longer needed in that fund, so the money would be diverted the general treasury.

Co-Chair MacKinnon wondered whether the percentage was 2.7 or 2.9. Ms. Marx replied that the fee that insurers paid was 2.7 percent. The fee that self-insured employers paid was 2.9 percent. She stated that HB 79 did not address the fee paid by the self-insured.

Co-Chair MacKinnon asked whether there was a graph that would show the contributions to the fund and the total value of the fund. Ms. Marx replied that it was attached to the fiscal note, dated February 21, 2018. The chart attached showed the balance through the years, revenue, appropriations, and the shortfall.

Co-Chair MacKinnon queried the OMB component number of the fiscal note. Ms. Marx replied that it was 344.

Co-Chair MacKinnon requested a high overview of the numbers beginning in FY 19. Ms. Marx responded that on page 3 of the fiscal note it showed for FY 19 the available balance of approximately \$10 million. The appropriations was \$9 million. She explained that it showed that there would be a carry-forward balance of approximately \$1 million at the end of FY 19. She looked at FY 20, which had an available balance of \$7.9 million; the appropriation would be \$9 million; and the shortfall would be \$1.1 million.

Co-Chair MacKinnon wondered what was affecting the revenue. Ms. Marx responded that worker's compensation premiums were decreasing, which was a good thing. She remarked that it was due to lower injury rates and the work of the Medical Services Review Committee. She noted that because they were funded by a percentage of worker's compensation premiums, so there was less money coming into the division to operate.

Vice-Chair Bishop recalled that during his time in the department there was work with safety.

[9:45:44 AM](#)

Co-Chair MacKinnon noted that costs were increasing in the expense line of the fiscal note. She wondered whether those increased costs were related to medical expenses. Ms. Marx responded that worker's compensation benefits costs were not paid for by the division. Those were paid by insurance companies and self-insured employers to the injured worker. The costs were for divisions' operations. She agreed that the costs had increased. She shared that, in 2005, the legislature added a fraud investigation unit and the appeals commission. The commission was approximately \$500,000 per year. She remarked that no additional funding was given, so the operation costs had increased due to increased salaries and expenses.

Co-Chair MacKinnon wondered whether the fraud unit was successful. Ms. Marx replied in the affirmative.

Co-Chair MacKinnon asked whether the investigations was for one-year or the ten-year life. Ms. Marx replied that it was for FY 2017.

Co-Chair MacKinnon understood the desire to provide resources into the Injured Workers Fund. She wondered why there was a deposit into that fund at the same time of an increased request. Ms. Marx replied that the fraud unit was set up at the same time as the Injured Workers Fund. She explained that the fund was a way for injured workers to receive benefits when the employer failed to be insured as required by law. The fraud unit's collections went into the fund. The money was not used for division operations. She stressed that the division's operations relied on the percentage from insurance companies and from self-insured employers. She stressed that the expenses were absorbed in the operations.

[9:51:04 AM](#)

Co-Chair MacKinnon understood the past legislative intent of setting up a funding stream.

Vice-Chair Bishop queried a number of the penalties assigned and collected money. Ms. Marx replied that, in FY 17, the amount assessed by the Workers Compensation Board was \$3.1 million. She explained that there were arbitrary reasons for the suspended amounts. She furthered that the amount actually needed to be paid was approximately \$2.2 million; of that the division collected approximately \$1 million in FY 17.

Co-Chair MacKinnon asked that the numbers be repeated. She explained that bills provided lessons on some of the issues. Ms. Marx replied that in FY 17 the division collected just over \$1 million of money that went into the benefits guarantee fund.

Senator Stevens looked at the Fisherman's Fund, and understood that there was a desire to increase the reimbursement for injuries to the owners of fishing vessels. He asked for more information, and asked whether there was objection to increasing the \$5000 reimbursement. Ms. Marx replied that Senator Stevens may have been referencing HB 379, which was a bill that would increase the amount of the deductible reimbursed to vessel owners. She stated that the Fisherman's Fund was separate from the Worker's Compensation Unit. She stated that the fund was administered by the department, but was not part of the worker's compensation program. She further explained the Fisherman's Fund. She stated that currently a vessel owner

could be reimbursed up to 50 percent of their deductible or \$5000. She explained that HB 379 would increase it to 100 percent of the deductible, but keep the \$5000 limit. She stated that there would be an increase of \$18,900, but the fund had sufficient revenue to cover that additional expense. The department had no position on that bill.

[9:55:27 AM](#)

Senator Stevens wondered whether it would be inappropriate to include the subject into the current bill. Ms. Marx deferred to the Department of Law (LAW).

[9:55:52 AM](#)

Commissioner Drygas stated that LAW should look at that subject. She remarked that workers compensation was broad, and the fisherman's fund was administered by the division.

Co-Chair Hoffman queried the qualifications to qualify for the fisherman's fund. He wondered whether one must have a commercial fishing license. Ms. Marx replied in the affirmative. She stated that one must be a crew member with an injury or illness directly related to operations as a commercial fisherman. She stated that a fisherman claim required a valid commercial fishing license or a limited entry permit. She stated that the initial treatment must be received within sixty days of the injury; and the application for reimbursement must be submitted within one year after the initial treatment. The treatment must be documented by medical notes. The injury must have occurred in Alaska or Alaskan waters.

Co-Chair Hoffman wondered whether the injury must be incurred while fishing. Ms. Marx responded that it must be connected with the commercial fishing job.

Senator von Imhof wondered whether the bill would eliminate the injured workers fund. Ms. Marx replied that the bill did not address that fund.

Commissioner Drygas furthered that injured workers fund was the same thing as the benefits guaranteed fund.

Co-Chair MacKinnon stated that "if something's too heavy, it might sink."

Ms. Marx continued with the Sectional Analysis:

Section 2: Amends AS 23.05.067(e), by clarifying that penalties for late-filed reports accrue to the workers' safety and compensation administration account.

Section 3: Amends AS 23.30.070(a), by making technical changes to allow electronic filing of documents.

Section 4: Amends AS 23.30.070(b), by making technical changes to allow electronic filing of documents.

Section 5: Amends AS 23.30.070(d), by allowing the division director to prescribe the format for reporting injuries to the division.

Section 6: Amends AS 23.30.070(f), by making technical changes to allow electronic filing of documents.

Section 7: Amends AS 23.30.075(b), by expanding personal liability for workers' compensation benefits and civil penalties to owners of more types of employing business entities if the business fails to carry workers' compensation insurance.

Section 8: Amends AS 23.30.080(e), by moving the failure to insure process from the board to the division.

Section 9: Amends AS 23.30.080(f), by allowing the division to assess a civil penalty directly rather than petitioning the board to set the penalty, simplifying the calculation and maximum civil penalty for a failure to insure for workers' compensation liability, and allowing the division to assess a civil penalty against employers who have engaged in misclassification of workers for the purpose of evading full payment of workers' compensation insurance premiums.

[10:01:42 AM](#)

Senator Micciche felt like there was much opposition to Section 9. He felt that some might believe that the government was "getting out of its lane." He asked for further comment about Section 9. Ms. Marx pointed out that

Section 9 was also related to Section 35. She shared that in 2005, the legislature tasked the fraud unit with investigating fraud, including misclassification. She stated that the problem was the misclassification was not defined. Therefore, it was difficult to ensure that employers were in compliance and to incentivize compliance. She stated that the bill defined misclassification. She stated that currently the division could only go after someone criminally only. That should not be the only option, so there should be a lesser penalty of a civil penalty.

Senator Micciche felt that individuals did not interpret the section. She wondered whether there could be a response to the Workers Compensation Committee of Alaska. Ms. Marx replied that the concern was that insurance companies conducted payroll audits. She stated that some of the comments felt that the work was duplicative. She asserted that the work was not duplicative. She explained that a payroll audit was a true up on an employers payroll, staff, and business. The insurance company would fix the code. The insurance company would not incentivize employers to follow the law or deter fraud.

[10:05:06 AM](#)

Co-Chair MacKinnon agreed that it was the department's assertion.

Co-Chair MacKinnon remarked that Sections 9 and 35 assumed that all misclassifications were intentional. Ms. Marx disagreed. She furthered that the division was aware that there may be inadvertent misclassification, just as there was inadvertent failure to insure. She stated that the statute set out the maximum, but that maximum was not imposed in most cases. That maximum was for the most egregious cases. She stated that regulation set out a sliding scale.

Co-Chair MacKinnon stated that some of the testimony stated that government did not always adequately handle penalties. She shared that she had attended seminars about the misclassification issue. She was torn about the requested control and providing safeguards against governments limiting their ability to compete. She shared that there was an issue of the territory of work. She remarked that there could be misclassifications that cause the department

and employer additional costs. She recalled that there was a conversation about the independent contractor, and not contributing to the system; versus one that complies with the existing laws. Commissioner Drygas replied that the topic was confusing, because there was a problem of classifying workers as independent contractors. She shared that many employers do it inadvertently and also to avoid paying premiums. She explained that there was also small misclassifications.

[10:12:53 AM](#)

Co-Chair MacKinnon remarked that there was overwhelming opposition to the language. She stressed that there was a desire for safe work environments, but there should be a balance without creating uncertainty in business management costs.

Vice-Chair Bishop felt that there was a desire to change a criminal penalty to a civil penalty. Ms. Marx agreed.

Vice-Chair Bishop stated that intentional negligence would result in a criminal penalty depending on the egregiousness of a workplace accident. Ms. Marx replied that it would be up to the Office of Special Prosecution.

[10:15:27 AM](#)

Senator Micciche noted that Section 35 allowed for a civil penalty. He wondered whether there was a belief that the department had a lower burden of proof, and used at an earlier stage of investigation. Ms. Marx surmised that the concern was about whether there was a lower standard of proof for civil penalties versus criminal, and she agreed with that summation. She stated that the division would meet the same current standard in investigating failure to insure cases.

Senator Micciche wondered whether a theft conviction was more difficult to obtain than the support for the civil penalty. Ms. Marx replied in the affirmative.

Senator Micciche stressed that the concern was about eliminating the current standard. He felt that civil penalties could be used as a method of control with a far lower burden of proof.

Vice-Chair Bishop wondered what would occur with a possible ad hoc with those in the industry.

Co-Chair MacKinnon thanked Vice-Chair Bishop for the solution. She stated that they were at a friction point.

Commissioner Drygas stated that it was an interesting concept. She stated that the former committee had worked together to come up with solutions.

[10:21:24 AM](#)

Commissioner Drygas addressed the penalties.

Senator von Imhof noted a letter. She remarked that creating an independent contractor definition was important. She queried any incorporations about that definition. Commissioner Drygas replied that she was no aware of a request to examine that definition.

Senator von Imhof stressed that she assumed that it was only two months prior, but it was a year prior. Ms. Marx explained that she had a brief discussion, and there was no objection to the definition.

Co-Chair MacKinnon wondered if they were in support of the bill. Commissioner Drygas replied that they were not in opposition.

[10:25:45 AM](#)

Co-Chair MacKinnon noted the dated letter that stated that there was not opposition to the bill.

Senator von Imhof wondered whether there should be an updated letter.

Co-Chair MacKinnon agreed, and noted that a lobbyist could update the letter.

Senator von Imhof remarked that there were letters of support, but specific components with issue. Commissioner Drygas replied that she believed that there were answers to most of the concerns that were addressed the year prior. She shared that the sectional analysis was intended to address some of the issues.

Ms. Marx furthered that there were some comments that were solved in the House Judiciary Committee.

[10:30:28 AM](#)

Ms. Marx continued to discuss the Sectional Analysis:

Section 10: Amends AS 23.30.080(g), by extending from 7 days to 30 days for an employer to pay an assessed penalty.

Section 11: Adds new subsections to AS 23.30.080, providing for penalties for failure to produce records legally required to be kept, providing a process for an employer to dispute a civil penalty assessment, allowing an employer to pay an assessed civil penalty by payment plan, requiring that employers who agree to a payment plan pay interest, and clarifying penalties may not be suspended.

Co-Chair MacKinnon wondered whether it was a revenue generator from the department's perspective. Ms. Marx replied that the section corrected a gap in the statute, where an employer who refused to provide records was frequently penalized less severely than an employer who kept legally required records.

Ms. Marx continued with the Sectional Analysis:

Section 12: Amends AS 23.30.082(a), by providing interest on civil penalties and other civil penalties under the Workers' Compensation Act (Act) accrue to the workers' compensation benefits guaranty fund.

Senator von Imhof stated that she was not able to judge.

[10:34:43 AM](#)

Co-Chair MacKinnon stated that the slow process was to gain all the information necessary.

Vice-Chair Bishop explained that the history and subject was complicated.

Co-Chair MacKinnon recalled a letter from the Senate Labor and Commerce Committee chair. Commissioner Drygas replied that there was only one meeting.

Co-Chair MacKinnon felt that the Senate Labor and Commerce Committee had moved many bills to the Senate Finance Committee. Commissioner Drygas asserted that the bill was extremely balanced.

[10:41:37 AM](#)

Co-Chair MacKinnon remarked that there was some fear in the industry of retaliation when commenting against the government.

Ms. Marx continued with the Sectional Analysis.

Co-Chair MacKinnon asserted that there were multiple ways that a business could be fined. She asked for further comment. Ms. Marx replied that the policies were getting to the insurance companies. She stated that once the policy arrived, it was not reported to the division, because there was no consequence.

Co-Chair MacKinnon asked for confirmation about the issue.

[10:45:33 AM](#)

Senator von Imhof remarked that many of the letters had targeted specific sections. She wondered whether it would be prudent to issue a written response for each of those issues. Commissioner Drygas agreed to provide a written response.

Ms. Marx continued with the Sectional Analysis:

Section 14: Amends AS 23.30.097(d), by clarifying when an employer must preauthorize or deny a provider's written request for medical treatment.

Section 15: Amends AS 23.30.098, by adding publications to a list the department of labor and workforce development may incorporate, including future amended versions, into regulation.

Section 16: Amends AS 23.30.100(a), by making technical changes to allow electronic filing of documents.

Section 17: Amends AS 23.30.100(b), by making technical changes to allow electronic filing of documents.

Section 18: Amends AS 23.30.100(c), by making technical changes to allow electronic filing of documents.

Section 19: Amends AS 23.30.110(c) by requiring the board to schedule a prehearing conference not later than 30 days after a claim is filed, and at the prehearing conference set discovery deadlines and a hearing date, rather than waiting for an employee to request a hearing.

Co-Chair MacKinnon noted that there was an elimination of the statute of limitations.

Senator von Imhof requested the perspective on the section, and address the concerns about why the bill would improve the concerns.

Co-Chair MacKinnon felt that not including the elimination of the statute of limitations in the sectional analysis was disingenuous. Commissioner Drygas replied that there was not a statute of limitations with respect to the issue. She stated that it was a "time bar." She stated that the elimination of the time bar was because the board would schedule a prehearing conference.

Ms. Marx furthered the workers compensation hearing system was currently inefficient, and had led to high attorney fees.

[10:51:46 AM](#)

Co-Chair MacKinnon queried the definition of a time mark. Ms. Marx replied that after a claim was denied, an injured worker had two years to request. She stated that the requirement would be eliminated.

Co-Chair MacKinnon wondered whether the injured employee currently had a two year time mark with workers compensation, and whether that was eliminated in the bill. Ms. Marx replied that the two years was to request a hearing, not to file a claim.

Co-Chair MacKinnon surmised that filing a claim was different than requesting a hearing. Ms. Marx agreed.

Co-Chair MacKinnon wondered whether there was distinction between filing a claim and requesting a hearing. Ms. Marx clarified that the time bar only applied to requesting a hearing, or more time for a hearing.

Senator von Imhof wondered what would occur when someone lets the two years lapse. Ms. Marx informed that if an employee did nothing after two years, the claim would be barred by law.

Co-Chair MacKinnon asked if the bill took away the limit for requesting a hearing. Ms. Marx replied that the board would schedule the hearing, rather than requiring the claimant to request a hearing.

Co-Chair MacKinnon asked if everyone would be given a hearing.

Commissioner Drygas stated that the department saw a problem with protracted litigation, which led to increased litigation fees. The bill sought to ensure that a hearing be scheduled.

[10:55:46 AM](#)

Co-Chair MacKinnon surmised that the change allowed for everyone to file a claim. Ms. Marx replied that there were approximately 20,000 reports of injury filed every year. She stated that only approximately 1200 a year resulted in claims. The only time a worker filed a claim was when they were not receiving the benefits they believed that they were entitled. The claim demands that action be taken. She stated that the other claims were resolved.

Senator von Imhof wondered whether there was a statute of limitations for filing a claim. She did not want employees filing a claim after much time had passed. Ms. Marx replied that there was a statute of limitations of two years, and the bill did not change that statute of limitations.

Senator Micciche understood that it was easy to confuse the claim and request for hearing. He stated that he had filed controversial bills.

Co-Chair MacKinnon stated that there was a hope to bring all parties together to hear all the perspectives.

[11:01:16 AM](#)

Commissioner Drygas believed that there would be resolution through work with the stakeholders and addressing their concerns.

Co-Chair MacKinnon appreciated the advocacy for the employees of the state.

DENNY DEWITT, STATE DIRECTOR, NATIONAL FEDERATION OF INDEPENDENT BUSINESSES, introduced himself.

Co-Chair MacKinnon queried comments on the position on the bill. Mr. Dewitt replied that the primary focus was the independent contractor issue, and that issue was resolved. He remarked that there were many technicalities in the bill. He did not support or oppose other aspects of the bill.

Co-Chair MacKinnon queried the reason for the opposition. Mr. Dewitt replied that it was found that the initial language inhibited many contractors ability to continue to work as independent contractors. He worked with the department to articulate the definition of an independent contractor, and their ability to work as independent contractors.

Vice-Chair Bishop queried the relationship with the department. Mr. Dewitt responded that there was resolution after a complicated process.

CSHB 79(FIN) was HEARD and HELD in committee for further consideration.

[11:05:11 AM](#)

AT EASE

[11:10:48 AM](#)

RECONVENED

#hb287

HOUSE BILL NO. 287(brf sup maj fld)

"An Act making appropriations for public education and transportation of students; and providing for an effective date."

11:10:58 AM

Co-Chair Hoffman MOVED to ADOPT the committee substitute for HB 287(brf sup maj fld), Work Draft 30-LS1229\T (Wallace, 4/13/18).

Co-Chair MacKinnon OBJECTED for discussion.

Co-Chair MacKinnon announced that the committee had been working on a proposal to forward-fund education. She stated that the Work Draft had a funding source.

11:12:04 AM

PETE ECKLUND, STAFF, SENATOR LYMAN HOFFMAN, wondered whether he should walk through the bill, or only highlight the change in the committee substitute.

Co-Chair MacKinnon felt that there should be a walk through of the bill, and then an explanation of the changes. She remarked that there was work to ensure forward funding of education, but she wanted the information delivered as quickly as possible.

Mr. Ecklund noted that on page 2 was the numbers section. The items was K-12 aid and support to school districts and Mt. Edgecumbe. He stated that those items did not fund Department of Education and Early Development (DEED) programs, but rather went directly to the schools and school districts. He noted the change from the previous version, which was the update on Mt. Edgecumbe. He stated that there was an increase requested by the administration after the other body had moved the legislation. It was a \$250,000 general fund program receipt for Mt. Edgecumbe. He noted that page 3 had the different funding sources from Section 1 of the bill. He stated that the same structure was on page 4. He looked at page 5, Section 4, which was a \$30 million grant that would become effective in FY 20. He stated that the grant would be run through adjusted average daily membership, so the grant would be distributed to school districts as if it were run through the foundation formula. He stated that a \$30 million was equivalent to a \$117 Base Student Allocation (BSA) increase, which would

become effective in FY 20. He noted that Section 5 was FY 19 fund capitalization for the FY 19 Education Foundation Program, and fully funding the BSA at \$1.89 billion. It also fully funded the people transportation formula for FY 19 at \$78.1 million effective in FY 19. He stated that Section 5 also fully funded the BSA formula in FY 20 with an FY 20 effective date. He stated that it also funds the student transportation formula in FY 20, with an FY 20 effective date. He noted that all the funding in Sections 4 and 5 was from the general fund. He remarked that Section 6 was standard lapse language. He shared that Section 7 was a contingency that stated that the FY 20 funding of the \$30 million; FY 20 forward and early funding of K-12 and people transportation formulas would only become effective upon the passage of a version of SB 26. The other sections were effective dates.

Co-Chair Hoffman noted that once the bill passed the Senate, early funding for FY 19 would only require the House to concur. Mr. Ecklund agreed.

[11:16:57 AM](#)

AT EASE

[11:17:32 AM](#)

RECONVENED

[11:17:38 AM](#)

Senator Micciche wondered whether Section 5(a) was the same amount of the BSA that was in the past, and only required concurrence. Mr. Ecklund replied in the affirmative.

Senator Micciche noted that the FY 20 funding required passage of SB 26. Mr. Ecklund agreed.

Co-Chair MacKinnon noted that the issue was that the budget would draw from the earnings reserve account (ERA), and she explained the ERA.

Co-Chair Hoffman stressed that the Senate was not demanding any version of SB 26. He noted that page 5, lines 22 and 23 stated that those provisions, if passed, would be enacted with a version of SB 26. He remarked that the burden was placed on the legislature to come to an agreement on SB 26.

Co-Chair MacKinnon WITHDREW the OBJECTION. There being NO further OBJECTION, the proposed committee substitute was adopted.

Co-Chair MacKinnon discussed the bill history.

[11:22:35 AM](#)

AT EASE

[11:22:47 AM](#)

RECONVENED

[11:22:49 AM](#)

Co-Chair MacKinnon OPENED public testimony.

Co-Chair MacKinnon CLOSED public testimony.

Co-Chair Hoffman noted that the operating budget had been passed the day prior. He stressed that education was a priority, and did not want to lay off teachers.

Co-Chair MacKinnon announced that there was a regular public hearing.

Senator Micciche stressed that education was a priority in the Senate. He understood that there was talent lost in education, because districts were not aware of the amount of money that would be available. He stressed that forward funding education would help districts to understand their funding. He appreciated the section that would help the public recognized the importance of a structured draw.

Vice-Chair Bishop thanked those who worked on the bill.

[11:29:01 AM](#)

Senator Olson felt that a structured draw was important with the option to draw from the ERA.

Co-Chair MacKinnon stressed that there were "no strings attached" to FY 19's funding.

Co-Chair Hoffman stressed that the previous version had a 2018 draw form the ERA. The current bill did not have a draw out of the ERA.

Co-Chair MacKinnon remarked that it would focus the attention on the steps that would be taken to further efforts.

Co-Chair Hoffman MOVED to REPORT SCS HB 287(FIN) from committee with individual recommendations. There being NO OBJECTION, it was so ordered.

[11:31:48 AM](#)

AT EASE

[11:34:21 AM](#)

RECONVENED

SCS HB 287(FIN) was REPORTED out of committee with a "do pass" recommendation.

Co-Chair MacKinnon discussed the following meeting's agenda.

Co-Chair MacKinnon ADJOURNED the meeting.

[11:35:43 AM](#)

Co-Chair MacKinnon RECINDED THE ACTION TO ADJOURN. There being NO OBJECTION, it was so ordered.

[11:35:55 AM](#)

RECESSED

[1:17:28 PM](#)

RECONVENED

Senator Olson OBJECTED to adjourning the meeting.

Co-Chair MacKinnon stated that Senate Finance stayed active during the last few days of session. She remarked that the meeting could be adjourned for a few minutes.

Senator Olson WITHDREW his objection. There being NO OBJECTION, it was so ordered.

#

ADJOURNMENT

[1:18:51 PM](#)

The meeting was adjourned at 1:18 p.m.

