

SENATE FINANCE COMMITTEE

May 2, 2018

9:34 a.m.

9:34:10 AM

CALL TO ORDER

Vice-Chair Bishop called the Senate Finance Committee meeting to order at 9:34 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Senator Anna MacKinnon, Co-Chair

ALSO PRESENT

Heather Carpenter, Staff, Senator Pete Kelly; James Harvey, Assistant Director, Division of Employment Training Services, the Department of Labor and Workforce Development; Dan Robinson, Research Chief, Division of Research and Analysis, Department of Labor and Workforce Development; Shawnda O'Brien, Assistant Commissioner, Department of Health and Social Services.

PRESENT VIA TELECONFERENCE

David Morgan, Self, Anchorage.

SUMMARY

SB 193 MED. ASSISTANCE WORK REQUIREMENT

CSSB 193 (HESS) was REPORTED out of committee with a "do pass" recommendation and with one previously published fiscal impact note: FN8(LWF); and one new indeterminate fiscal note from the Department of Administration, and three

new fiscal impact notes from the Department of Health and Social Services.

#sb193

SENATE BILL NO. 193

"An Act requiring the Department of Health and Social Services to apply for a waiver to establish work requirements for certain adults who are eligible for the state medical assistance program."

9:34:29 AM

Vice-Chair Bishop noted that the committee heard the bill on April 12, 2018 and May 1, 2018; and had taken public testimony.

9:35:38 AM

HEATHER CARPENTER, STAFF, SENATOR PETE KELLY, explained that the bill would ask the Department of Health and Social Services (DHSS) to apply for the 1115 Medicaid waiver to establish a work requirement for able-bodied adults in the Medicaid population. She reported that to maintain eligibility in the Medicaid program, able-bodied participants would be required to volunteer, or engage in subsistence or work activities for at least 20 hours each week. She noted that pregnant women, children, elderly, disabled, and certain caregivers would be exempted.

Vice-Chair Bishop recalled discussion from the previous day that identified the target population at 10 percent of the 22,500 Medicaid recipients.

Senator Micciche thought it would be beneficial to hear from the Department of Labor and Workforce Development (DOL).

9:38:02 AM

AT EASE

9:38:19 AM

RECONVENED

Senator Micciche stated that the bill considered asking DOL to assist in identifying gaps in employment and training throughout the state. He thought that the state had

"perpetually accepted nonworking healthy Alaskans for the long-term" and some of us would like to change the trend to help individuals reach their full potential. He asked how DOL envisioned assisting DHSS in a work program for Medicaid recipients that would promote financial independence and less dependence on the government.

JAMES HARVEY, ASSISTANT DIRECTOR, DIVISION OF EMPLOYMENT TRAINING SERVICES, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, asserted that the "question was ongoing" and that DOL currently partnered with the Division of Public Assistance (DPA) to work with the Temporary Assistance to Needy Families (TANF) population on the TANF Work Services program through its job centers. He explained that the DOL's job centers located throughout the state provided access to online resources or in-person resources, staff assisted self-help and services, case management, and enrollment in certain federal and state job training programs for qualified individuals. The work had been ongoing, and he envisioned continued similar collaboration on the bill's proposed program.

[9:40:43 AM](#)

Senator Micciche discussed the rate of unemployment in the state. He recalled seeing a statistic that less than half of Alaskans were working. He noted the seasonal nature of employment in the state contributing to the statistic. He asked why the state listed 7.1 percent employment rate when less than half the state was working. He wondered how to engage individuals that were no longer on unemployment rolls to help them reach their full potential.

DAN ROBINSON, RESEARCH CHIEF, DIVISION OF RESEARCH AND ANALYSIS, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, offered to answer the question regarding DOL data. He acknowledged that the state did have the highest unemployment rate in the country at 7.3 percent. However, the unemployment rate was not high relative to Alaskan historical averages (7.2 percent over 10 years). He delineated that the unemployment rate was calculated by the Bureau of Labor Statistics and designed to move slowly and smoothly; it was slow to reflect economic distress. He thought a better macro-indicator was the number of jobs and job loss. He stated the state was losing jobs but not significantly, however, DOL still considered the state in a recession. He indicated that in order to be counted as

unemployed, one had to be actively seeking work, which he thought was challenging to discern. He considered the "employment to population ratio" a better indicator that showed what percentage of the working-age population was working and recalled that in 2017, 62 percent of the civilian population was working in Alaska. The ranking was the 20th highest in the nation.

[9:44:29 AM](#)

Mr. Robinson continued his remarks and noted that parts of rural Alaska had very low employment to population ratios and the highest unemployment rates in the nation.

Senator Micciche asked what the government could do as a team. He thought the issue was larger than that of work requirements for Medicaid. He asked if DOL had a team assembled and wondered how the legislature could assist DOL in its endeavors to create employment opportunities for different parts of the state. He mentioned social problems and social ills. He thought there was enormous talent throughout the state in the ranks of the unemployed. Mr. Robinson reminded the committee that his division produced data, and he recommended that the legislature access the data to help inform policy. He offered that the legislature could request all sorts of data from the division that could help produce desired outcomes. He offered that the division analyzed why Alaska's unemployment rate was 2 or 3 percentage points higher than the national rate. He shared that seasonality and structural unemployment were factors. He described structural unemployment as not having workers with the skills needed for the jobs being produced in the state. He noted that there was a tremendous amount of jobs in parts of the state in which it was necessary to import workers and vice versa. He reiterated that his division could help with data related questions in the formulation of policy.

[9:47:57 AM](#)

Mr. Harvey echoed the remarks of Mr. Robinson regarding utilizing data, which could identify barriers to employment. He stated that the department was very adept at handling some barriers to employment, such as the application process and types of training. He thought job centers might not be the most adept at addressing other types of barriers to employment and noted the value of

partnerships. He offered that the job centers did a "wonderful job" of outreach and awareness of job opportunities and in preparation for the job openings. He reported that currently there were non-stop recruitment efforts in areas such as the seafood industry and some centers were operating at "standing room only" capacity.

[9:49:57 AM](#)

Senator von Imhof referenced Mr. Harvey's comment about working with different stakeholders in the state to create job opportunities. She listed the myriad of entities in the state that were stakeholders: United Way, Foraker Group, Career Academy, union trade groups, University of Alaska adjunct classes, YWCA, Alaska Vocational Technical Center (AVTEC), and the Cook Inlet Tribal Corporation (CITC). In addition, she discussed the Department of Commerce, Community and Economic Development's (DCCED) loan programs, business assistance center, intrastate crowd funding, and work readiness programs. She thought that the state needed to pair DOL with the existing organizations, and DHSS to fully engage and leverage assets that currently existed. She referenced the associated fiscal note that requested 49 positions. She asked whether leveraging the existing assets were factored into the equation of the fiscal note. She emphasized that all the organizations, existing programs and resources, institutional knowledge, and brain power needed to be utilized to better help the Medicaid work program.

[9:52:17 AM](#)

Senator Stevens asked Mr. Robinson how data pertaining to seasonal work fit in. He noted that there was much seasonal work in his district. Mr. Robinson stated that the data was collected, compiled, and disseminated monthly. He informed the committee that areas such as Kodiak, Aleutians East and West, Bristol Bay, Skagway, and Denali Borough had very low unemployment rates during the peak of seasonal activities. He stated that in single industry communities like Skagway the unemployment rate increased significantly in the off season. Kodiak had a big enough (more so than other fishing communities in the state) population to provide for local workers. He reported that his division compiled the data monthly and it was possible to see large seasonal swings. Senator Stevens asked whether the monthly data was compiled

in the annual reports. Mr. Robinson answered in the affirmative.

[9:54:29 AM](#)

Co-Chair Hoffman asked DOL to address the population downturn in the state. He thought it could be directly attributed to the economic downturn in the state. He wondered how long individuals were looking for jobs before leaving the state. Mr. Robinson reported that the state experienced five years in a row with net migration losses (more people moving out of the state than into the state) representing 30 thousand individuals. However, the migration losses did not equate to net population losses due to the birth to death ratio of 35,000. He noted that 2017 was the only year there had been actual population loss. He remarked that the migration loss pattern remained and historically, more people in their 20's through mid-40's years of age moved to Alaska than left the state. In recent years, more people in their 30 years of age and children in grades K-12 were leaving the state than coming into the state. He thought it was notable that the state was losing more working age people.

[9:56:34 AM](#)

Senator Olson thought the goal of the bill was to lessen government dependency. He thought that the goal seemed more difficult to accomplish in rural Alaska where less opportunity existed. He asked how many of those affected by the bill live in rural Alaska.

SHAWNDA O'BRIEN, ASSISTANT COMMISSIONER, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, did not have the data available, but offered to provide the information later.

[9:57:45 AM](#)

Senator Micciche assumed that the state's unemployment rate calculation was based on a federal formula. Mr. Robinson informed the committee that each state had its own unemployment rate calculation model. He asserted that it was hard to determine if those people not working should be counted as unemployed and mentioned groups such as stay-at-home parents and retirees; people who did not work due to a lack of jobs. Senator Micciche thought a data conversion was required to truly understand the employment

information. Mr. Robinson offered that the state's economy challenged the models. He used the big inflow of workers for Bristol Bay seafood processing jobs as an example of the challenge. Hew reiterated that he "discouraged" use of the state's unemployment rate as the "best measure of the state's economic health." Senator Micciche pointed out that nearly one-third of Alaska's population or 218,000 individuals were on Medicaid at a cost to the state of \$12 thousand per capita. He acknowledged that the bill was costly and viewed the bill as moving people from a lifetime of dependency to "helping folks succeed." He thought that the state needed to "shift toward teaching a man to fish" rather than expend funds on dependent systems.

[10:00:59 AM](#)

Senator Stevens appreciated Senator Micciche's remarks. He asked for a list of reasons why working was advantageous aside from economic reasons. Mr. Robinson referenced a recent study the division undertook using the Department of Corrections (DOC) data, which dealt with the effect of employment on recidivism. He was surprised to find that most of the released prisoners had worked, but unless the job was high paying it did not affect recidivism. He noted the different "levels of employment" and the importance to analyze "distribution." He elucidated that much research existed that jobs mattered psychologically and economically "but not just any job." There were many jobs that did not produce the same noneconomic benefits as higher paying jobs did. Senator Stevens appreciated Mr. Robinson's remarks.

Senator Micciche clarified that he would rather spend the same amount of funds to provide "meaningful employment opportunities" than on Medicaid. He maintained that the state had to utilize every tool to reduce DHSS expenditures.

[10:04:48 AM](#)

Senator von Imhof commented on Mr. Robinson's remarks about meaningful jobs showing less recidivism. She hoped that the message was not to shun jobs with less pay and less hours. She wanted to ensure that the message was to find a job that offered experience and increased opportunity for advancement and pay raises. Mr. Robinson clarified that his division was policy-neutral and did not message anything. He referenced a study that showed the outcomes of retail

employment over 10 years. He noted that the study showed the outcomes that Senator von Imhof discussed. He stated that retail jobs lead to other jobs. He pointed out that retail workers that stayed in retail jobs had substantial increases in income 10-years later.

[10:06:45 AM](#)

Vice-Chair Bishop moved to invited testimony.

DAVID MORGAN, SELF, ANCHORAGE (via teleconference), relayed that he was a healthcare economist and had lived in Alaska since 1984. He discussed his employment history in the healthcare field and reported that he was a member of the Healthcare Commission for 5 years. He discussed statistics from the State of Kentucky. He reported statistics on the Kentucky Medicaid population. Roughly 1.3 million individuals were receiving Medicaid and approximately 350 individuals were eligible for the work program. He stated that roughly 40 percent of eligible individuals on Medicaid worked; 18 percent worked part-time, 12 percent were exempt, and 6 percent were in school. The program focused on the 7 to 10 percent who could work given the opportunity.

[10:11:14 AM](#)

Mr. Morgan continued with his testimony. He referenced President Bill Clinton's Welfare-to-Work program, which he believed had been successful. He mentioned other states that were attempting to utilize the program. The states believed that an underclass was being created that was "living off of the public domain" and was unhealthy for the individual and the economy. He delineated that the Clinton plan had welfare agencies identify individuals for the program and treated the individual as if she was newly unemployed through the labor department, which required some amount of data programming. He stated that the 1996 Clinton plan was not "touch feely." The state of Kentucky was anticipating reductions in Medicaid enrollment by 95,000 over 5 years that represented roughly \$2 billion in savings. He stated that he would provide contact information for individuals involved in the program in Kentucky. Mr. Morgan concluded that a "dependent community was not healthy one."

[10:16:41 AM](#)

Vice-Chair Bishop asked Mr. Morgan to submit his written testimony through the office of the co-chair.

10:17:25 AM

Senator Stevens had heard stories of individuals that had chosen to stay on welfare due to low income jobs. He asked whether there was an average income at which people were incentivized to move off welfare or whether the answer was even quantifiable. Mr. Robinson stated that data existed on the duration of unemployment, but not on a number and the answer would be complex.

Vice-Chair Bishop commented that the meeting had lasted for 50 minutes. He thought the dialogue was worthy and was deserving of a longer conversation. He thought the subject of TANIF alone warranted additional dialogue. He relayed that the Tanana Chiefs Conference had lowered their TANF enrollment number by working with DOL. He thought the state was fortunate to have an exemplary analysis division in DOL. He thought Alaskan employment did not fit in the box of "big labor" regarding how the state counted unemployment. He thought by having the two agencies, DHSS and DOL working together the outcome would be beneficial.

10:21:15 AM

Senator Micciche discussed the fiscal notes. He stated that the committee's intent was to edit the fiscal notes to reflect the cost for competing the waiver application only. He furthered that an indeterminate cost would be provided for the outyears. The current outyear's estimates were based on assumptions from national actuarial studies applied to 2017 Alaska data. The committee wanted DHSS to work with DOL to determine whether existing programs met the federal requirements. The committee requested that DHSS provide the hard costs for completing the waiver application process in a revised fiscal note.

Senator Micciche MOVED to report CSSB 193(HSS) out of Committee with individual recommendations and the forthcoming fiscal notes. There being NO OBJECTION, it was so ordered.

CSSB 193(HESS) was REPORTED out of committee with a "do pass" recommendation and with one previously published

fiscal impact note: FN8(LWF); and one new indeterminate fiscal note from the Department of Administration, and three new fiscal impact notes from the Department of Health and Social Services.

10:22:36 AM

AT EASE

10:24:09 AM

RECONVENED

Vice-Chair Bishop informed that the committee would be drafting a Letter of Intent to convey the following:

It is the intent of the Alaska State Legislature that the Department of Health and Social Services work with the Department of Labor and Workforce Development to complete a needs-based analysis on workforce development and employability of the target population outlined in the fiscal notes for Senate Bill 193. The goal of the analysis was to further refine cost estimates associated with this legislation to help promote successful outcomes.

Vice-Chair Bishop discussed the agenda for the afternoon meeting.

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ADJOURNMENT

10:25:23 AM

The meeting was adjourned at 10:25 a.m.