

DEPARTMENT OF COMMERCE, COMMUNITY & ECONOMIC DEVELOPMENT
FY18 - Increment Status Report

Governor's Budget Items Approved as Requested

Item #	Approp/Allocation	Description	Amount/Fund Source	FY18 CC Book Comment	GF Dec?	LFD Question	Agency Comments
1	Banking and Securities/ Banking and Securities	Business Registration Examiner	\$74.9 GF/Prm (DGF) 1 PFT Position	The legislature approved additional funding for a new Business Registration Examiner position to perform increased licensing and registration functions as a result of the following: <ul style="list-style-type: none"> • an average increase of 12% in licensing and registrations across all programs; • mortgage loan originators and payday lenders have increased by 34% and 33%; respectively; and • banking impacts of marijuana business and crowd funding have increased examination and enforcement activities. Banking's workload has increased because these changes require complex reviews requiring significant time to complete.	Potential DGF reduction in FY18 for three months vacancy.	Has the new position been hired? If not, when is it anticipated the position will be filled?	This position was established in August 2017 and filled in October 2017.
2	Corporations, Business and Professional Licensing/ Corporations, Business and Professional Licensing	Occupational Licensing Examiners for Increased Licensing	\$175.3 Receipt Supported Services (DGF) 2 PFT Positions	During the 2015 legislative session, three new licensing programs (Massage Therapy, Behavior Analysts and Athletic Trainers) were established and one existing program (Construction Contractors) was significantly expanded to include mandatory licensure of handymen. Professional Licensing requested three new Licensing Examiner positions to meet the increased workload and avoid backlogs. In FY17, the legislature approved two new positions and funding as a one-time increment. For FY18, the legislature approved the Governor's request to maintain the funding in the base budget. Professional licensing programs are funded through receipts. Licensing fees for each program are set per AS 08.01.065, so revenue collected approximately equals the regulatory costs.	No.	Have the 2 new positions been hired? If not, when is it anticipated the position will be filled?	These positions were established and filled in FY2017.
3	Alcohol and Marijuana Control Office/ Alcohol and Marijuana Control Office	Regulation of Marijuana	Net Zero (\$425.4) UGF \$425.4 GF/ Prm (DGF) IncOTI	The FY18 Governor's request continued the FY17 level of funding for the marijuana regulation activities. However, receipts from regulatory fees are expected to increase each year, and those program receipts will be used to replace unrestricted general funds. FY17 funding was \$100.0 program receipts and \$1,474.4 UGF. In FY18, marijuana regulation activities will be funded with \$525.4 GF/ Program Receipts and \$1,049.0 UGF. The department anticipates that the Alcohol and Marijuana Control Office will be fully self-supporting by FY20. The "IncOTI" flag serves as a signal to the legislature to review the mixture of UGF and GF/Program Receipts in FY19.	No. According to the department, due to uncertainty in licensing renewals the revenue is unpredictable.	Can the Alcohol and Marijuana Control Office provide a status update on FY17 & FY18 (YTD) revenue collections?	AMCO has collected the following revenue from marijuana licensing: - FY2016: \$341.5 - FY2017: \$1,345.9 - FY2018 (through 12/31): \$608.3 No licensing receipts were expended in FY2016 or FY2017. Revenue from FY2016 and FY2017 was carried forward to FY2018 as directed by wordage in the FY2018 operating budget.

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Governor's Budget Items Approved as Requested (continued)

Item #	Approp/Allocation	Description	Amount/Fund Source	FY18 CC Book Comment	GF Dec?	LFD Question	Agency Comments
4	Alcohol and Marijuana Control Office/ Alcohol and Marijuana Control Office	Licensing Examiners and Administrative Support for Increased Licensing Demands	\$280.3 GF/ Prgm (DGF) 3 PFT Positions	<p>Although two full-time licensing examiner positions were added when marijuana licensing went into effect in May 2015, the legislature approved the department's request for two additional examiners to adequately review and examine complex marijuana license applications. At the same time marijuana licenses were added, the alcohol licensing workload increased by 20%, primarily in the area of permits for non-licensees (such as catering and special event permits).</p> <p>The legislature also approved the addition of an Administrative Assistant II position to manage the administrative work associated with the Marijuana Control Board and licensing system. The position will be responsible for website updates, document management, and assistance for administrative appeals in a timely manner, in addition to the more typical administrative duties such as recruitment, travel and waivers, and information requests from the public. It will also be used to support the Investigations section by issuing Marijuana Handler's Permits.</p>	Potential DGF reduction in FY18 for two Licensing Examiners four months vacancy and Admin Assistant seven months vacancy.	Have the 3 new positions been hired? If not, when is it anticipated the position will be filled?	The two Occupational Licensing Examiners authorized have been established, and were filled in November 2017. The Administrative Assistant authorized has been created and is currently in recruitment, with an estimated hire date of February 1, 2018.

Governor's Budget Items Approved with Modifications

Item #	Approp/Allocation	Description	Gov Request	Amount Approved	FY18 CC Book Comment	GF Dec?	LFD Question	Agency Comments
5	Insurance Operations/ Alaska Reinsurance Program	Alaska Reinsurance Program	\$55 million ACHI Fund (DGF) (FY17-FY18) \$55 million ACHI Fund (DGF) (FY18-FY19) Multi-year	\$55 million ACHI Fund (DGF) (FY17-FY18) \$55 million ACHI Fund (DGF) (FY18-FY23) Open-ended Appropriation of Federal Receipts (FY18-FY23) Multi-year	<p>The Division of Insurance annually collects approximately \$62 million in insurance premium tax receipts. Of that amount, about \$5 million associated with workers' compensation premium taxes goes to the Workers' Safety and Compensation Administration Account, which is used for operating costs of the Workers' Compensation Division within the Department of Labor and Workforce Development.</p> <p>Until FY16, the remaining \$57 million insurance premium tax receipts went to the general fund. Chapter 5, SSSLA 2016 (HB 374) established the Alaska Comprehensive Health Insurance (ACHI) fund. Under HB 374, surplus insurance premium tax receipts are deposited into the ACHI fund. This reduces unrestricted general fund revenue by approximately \$57 million annually.</p> <p>HB 374 allows the legislature to appropriate money from the ACHI fund to a newly established reinsurance program. The reinsurance program is intended to mitigate steep increases in individual health insurance premiums in Alaska by removing a portion of high risk individuals from the insurance pool. In FY17, \$55 million was appropriated from the ACHI fund (via fiscal note) to the division for the reinsurance program, leaving \$2 million in the ACHI fund.</p> <p><i>(continued on next page)</i></p>	No.	Can the Division of Insurance provide a status update on the reinsurance program?	<p>The Division of Insurance has entered into a contractual agreements with the Alaska Comprehensive Health Insurance Association (ACHIA) to administer the Alaska Reinsurance Program (ARP). The calendar year 2017 reinsurance program closed on December 31, 2017, and closeout and final billings are expected to occur by the end of the 2018 fiscal year.</p> <p>The calendar year 2018 reinsurance program began on January 1, 2018. Beginning in calendar year 2018, significant federal</p> <p><i>(continued on next page)</i></p>

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5	Insurance Operations/ Alaska Reinsurance Program	Alaska Reinsurance Program			<p><i>(continued from previous page)</i></p> <p>Under the program, Premera, the State's only remaining health insurer in the individual market, will continue as the primary insurer and will seek reimbursement from the Alaska Comprehensive Health Insurance Fund for high-cost claims paid. The success of the program was immediately apparent when 2017 rates were released; the average rate increase for 2017 was 7.3%, which is a sharp drop from the nearly 40% increases in the prior two years.</p> <p>The reinsurance program went into effect on January 1, 2017 and is operated on a calendar year basis. The legislature approved the Governor's request to replace the FY17 appropriation to the Division of Insurance with a multi-year appropriation (FY17-FY18 for calendar year 2017) to address this timing issue.</p> <p>During the legislative session, the Division of Insurance provided additional information regarding an application for a federal waiver of Section 1332 of the Patient Protection and Affordable Care Act. Upon approval of the application, the federal government would pay the State an amount equal to federal savings from lowered insurance premium subsidies for eligible Alaskans. The division received approval of the waiver on July 7, 2017.</p> <p>In response to negotiations with the federal government, the legislature appropriated an additional \$55 million from the ACHI Fund to the Reinsurance program for FY18-FY23 (multi-year) to match the term of the waiver. The legislature also added an open-ended appropriation of federal receipts received during FY18-FY23 (multi-year) to the Division of Insurance. Both of the FY18 appropriations were contingent on federal approval of the Section 1332 waiver. The contingent language was required to meet the federal eligibility requirement that Alaska's program be budget-neutral.</p> <p><i>(continued on next page)</i></p>		<p>contributions will be received as a result of the 1332 state innovation waiver. Under the waiver, the federal government will recognize savings due to lower premium subsidies for Alaskans, and will pass that savings on to the state to fund the reinsurance program. The division has submitted the requested data to both the Center for Medicare & Medicaid Services (CMS) and the U.S. Dept. of Treasury for the annual federal contribution and expects to received it in the spring of 2018.</p> <p>In 2017, Premera voluntarily contributed \$25 million to the ARP via a memorandum of agreement with the Division of Insurance. The \$25 million contribution was directed to the Alaska Comprehensive Health Insurance Association, which will use those funds to pay reinsurance claims in addition to the state and federal appropriations.</p> <p><i>(continued on next page)</i></p>
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5	Insurance Operations/ Alaska Reinsurance Program	Alaska Reinsurance Program		<p><i>(continued from previous page)</i></p> <p>Legislative Fiscal Analyst Comment: The \$55 million appropriated from the ACHI fund to the reinsurance program for FY18 through FY23 is expected to approximately cover program costs during that period. An actuarial analysis of anticipated state costs totaled approximately \$62 million. Depending on actual program costs, it is possible that the department will need to return to the legislature for appropriation of additional ACHI funds for the last years of the waiver.</p> <p>Federal receipts will go directly to the division to cover reinsurance costs, thereby reducing the need for appropriation of additional premium tax receipts to the reinsurance program (through the ACHI fund). Federal contributions vary annually, and will be set based upon the annual "savings" to the federal government (the amount that they would not pay in premium subsidies). Department contributions are anticipated to be the difference between the federal contribution and the actual program cost.</p> <p>There are two complicating factors:</p> <ol style="list-style-type: none"> 1) The law establishing the ACHI fund sunsets at the end of FY18, so premium tax receipts will no longer flow automatically into the ACHI fund. The ACHI fund should retain a balance to ensure that state funding of the reinsurance program is available to supplement federal receipts. 2) The federal waiver is for a five-year period; however, because Alaska's Constitution prohibits obligation of future receipts, additional federal receipt authorization must be requested in each future year. 		The reduced draw from existing state appropriations as a result of this contribution is anticipated to minimize the need for future state appropriations for the current waiver.
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