

ALASKA STATE LEGISLATURE
HOUSE STATE AFFAIRS STANDING COMMITTEE

April 27, 2002

10:05 a.m.

MEMBERS PRESENT

Representative John Coghill, Chair
Representative Jeannette James
Representative Hugh Fate
Representative Gary Stevens
Representative Peggy Wilson
Representative Harry Crawford
Representative Joe Hayes

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 497

"An Act giving notice of and approving the entry into, and the issuance of, certificates of participation for the upgrade, expansion, and replacement of certain correctional facilities and jails; giving notice of and approving the entry into, lease-financing agreements for certain of those projects; and providing for an effective date."

- MOVED HB 497 OUT OF COMMITTEE

CS FOR SENATE BILL NO. 340(FIN)(efd fld)

"An Act relating to public notice of information relating to permanent fund dividends, and to treatment of permanent fund dividends for purposes of determining eligibility for certain benefits."

- HEARD AND HELD

HOUSE BILL NO. 327

"An Act relating to state employees who are called to active duty as reserve or auxiliary members of the armed forces of the United States; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

PREVIOUS ACTION

BILL: HB 497

SHORT TITLE:LEASE-PURCHASE CORRECTIONAL FACILITY

SPONSOR(S): RLS BY REQUEST OF THE GOVERNOR

Jrn-Date	Jrn-Page		Action
02/20/02	2338	(H)	READ THE FIRST TIME - REFERRALS
02/20/02	2338	(H)	CRA, STA, FIN
02/20/02	2338	(H)	FN1: (REV)
02/20/02	2338	(H)	GOVERNOR'S TRANSMITTAL LETTER
02/28/02		(H)	MINUTE(STA)
03/14/02		(H)	CRA AT 8:00 AM CAPITOL 124
03/14/02		(H)	Moved Out of Committee
03/14/02		(H)	MINUTE(CRA)
03/15/02	2545	(H)	CRA RPT 2DP 3NR
03/15/02	2545	(H)	DP: GUESS, MORGAN; NR: SCALZI,
03/15/02	2545	(H)	HALCRO, MEYER
03/15/02	2545	(H)	FN1: (REV)
03/15/02	2545	(H)	FN2: (COR)
04/25/02		(H)	STA AT 8:00 AM CAPITOL 102
04/25/02		(H)	Scheduled But Not Heard
04/27/02		(H)	STA AT 10:00 AM CAPITOL 102

BILL: SB 340

SHORT TITLE:HOLD HARMLESS PROVISIONS OF PFD PROGRAM

SPONSOR(S): RLS

Jrn-Date	Jrn-Page		Action
02/22/02	2284	(S)	READ THE FIRST TIME - REFERRALS
02/22/02	2284	(S)	FIN
03/04/02		(S)	FIN AT 9:00 AM SENATE FINANCE 532
03/04/02		(S)	Heard & Held
03/04/02		(S)	MINUTE(FIN)
04/03/02		(S)	FIN AT 9:00 AM SENATE FINANCE 532
04/03/02		(S)	Moved CS(FIN) Out of Committee -- Recessed to 4:00 pm --
04/03/02		(S)	MINUTE(FIN)
04/03/02		(S)	MINUTE(FIN)
04/10/02	2708	(S)	FIN RPT CS 4DP 1DNP NEW TITLE
04/10/02	2708	(S)	DP: KELLY, GREEN, WILKEN, WARD;

04/10/02	2708	(S)	DNP: HOFFMAN
04/10/02	2708	(S)	FN1: ZERO(REV); FN2: (REV)
04/10/02	2708	(S)	FN3: (HSS); FN4: (HSS); FN5: (HSS)
04/10/02	2708	(S)	FN6: (HSS); FN7: (HSS); FN8: (HSS)
04/11/02		(S)	RLS AT 10:30 AM FAHRENKAMP 203
04/11/02		(S)	MINUTE(RLS)
04/15/02	2775	(S)	READ THE SECOND TIME
04/15/02	2775	(S)	FIN CS ADOPTED UNAN CONSENT
04/15/02	2775	(S)	ADVANCE TO 3RD READING FLD Y12 N5 E1 A2
04/15/02	2775	(S)	ADVANCED TO THIRD READING 4/16 CALENDAR
04/15/02	2774	(S)	RULES TO CALENDAR 10R 4/15/02
04/16/02	2791	(S)	READ THE THIRD TIME CSSB 340(FIN)
04/16/02	2791	(S)	PASSED Y12 N7 E1
04/16/02	2792	(S)	EFFECTIVE DATE(S) FAILED Y13 N6 E1
04/16/02	2792	(S)	ELLIS NOTICE OF RECONSIDERATION
04/17/02	2814	(S)	RECONSIDERATION NOT TAKEN UP
04/17/02	2815	(S)	TRANSMITTED TO (H)
04/17/02	2815	(S)	VERSION: CSSB 340(FIN)(EFD FLD)
04/18/02	2997	(H)	READ THE FIRST TIME - REFERRALS
04/18/02	2997	(H)	STA, FIN
04/18/02	2997	(H)	REFERRED TO STATE AFFAIRS
04/25/02		(H)	STA AT 8:00 AM CAPITOL 102
04/25/02		(H)	Heard & Held
04/25/02		(H)	MINUTE(STA)
04/27/02		(H)	STA AT 10:00 AM CAPITOL 102

WITNESS REGISTER

MARGOT KNUTH, Strategic Planning Coordinator
Office of the Commissioner - Juneau
Department of Corrections
431 North Franklin Street, Suite 400
Juneau, Alaska 99801
POSITION STATEMENT: Presented HB 497.

SENATOR RANDY PHILLIPS
Alaska State Legislature

Capitol Building, Room 103
Juneau, Alaska 99801

POSITION STATEMENT: Presented SB 340 as sponsor.

TABER REHBAUM, Arctic Alliance for People
1401 Kellum Street
Fairbanks, Alaska 99701

POSITION STATEMENT: Testified against SB 340.

STEVE CONN, Executive Director
Alaska Public Interest Research Group (AkPIRG)
PO Box 101093
Anchorage, Alaska 99503

POSITION STATEMENT: Testified against SB 340.

BRUCE KOVARIK
National American Indian Housing Council
19600 Citation Road
Eagle River, Alaska 99577

POSITION STATEMENT: Testified against SB 340.

PAULETTE ALDEN
895 West Twelfth Street, Number 212
Juneau, Alaska 99801

POSITION STATEMENT: Testified against SB 340.

KATHLEEN WARWICK
895 West Twelfth Street, Number 104
Juneau, Alaska 99801

POSITION STATEMENT: Testified against SB 340.

EUGENE WARWICK
895 West Twelfth Street, Number 104
Juneau, Alaska 99801

POSITION STATEMENT: Testified against SB 340.

TONY LOMBARDO
Covenant House
609 F Street
Anchorage, Alaska 99501

POSITION STATEMENT: Testified against SB 340.

MARIE LAVIGNE, Executive Director
National Association of Social Workers
Alaska Chapter
4161 Patterson Circle
Anchorage, Alaska 99504-4680

POSITION STATEMENT: Testified against SB 340.

MARSHALL HARRIS

895 West Twelfth Street, Number 309
Juneau, Alaska 99801

POSITION STATEMENT: Testified against SB 340.

WILLIAM CRAIG

Alaska Independent Blind
613 Degroff Street
Sitka, Alaska 99835

POSITION STATEMENT: Testified against SB 340.

JIM NORDLUND, Director

Division of Public Assistance
Department of Health & Social Services
PO Box 110640
Juneau, Alaska 99811-0640

POSITION STATEMENT: Testified against SB 340 and answered questions.

JOHN SHERWOOD, Unit Manager

Beneficiary Eligibility Policy
Division of Medical Assistance
Department of Health & Social Services
PO Box 110660
Juneau, Alaska 99811-0660

POSITION STATEMENT: Answered questions on SB 340.

NANCI JONES, Director

Permanent Fund Dividend Division
Department of Revenue
PO Box 110460
Juneau, Alaska 99811-0460

POSITION STATEMENT: Answered questions on SB 340.

CAREN ROBINSON, Lobbyist

for Alaska Women's Lobby
PO Box 33702
Juneau, Alaska 99803

POSITION STATEMENT: Testified against SB 340.

ACTION NARRATIVE

TAPE 02-48, SIDE A
Number 0001

CHAIR JOHN COGHILL called the House State Affairs Standing Committee meeting to order at 10:05 a.m. Representatives Coghill, Fate, Stevens, Wilson, Crawford, and Hayes were present at the call to order. Representative James arrived as the meeting was in progress.

HB 497 - LEASE-PURCHASE CORRECTIONAL FACILITY

[Contains discussion of SB 231]

CHAIR COGHILL announced that the first order of business would be HOUSE BILL NO. 497, "An Act giving notice of and approving the entry into, and the issuance of, certificates of participation for the upgrade, expansion, and replacement of certain correctional facilities and jails; giving notice of and approving the entry into, lease-financing agreements for certain of those projects; and providing for an effective date."

Number 0139

MARGOT KNUTH, Strategic Planning Coordinator, Office of the Commissioner - Juneau, Department of Corrections, told the committee that this legislature is one of the best-informed legislatures on the needs of the Department of Corrections in many years. She explained that there are overcrowded facilities, and the department is relying on prison beds in Arizona to house all of the inmates. There are both regional needs and prison needs. Both prison beds and beds in the jail facilities around the state are needed, because those facilities are housing pretrial inmates who need to be near the court, and they're housing people with very short sentences who will cycle through the system in a few days.

Number 0260

MS. KNUTH said it doesn't make economic sense to transport them to the Palmer prison that the state now has, or the Whittier prison that has been proposed, or Arizona. The capacity is roughly 4,600 inmates and beds. She informed the members that just on any given day, there are 30,000 people cycling through those beds. There are 30,000 bookings and about 29,800 releases each year. Most of those people spend a very short time in the system. She explained that HB 497 takes a regional approach on expanding facilities in a phased manner. The first stage authorizes expanding the Palmer Correctional Center by 237 beds, expanding the jails in Bethel and Fairbanks, and expanding the

Spring Creek Correctional Center Youthful Offender Program in Seward.

MS. KNUTH reported that the facility in Seward is a special needs population. In the last ten years there has been a dramatic increase in the number of youthful offenders, who are being treated as adults in the system, and they present special management problems and have special education needs. Putting them in one place and running a special program for them is their best hope for rehabilitation and functioning in the system, without causing disruption to other inmates. The other part of HB 497 addresses the needs in four community jails in Dillingham, Kodiak, Kotzebue, and the North Slope Borough.

Number 0436

MS. KNUTH admitted that the four community jails are in bad shape; they are overcrowded and rundown. They are the four most utilized jails of the fifteen jails statewide. All have fairly urgent needs, but there isn't enough money to take care of everything all at once, and it would be difficult in terms of project management to do everything at once. These are the four most urgent in the sense that they are relied upon by the communities and the department to the greatest degree.

MS. KNUTH indicated that HB 497 recognizes that there are other expansion needs for the department. It authorizes design funding for expanding the Mat-Su Pretrial Facility. She noted that the Matanuska-Susitna Valley has the fastest growing population. Unfortunately, that means it also has the fastest growing need for additional incarceration space. The newly opened Anchorage Jail had been developed and designed to expand by 200 inmates within five years, so part of the design costs are for that jail. The Point MacKenzie Farm is an economical placement for inmates who are well suited for rehabilitation projects and are expected to leave the system fairly soon.

Number 0573

MS. KNUTH pointed out that down the road, the Wildwood Correctional Center in Kenai, the Lemon Creek Correctional Center in Juneau, and the jail in Ketchikan will need to be expanded. All of this comes with a price tag, and the mechanism used in this legislation is for the state to issue bonds. It utilizes the certification of participation method, which means that the department will pay back the capital costs on an annual basis, and the operating costs are set out in the bill.

MS. KNUTH explained the difference between HB 497 and Senator Green's bill, SB 231, is that SB 231 targets the same facilities in the same areas, but authorizes all of the projects simultaneously. Although there isn't a difference in terms of numbers or locations, the timetable is opened up, and the funding mechanism is different. In SB 231, the local governments would be issuing the bonds, and the state would enter into local contracts with the local governments and repay them. The two bills are similar in terms of the philosophical approach using regional expansion.

Number 0705

REPRESENTATIVE STEVENS agreed that the Kodiak jail is in bad shape. He asked for more detail on the matching grants between the four communities and the state.

MS. KNUTH answered that the state would pay \$4 million, and the four communities need to come up with a matching \$4 million. Kotzebue already has a federal grant that would cover its share. The North Slope Borough is able to fund its portion fairly readily. Dillingham and Kodiak need to work a little harder to come up with their part of it, but they are very optimistic and are very committed. This is a priority for their communities, and they expect to match it.

REPRESENTATIVE STEVENS said that state funds would not be expended unless the communities come up with the matching share.

MS. KNUTH agreed and said it is a conditional grant.

Number 0900

CHAIR COGHILL asked how the local communities share in the certificate of participation. He wondered if it is a shared bond.

MS. KNUTH answered that the communities actually own these facilities, and this envisions that they will keep ownership. The state would grant the \$4 million, and the local communities would retain the title. There is an acknowledgement that the state is paying the operating expenses for the facilities because the inmates are all state inmates; none are housed there on local charges. Increasing the capacity will increase the operating expenses; that increase has been identified in the bill, and the state would fund it.

Number 0960

CHAIR COGHILL said the difference in funding the two bills is that HB 497 has the state as the bonding source, whereas the Senate bill has the local governments as the bonding source. He asked about the different bonding mechanisms.

MS. KNUTH said that the Department of Revenue can issue the bonds for less than the local governments. Local governments had talked about going through AIDEA [Alaska Industrial Development and Export Authority] for funding assistance. The difference between the two is not economically significant. She indicated that there is a benefit in having local commitment to the project. There's a little awkwardness in that the state would have to turn over title of part of the facility, at least for the local governments to be able to issue their bonds, but they have not expressed interest in keeping title to the facilities past the bonding period. Even if they did, the state would probably be amenable to that. She predicted that Alaska eventually will go the way of locally owned and operated facilities.

Number 1091

REPRESENTATIVE JAMES commented that all the facilities for state criminals will have to be addressed someday: separate what is the state's responsibility, and what is the local government's responsibility. She said she is not convinced that the local governments have the ability to do that yet. She expressed concern about the fiscal problems and "bonding enthusiasm." There is a limit to what can be done. She asked Ms. Knuth about transferring ownership to the local facilities.

MS. KNUTH answered that HB 497 does not transfer ownership to the local governments; that would be Senator Green's bill, SB 231, which has the local governments issuing the bonds. In the governor's bill, the state issues the bonds, and the state retains ownership of the state jails and prisons. This bill has two different parts. One is the state prisons and jails, and the other is the community jails. The community jails are locally owned and are the small 5- to 10-bed facilities. The local governments would continue to own them, and the \$4 million that the state would contribute would be a part of the bond issuance for the state projects. There would be an additional \$12 million issued in bonds for the state projects which would

be secured by the state's facilities and would go to the community jails.

Number 1263

REPRESENTATIVE JAMES noted there have been many things before the legislature for new construction of various kinds of things, and unless there is a provision for maintenance, she is not interested in building new facilities. She said it is embarrassing to have facilities that belong either to local governments or the state which look like they are totally deteriorated. She always wants to tie something to these construction issues that provided the maintenance, and she has never been able to do that. She commented that nobody wants to think about the fact that the facilities have to be kept up.

MS. KNUTH agreed that was a valid point. She said she thought that it would be possible for the state to identify what those maintenance costs would be, and they could be set out in legislation. Even though a bill in 2002 cannot bind future legislatures for appropriations, it could acknowledge what that responsibility is, and what the amount of money would be.

REPRESENTATIVE JAMES stated that she would like to see funds set aside for maintenance on every building in the state.

CHAIR COGHILL asked if lease payments were a part of the maintenance agreement.

MS. KNUTH said the traditional funding mechanism does not function that way. It just covers the cost of the debt. Maintenance is a part of departmental annual budgets, and that separation creates the problem.

Number 1525

MS. KNUTH pointed out that the department has no control over the number of beds it needs. The department makes decisions about whether to assign a prison bed or a halfway house or how soon to furlough [an inmate], while the judge sends down the sentence as per the parameters set by the legislature. She told the committee that there is a trend in other states to reexamine some of the sentencing structures for felonies. As a matter of economics, Alaska might need to go that route. For example, the property offense level is still \$500 for a felony, and it has been that way since statehood. She commented that bumping into another car would cause more than \$500 damage. If that level

were raised to \$1,000 or \$2,000, maybe the number of felonies and the sentences could be reduced, and maybe the department wouldn't need the capital money for new beds.

Number 1598

REPRESENTATIVE JAMES commented that there is good technology for short sentences, whereby people can serve time at home if someone watches them if they aren't dangerous to society. She said she hasn't seen much interest in going that direction either. Certainly it is cheaper to keep them at home on a monitoring system than it would be to find a bed and provide three meals and a cot. She noted that some real innovative thinking needs to be done on this issue; the state cannot afford where it's going on this.

Number 1685

CHAIR COGHILL asked why there aren't more halfway houses and if it is because of the sentencing. He wondered if there are ways to have less expensive beds.

MS. KNUTH said the department actively pursues the use of halfway house beds whenever possible. There used to be minimum security prisons, and there is no such thing anymore. Anybody who is a minimum security risk is now in a halfway house or an electronic monitoring program. So, incarceration in a "hard bed" starts at the medium level. She acknowledged that there are limitations from the sentencing code and from the conviction. She pointed out that there are community issues too. The willingness to have someone [who's been charged with] domestic violence assault out in the community is not as great. It is a complicated area. Ms. Knuth said that the department has probably gone as far as it can with the existing criminal sentencing code structure in terms of utilizing halfway houses and is getting more aggressive about home furlough and electronic monitoring. In the abstract, those things sound good, but then when there are criminal inmates who are known to their neighbors, it's always, "but not him."

Number 1808

CHAIR COGHILL noted that the price per bed in the Senate bill is significantly lower and wondered what the difference is. The Senate bill averages \$155,000 per bed, and HB 497 runs between \$159,000 and \$175,000.

MS. KNUTH replied that all the identified projects and the future ones would average \$155,000. The Point MacKenzie Farm beds and the Anchorage Jail beds are going to come in under \$155,000 in phase 2 of HB 497. She acknowledged that there is a regional problem. Building in Bethel and Fairbanks is certainly more expensive than the Anchorage bowl area, and Spring Creek is more because it is a maximum security facility.

Number 1878

REPRESENTATIVE CRAWFORD said he was shocked to hear that 30,000 people cycle through the system. He asked how many inmates are maximum security who will be in the system forever.

MS. KNUTH answered that she didn't have the exact number, but it is a relatively small number. None of the approximately 1,000 inmates sent to Arizona have been maximum security. She guessed the number would be around 500 or so. Their sentences are between 40 and 150 years. Even if they served 20 years, they are not eligible for alternative placement. She noted that geriatric prisoners and their medical costs will be a problem that the department will face in the near future. There are people who committed heinous offenses 40 years ago who are now having significant medical issues. At some point the department is going to have to balance what it thinks is appropriate for them. Most offenders in Alaska are misdemeanants in the system a short period of time.

Number 2013

CHAIR COGHILL asked why there is a need to move prisoners.

MS. KNUTH replied that from the time of the arrest, there will be arraignment, maybe a trial, and a sentencing. Each of those three proceedings needs to occur before a judge in the place where the person was arrested. Bethel and Fairbanks are overcrowded with people who need to be in that area. Once it spills over, those inmates are moved to a place such as Palmer medium class prison, which isn't the right place for them, but it's the only place with space. They get moved to Palmer after arraignment, and they're there for two weeks until it's time for sentencing because they changed their plea and are ready to go before the court. She explained that the new Anchorage Jail is a pilot project that has a courtroom there, so people don't need to be transported anywhere for arraignment or sentencing.

MS. KNUTH noted that as the electronic capabilities are improved, judges are reluctant to sentence a person by video camera; they feel a need for face-to-face appearances for sentencing. But technology may be relied on for arraignment and other procedures. Prisoners are moved because of the number of court appearances and the fact that they have short sentences. When people plead out to an offense and serve time, then they need to be transported home. The state is obligated to book them out of the facility they were booked in. Every time inmates are moved, they have to be moved back, and it adds up.

CHAIR COGHILL commented that it is hard on inmates in court-ordered programs who get moved. He said it would be good to see the documented cost compared to what it would cost for a bed in the community.

Number 2179

MS. KNUTH said people also get transferred within the system because space opens up somewhere else that has a program. The only way that could be addressed is to overbuild to the peak rather than to the median, and Alaska doesn't have the funds for that. She agreed with his concern on the inmates finishing the programs because the programs are the key to success.

Number 2219

CHAIR COGHILL asked Ms. Knuth to explain the categories of the facilities.

MS. KNUTH explained that at some facilities, inmates could be arraigned, sentenced, and serve the whole sentence there. Those places tend to have names which include the words "correctional center." The Mat-Su Pretrial Facility was more recently built and by that time, the department recognized that nobody was able to serve the whole sentence in these regional places, so they called it the Mat-Su Pretrial Facility. The name of the Anchorage Jail acknowledges that it is for misdemeanants and pretrial people. The three prisons in Alaska are the Palmer Correctional Center, the Wildwood Correctional Center in Kenai, and the Spring Creek Correctional Center in Seward. There is no booking capability at those facilities, so an inmate has to start somewhere else. She noted that programs are most productive at the prisons because the inmates usually have months to serve.

Number 2324

CHAIR COGHILL noticed that the Anchorage Jail is planned for another 192 beds and wondered if that plan was with the initial construction.

MS. KNUTH said it was designed for that expansion because it would be needed in the future. It can be done cost effectively because of that.

CHAIR COGHILL said he couldn't argue with the number of beds but struggled if this was the best way to handle the population. He asked about the youthful offenders, and how they're being handled.

Number 2396

MS. KNUTH replied that if they're in Palmer, Wildwood, or a regional facility, they are intermingled with the rest of the population, but they do have special needs. There is a youthful offender program at Spring Creek that has about 70 beds, but the number of offenders under the age of 25 has grown in the last five or six years.

MS. KNUTH explained that the youthful offenders have special impulse-control problems. Not only do they have a problem being law-abiding, but they also bring impetuosity and juvenile development issues. A lot of druggies use marijuana which arrests development. A lot of these offenders have used marijuana for a long time, so even at age 25, the adjustment or socialization level is about the level of someone 15 or 16 years old. The Spring Creek program puts them together with people who are specially trained in dealing with adolescents with an emphasis on education and other chemical dependency programs. The program at Spring Creek tries to spare the rest of the inmate population from the youthful offenders who often are the ones causing assaults in the facilities. People in their 30s and 40s have figured out how to live there, and the young kids don't have that wisdom. The Spring Creek Youthful Offender Program gives the kids the opportunity to work on their needs and improve their chance for rehabilitation.

Number 2502

REPRESENTATIVE WILSON asked what percentage of the inmate population is female and how the facilities cope with that.

MS. KNUTH answered that Hiland Mountain Correctional Center in Eagle River is exclusively for women. Unfortunately, the percentages of females being incarcerated is increasing. The percentage isn't even 10 percent. There are 250 women in Hiland out of a total population of 5,000. Ms. Knuth reported that there have to be separate facilities in regional jails, and each institution has a way to deal with that. At the Anchorage Jail, there is a place where a wall can be put up in the dorm to separate the women from the men. It is a given that there will be separation. The department tries to have parity with programs, but that is difficult because of the smaller population of women.

Number 2634

REPRESENTATIVE JAMES commented that if a more proportionate amount of money could be spent on creating a climate for more industry and good-paying jobs, history shows that crime, domestic violence, and sex abuse go down. All the various issues that cost so much to take care of these people are reduced simply by having opportunities for people to find a job. It distresses her that some of the money can't be used to create some sort of activity that keeps this from growing. In her ten years in the legislature, that issue has not been addressed or agreed on. It pains her to be in this position when she doesn't see where the money is going to come from to do this unless there is more economic activity in the state, she commented.

MS. KNUTH agreed with Representative James and is glad that people recognize the problem. The single greatest predictor of whether someone will be in prison in his/her lifetime is whether he/she gets a high school diploma. A real focus ought to be to get all the kids through high school.

Number 2727

CHAIR COGHILL agreed with Representative James that there is a need but disagreed that nothing has been done. He's been on the House Health, Education and Social Services Standing Committee the past four years, and they've grappled with where to put resources. He refuses to believe they haven't addressed the problem; it is just that the problem grows as rapidly as it's worked on.

REPRESENTATIVE JAMES retorted that it can be said that getting education for these children is the most important thing but

said she thinks that the most important thing for these children is for their parents to have a job.

Number 2780

REPRESENTATIVE FATE asked if there were any statistics on not getting a high school diploma and criminal activity.

MS. KNUTH said she will get those for him.

CHAIR COGHILL commented that HB 497 will have a struggle in the finance area because it is a tough budget year.

Number 2826

REPRESENTATIVE HAYES moved to report HB 497 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HB 497 was reported out of the House State Affairs Standing Committee.

SB 340 - HOLD HARMLESS PROVISIONS OF PFD PROGRAM

CHAIR COGHILL announced that the next order of business would be CS FOR SENATE BILL NO. 340(FIN)(efd fld), "An Act relating to public notice of information relating to permanent fund dividends, and to treatment of permanent fund dividends for purposes of determining eligibility for certain benefits."

The committee took an at-ease from 10:54 a.m. to 10:57 a.m.

Number 2880

SENATOR RANDY PHILLIPS, Alaska State Legislature, sponsor, presented CSSB 340(FIN)(efd fld).

Number 2899

CHAIR COGHILL made a motion to adopt the proposed House committee substitute (HCS) for SB 340, version 22-LS1361\P, Cook, 4/24/02, as a work draft. There being no objection, Version P was before the committee.

SENATOR PHILLIPS explained that the difference between this version and what was passed in the Senate is the P version exempts the longevity bonus by adding the following:

Page 3, lines 3-4, "Except as provided in AS 47.55.020(e)(3), a".

SENATOR PHILLIPS explained that SB 340 deals with the "hold harmless" clause. There is about \$27.35 taken out of everyone's PFD [permanent fund dividend] to hold harmless the people on welfare.

TAPE 02-48, SIDE B
Number 2918

SENATOR PHILLIPS explained that people on SSI [Supplemental Security Income] and APA [Adult Public Assistance] would be exempted from this bill and will receive both their benefits and their PFD. People on the Alaska Temporary Assistance Program [ATAP] and those people receiving food stamps will have to make a decision the month of October whether to receive the welfare assistance, amounting to about \$1,240, or the PFD, worth approximately \$7,000, but not both. This money saved, which amounts to over \$4.5 million as proposed by the Senate, will go in the front section of the budget to deal with the increase in Medicaid. He added that those folks on food stamps and ATAP are 100 percent qualified for Medicaid, of which only 80 percent take advantage of the Medicaid services. The money being taken away from them will go back to them in the form of Medicaid. The governor's projections for Medicaid is about \$193 million, which is about a \$37 million increase over the current fiscal year.

Number 2898

SENATOR PHILLIPS said there are more and more people on Medicaid, and that problem has to be resolved; it's growing about 15 to 20 percent a year. The governor asked for \$193 million; the House passed \$187 million; the Senate passed \$173 million. Obviously, the problem still needs to be dealt with, he said.

Number 2862

SENATOR PHILLIPS informed the members that the whole intent behind this bill is to figure out how to fill the gap. He pointed out that the \$37 million is the largest increase of anything in the budget. Other parts of the budget will be affected by this, so there has to be a way to balance the increasing costs in Medicaid.

Number 2832

SENATOR PHILLIPS noted that many constituents over the years have wondered why the \$27.35 is taken out of their PFDs. When he explains it to them, they wonder why this is being taken out, since they've already paid federal income tax that goes to welfare. His main motivation is to resolve the increasing costs of Medicaid, and this is the intent of the Senate to figure a way of reducing that increase.

Number 2636

REPRESENTATIVE STEVENS asked if implementing this bill would eliminate the \$27.35 deduction from everyone's PFD.

SENATOR PHILLIPS answered it would reduce the deduction to about \$16. The \$16 would cover the people receiving social security, adult public assistance, and the longevity bonus. He acknowledged that some people say this is a tax on the poor, and he understands how they view it in that manner, but on the other hand the very same group of people are eligible for Medicaid.

Number 2563

REPRESENTATIVE WILSON asked: If the people on ATAP and food stamps qualify for Medicaid but don't take advantage of it and then go on Medicaid, will that make the Medicaid bill go up?

SENATOR PHILLIPS said he didn't have that answer.

Number 2522

REPRESENTATIVE JAMES indicated that she has heard anecdotal stories which show that people are coming to Alaska because the programs are so good. These programs are increasing, and there's good evidence that some recipients have not been in Alaska all of their lives. She said she thinks that needs to be addressed, and this is the way to do it.

SENATOR PHILLIPS reported that one of his constituents who works in public assistance has seen a lot of abuses within that division as far as the public taking advantage of the programs. He took his constituent's word for it because he doesn't work in that office; he did not solicit that phone call and was surprised by it. The constituent seemed to know what he/she was doing and seemed concerned about the abuses.

Number 2402

REPRESENTATIVE HAYES asked if the \$193 million that the governor proposed in his budget is to address the maintenance of effort or is above and beyond the maintenance-of-effort issue for Medicaid.

SENATOR PHILLIPS said he didn't know. He commented that it doesn't matter what figure is used; the problem is still there. The Medicaid situation needs to be taken care of as soon as possible, and this is one way to do it.

Number 2351

REPRESENTATIVE HAYES said that about three years ago the legislature went into an agreement with the federal government to use some of the additional monies from Medicaid to pay for some of the programs. United States Senator Murkowski put in a provision to increase the amount of Medicaid payments for the state of Alaska from 50-50 percent. When the legislature was working on the five-year plan, this was a way to address some of the issues. Since the federal government switched how it is doing Medicaid, he argued, the state knew this was coming.

SENATOR PHILLIPS said he thought it was 58-42, and now it's 52-48 or 53-47. The point is that the state funds to match the federal funds are increasing because the percentage is increasing. Alaska may not be able to have that luxury in the next few years. The fact that it was known it was coming is the whole point of this bill.

Number 2172

TABER REHBAUM, Arctic Alliance for People, testified via teleconference. She asked the committee not to pass SB 340. She indicated that Alaskans on temporary assistance are not getting a free ride. She understands that ATAP brings them up to only 67 percent of the poverty level. The successful welfare reform initiative and case management system are really helping more people toward self-sufficiency and off state assistance. The hold harmless provision for ATAP recipients is also an important element in Alaska's welfare reform success in helping people make important investments toward self-sufficiency - buying or repairing a car, purchasing work clothes or equipment, getting dental needs addressed, becoming more hireable - without having to lose critical benefits for that month or subsequent months. This bill would yet place another hurdle before people

who are struggling to try to become independent. She urged the committee to not promote this bill.

Number 2087

STEVE CONN, Executive Director, Alaska Public Interest Research Group (AkPIRG), testified via teleconference. He noted that the Alaska Injured Workers Alliance and the Nubian Sisterhood are also in AkPIRG. The Alaska Injured Workers Alliance deals with the needs of injured workers who fall between the cracks for social services. He expressed opposition to SB 340. He pointed out that somebody pays in the end. The amount gotten for a custodial parent by garnishing the PFD will diminish substantially if this bill passes. Small-business owners who deal productively with a low-income person will eat those debts, so they will pay. The Alaska Native family grants will lose money. He stated that the costs are borne by charities and by other people.

MR. CONN concluded that a study reported in The New York Times last Wednesday showed that only one state of the fifty states from the 1970s to 1990s has actually reduced its income gap between the richest 20 percent and the poorest 20 percent, and that's Alaska. This is a positive thing that the permanent fund has done. He told the committee that this is a despicable bill.

Number 1815

BRUCE KOVARIK, National American Indian Housing Council, testified via teleconference. He told the committee that SB 340 is misguided, divisive, and just plain wrong. To repeal hold harmless causes harm, he said. This is a reversal in established public policy, and there is no reason to reverse this public policy. He said there has been talk of a fiscal crisis in Alaska for the past 20 years.

Number 1750

MR. KOVARIK commented that this bill creates uncertainty. Health and Social Services estimates that about 37 percent of the families that receive their PFDs in October actually have them garnished. There are many families who voluntarily assign their PFDs to pay for affordable housing and other costs, and most families probably use their PFDs to either pay off accumulated debt during the year or to advance payment other family expenses. They annualize their PFDs, and for them to suffer the loss of ATAP, food stamps, and general relief in

October, November, or December, depending upon how they use the funds, is counterproductive. The brunt of that uncertainty is borne by poor and low-income families. He restated that this bill is divisive.

Number 1614

PAULETTE ALDEN testified that SB 340 will be hard on the families who won't get both the welfare and the PFD. She said that it is wrong to attack the people who don't have the money. People who do have money to live off get to keep their PFDs. She commented that if it is going to be taken away from one person, it should be taken away from everyone.

Number 1446

KATHLEEN WARWICK told the committee how hard it is for her and her husband to live on welfare and food stamps with the high cost of groceries and rent.

Number 1151

EUGENE WARWICK testified about how hard it is to live on only \$10 a month for food stamps.

Number 0954

TONY LOMBARDO, Covenant House Alaska, testified via teleconference. He explained that Covenant House is a privately funded, nonprofit agency which cares for homeless and at-risk youth. There is also a program in Anchorage called Passage House, which helps teen moms transition off public assistance and into self-sufficiency, and he speaks today on their behalf. Most Passage House moms come just barely surviving on ATAP and WIC [Special Supplemental Nutrition Program for Women, Infants, and Children], even with the PFD to help stabilize their lives, find affordable daycare, learn life skills, such as money management, and find a job over the course of 12 months to try to transition off public assistance. They come there because they are barely making it on the street and often fear that one false step will result in literally living on the street and possibly losing their child to state protective custody.

MR. LOMBARDO indicated that this bill would cut the meager budgets of these teen moms too much, and they might resort to crime. When poor women are faced with bleak alternatives, shoplifting, drug dealing, and prostitution seem like quick

fixes. He sees women every day who have fallen prey to the street culture where crime is a part of life. He said that they try to get these moms out of that culture and into a healthy lifestyle. The state needs fewer babies in its custody, fewer women living on the streets, and more programs like Passage House helping young ladies into self-sufficiency and off public assistance. These poor moms do not need anymore financial crisis or poverty in their lives. He stated that reducing the income of families already at the poverty level is not part of the solution to dependency on public assistance in Alaska.

Number 0830

MR. LOMBARDO stated that Covenant House is opposed to the intent of SB 340. It strives for self-sufficiency for its clients who are already struggling at the barest level of necessity. It would be unreasonable to compromise the income level of the poorest families.

Number 0768

MARIE LAVIGNE, Executive Director, National Association of Social Workers, Alaska Chapter, testified via teleconference. She explained that they are a membership organization of 500 professional social workers across Alaska and oppose SB 340. Recognizing the other testimony this morning, she pointed out that SB 340 will impact 5,100 families, who are recipients of ATAP, general relief, and food stamps, by making them choose between receiving their benefits or permanent fund dividends. The permanent fund dividend is a benefit enjoyed by all eligible Alaskans. Why should recipients of public benefits for basic support lose this money in order to receive their dividend?

MS. LAVIGNE said, heralded as a cost savings to fix the fiscal gap and Medicaid payments for the state, this is yet another attack on the poor. There are no savings for the state's general fund as funding for the hold harmless program comes directly from the earnings of the permanent fund. On behalf of the professional social workers who serve many of the 5,100 families who receive ATAP, general relief, and food stamps, she stated that the ripple effect this will cause is significant, both to the quality of life and the resources that are available to these recipients. Most importantly, it reverses the progress that has been made on welfare reform toward self-sufficiency for these families and getting them off public assistance.

Number 0667

MS. LAVIGNE noted that the impact on 5,100 poor families in Alaska is going to be felt in a number of ways. Families use their permanent funds to buy the things they can't afford during the rest of the year. Most low income families use their PFDs to purchase things that will help them become more self-sufficient: rent deposits, needed vehicle repairs, heating, clothing, shoes for the children, dental care, or eyeglasses that are not otherwise paid for. Why penalize them in October, November, and December when they are eligible to receive a PFD like other Alaskans? In reality, these families are not using their PFDs for trips to Hawaii or investment plans for their children's college fund or other luxuries that many Alaskans have come to expect each October. Rather, they are waiting to buy the necessities they cannot afford on a limited monthly income. According to her, this bill is unfair and mean-spirited, and it will not accomplish anything except singling out the poor for their benefits. On behalf of the National Association of Social Workers, Alaska Chapter, and the children and families it serves, Ms. Lavigne urged the committee to table this bill and go back to work on addressing the fiscal gap with new revenues. No more budget cuts on the back of the poor, she said.

Number 0529

MARSHALL HARRIS told the committee how hard it is to live on \$10 for food stamps. Since he is legally blind, he can't go out and get a job. He expressed opposition to SB 340.

Number 0347

WILLIAM CRAIG, Alaska Independent Blind, told the committee that there is a small group of people not defined in SB 340 who collect Social Security Disability Income (SSDI). They have to meet a tight income guideline to get this assistance, and currently, they would probably be left out. There is also a group of people waiting to collect SSI or SSDI, who collect a form of adult public assistance while waiting for social security to make the decision. Those people possibly would also be left out in the current structure of the bill.

Number 0240

JIM NORDLUND, Director, Division of Public Assistance, Department of Health & Social Services, told the committee that back in 1982 when the permanent fund was created, the hold

harmless program was also created. For the past 20 years, the hold harmless provision in law has ensured that poor Alaskans are given the full benefit of the PFD. The principals by which the hold harmless program was created are just as valid and important today. This bill changes the law 180 degrees. Under current law, the PFD can't be counted as earnings concerning the eligibility for ATAP, food stamps, and general relief assistance. This bill says that the PFD must be counted, and the effect would be that for the recipients of ATAP, food stamps, and general relief assistance, they will lose their eligibility for benefits for October when the PFD is received.

MR. NORDLUND referred to the handout he passed around. Even with the receipt of the PFD and given the fact that the PFD is much larger than it has been in the past, people on public assistance, particularly on ATAP, are still just at the federal poverty level. The handout shows that a family of three would receive about \$18,700 a year from ATAP, the PFD, and food stamps. Most of the people on temporary assistance are working, but just to maximize the full temporary assistance benefit, he noted that the calculation shows a family of three who isn't working.

TAPE 02-49, SIDE A
Number 0001

MR. NORDLUND said that based upon the market survey on the cost-of-living in Alaska, the cost-of-living difference for basic expenses is about \$18,300, so it's a difference of only \$400 on an annual basis. In receiving full ATAP benefits and the full PFD, this family of three is still just at the federal poverty level. His point is even with the receipt of the PFD, these families are still poor by anybody's definition.

MR. NORDLUND pointed out that the temporary assistance caseload has declined by 40 percent since welfare reform took effect. There has been success in moving people into self-sufficiency and employment and off of temporary assistance. He referred to the other chart in the handout that shows the percentage taken out of the PFD for the hold harmless program. It went from 3.5 percent in 1996 to 1.5 percent in 2001. Due to the success of welfare reform and the growth of the permanent fund dividend, there's a much lower percentage coming out of the individual PFD checks to pay for the hold harmless program.

Number 0201

MR. NORDLUND said the general relief assistance program is a program for the poorest of the poor. It predates statehood. This program pays for indigent burials when there is no family or no other means to pay for those burials. Administratively, SB 340 is going to cause the division more work to take people off the program for the month of October and then make them eligible again in November.

MR. NORDLUND said that 40 percent of ATAP recipients do get their PFD check garnished, and some people's entire check is garnished. So, there will be some individuals on ATAP for the month of October that will not get a welfare check or a PFD. They will have no income to support their family for that month.

Number 0332

CHAIR COGHILL asked if that would hold true if it were a court-ordered garnishment.

MR. NORDLUND said he believed so.

MR. NORDLUND noted another problem for families in October is that they will not receive a welfare check on the first of October, and the PFD does not arrive until the middle of October, so for the first two weeks of October, they will be unable to pay their rent. That impact has to be considered in this legislation.

Number 0379

MR. NORDLUND commented that Senator Phillips' reasons for this bill - wanting to plug the hole in the Medicaid budget - are a bit like "robbing Peter to pay Paul." That isn't proper in this regard. The fund source can be switched without this legislation. He pointed out that in the Senate budget, funds have been backed out in the same amount of money that the permanent fund earnings had been put in. He maintained that there is no net increase in the Medicaid budget because of the provisions of this legislation.

Number 0489

MR. NORDLUND emphasized that this fund source switch can be done in the budget without this bill. If this bill doesn't pass and the Medicaid budget was partially funded with permanent fund earnings, then it would be up to the department. It would still lose the fund source out of the department's pay for hold

harmless, but at least it would be up to the department, with other earnings, to pay for the hold harmless programs, which is something it would do. He added that that would impact other services under the ATAP program, particularly childcare and other work services. It would be the department's position that it would continue to pay the hold harmless program.

MR. NORDLUND recognized that the fiscal gap is a real problem, but in the end if something isn't passed that really helps to solve the gap - any broad-based tax - it would be a shameful thing to be left with making cuts to the poor. He urged the committee not to pass SB 340.

Number 0760

MR. NORDLUND replied to a question from Chair Coghill that for individuals on SSI and APA who also receive food stamps, he did believe that SB 340 would reduce those food stamps benefits.

Number 0804

REPRESENTATIVE JAMES said she doesn't know what is going to be done to solve the fiscal issue, but there is a good reality that the permanent fund dividend will be reduced in the future. It has to be realized that Alaska cannot tax itself enough to fill the gap; it has to grow itself out. She asked what these same poor people are going to do if the PFD is reduced to a smaller amount. She wondered if they are still going to be in desperate situations, or if they can provide for themselves in other ways.

MR. NORDLUND said that he suspected that the poor will face the same loss of income to their family as more fortunate people if the PFD goes down. He maintained that the poor would be suffering at least equally with those more fortunate if that were the situation.

REPRESENTATIVE JAMES asked if Mr. Nordlund knew how many of these people don't get their PFD checks because they are garnished.

MR. NORDLUND replied that the only figure he has is that 40 percent of the caseload get their PFD garnished. Some are garnished the whole amount and some are garnished only partially.

Number 1026

REPRESENTATIVE JAMES asked if there are any statistics in the increase in APA and SSDI recipients.

MR. NORDLUND answered there are. The APA program has grown at about 3 percent the past ten years.

REPRESENTATIVE JAMES reiterated that there is no empirical data on the growth, but there is anecdotal evidence that people have moved to Alaska because of the programs. She said she doesn't mind helping the poor and disabled in Alaska, but wasn't sure she wanted to take care of those from other states because Alaska is so generous.

Number 1128

MR. NORDLUND agreed that for the last eight years the comment that people are coming to Alaska for the good benefits has come up. All the empirical evidence his department has been able to discover finds that is not true. The biggest reason people come to Alaska is because their families are up here. The second reason is because of the impression, from the pipeline days perhaps, that there's still a lot of employment and economic opportunities in Alaska. There could be people who come to Alaska because they think the welfare benefits are better, however, he said the PFD is probably the main reason many people move to Alaska and not necessarily because of the higher welfare benefits.

Number 1299

REPRESENTATIVE JAMES expressed concern about Alaska's becoming a magnet state. She asked if there was a way to tell if people come from other states when they apply for benefits.

MR. NORDLUND said there was a place on the application to say whether they had received benefits in another state. If they don't tell the truth, it's fraud.

Number 1374

REPRESENTATIVE FATE asked if anyone has ever done an analysis of either disposable or discretionary income of the people who fall below the poverty line.

MR. NORDLUND answered not that he is aware.

Number 1460

REPRESENTATIVE STEVENS asked how the Native assistance programs fit with Senator Phillips' chart.

MR. NORDLUND said Senator Phillips doesn't have it on his chart. He explained that under federal welfare reform law, Native organizations are allowed to run their own TANF [Temporary Assistance to Needy Families] program. The TANF program is the federal welfare program, and Alaska's state version is Alaska Temporary Assistance Program. There are three Native organizations in Alaska that run the TANF program. There is a line item in the budget, Tribal Assistance, and that is where the state grants money to those Native organizations to run that program. The effect of this bill would also affect those programs.

REPRESENTATIVE STEVENS asked if the Native families are an addition to Senator Phillips' list who would be affected, or would those families be under another category.

MR. NORDLUND said this bill causes a fund source loss to the temporary assistance program of about \$3.2 million. If those funds are taken out of the temporary assistance program, the Native family assistance program would also be docked the same. The Native family assistance program is equitable with the state program. If the state programs loses funds, then the Native program would lose funds too.

Number 1640

REPRESENTATIVE HAYES asked about the maintenance of effort in the Medicaid budget from the Senate numbers.

MR. NORDLUND answered that the Medicaid budget isn't funded through a maintenance of effort. It's the traditional 50-50. For every dollar of general fund put into the Medicaid budget, a dollar of federal money is earned. When general funds are cut back, the federal funds are cut back.

Number 1698

JOHN SHERWOOD, Unit Manager, Beneficiary Eligibility Policy, Division of Medical Assistance, Department of Health & Social Services, explained that the maintenance of effort requirements in the Medicaid budget don't have to be worried about because the state is spending well above that level. In the larger budget, the state budget represents basic program growth,

increase in eligible people and is required to pay rates sufficient to have adequate providers. The only other increase that would be included in the budget would be things in terms of financing where more total dollars are spent to bring in more federal revenue.

REPRESENTATIVE HAYES reiterated that 80 percent of the 100-percent-eligible people currently use Medicaid. He wondered how much it would cost the state if that 20 percent went on Medicaid because they wouldn't have their permanent fund checks during that month. He thought it would cost more than the fiscal note of SB 340.

MR. SHERWOOD said that has not been analyzed. These costs are difficult to analyze because some medical expenses can be deferred. If somebody was short of funds one month, he/she might not necessarily seek Medicaid that month; he/she might just defer the cost until another time. For the most part, the people with high medical need will have the Medicaid coverage if they are on these other programs. At any given time, the vast majority of dollars spent are on the relatively small number of people receiving Medicaid who were actually sick or have a healthcare need in that month. Most people don't have healthcare needs that need to receive on-going care. Some do, but most of those people would probably fall into the exemption for people receiving APA and SSI. There could be some problems as people have less disposable income available to pay for some of the services not covered or covered in a limited way like dental care.

Number 1909

CHAIR COGHILL asked how the childcare assistance, rental assistance, and those types of things are accounted for as far as the hold harmless issue goes.

MR. SHERWOOD answered that medical assistance provided to individuals, either through Denali KidCare or through the family Medicaid program, would fall under Medicaid, but he believes that a lot of support that's been provided to the family does fall under adult temporary assistance.

Number 2036

MR. NORDLUND said there is a different set of dynamics going on with the temporary assistance program and its attendant programs such as childcare, work services, Medicaid, and those kinds of

things. The cost drivers of Medicaid and the reason why there is such a large deficit in the state are really unrelated to what's going on with temporary assistance program. On the temporary side, the caseload has gone down 40 percent so the money that used to be paid to those families in benefits, some of those funds have been reinvested into childcare and services that do help social workers at DFYS. There has been some reprogramming of those funds. Mr. Nordlund emphasized that there still has been a net savings to the general fund, that has grown to about \$50 million annually, due to welfare reform. It is not entirely correct to say that money has just been shifted from welfare payments over to other services. There has been a net savings to the general fund. He said that there are separate issues on the Medicaid side that drive the cost of Medicaid [up].

Number 2121

CHAIR COGHILL agreed they are talking about two different things although they convert. For example, the daycare assistance dollars that are significantly federal are in fact taking the place of what would normally have been paid under ATAP, so that isn't seen in the general fund, but it's still dollars there. The dollars are equal; they're just coming out of different pots. Welfare is not reduced; it just changes how it's done. In many cases, it is making people more productive, but it is still getting welfare from the government.

MR. NORDLUND said Chair Coghill was basically correct in what he said. Instead of spending money on welfare payments, it's helping with childcare payments, and that's certainly better because childcare is much closer to getting that person on the road to total self-sufficiency because they're working. However, it's not a one-to-one relationship. The money taken from welfare payments and put into childcare is not equal to that savings. There are families who have entirely gone off public assistance and don't receive childcare because of the effects of welfare reform. He reiterated that there is a net savings.

Number 2250

CHAIR COGHILL noted that the whole human services area is a significant portion of Alaska's budget, and Alaska has been good to people. He doesn't want people to characterize this hold harmless thing as pulling the rug out from under them; it isn't. In the whole context of issues, certainly it is robbing Peter to

pay Paul, but so are taxes, whether it's federal taxes or whatever else is done at the community level on matching grants, et cetera. He agreed this is a complex issue.

REPRESENTATIVE HAYES asked if SB 340 would have any effect on HB 402.

Number 2365

MR. NORDLUND said there isn't a direct effect except to say that HB 402 will give the department more tools to help people reach self-sufficiency. The more people who reach self-sufficiency, the less draw there will be on the permanent fund earnings to pay for this program.

CHAIR COGHILL asked if recipients are helped with budgeting.

MR. NORDLUND said that case management is provided to clients and case managers do work with clients on their family budgeting. Unfortunately, on the APA side, the APA caseloads are very high for individual workers, so they don't have the time to spend with clients that they would like.

MR. NORDLUND replied to a question from Senator Phillips. As he remembers the history of this, originally when the hold harmless program was created, it was paid for with unrestricted general funds. The funding source changed some time ago when the legislature changed it to come out of the earnings of the permanent fund, which is also general fund [money].

SENATOR PHILLIPS disputed that because the \$27.34 comes out of Alaskans' PFDs.

CHAIR COGHILL asked what the actual fund source is for the dollars withheld from the permanent fund dividend for the hold harmless provision.

Number 2621

NANCI JONES, Director, Central Office, Permanent Fund Dividend Division, Department of Revenue, answered that it is in the formula for the dividend calculation. The departments get their appropriation from the average five-year earnings of the permanent fund. That's the source of all the appropriations. The Department of Health & Social Service has allowances whereby it estimates how much it will need for its various programs, and [those monies] are appropriated annually by the legislature.

SENATOR PHILLIPS explained that the \$27.34 would be reduced to around \$16, which would take care of APA and SSI recipients.

Number 2915

CAREN ROBINSON, Lobbyist for Alaska Women's Lobby, testified that she hoped this bill will be tabled in this committee. She told the members that most of the areas of concern have been spoken to. She expressed concern on the designation of funds that could not be guaranteed that next year or the following year that the money taken from these recipients would then go into Medicaid, which is the intent of this legislation. Secondly, she stated her hope that the committee clearly knows whom this would hurt. Many of the adults who will be hurt are lifelong Alaskans. Possibly through death of a spouse or because of illness, people could fall under the temporary assistance program and would lose their permanent fund dividends. She said the Alaska Women's Lobby is also concerned about the women who are victims of violent crimes. A large number of recipients are women who are domestic violence victims or sexual assault victims, or their children are victims of sexual assault.

TAPE 02-49, SIDE B
Number 2965

MS. ROBINSON said they shouldn't be punished and lose their permanent fund dividend because of a situation in which they've had to get assistance from law enforcement and have had to leave their homes, and possibility leave their communities and jobs to get away from a very violent situation. She said [the Alaska Women's Lobby] is concerned about what SB 340 will do to those women and children. She encouraged the committee to ask all the questions. She has talked to a lot of people and found out that the PFD has become a necessity whether they have money or not.

Number 2886

CHAIR COGHILL said he doesn't see this as punishing people when society has been very benevolent in many ways. Society has agreed to help the less fortunate and has done a good job. When it comes to this type of income, he struggles with being asked to accept it and say it's not income for these services. It is a priority choice.

CHAIR COGHILL closed public testimony and announced that SB 340 will be held over.

ADJOURNMENT

Number 2818

There being no further business before the committee, the House State Affairs Standing Committee meeting was adjourned at 12:40 p.m.