

ALASKA STATE LEGISLATURE  
**SENATE HEALTH, EDUCATION & SOCIAL SERVICES COMMITTEE**

April 10, 2002  
1:52 p.m.

**MEMBERS PRESENT**

Senator Loren Leman, Vice Chair  
Senator Gary Wilken  
Senator Jerry Ward  
Senator Bettye Davis

**MEMBERS ABSENT**

Senator Lyda Green, Chair

**COMMITTEE CALENDAR**

SENATE BILL NO. 346

"An Act relating to statewide school district correspondence study and state supported home schooling programs."

SCHEDULED BUT NOT HEARD

CS FOR HOUSE BILL NO. 402(FIN)

"An Act relating to diversion payments, wage subsidies, cash assistance, and self-sufficiency services provided under the Alaska temporary assistance program; relating to the food stamp program; relating to child support cases that include persons who receive cash assistance or self-sufficiency services under the Alaska temporary assistance program; and providing for an effective date."

MOVED SCS HB 402(HES) OUT OF COMMITTEE

SENATE BILL NO. 311

"An Act relating to the public school trust fund, the Alaska children's trust, and the Alaska heritage endowment fund; and providing for an effective date."

SCHEDULED BUT NOT HEARD

**PREVIOUS COMMITTEE ACTION**

SB 346 - See HESS minutes dated 3/15/02, 3/18/02 and 4/8/02.

HB 402 - See HES minutes dated 4/10/02.

SB 311 - See HESS minutes dated 4/8/02 and 4/15/02.

**WITNESS REGISTER**

Representative Fred Dyson  
Alaska State Capitol  
Juneau, AK 99801-1182  
**POSITION STATEMENT:** Presented HB 402

Ms. Sandy Hoback  
American Institute for Full Employment  
**POSITION STATEMENT:** Answered questions about HB 402

Ms. Ellie Fitzjarrald  
Chief, Policy and Program Development  
Division of Public Assistance  
Department of Health &  
Social Services  
PO Box 110601  
Juneau, AK 99801-0601  
**POSITION STATEMENT:** Answered questions about HB 402

Mr. Elmer Lindstrom  
Deputy Commissioner  
Department of Health &  
Social Services  
PO Box 110601  
Juneau, AK 99801-0601  
**POSITION STATEMENT:** Stated the department does not support any  
cap in HB 402.

#### **ACTION NARRATIVE**

**TAPE 02-27, SIDE A**  
Number 001

#HB402

**VICE-CHAIR LOREN LEMAN** called the Senate Health, Education & Social Services Committee meeting to order at 1:52 p.m. Senators Wilken, Ward and Leman were present. Vice-Chair Leman announced that Chairwoman Green was ill. He then announced that the committee would take up CSHB 402(FIN) and asked Representative Dyson to present.

SENATOR WARD asked if CSHB 402(FIN) leaves the cap at 20 percent.

REPRESENTATIVE FRED DYSON, Chair of the House Health and Social Services Committee, made the following statement.

That limit is certainly a contentious issue. The Department [of Health and Social Services] wanted to take the limit off entirely and it all has to do with

the limit and the percentage of recipients who can have their benefits extended past 60 months - which is not only the federal but our state's requirement - the department wanted to take that off entirely and can make an, I think, eloquent case for that and they were basically saying trust us, we don't want to make the people dependent, we don't want to carry them on the roles but there are some hard core folks with disabilities and other problems that just can't go on to self-sufficiency. I was uncomfortable doing that. I think that under Mr. Nordlund's administration my sense is that it would work to not carry anybody that shouldn't be and so on. I didn't feel comfortable about taking the limits off. I made a guess of what I thought might be the number or the percentage of hard core unemployed who will continue to need the [indisc.] and in House Finance I made that change to 33 percent, up from the present 20. Sandy Hoback here from Oregon, who has an immense amount of experience said pretty good guess. They found in Oregon that over the years about a third of the folks could not achieve complete self-sufficiency - a judgment call.

VICE-CHAIR LEMAN asked if there was any technical basis for deriving the 33 percent based on Alaska's caseload or whether it was based on Oregon's experience. He said he looks at it as asymptotically coming to a number and is wondering if someone went through an exercise to come to the 33 percent.

REPRESENTATIVE DYSON said it was based on Oregon's experience and noted the department has held the position that it prefers no limit.

SENATOR WARD asked if there will be any damage during the upcoming election if the 20 percent is maintained.

REPRESENTATIVE DYSON said that the department says it will have clients reaching the 60-month limit this summer and that some of them should have continued benefits but may bump up against the 20 percent. He asked that the department argue that point. He said he has held the position that if he is re-elected, he will be paying attention to whether the number needs to be changed in the future.

SENATOR WARD said he agrees with that position.

REPRESENTATIVE DYSON said it looks to him like the department has done a pretty good job of getting people off of welfare. He

explained that the main portions of CSHB 402(FIN) create another paradigm shift in how the business of welfare is done. Under Ms. Hoback's administration in Oregon, the culture of welfare was changed to work first, rather than what benefits clients were eligible for. He believes lumping cash benefits and food stamps into a fund to subsidize employment to be a profound change. The State of Oregon took the initiative to subsidize jobs to help people learn a trade and get employed. That is a significant departure from what most states have done. He is pleased that this Administration, particularly Mr. Nordlund, has gone from being reluctant to enthusiastic. Another change that the State of Oregon made, which he considers to be genius, was to pay contractors for performance instead of shuffling papers. He noted CSHB 402(FIN) will allow the department to do those things. Although he shares Senator Ward's concern about the 20 percent limit, the importance of CSHB 402(FIN) lies with the paradigm shift in how temporary assistance is administered.

VICE-CHAIR LEMAN said that Representative Dyson inadvertently gave credit to what the legislature has done with its missions and measures directive. It told this department how its performance would be measured and the department followed-up.

SENATOR WARD commented that CSHB 402(FIN) is a fine step that he completely endorses. He said he also knows that if the legislature does not keep the pressure on, things may not work out as the legislature intended.

1:50 p.m.

MS. SANDY HOBACK, a consultant with the American Institute of Full Employment, a non-profit corporation, informed members that the Institute did an assessment of Alaska's welfare reform efforts last summer and made a number of recommendations at the request of Senator Green and Representative Dyson. The statutory recommendations are incorporated into CSHB 402(FIN). The committee has heard a similar bill on this topic, SB 346. The only difference between the two bills is the cap. The cap in CSHB 402(FIN) was changed from 20 to 33 percent. She has worked diligently with Representative Dyson's and Senator Green's offices on drafting these bills and negotiating with the department on parts of it. She commented that the department has made a number of concessions to get us to this point, and she applauds department staff for their efforts in not only embracing the statutory changes, but for embracing the operational recommendations in the report to make this system much more accountable. She offered to answer questions.

SENATOR WARD commended all involved but repeated his concern about increasing the cap to 33 percent. He asked what harm, if any, will be done to any Alaskans between now and next January if the cap is returned to 20 percent.

MS. HOBACK replied that based on the department's projections, it is not predicting it will hit the 20 percent ceiling.

SENATOR WARD said that was his reading. He thanked Ms. Hoback and those involved for taking a complex subject and putting it into an easily understood format.

VICE-CHAIR LEMAN referred to a chart of DHSS's projections and agreed that the increase to 33 percent is not necessary for this next fiscal year.

SENATOR WARD said it may be necessary the following year.

SENATOR DAVIS arrived.

VICE-CHAIR LEMAN thanked Ms. Hoback and asked a representative of the Department of Health and Social Services to testify.

MS. ELLIE FITZJARRALD, Chief of Policy for the Division of Public Assistance, said the department has made a number of concessions to support the legislation before the committee but it will need to reconsider if further amendments are made.

VICE-CHAIR LEMAN asked Ms. Fitzjarrald if the department did any calculations to cause committee members to believe that 33 percent is an appropriate number to use as the new cap.

MS. FITZJARRALD said the department did not do any calculations. It worked with Representative Dyson and Senator Green on going forward with no cap, partially based on the fact that the 20 percent cap in federal law is an arbitrary number. Because of the significant decline in the caseload in Alaska, as well as nationally, 20 percent of the 1996 caseload was much higher than it is today. Since 1996, the caseload has dropped 40 percent so 20 percent of the remaining caseload is much smaller. The department has taken the position that any family that qualifies for an exemption under the current law and meets the criteria for an extension of benefits should get it. The department does not want to be put in the position of having to prioritize who gets an exemption based on the severity of their situation. The department hoped to get rid of the arbitrary number, follow the current law, regulate on it, and grant an extension to those who meet the criteria. A House committee discussed this issue and,

as Ms. Hoback testified, the 33 percent was determined from the State of Oregon's experience.

VICE-CHAIR LEMAN said a 5 percent variance from 20 percent would carry the program through FY 04, based on the department's projections, without any cut-off occurring. He commented that the increase to 33 percent is not necessary this year but a 5 percent increase would cover the next two years and give a future legislature time to review progress and decide whether that amount should be changed.

MS. FITZJARRALD said that is correct and it is all based on what happens to the caseload. She pointed out that basing the cap on 20 percent of the caseload acts as a disincentive to decrease the caseload.

SENATOR WARD said he plans to propose that the committee reduce the cap to 20 percent, unless the department can give him a reason not to. He said he does not want to harm anyone, but he believes leaving the 20 percent cap in place until next January will not do any harm.

MS. FITZJARRALD said she cannot guarantee that it will do no harm but, based on what the department knows from its five years of experience with this program, and considering the factors of the clients who have remained on the program for that time and the economy, the department is projecting that no families will be cut off from benefits because of the 20 percent limit next fiscal year.

SENATOR WARD moved to change, on page 10, line 29, 33 percent to 25 percent.

SENATOR WILKEN asked if the 33 percent came from Representative Dyson's best guess coupled with Ms. Hoback's professional expertise.

REPRESENTATIVE DYSON answered affirmatively.

SENATOR DAVIS stated:

I guess the maker of this motion is going to speak to as to why he thinks it should be 25 rather than 33 because what you're doing is thinking, well, 25 will work because 20 should work but we don't know that. And we have the opportunity to do something with this bill now. We don't have to wade back and second, it's not costing us any money to do what we're doing now and why

should we have to put it off until even next January, which means January could move into May and May could move into the next year and we still have the division in limbo. I think that the division has worked very well trying to make sure that they do something that's going to be in the best interest of the people that they serve. And then we have expert people that have come here and have worked with us and say, look you know, they started this thing off wanting us not to have a cap at all - said that we will work in those confines and then we will be able to work the situation out and then when you decided that you didn't want that they came up with a number that seemed to be a good number and now we want to make it to be 25 when we, as legislators, don't know if that will work or not work. You'd think we would listen to the experts and go with what we have rather than us, as legislators, who are supposed to be policy makers and making good decisions rather than just second-guessing. Why put it off this year what you can do next year and what are we gaining by doing this?

SENATOR WARD replied that Senator Green said that she arbitrarily picked the 20 percent out of the air and Representative Dyson arbitrarily chose 33 percent. His motion was based on testimony that no one will be harmed at 20 percent but he added five percent to make sure no one is harmed. If re-elected, he will address the issue next year. His motion is designed to continue pressure on the program while ensuring that no one is harmed.

SENATOR WILKEN asked where the federal government stands on this number.

MS. FITZJARRALD said the President's proposal keeps the 20 percent cap. Other legislation has been introduced with no changes on the federal level to the 20 percent cap although there has been recognition that many other states have been using state funds to provide benefits to families who will get cut off because of the 20 percent cap. She added that many states do not have a time limit in their state laws.

VICE-CHAIR LEMAN said in response to Senator Davis's comments, he is willing to support the 25 percent because it provides coverage for two fiscal years during which trends can be observed.

SENATOR WILKEN asked Representative Dyson what number he prefers.

REPRESENTATIVE DYSON said that he and Senator Green asked the Institute to do the report and he, like Senator Ward, is very impressed with the work that has been produced and the

Administration's response to it. Regarding Senator Wilken's question, he stated:

Back to the question at hand, I went through a process not unlike the Chair here in trying to figure out what's this negative regression that's headed for some kind of a horizontal asymptote out there would be and I can't - and every state is going to be different and we will see the accuracy in retrospect better than we do now. It certainly depends on the culture and attitude of the people administering it. I think that's part of what motivates Senator Ward, is wanting to keep some pressure on there and it's what made me a bit uneasy about taking the cap off. With Mr. Nordlund in charge, I feel quite comfortable that he's headed in the right direction. If I got appointed to a conference committee here, and it came out of here 20 percent and we had had 33, I would have done virtually what you're doing and I'd say, okay, let's get this thing done and make sure it's in place, cut the baby in half, which would have been 27.5 percent.

REPRESENTATIVE DYSON said the reason Alaska will see this more accurately in retrospect is because it is unique. He commented that he questioned Mr. Nordlund quite closely about whether the department would let people get their benefits extended when the only thing that is keeping them from working is that there are no jobs in their town. Mr. Nordlund said absolutely not. If there is no employment in a client's town, that client will have to move. Mr. Nordlund said the department is not in the business of supporting someone to live in a place where no jobs exist. Representative Dyson said he was comfortable with the 30 percent that he put up but Representative Davies suggested 33, based on Oregon's experience. He said he believes committee members are correct in that the 25 percent will ensure that no one is harmed.

SENATOR WILKEN asked Representative Dyson if 25 percent is acceptable to him.

REPRESENTATIVE DYSON said it is and asked that the committee hear from Mr. Lindstrom.

MR. ELMER LINDSTROM, Deputy Commissioner of the Department of Health and Social Services, said he doesn't know an asymptote from a cord of wood, but he is aware of the history of HB 402 and would like to share it with members. A bill was introduced in both the House and Senate last session by the Governor. Both bills included a repeal of the 20 percent cap and other minor provisions. A bill ultimately passed the House that included a number of acceptable provisions but did not include any amendment

to the 20 percent cap. An assurance was given that the repeal of the cap would be taken care of this year. Now the committee is deliberating a "nice package of stuff" from the report - most of which the department would have pursued if left to its own devices as they make sense. However the 20 percent cap issue still remains the key to the department's ability to support the bill. He said he respects Senator Ward's comment that if re-elected he will work diligently to address the cap next year, but as a stand alone proposition, amending or removing that 20 percent cap will not be a politically easy or attractive issue to deal with. He believes it is better for everyone to look at it as part of a well balanced package before the committee today. He said regarding the question about whether the department supports the 33 percent limit, the answer is a reluctant yes, but the same thing can be said of a 20 percent cap, nor is he certain about the 25 percent. He maintained that it is a deal that keeps getting cut thinner and thinner and is problematic for the department at this point.

SENATOR WARD said he appreciates all of the work Mr. Lindstrom has done on this bill and if he is here next year he will address the cap. He stated that at 25 percent, not one Alaskan will be harmed for the next two years and the new legislators will be able to look at the actual numbers and decide which arbitrary number is the best. He indicated the reality is that no one wants anyone to fall off of the benefit program if they have extraordinary circumstances. He maintained his motion and said he looks forward to speaking to the Governor about this issue.

SENATOR DAVIS commented that the previous speaker stated what he will do when he comes back, but there is no way to know the future and who will be here. She believes the point made about this bill being a package deal is something the committee needs to take into consideration. She maintained this package is well balanced and has been reviewed by the department and expert consultant. All gave it their best recommendation. She expressed concern about having to come back and deal with the cap and noted that the current President has done nothing to lift the 20 percent federal cap and that other states are already making up the difference by using state monies. Alaska is not at a point where it is willing to do that. If this issue is dealt with as a package, the state will get better results. No one knows what the climate will be next year. She said the Administration has said it prefers no cap so to keep knocking the number around when all numbers are arbitrary is not in the best interest of the people being served.

SENATOR WILKEN called for a brief at-ease.

VICE-CHAIR LEMAN called the meeting back to order and announced that the committee has an amendment before it.

SENATOR DAVIS maintained her objection to the amendment.

VICE-CHAIR LEMAN asked for a roll call vote. The motion to adopt the amendment carried with Senators Wilken, Ward and Leman voting in favor, and Senator Davis opposed.

There being no further amendments or discussion, SENATOR WARD moved SCS CSHB 402(HES) from committee with individual recommendations and its accompanying fiscal note. There being no objection, VICE-CHAIR LEMAN announced the bill will move to the next committee of referral. He then announced the committee will meet jointly with the House Health and Social Services Committee on April 11 to hear the Suicide Prevention Council report and it will meet on Friday, April 12 to continue the hearing on Kivalina. He then adjourned the meeting at 2:20 p.m.

#