

ALASKA STATE LEGISLATURE
HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES
STANDING COMMITTEE
SENATE HEALTH, EDUCATION AND SOCIAL SERVICES
STANDING COMMITTEE
Anchorage, Alaska
October 28, 2002
10:01 a.m.

HOUSE MEMBERS PRESENT

Representative Fred Dyson, Chair
Representative Peggy Wilson, Vice Chair (via teleconference)
Representative John Coghill (via teleconference)
Representative Sharon Cissna

HOUSE MEMBERS ABSENT

Representative Gary Stevens
Representative Vic Kohring
Representative Reggie Joule

SENATE MEMBERS PRESENT

Senator Lyda Green, Chair
Senator Loren Leman, Vice Chair
Senator Wilken (via teleconference)
Senator Bettye Davis

SENATE MEMBERS ABSENT

Senator Jerry Ward

COMMITTEE CALENDAR

OVERVIEW: JOINT HEARING WITH SENATE HEALTH, EDUCATION AND SOCIAL SERVICES STANDING COMMITTEE PRESENTATION FROM THE DIVISION OF PUBLIC ASSISTANCE: THE IMPLEMENTATION OF HB 402 AND WORK-FIRST PHILOSOPHY

PREVIOUS ACTION

No previous action to record

WITNESS REGISTER

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TAPES

02-41, SIDES A & B [House HES tapes]
02-42, SIDES A & B

CALL TO ORDER

REPRESENTATIVE FRED DYSON, Chair, convened the joint House and Senate Health, Education and Social Services Standing Committees meeting at 10:01 a.m. in Anchorage. Committee members present were Representatives Dyson, Coghill, Wilson, and Cissna, and Senators Green, Leman, Wilken, and Davis.

ACTION NARRATIVE

OVERVIEW: JOINT HEARING WITH SENATE HEALTH, EDUCATION AND SOCIAL SERVICES STANDING COMMITTEE PRESENTATION FROM THE DIVISION OF PUBLIC ASSISTANCE: THE IMPLEMENTATION OF HB 402 AND WORK-FIRST PHILOSOPHY

CHAIR DYSON announced that the committees would hear a Presentation from the Division of Public Assistance: The Implementation of HB 402 and Work-First Philosophy

ANGELA SALERNO, Program Coordinator, Division of Public Assistance (DPA), Department of Health & Social Services (DHSS), began an update of changes in the Alaska Temporary Assistance Program (ATAP) and welfare reform. She introduced the other presenters from DPA and outlined the direction of the presentation.

ELLIE FITZJARRALD, Chief, Policy & Program Development, Division of Public Assistance (DPA), Department of Health & Social Services (DHSS), pointed out that, in addition to changes from HB 402, they would speak to the results of the recommendations from the American Institute for Full Employment, who recently evaluated DPA. In response to a question from Chair Dyson, Ms. Fitzjarrald reported that as a result of the federal food stamp/farm bill, the state has new options to aid low-income families with nutritional needs. In addition, states may strengthen the food stamp employment and training program to help single adults who do not have children.

MS. FITZJARRALD stated that the first important provision in HB 402 is diversion payments: one-time, short-term payments aimed to meet immediate employment-related needs and keep the family from entering ATAP and receiving ongoing assistance. With the current bill, DPA may pay an applicant up to four months' benefits as a diversion, she reported. Since July of 2002, the number of applicants choosing diversion has tripled, demonstrating the success of this option.

MS. FITZJARRALD offered that the other important change in HB 402 is progressive penalties for those recipients who do not comply with work requirements or family self-sufficiency plans. For the first four months of noncompliance, a family's benefits are reduced 40 percent. If noncompliance is continued more than four months, their benefit is decreased 75 percent. For noncompliance over eight months, 100 percent of their benefit is reduced, and they become subject to case closure. Benefits are reinstated after five days of re-compliance, for the first offense. With pending regulations, the second offense will

require ten days of compliance for benefits to be reinstated, and the third requires a month of compliance. She explained that a family would start back at the first level of benefit reduction for each successive period of noncompliance.

CHAIR DYSON questioned the wisdom of such a policy. Instead, he believes that penalty severity should increase for each successive period of noncompliance.

MS. FITZJARRALD explained that DPA is not allowed to practice such a penalty system under current law.

CHAIR GREEN disapproved this new penalty system and stated that the new penalty system does not concur with legislative intent.

REPRESENTATIVE CISSNA asked if exemptions exist to excuse the family from the penalty process due to legitimate reasons.

MS. FITZJARRALD agreed, naming these "good cause provisions" as sick children, school issues, et cetera.

MS. FITZJARRALD, in answer to a question from Chair Dyson, indicated that the case manager is responsible for supervising activity attendance.

CHAIR DYSON revealed his preference that, since the public is paying for the work-related activities of welfare recipients (such as substance abuse counseling, job-training, et cetera), the public deserves to be notified by the personnel of those programs who deal with the recipients, especially because case managers are overworked and the public is paying the bill.

MS. FITZJARRALD continued, saying that as a result of the new penalty process, a larger percentage of the caseload is "on penalty" (4.7 percent) and a larger number of people are compliant. She suspects that, as the time limit approaches [for receiving cash benefits], families become more motivated to find work. She also points toward new policies as motivating job seeking. Fifty-five percent of the families encountering the 60-month limit have received month-to-month extensions, determined case by case, she reports.

CHAIR DYSON commented that the supporters of this bill worked hard with the former director of DPA, Jim Nordlund, to ensure that extensions are not granted solely based on geography.

MS. FITZJARRALD commented that the only valid reasons for an extension on cash benefits are caring for a disabled child or adult and extreme hardship. If necessary, recipients are required to relocate to find available jobs. As of September 2002, 343 families have encountered the 60-month time limit. Of those, 190 have received an extension. She cited a report that indicates that as families draw closer to the time limit, they are choosing to leave the program.

CHAIR DYSON surmised that if the time limit, rather than obstacles to employment, motivates clients in a job search, then the time limit should be lowered.

MS. FITZJARRALD commented on DPA's new cooperation with the Division of Family and Youth Services (DFYS) to identify families jointly served. This cooperation will allow joint case planning and notification to DFYS of families who may need additional support due to an approaching time limit on cash benefits or being on penalty.

CHAIR DYSON remarked that the home visit process seems overly complicated and cumbersome.

MS. FITZJARRALD briefly explained that the home visit process is a penalty for non-compliance.

MARY ROGERS, Chief of Field Services, Division of Public Assistance (DPA), Department of Health & Social Services (DHSS), explained that DPA is concerned about the safety of its workers during home visits and about continuing to strengthen the relationship with the recipient family throughout the process.

MS. FITZJARRALD explained that DPA's policy is to announce to the family, by letter or telephone, that a home visit is required and that they will be evaluating the home for safety of the children, et cetera to determine if a benefit reduction is in order. Because home visits are very costly, she explained that DPA caseworkers sometimes collaborate with DFYS personnel or other agencies to see the family.

CHAIR DYSON indicated his desire to help DPA make the home visit process smoother.

REPRESENTATIVE CISSNA stressed the importance of the recipients' receiving face-to-face contact with DPA personnel, if they are to be motivated to comply and engage in the system. She also inquired about the training procedures for home visits.

MS. ROGERS explained that DPA provides home visit training as well as certified crisis-prevention training.

REPRESENTATIVE COGHILL asked: out of the families that were denied services as the 60-month limit approaches, how many are in rural areas, and do they require further governmental intervention?

MS. FITZJARRALD indicated that DPA does not yet know what happens to these families if their cases are not open within DPA.

CHAIR DYSON asked if DPA personnel receive information from other agencies about domestic violence, outstanding warrants, et cetera, before initiating a home visit with the family.

MS. FITZJARRALD answered that DPA staff often receive this information, but do not have "automated" systems to provide this information yet.

CHAIR DYSON relayed his support for such a system that removes confidentiality barriers while preserving privacy, and that supports information sharing and the safety of DPA personnel.

MS. ROGERS explained that DPA staff do have access to public information and automated systems, and periodically check those databases.

MS. FITZJARRALD explained that, by law, a home visit is required before a benefit reduction may be authorized, to ensure health and safety of all family members.

CHAIR GREEN inquired about the status of the pilot program in the Matanuska-Susitna (Mat-Su) office, which combines several agencies' interactions with recipients when they apply for services.

MS. FITZJARRALD commented that such interagency collaboration is beginning throughout the state.

CHAIR GREEN observed that HB 402 required a home visit to be attempted, not necessarily completed.

MS. FITZJARRALD concurred that if unable to complete the home visit, DPA decides whether or not to impose sanctions based on

all the information about the family that they have gathered, including the incomplete visit.

REPRESENTATIVE WILSON inquired about the new wage-subsidy program.

RON KREHER, Work Services Manager, Policy & Program Development, Division of Public Assistance (DPA), Department of Health & Social Services (DHSS), indicated that DPA is still in the planning process for implementing the wage-supplementation program. He reported DPA believes that small businesses are most likely to be able to grow and benefit from a wage-supplementation program. He specified that this wage-supplementation program only involves new job positions, because there is national ambition to expand businesses and the economy, and because of federal law that prohibits displacing a current employee with a subsidized welfare employee. In other states, once that job position is established, it is to be permanently staffed by subsequent subsidized welfare employees. Traditionally, recipients who begin in a subsidized job position are later hired permanently by the company. Typically, he continued, participants in a wage-supplementation program have some level of job skills, training, or experience; on-the-job-training programs, however, usually involve formal training plans. He commended the success of the on-the-job-training program as evidenced by more participants, good wages, and permanent hire of those employees.

MR. KREHER, in response to Representative Cissna's question, turned the discussion to performance-based budgeting. This year, DPA has specified an outcome that reflects the core of its goal for work services: cases close with earnings and do not return to temporary assistance (TA). They will evaluate this outcome by measuring:

- Percentage of clients who obtain employment within 30 days.
- Percentage of cases with earnings.
- Percentage of employed clients who retain employment for 4 consecutive months.
- Percentage of employed clients with earnings progression.
- Percentage of cases that closed with earnings.
- Percentage of cases closed with earnings that don't return to TA for 6 months.
- Percentage of cases meeting overall participation requirements.
- Percentage of cases meeting two-parent participation requirements.

MR. KREHER added that these measures will be used to evaluate the effectiveness and efficiency of internal DPA offices as well as grantees, contractors, and service providers. They will also be viewable using the Internet. He stated his belief that these outcome-based performance measures push Alaska to the leading edge of state efforts in work services.

MS. FITZJARRALD stated in answer to a question from Chair Dyson, that DPA has an "automatic interface" with the Department of Labor & Workforce Development that will inform DPA staff when temporary assistance recipients are also receiving unemployment benefits. Further, she clarified that permanent fund dividends and [under \$2,000 of] Native corporation dividends are "held harmless" from being counted towards earnings when determining eligibility for temporary assistance.

CHAIR DYSON inquired which assets are counted for eligibility determinations.

MS. FITZJARRALD answered that a family can own up to \$2,000 in cash assets. Further, a family's home, vehicle(s), and self-owned business assets are excluded from consideration; there are no limits for those assets for families concerning eligibility.

CHAIR DYSON relayed his belief that other states do, as Alaska should, set a total asset limit - \$10,000, for instance - that families must meet before eligibility. If they have more assets, they are required to sell them or use them or buy less-expensive assets or take out equity loans so that they may finance their own recovery, rather than passing on the expense to other tax-paying citizens or, in Alaska's case, oil industry revenues.

MS. FITZJARRALD informed the committees that many of these limits and rules conflict from program to program and from state to federal standards. In certain cases, states may receive waivers from federal requirements. The DPA staff have worked in the past to align state temporary assistance guidelines with those of the federal food stamp program. She further clarified that a recipient's vehicle that is used to commute to and from work is excluded from the asset limit. Ms. Fitzjarrald went on to report that DPA has decreased its caseload 40 percent since 1996 to less than 6,000 families today.

MR. KREHER specified that DPA aims to involve 1 percent to 5 percent of its caseload, 30 to 100 recipients, in the wage-

supplementation program, particularly in regions with a weakened economy.

MS. FITZJARRALD reported that the new leadership of DPA intends to continue its commitment to the wage-supplementation program, as previous leaders have. In addition, more efficient progress is seen as staff emphasize employment from the first contact with applicants.

REPRESENTATIVE WILSON asked how DPA has motivated businesses to seek out benefit recipients as potential employees.

MS. ROGERS pointed out that the most efficient function that has enhanced service delivery has been screening. Applicants now can be more effectively referred to appropriate services at the beginning of the process. She concurred that diversion payments are an increasingly popular and effective service. Recipients can be diverted from enrollment in ATAP in several ways including cash payments, job referrals, or involvement in other services. In addition to diversion, staff also organize a ten-day job club that evaluates recipient needs, strengths, eligibility, and employment opportunities. This activity is designed to assist the recipient in immediate employment. The new benefit-briefing process is a computerized, online program that explains the benefits of employment and organizes a participant's skills, which helps in future interviews. Some companies come to DPA offices and, in addition to providing information about their organization, conduct interviews. These include Tesoro, J.C. Penney, Fred Meyer, and Carrs. The DPA has regional job centers that contain resource rooms that provide computers and other tools to assist recipients searching for employment. This project has grown in attendance and success.

MS. ROGERS highlighted the enhanced relationship between eligibility staff and contracted case managers by redesigning team structure to promote close contact between the two groups. Another improvement is increased job-retention and career-advancement activities. The DPA has recently increased the caseload in the Mat-Su office by relocating six staff and shifting cases there in order to utilize experienced staff who work there.

MS. FITZJARRALD, in response to a question from Chair Dyson, reported that DPA has an interface with the Internal Revenue Service (IRS) that enables staff to use tax information in eligibility determinations. The DPA also uses state wage records and social security records.

CHAIR DYSON reported that in the Western states he has worked with, approximately 30 percent of the recipients are fraudulent.

MS. FITZJARRALD identified differing types of fraud: applicant fraud and recipient overpayment fraud. Due to the quality control measures of the federal food stamp program and ATAP, about 5 percent of the cases that are reviewed yearly are referred to a fraud investigator. The DPA collects overpayments from fraudulent recipients of these services that amount to \$300,000 to \$500,000 yearly. In response to a question from Chair Dyson, she explained that DPA does not collect interest on the overpayments.

CLAIRE SIGURDSSON, Program Manager, Fraud Control Unit, Division of Public Assistance (DPA), Department of Health & Social Services (DHSS), defined applicant fraud as fraud within the first four months of application. Applicant fraud is only investigated in the Anchorage, Fairbanks, Kenai, and Mat-Su regions - not in rural areas. Her unit receives 50 to 60 referrals a month for its 14 staff, 11 of which are investigators. In response to a question from Chair Dyson, she reported that DPA does not automatically prosecute each applicant fraud case; another option is disqualification from future benefits. Penalties for fraud of ATAP, per guilty adult, are suspension of benefits for 6 months for the first offense, 12 months for the second, and permanently for the third. Penalties for fraud of the federal food stamp program are 12 months for the first offense, 24 months for the second, and permanently for the third. Chair Dyson encouraged DPA to discuss "full-family sanctions" rather than penalties per offending adult as a means to more effectively motivate compliance.

MS. SIGURDSSON stressed the importance and difficulty of being able to clearly and convincingly prove that fraud occurred. Recipient fraud is investigated statewide and must be provable for criminal prosecution or administrative sanctions.

CHAIR DYSON stated that Western states report using former police officers and military criminal investigation staff; DPA uses eligibility staff, some of whom have been investigating for quite some time, as reported by Ms. Sigurdsson.

MS. SIGURDSSON, in response to a question from Chair Dyson, reported that DPA doesn't seize fraudulent recipients' assets, but enters into an agreement with them to receive payment back

for the fraudulently received benefits, which is supported by collections policies that allow permanent fund dividends and IRS garnishments. Further, she answered that additional fraud investigator positions would recover enough fraudulently received benefits to pay for themselves. Historically, of the 50 to 60 potential fraud referrals received monthly, fraud is provable in approximately half of those cases. Concerning recipient fraud, 20 percent to 30 percent of the cases can be proved. Over the past year, 185 cases were proven to be fraudulent out of 566 referrals, worth over \$1,000,000. Last year, DPA recovered \$406,000. Thirteen cases, because of their egregious nature, were forwarded to the Department of Law for investigation, four of which resulted in a conviction, yielding \$50,923 in court-ordered restitution, and seven indictments involving \$160,000 in alleged fraudulent overpayments are pending. There were 126 ATAP recipients disqualified due to fraud, resulting in program savings of \$312,000. There were 181 federal food stamp recipients disqualified, saving \$408,000.

CHAIR DYSON inquired whether DPA can provide transportation costs to relocate recipients elsewhere if they agree to not return and apply for benefits.

MS. FITZJARRALD reported that DPA can pay for transportation for recipients to move to an area where they can receive a job.

CHAIR DYSON asked for other suggestions for improvement from the representatives of DPA.

MS. FITZJARRALD reported that an increased budget would be beneficial.

MS. ROGERS requested increased staff.

ANNOUNCEMENTS

There were no announcements.

COMMITTEE ACTION

The committee took no action.

ADJOURNMENT

CHAIR DYSON adjourned the joint hearing of the House and Senate Health, Education and Social Services Standing Committees at 12:39 p.m.