

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: _____
 () Publish Date: _____
 Dept. Affected: Health & Social Services

Revision Date/Time (Note if correction): _____
 Title CONSTITUTIONAL AMENDMENT ON
PERMANENT FUND

RDU Public Assistance
 Component ATAP

Sponsor HOLM
 Requester HOUSE (STA)

Component No. 220

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	(26,423.1)	17,615.4	8,807.7			
Miscellaneous						
TOTAL OPERATING	(26,423.1)	17,615.4	8,807.7	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (0)						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	(16,619.8)	7,812.1	8,807.7			
1003 GF Match	(6,867.4)	6,867.4				
1004 GF		2,935.9				
1037 GF/Mental Health						
1007 Interagency Receipts	(2,935.9)					
Other(Specify Type-do not abbreviate)						
TOTAL	(26,423.1)	17,615.4	8,807.7	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: _____

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

HJR 31 proposes an amendment to the Alaska State Constitution to provide a one-time \$20,000 supplemental PFD payment, then eliminates the PFD program.

The bill also eliminates PFD hold harmless protection for individuals and families receiving public assistance benefits. The department would be required to count the PFD as income when determining eligibility for ATAP.

Approximately 4,600 of 5,000 families will receive a dividend and lose ATAP benefits in that month. Because of the large supplemental PFD payment, we assume these families would also lose eligibility for 11 additional months when the portion of the PFD retained would be counted as a resource.

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 Agency Department of Health and Social Services

Phone 465-3200
 Date/Time 03/16/2004
 Date 03/18/2004

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ANALYSIS CONTINUATION

While we assume 11 additional months of ineligibility, several factors could contribute to a typical ATAP family (one adult, two children) "spending down" their resources rapidly:

- ✧ the family will pay federal taxes of apprx. 15% on the dividend;
- ✧ support services such as childcare benefits and food stamps will no longer be available adding significant costs to the family's budget;
- ✧ families will also lose Medicaid and will have to pay all health care costs incurred;
- ✧ extra resources will be used to pay off family debt. Research done by DPA shows that 40% of families leaving ATAP have debts for which their PFD has been garnished.

Distribution of a \$20,000 PFD in FY 05 results in one-time savings in ATAP and Tribal Assistance that include reductions in GF MOE for TANF. These reductions in GF MOE are moved and spent in Work Services to support TANF employment-oriented services. This action is required to avoid falling out of compliance with federal "maintenance of effort" MOE requirements. Alaska is already at its "75% MOE floor " and a reduction if GF MOE expenditure would result in severe federal financing penalties

The fiscal note financial summary on page 1 shows the projected one-time savings in FY2005. FY2006 reflects that this amount would have to be added back in FY2006, partially offset by continued savings. In FY2007, the funding to replace FY2006 savings would have to be added back into the budget. This would bring the program back to the base funding level with no further changes to that base funding in FY2008-2010. This is detailed in the table shown on page 3.

In addition, the financial summary reflects that there is a switch in funding source from Interagency Receipts (from the PFD Hold Harmless component) to General Funds for benefit payments in FY2006 and all future years. PFD hold harmless revenue has been a funding source for public assistance programs since 1982. Ending the PFD program will also end the hold harmless program. When recipients regain eligibility, benefits once paid with PFD hold harmless money will be replaced by GF.

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ANALYSIS CONTINUATION

	FY2005	FY2006	FY2007	Total
<u>One-time ATAP Savings</u>				
Month PFD Received (October)				
Family ineligible over income	(2,935.9)			
Months following Receipt (Nov-Jun 05)				
Family ineligible over resource	(23,487.2)			
Months following Receipt (Jul-Sept 05)	-	(8,807.7)	-	
Total One-time Savings	(26,423.1)	(8,807.7)		(35,230.8)
<u>Restore ATAP Payments</u>				
One year later no new PFD and most families have spent the PFD				
Months eligibility returns (Oct-June06)				
Restore one-time savings		26,423.1		
Months eligibility returns (Jul-Sep)				
Restore one-time savings	-	-	8,807.7	
Formula ATAP funding restored	-	26,423.1	8,807.7	35,230.8