

HB

193

KODIAK AREA

COMMUNITY DEVELOPMENT
CORPORATION, INC.



5 May 1977

Senator Crsini, Chairman
Community & Regional Affairs Comm.
Pouch V
Juneau, Alaska 99811

Dear Senator Orsini:

Our Office wishes to express our strong support for CS House Bill 193am. We are heavily involved in the Day Care program as we act as coordinators and administrators for the program here in Kodiak and in the villages of Kodiak Island. And, as such, have a strong interest in the progress of this Bill.

Under Section 1 b., we feel it is extremely important to create the 90 day limit. This will insure timely establishment of day care centers within the villages.

Section 2 also will have an extremely beneficial effect on our Day Care programs. By increasing the age limit of those who may be eligible for assistance, it will allow much needed day care for children during after school hours. It also can allow for assistance for children 7 to 11 years of age during the summer when school is not in session.

And finally an increased age limit can eliminate many of the inequities of the system. As it is now AFDC recipients are eligible to receive day care assistance for children through age 11 and non AFDC recipients are cut off at age 7. By equalizing or standardizing the age limit we can begin to reduce the partiality of the program to Welfare recipients.

We have discussed these proposed changes with the Day Care Center people here in Kodiak and at the Coast Guard Base. They are in strong support of these measures.

We hope that you will expediate the speedy passage of CS for House Bill 193am. through your committee.

Sincerely,

Wayne E. Marshall
Regional Director

cc: Kay Poland

WEM/drm

*draft a letter
saying I am
& that I am not*

TO: Senator Orsini
FROM: Paul Conger

DATE: May 6, 1977
RE: CSHB 193 am

I discussed CSHB 193 am with the House C&RA Administrative Assistant, and Reed Stoops, Dept. of C&RA and ascertained the following information.

Section 1:

This section deals with day care licensing by HESS. Currently, the law ~~says~~ that children who receive day care assistance from the state have to be placed in a licensed center. The first section of this bill is a housekeeping measure to clean up current language in the law. As the section delineates, municipalities can oversee their own day care centers as long as they adopt an ordinance providing for day care licensing. Apparently, this provision is particularly useful in bush areas where the standards imposed by the state are too stringent and the state allows them to modify or waive the standards so they can provide day care.

Sections 2, 3 and 4 deal with Day Care Assistance which is administered by the Department of C&RA.

Section 2:

What this section is doing is determining what the age limit will be for children of families receiving day care assistance. When HESS was in the aid to day care business, they provided assistance up to the age of 14. CRA in their program only provided funding up until age 7. So what this is is a compromise specifying that a child means anyone below 11 years of age. A more detailed discussion of this bill is provided in Section 3.

Section 3:

Background for this section is as follows: In the past, assistance to families with children in day care centers was furnished by two means: 1) HESS had a program that provided 100% funding to families on welfare; 2) CRA provided assistance to families based on income. CRA's operated on a sliding scale with those earning higher incomes receiving less in state assistance and vice-versa. However, apparently about a year ago, CRA absorbed HESS's assistance program that was offered to parents that were on welfare. When CRA assumed this program they also incurred the additional expenses that had previously been paid out of HESS's expenditure fund.

This created a financial drain on CRA and CRA had to stop providing financial assistance to those on the higher income range of the sliding scale because CRA did not have the funds to assist them. (Because of this drain created by CRA absorbing HESS's program, CRA has put in for a supplemental appropriation to cover the cost.) What this bill wants to do is eliminate those families who are on welfare from receiving 100% funding for day care assistance, and put everybody on the sliding scale system. Of course using this system would not drastically reduce the number of welfare recipients receiving aid because alot of them obviously have very low incomes which would make them eligible for the greater share of the aid.

Section 4

Provides for an effective date of July 1, 1977.

PC/js

No FISCAL IMPACT

according to CRA

"An Act relating to child care; and providing for an effective date."

Although this bill amends existing statutes governing the Department of Community and Regional Affairs Day Care Assistance Program, two of its provisions would impact this Department's Aid to Families with Dependent Children (AFDC) cash assistance program:

1. Sec. 2 of CHSB No. 193 would reduce the maximum age of AFDC eligible children covered by the Day Care program from age 14 to age 11. The AFDC parents of children in this deleted age group would therefore be required to pay their own full day care costs. Community and Regional Affairs notes that 6 AFDC children would become ineligible for day care subsidy if this measure were to be enacted, and that current costs of day care for these 6 children averages \$2600 per year per child.

Federal Regulations governing the AFDC program mandate that all reasonable costs of earning income, including client-paid day care costs, be deducted from gross monthly income in determining AFDC eligibility and payment amounts (45 CFR 232.20). Under this provision, client-paid day care expenses would qualify as a budgeting deduction, decreasing AFDC adjusted gross income and thus increasing the amount of the monthly AFDC grant on a dollar-for-dollar basis.

Thus the parents of each of these 6 affected AFDC children would be required to pay an average of \$2600 per year per child to their day care contractor, but each client would receive an exactly compensatory increase in AFDC monthly payments. The effect of this change would be to increase expenditures within the AFDC program component of the Assistance Payments BRU by \$15,600 in FY 78 (6 children times \$2600 per child per year = \$15,600). Since AFDC funding is 50% federal, 50% State General Fund matching, and the Day Care program is 100% General Funds, the impact of passage of Sec. 2 upon the General Fund expenditures would be a net reduction of \$7,800 for FY 78.

2. Sec. 3 of CSHB No. 193 would remove all AFDC eligible children from 100% subsidization of Day Care costs and place such children upon varying percentage subsidies appropriate to family income levels. Currently C & RA serves 235 AFDC children who would be affected by enactment of this measure; they estimate that placement on existing subsidy/income schedules would require parents of these children to pay an average of \$499.57 per year per child for day care.

As noted above, the AFDC grants to each of the families affected would have to be increased to allow a dollar-for-dollar compensation for the actual client-paid day care expenses. Thus the effect of enactment of Sec. 3 upon the FY 78 Assistance Payments BRU would be to increase AFDC program expenditures by \$117,400 (235 children times \$499.75 per child per year = \$117,400; \$58,700 Federal Funds, \$58,700 in State General Funds). The net effect of passage of Sec. 3 upon total General Fund expenditures would be a net reduction of \$58,700 for FY 78.

The Department supports the concept of removing the preferential treatment for working AFDC recipients which might tend to emphasize their welfare-related status and to reinforce dependency patterns. The Department further supports the concept of expanding the availability of the Day Care Assistance Program without increasing total State expenditures.

However, if CSHB No. 193 were to be enacted, an increased appropriation of 133.0 for FY 78 for the Assistance Payments BRU would be required. Such increase would result in a net savings of 66.5 SG^F.

John J. Landon
Dir. Public Assistance
3/04/77