

COMMITTEE REPORT  
HOUSE

(11)

FURTHER:

Date: \_\_\_\_\_

5/4/84

The Committee on FINANCE has had CSB 431 (HSS)

"An Act relating to the purchase of residential child care services, and providing for an effective date."

under consideration and recommends:

- do pass  do not pass
- do pass with attached amendments(s)
- replace with "CS for CSB 431 (HSS)  same title  
 new title
- and recommends and recommend the bill
- AND attaches a "Letter of Intent"  New Fiscal Note
- reports it back without recommendation  Zero Fiscal Note Attached
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

CHAIRMAN

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

REQUEST FISCAL DETAIL  
 Bill/Resolution No.: CS SB 431 (FIA) Agency Affected: DHSS  
 Title: Purchase of residential child care services Program Category Affected: \_\_\_\_\_  
 Sponsor: Governor BRU, Program or Subprogram(s) Affected: \_\_\_\_\_  
 Requestor: House Finance  
 Date of Request: 5/5/84

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		---	---	---	---	---
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

There is fiscal impact to this bill, but funding adjustments are made in the FY 85 budget for this component. Future fiscal impact will also be provided for in the budget bill each year.

ANALYSIS: Attach a separate page for analysis

Prepared By: Al Adams, Chair <sup>ARA</sup> Phone: 465-3706  
 Division: House Finance Committee Date: 5/5/84

Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
 Agency: \_\_\_\_\_

Distribution (by Agency preparing fiscal note):

Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

12/1/83

Original sponsor: Rules/Governor

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 431 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the purchase of residential child  
7 care services; and providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 37.05.230 is amended by adding a new paragraph to read:

10 (11) the provisions of this section concerning competitive  
11 bids do not apply to the purchase of residential child care services  
12 under AS 47.40.

13 \* Sec. 2. AS 47.40 is amended by adding new sections to read:

14 Sec. 47.40.011. PURCHASE OF SERVICES. (a) When the department  
15 purchases residential services for minors for whom the state has  
16 assumed responsibility under AS 47.10, the department shall

17 (1) purchase the services only under grants to local gov-  
18 ernmental units or nonprofit corporations;

19 (2) award grants for a specified number of beds as provided  
20 in AS 47.40.041.

21 (b) The department shall adopt regulations necessary to carry  
22 out the provisions of this chapter, including regulations establishing  
23 the procedures to be followed in awarding grants, the types of ser-  
24 vices for which payment may be made, costs that may be paid with grant  
25 money, and the method of payment.

26 (c) Services of jails and other penal institutions may not be  
27 included in services purchased by the state under this chapter.

28 Sec. 47.40.021. LICENSING AND SUPERVISION. Facilities providing  
29 services that are purchased by the department under this chapter,

1 shall, if required by the department, be licensed and supervised under  
2 AS 47.05.

3 Sec. 47.40.031. REQUIRED ACCOUNTING PROCEDURES. Facilities that  
4 solicit or receive grants from the department for the cost of services  
5 provided under this chapter shall

6 (1) meet accepted standards of fiscal accountability for  
7 public money and shall, upon request, submit to the department and to  
8 the division of legislative audit a complete financial statement  
9 prepared by an independent certified public accountant;

10 (2) keep records of the expenditures for the services  
11 provided, using cost-accounting procedures in accordance with depart-  
12 ment regulations;

13 (3) upon request, furnish the department and the division  
14 of legislative audit all fiscal information, books, records, and  
15 accounts pertaining to services paid for under this chapter.

16 Sec. 47.40.041. GRANTS. (a) The department shall award grants  
17 in accordance with its regulations. The department may award grants  
18 for periods not to exceed three years. The department may adjust  
19 grant amounts annually, using a cost-of-living allowance formula  
20 adopted in its regulations. Grant awards are subject to legislative  
21 appropriation. If insufficient money is appropriated to fund all  
22 grants awarded, the department shall prorate grant amounts, reduce the  
23 number of beds contracted for, or otherwise adjust grants to the  
24 extent of the appropriated funds.

25 (b) Notices published by the department concerning the opening  
26 of the application process for a grant award shall specify the geo-  
27 graphical area in which services are needed, the type of services, the  
28 number of beds anticipated to be needed, the maximum number of days of  
29 care, and any other requirements established by the department.

1 Grants authorized under this section are exempt from the competitive  
2 bid requirements of AS 37.05.230.

3 (c) Grants may not include payment for

4 (1) costs, including salaries and fees, incurred in raising  
5 funds or lobbying;

6 (2) original and replacement costs of facilities, major  
7 equipment, and other capital assets, including those capital assets  
8 obtained by purchase, construction, or lease with option to purchase,  
9 other than costs for depreciation or use allowance, as specified in  
10 regulations;

11 (3) costs of academic education that duplicate the public  
12 education system, except as provided for in regulations;

13 (4) costs of religious training; and

14 (5) costs that are funded by other government sources.

15 Sec. 47.40.200. DEFINITIONS. In this chapter

16 (1) "bed" means space in a facility that may be occupied by  
17 a minor for 365 days a year;

18 (2) "department" means the Department of Health and Social  
19 Services;

20 (3) "nonprofit corporation" means a corporation organized  
21 under AS 10.20;

22 (4) "residential services" means 24-hour care and super-  
23 vision of minors in residential child care facilities that are com-  
24 monly known as group homes or institutions.

25 \* Sec. 3. Section 1, ch. 138, SLA 1982 is amended to read:

26 Section 1. FINDINGS. The legislature finds that the present  
27 method for establishing payment rates under AS 47.40 for residential  
28 child care services is inadequate. The Department of Health and  
29 Social Services shall conduct a study of alternatives to the method of

1 establishing payment rates under AS 47.40. The study shall be con-  
2 ducted by a committee of five members appointed by the commissioner of  
3 the Department of Health and Social Services. Three members of the  
4 committee shall be employees of the Department of Health and Social  
5 Services and two members shall be providers of residential child care  
6 services. The study shall contain, among other matters determined by  
7 the department, a suggested redefinition of the manner in which rates  
8 for residential child care services are calculated, a consideration of  
9 the method and amount of reimbursement for capital costs of residen-  
10 tial child care facilities, and the availability and use of other  
11 sources of money to finance residential child care services and to  
12 finance the construction of residential child care facilities. The  
13 committee shall report its findings to the legislature on or before  
14 the 30th day of the Second Session of the Thirteenth Legislature. The  
15 legislature further finds that the rates established under AS 47.40  
16 should be suspended from June 30, 1982 to January 1, 1985 [JULY 1,  
17 1984].

18 \* Sec. 4. Section 2, ch. 138, SLA 1982, is amended to read:

19 Sec. 2. The operation of AS 47.05.010(14), AS 47.40.010, 47.40.-  
20 040, and 47.40.050 is suspended from July 1, 1982 through January 1,  
21 1985 [JUNE 30, 1984]. During the period of suspension, payment for  
22 services provided by residential child care facilities shall be made  
23 solely in accordance with the provisions of secs. 3 and 4 of this Act.

24 \* Sec. 5. Section 4, ch. 138, SLA 1982, is amended to read:

25 Sec. 4. For fiscal year 1984 the payment rates for residential  
26 child care services shall be the amounts set out in sec. 3 of this Act  
27 increased by five percent. For fiscal year 1985 the payment rates for  
28 child care services shall be the amounts set out in sec. 3 of this Act  
29 increased by 10 percent.

1 \* Sec. 6. AS 47.05.010(14) is repealed.

2 \* Sec. 7. AS 47.40.010, 47.40.020, 47.40.030, 47.40.040, 47.40.050, and  
3 47.40.080 are repealed.

4 \* Sec. 8. AS 47.40.011(b), enacted in sec. 2 of this Act, and secs. 3 -  
5 5 of this Act take effect immediately in accordance with AS 01.10.070(c).

6 \* Sec. 9. AS 47.40.011(a) and (c) and AS 47.40.021 - 47.40.200, enacted  
7 in sec. 2 of this Act, and secs. 1, 6 and 7 of this Act take effect  
8 January 1, 1985.

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: 2/15/84

REQUEST

Bill/Resolution No.: SSB No. 431  
 Title: An Act....purchase of residential child care  
 Sponsor: Rules Committee  
 Requestor: Governor  
 Date of Request: \_\_\_\_\_

FISCAL DETAIL

Agency Affected: Health and Social Services  
 Program Category Affected: Social Services  
 BRU, Program or Subprogram(s) Affected: Social Services BRU, Juvenile Custody Component and Direct Service Delivery Component

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES		77.5	3.9	4.1	4.3	4.5
200 TRAVEL		3.0	.2	.2	.2	.2
300 CONTRACTUAL		1.5	.1	.1	.1	.1
400 SUPPLIES		.8	.0	.1	.1	.1
500 EQUIPMENT		2.8	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS		(85.6)	547.7	575.0	603.7	634.0
800 MISCELLANEOUS						
TOTAL OPERATING		-0-	551.9	579.5	608.4	638.9
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		-0-	551.9	579.5	608.4	638.9
FEDERAL FUNDS						
OTHER						
TOTAL		-0-	551.9	579.5	608.4	638.9

POSITIONS:

FULL-TIME		2.0	2.0	2.0	2.0	2.0
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Michael L. Price, Director <sup>1cc</sup> Phone: 465-3170  
 Division: Family and Youth Services Date: 2/16/84

Approved by Commissioner: Robert L. Smith Date: 2/24/84  
 Agency: Dept. of Health & Social Services

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)



POSITION PAPER  
SENATE BILL 431

This Bill would change the method of payment for residential child care services from the present full cost of care system to a granting process.

Discussion

The current full cost of care system sets daily rates for residential child care services by calculating the unit cost to provide the services to the number of children in care in the previous year, and adding to that a cost of living and staff salary increase. A low census in one year results in higher per bed rates in the following year. A number of problems with this system have become evident over the years. These include: (1) cycles of feast or famine for facilities because their rates and capacities fluctuate dramatically, leading to deficits in some years and surpluses in other years; (2) the costs to the state have escalated dramatically; (3) difficulties in projecting rates leading to a wide disparity between the provisional rates set at the beginning of a fiscal year, and the final audited rates; and (4) extreme difficulty for the state in projecting daily rates during the budget preparation process. Providers indicate that the present system creates a great deal of difficulty for them in planning and budgeting from year to year. The state is concerned that the costs for residential care services have risen from an average per child cost of \$53/day in 1978 to \$110/day in 1982, when the rates were frozen by Chapter 138, SLA 1982. If the costs for care are projected out for 1983, 1984 and 1985, rates would increase to \$151/day in FY 85. With a static budget, the result of these increases is that the Division can place fewer children. In FY 85, if the full cost of care system goes back into effect, the Division would have to reduce the number of children placed by 40 FTE's (full-time equivalents) from approximately 227 to 187.

As a result of the problems in this system the Twelfth Legislature ordered that the Department conduct a study of the payment method. A Committee of three departmental personnel and two residential child care providers has met over the last 18 months. In addition to the two private providers, the Committee has also had three joint meetings with the Alaska Association of Homes for Children, which includes all the providers from whom the Department purchases services. While the Committee originally tried to modify the full cost of care system to build in fiscal controls, the providers eventually requested that the Department go to a granting system which would allow them to plan more effectively. This Bill represents the wishes of the Committee.

The Bill sets up a system whereby the Department would advertise for the type of services, specified number of beds anticipated to be needed in specific geographic areas, and the maximum number of days of care. These grants would be exempt from competitive bid requirements, and would be awarded through regulations enacted by the Department. The grants would not include payment for costs incurred in raising funds or

## POSITION PAPER

SENATE BILL 431  
PAGE 2

lobbying; original and replacement costs of facilities other than depreciation or use allowance costs; costs of academic education duplicating the education system; costs of religious training; costs of services which are substandard to or exceed the Department's requirements; or costs funded by other governmental sources. Grants could be renewed for up to three years, depending on the availability of funds and on the results obtained in performance evaluations during grant review site visits and in periodic fiscal audits. A complete report of the Committee's work, dated January, 1984, has been provided to the Legislature.

Position

The Department of Health and Social Services is in full support of SB 431. The Department has very real concerns that services to children would decrease (by 40 FTE's) if this legislation is not passed. In addition, the present system would continue to create problems for both the private providers and the state in living within their budgets.

Recommendations

In its final meeting, on January 31, 1984, the Committee moved to make several minor changes to the proposed bill. They are as follows:

- (1) On page 1, line 18, it was recommended that the wording be changed to: "award grants to local governmental units or non-profit corporations;"
- (2) On page 2, line 5, the wording be changed to "Facilities which solicit or receive grants from the department for services..."
- (3) On page 2, line 11, change to: "demonstrate the expenditures for the services..."
- (4) On page 3, lines 10-11, delete item (5).
- (5) On page 3, line 19, delete the year "1983."

RECOMMENDED BY:

*Michael L. Price*  
Michael L. Price, Director  
Division of Family  
and Youth Services

DATE: 2/18/87

APPROVED BY:

*Robert London Smith*  
Robert London Smith, Ph.D.  
Commissioner  
Department of Health and  
Social Services

DATE: 2/28/84

BILL SHEFFIELD  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

431

February 9, 1984

The Honorable Jalmar Kerttula  
Alaska State Senate  
Pouch V  
Juneau, AK 99811

Dear Senator Kerttula:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the purchase of residential services for children in the custody of the Department of Health and Social Services (DHSS) under AS 47.10. This bill establishes a new method by which DHSS will purchase residential child care services. The bill repeals the "full costs of care" provisions of AS 47.40 and creates a grant mechanism.

In ch. 138, SLA 1982, the legislature suspended the existing statutory system for payment of residential child care services, and set out a system of payment for services during the period of suspension which ends July 1, 1984. Sections 1 and 3 of the bill establish a grant system to replace the existing statutory provisions found inadequate by the legislature, and secs. 2 and 5 of the bill repeal those existing provisions.

The new system requires DHSS to adopt regulations to carry out the new statutory provisions. Section 9 of the bill provides for an immediate effective date for AS 47.40.-005(b), to allow the department to proceed immediately with the regulation-adopting process. Section 10 of the bill provides the new statutory grant provisions will not take effect until the regulations are in effect. Likewise, to continue the status quo, the period of suspension and the system of payment established in ch. 138, SLA 1983 should be extended to the effective date of those regulations. Sections 6 -- 8 of the bill accomplish that extension, and sec. 9 of the bill gives the extension an immediate effective date.

On the effective date of the DHSS regulations the existing statutory payment system is repealed (secs. 2 and 5 of the bill), the new statutory grant system takes effect (secs. 1 and 3 of the bill), and the suspension and payment system provisions of ch. 138, SLA 1982 automatically expire.

Section 4 of the bill allows DHSS to stagger the period of grants awarded during FY 85, so that not all of the initial grants will expire at the same time.

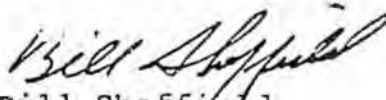
A description of the new grant system in sec. 3 of the bill follows.

Under new AS 47.40, purchase of residential services through grants would be awarded by DHSS for a specified number of beds in specific geographical areas. Under new AS 47.40.035 the grants, when possible, will be for three-year periods with adjustments annually to include a cost-of-living allowance. Grant money would be available for payment of services to be specified in regulations. (New AS 47.40.005(b)) However, the grant money could not be used for capital expenditures, substandard services, services which exceed departmental requirements, costs of academic education which are already provided by the public education system, costs incurred in raising funds including lobbying, costs of religious training, and costs which are paid for by other governmental sources. (New AS 47.40.035(c))

Under new AS 47.40.015, the grant recipients will continue to be required to be licensed and supervised by the state as also required under current AS 47.35.010 -- 47.35.080. The recipients must also meet accepted standards of fiscal accountability for public funds and when requested supply the department or division of legislative audit with information regarding the use of the grant money. (New AS 47.40.025)

Drafts of this bill have been discussed extensively with representatives of private residential child care facilities. The attached bill has been approved by the committee formed under sec. 1, ch. 138, SLA 1982. I urge your prompt consideration and early passage of this bill.

Sincerely,

  
Bill Sheffield  
Governor

Offered: 3/19/84  
Referred: Finance

Original sponsor: Rules/Governor

1 IN THE SENATE

BY THE HEALTH, EDUCATION, AND  
SOCIAL SERVICES COMMITTEE

2

CS FOR SENATE BILL NO. 431 (HESS)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to the purchase of residential child  
care services; and providing for an effective date."

7

8

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9

\* Section 1. AS 37.05.230 is amended by adding a new paragraph to read:

10

(11) the provisions of this section concerning competitive

11

bids do not apply to the purchase of residential child care services

12

under AS 47.40.

13

\* Sec. 2. AS 47.40 is amended by adding new sections to read:

14

Sec. 47.40.011. PURCHASE OF SERVICES. (a) When the department

15

purchases residential services for minors for whom the state has  
assumed responsibility under AS 47.10, the department shall

17

(1) purchase the services only under grants to local gov-

18

ernmental units or nonprofit corporations;

19

(2) award grants for a specified number of beds as provided

20

in AS 47.40.041.

21

(b) The department shall adopt regulations necessary to carry

22

out the provisions of this chapter, including regulations establishing

23

the procedures to be followed in awarding grants, the types of ser-

24

vices for which payment may be made, costs that may be paid with grant

25

money, and the method of payment.

26

(c) Services of jails and other penal institutions may not be

27

included in services purchased by the state under this chapter.

28

Sec. 47.40.021. LICENSING AND SUPERVISION. Facilities providing

29

services that are purchased by the department under this chapter,

1 shall, if required by the department, be licensed and supervised under  
2 AS 47.35.

3 Sec. 47.40.031. REQUIRED ACCOUNTING PROCEDURES. Facilities that  
4 solicit or receive grants from the department for the cost of services  
5 provided under this chapter shall

6 (1) meet accepted standards of fiscal accountability for  
7 public money and shall, upon request, submit to the department and to  
8 the division of legislative audit a complete financial statement  
9 prepared by an independent certified public accountant;

10 (2) keep records of the expenditures for the services  
11 provided, using cost-accounting procedures in accordance with depart-  
12 ment regulations;

13 (3) upon request, furnish the department and the division  
14 of legislative audit all fiscal information, books, records, and  
15 accounts pertaining to services paid for under this chapter.

16 Sec. 47.40.041. GRANTS. (a) The department shall award grants  
17 in accordance with regulations adopted by the department. When possi-  
18 ble, grants shall be for a period of three years. Multi-year grants  
19 shall be adjusted annually to include a cost-of-living allowance.

20 (b) Notices published by the department concerning the opening  
21 of the application process for a grant award shall specify the geo-  
22 graphical area in which services are needed, the type of services, the  
23 number of beds anticipated to be needed, the maximum number of days of  
24 care, and any other requirements established by the department.  
25 Grants authorized under this section are exempt from the competitive  
26 bid requirements of AS 37.05.230.

27 (c) Grants may not include payment for

28 (1) costs, including salaries and fees, incurred in raising  
29 funds or lobbying;

1           (2) original and replacement costs of facilities, major  
2 equipment, and other capital assets, including those capital assets  
3 obtained by purchase, construction, or lease with option to purchase,  
4 other than costs for depreciation or use allowance, as specified in  
5 regulations;

6           (3) costs of academic education that duplicate the public  
7 education system, except as provided for in regulations;

8           (4) costs of religious training; and

9           (5) costs that are funded by other government sources.

10           Sec. 47.40.200. DEFINITIONS. In this chapter

11           (1) "bed" means space in a facility that may be occupied by  
12 a minor for 365 days a year;

13           (2) "cost-of-living allowance" means the percentage of  
14 change from the preceding calendar year, using the U.S. Department of  
15 Labor's All-Urban Consumer Price Index (CPI) for Anchorage, or a  
16 comparable index specified in regulations, and using calendar year  
17 1983 as the base year;

18           (3) "department" means the Department of Health and Social  
19 Services;

20           (4) "nonprofit corporation" means a corporation organized  
21 under AS 10.20;

22           (5) "residential services" means 24-hour care and super-  
23 vision of minors in residential child care facilities that are com-  
24 monly known as group homes or institutions.

25 \* Sec. 3. Section 1, ch. 138, SLA 1982 is amended to read:

26           Section 1. FINDINGS. The legislature finds that the present  
27 method for establishing payment rates under AS 47.40 for residential  
28 child care services is inadequate. The Department of Health and  
29 Social Services shall conduct a study of alternatives to the method of

1 establishing payment rates under AS 47.40. The study shall be con-  
2 ducted by a committee of five members appointed by the commissioner of  
3 the Department of Health and Social Services. Three members of the  
4 committee shall be employees of the Department of Health and Social  
5 Services and two members shall be providers of residential child care  
6 services. The study shall contain, among other matters determined by  
7 the department, a suggested redefinition of the manner in which rates  
8 for residential child care services are calculated, a consideration of  
9 the method and amount of reimbursement for capital costs of residen-  
10 tial child care facilities, and the availability and use of other  
11 sources of money to finance residential child care services and to  
12 finance the construction of residential child care facilities. The  
13 committee shall report its findings to the legislature on or before  
14 the 30th day of the Second Session of the Thirteenth Legislature. The  
15 legislature further finds that the rates established under AS 47.40  
16 should be suspended from June 30, 1982 to January 1, 1985 [JULY 1,  
17 1984].

18 \* Sec. 4. Section 2, ch. 138, SLA 1982, is amended to read:

19 Sec. 2. The operation of AS 47.05.010(14), AS 47.40.010, 47.40.-  
20 040, and 47.40.050 is suspended from July 1, 1982 through January 1,  
21 1985 [JUNE 30, 1984]. During the period of suspension, payment for  
22 services provided by residential child care facilities shall be made  
23 solely in accordance with the provisions of secs. 3 and 4 of this Act.

24 \* Sec. 5. Section 4, ch. 138, SLA 1982, is amended to read:

25 Sec. 4. For fiscal year 1984 the payment rates for residential  
26 child care services shall be the amounts set out in sec. 3 of this Act  
27 increased by five percent. For fiscal year 1985 the payment rates for  
28 child care services shall be the amounts set out in sec. 3 of this Act  
29 increased by 10 percent.

1 \* Sec. 6. AS 47.05.010(14) is repealed.  
2 \* Sec. 7. AS 47.40.010, 47.40.020, 47.40.030, 47.40.040, 47.40.050, and  
3 47.40.080 are repealed.  
4 \* Sec. 8. TRANSITION. Grants awarded under AS 47.40 during fiscal year  
5 1985 may be for periods of one, two, or three years.  
6 \* Sec. 9. AS 47.40.011(b), enacted in sec. 2 of this Act, and secs. 3 -  
7 5 of this Act take effect immediately in accordance with AS 01.10.070(c).  
8 \* Sec. 10. AS 47.40.011(a) and (c) and 47.40.021 - 47.40.200, enacted  
9 in sec. 2 of this Act, and secs. 1, 6, 7, and 8 of this Act take effect  
10 January 1, 1985.

11

Introduced: 2/9/84  
Referred: Health, Education and  
Social Services and  
Finance

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

1 IN THE SENATE

2 SENATE BILL NO. 431

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the purchase of residential child  
7 care services; and providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 37.05.230 is amended by adding a new paragraph to read:

10 (11) The provisions of this section relative to competitive  
11 bids do not apply to the purchase of residential child care services  
12 under AS 47.40.

13 \* Sec. 2. AS 47.40.010 -- 47.40.080 are repealed.

14 \* Sec. 3. AS 47.40 is amended by adding new sections to read:

15 Sec. 47.40.005. PURCHASE OF SERVICES. (a) When the department  
16 purchases residential services for minors for whom the state has  
17 assumed responsibility under AS 47.10, the department shall

18 (i) purchase the services only under grants to local gov-  
19 ernmental units or nonprofit corporations;

20 (2) award grants for a specified number of beds as provided  
21 in AS 47.40.035.

22 (b) The department shall adopt regulations necessary to carry  
23 out the provisions of AS 47.40.005 -- 47.40.045, including regulations  
24 establishing the procedures to be followed in awarding grants, the  
25 types of services for which payment may be made, costs that may be  
26 paid with grant money, and the method of payment.

27 (c) Services of jails and other penal institutions may not be  
28 included in services purchased by the state under this chapter.

29 Sec. 47.40.015. LICENSING AND SUPERVISION. Facilities providing

1 services which are purchased by the department under this chapter,  
2 shall, if required by the department, be licensed and supervised as  
3 provided for in AS 47.35.010 -- 47.35.080.

4 Sec. 47.40.025. REQUIRED ACCOUNTING PROCEDURES. Facilities  
5 which solicit or receive money from the department for the cost of  
6 services provided under this chapter shall

7 (1) meet accepted standards of fiscal accountability for  
8 public money and shall, upon request, submit a complete financial  
9 statement by an independent, certified public accountant to the de-  
10 partment and to the division of legislative audit;

11 (2) demonstrate the actual cost of services provided using  
12 cost-accounting procedures in accordance with department regulations;

13 (3) upon request, furnish the department and the division  
14 of legislative audit all fiscal information, books, records, and  
15 accounts pertaining to services paid for under this chapter.

16 Sec. 47.40.035. GRANTS. (a) The department will award grants  
17 in accordance with regulations adopted by the department. To the  
18 maximum extent possible, grants shall be for a period of three years.  
19 Multi-year grants shall be adjusted annually to include a cost-of-  
20 living allowance.

21 (b) Notices published by the department regarding the opening of  
22 the application process for an impending grant award will specify the  
23 geographical area in which services are needed, the type of services,  
24 the number of beds anticipated to be needed, the maximum number of  
25 days of care, and any other requirements established by the depart-  
26 ment. Grants authorized under this section are exempt from the com-  
27 petitive bid requirements of AS 37.05.230.

28 (c) Grants may not include payment for

29 (1) costs, including salaries and fees, incurred in raising

1 funds or lobbying;

2 (2) original and replacement costs of facilities, major  
3 equipment, and other capital assets, including those capital assets  
4 obtained by purchase, construction, or lease with option to purchase,  
5 other than costs for depreciation or use allowance, as specified in  
6 regulations;

7 (3) costs of academic education which duplicates the public  
8 education system except as provided for in regulation;

9 (4) costs of religious training;

10 (5) costs of services provided which are substandard to, or  
11 exceed, the requirements of the department; and

12 (6) costs which are funded by other government sources

13 Sec. 47.40.045. DEFINITIONS. In this chapter,

14 (1) "bed" means space in a facility which is usable for  
15 occupancy by a minor for 365 days a year;

16 (2) "cost-of-living allowance" means the percentage change  
17 from the preceding calendar year based on the U.S. Department of  
18 Labor's All-Urban Consumer Price Index (CPI) for Anchorage for January  
19 1 through December 31, 1983, or a comparable index specified in regu-  
20 lations;

21 (3) "department" means the Department of Health and Social  
22 Services;

23 (4) "nonprofit corporation" means a corporation organized  
24 under AS 10.20;

25 (5) "residential services" means 24-hour care and super-  
26 vision of minors in residential child care facilities, which are  
27 otherwise known as group homes and institutions.

28 \* Sec. 4. TRANSITION. Grants awarded under sec. 3 of this Act during  
29 fiscal year 1985 may be for periods of one, two, or three years.

1 \* Sec. 5. AS 47.05.010(14) is repealed.

2 \* Sec. 6. Section 1, ch. 138, SLA 1982 is amended to read:

3 Section 1. FINDINGS. The legislature finds that the present  
4 method for establishing payment rates under AS 47.40 for residential  
5 child care services is inadequate. The Department of Health and  
6 Social Services shall conduct a study of alternatives to the method of  
7 establishing payment rates under AS 47.40. The study shall be con-  
8 ducted by a committee of five members appointed by the commissioner of  
9 the Department of Health and Social Services. Three members of the  
10 committee shall be employees of the Department of Health and Social  
11 Services and two members shall be providers of residential child care  
12 services. The study shall contain, among other matters determined by  
13 the department, a suggested redefinition of the manner in which rates  
14 for residential child care services are calculated, a consideration of  
15 the method and amount of reimbursement for capital costs of residen-  
16 tial child care facilities, and the availability and use of other  
17 sources of money to finance residential child care services and to  
18 finance the construction of residential child care facilities. The  
19 committee shall report its findings to the legislature on or before  
20 the 30th day of the Second Session of the Thirteenth Legislature. The  
21 legislature further finds that the rates established under AS 47.40  
22 should be suspended from June 30, 1982 to the effective date of regu-  
23 lations adopted by the Department of Health and Social Services under  
24 AS 47.40.005(b) [JULY 1, 1984].

25 \* Sec. 7. Section 2, ch. 138, SLA 1982, is amended to read:

26 Sec. 2. The operation of AS 47.05.010(14), AS 47.40.010, 47.40.-  
27 040, and 47.40.050 is suspended from July 1, 1982 to the effective  
28 date of regulations adopted by the Department of Health and Social  
29 Services under AS 47.40.005(b) [THROUGH JUNE 30, 1984]. During the

1       period of suspension, payment for services provided by residential  
2       child care facilities shall be made solely in accordance with the  
3       provisions of secs. 3 and 4 of this Act.

4       \* Sec. 8. Section 4, ch. 138, SLA 1982, is amended to read:

5               Sec. 4. For fiscal year 1985 [1984] the payment rates for res-  
6       idential child care services shall be the amounts set out in sec. 3 of  
7       this Act increased by 10 [FIVE] percent.

8       \* Sec. 9. AS 47.40.005(b), enacted in sec. 3 of this Act, and secs.  
9       6 -- 9 of this Act take effect immediately in accordance with AS 01.10.-  
10       070(c).

11       \* Sec. 10. AS 47.40.005(a) and (c) and 47.40.015 -- 47.40.045, enacted  
12       in Sec. 3 of this Act, and secs. 1, 2, 4, and 5 of this Act take effect on  
13       the effective date of regulations adopted by the Department of Health and  
14       Social Services under AS 47.40.005(b), enacted in sec. 3 of this Act.