

COMMITTEE REPORT
SENATE

FURTHER:

3/19/84

Date 3/19/84

Mr. President

The Committee on FINANCE considered SB 431

purchase of residential child care services; and,

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

Chairman

Chairman recommendation



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

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On the effective date of the DHSS regulations the existing statutory payment system is repealed (secs. 2 and 5 of the bill), the new statutory grant system takes effect (secs. 1 and 3 of the bill), and the suspension and payment system provisions of ch.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

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: 2/15/84

REQUEST

Bill/Resolution No.: SB 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 Phone: 465-3170
Division: Family and Youth Services Date: 2/16/84

Approved by Commissioner: Robert Gordon 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)

12/1/83

| | | | | | | | | | | |
|---------------------|---------------------------------------|-----------------------|-----------|------------|--------------------|--------------------|-------------------------|------|---------|---------|
| 1. | POSITION TITLE PROGRAM COORDINATOR | | | | RANGE/STEP 20/A | BARG. UNIT GGU | FORM 12 PAGE/LINE | GOV. | APPRDV. | DISAPP. |
| 2. | TYPE OF POSITION | STAFF MONTHS 12 | RP NUMBER | PCN NUMBER | BRU PRIORITY | LOCATION Juneau | ELECTION DISTRICT 04 | LEG. | | |
| 3. | CONTINUATION LEVEL | | | | JUSTIFICATION | | | | | |
| 4. | TYPE OF EXPENDITURE | | | | | | | | | |
| | 1 | 2 | 3 | | | | | | | |
| | PERSONAL SERVICES | | | | | | | | | |
| 5. | Salary | 40,728 | | | | | | | | |
| 6. | Benefits | 6,842 | | | | | | | | |
| 7. | Supplemental Benefits | 2,496 | | | | | | | | |
| 8. | Fixed Benefits | 2,880 | | | | | | | | |
| 9. | TOTAL PERSONAL SERVICES | 01 | 52,946 | | | | | | | |
| 10. | Travel | 02 | 3,000 | | | | | | | |
| 11. | Contractual | 03 | 750 | | | | | | | |
| 12. | Commodities | 04 | 400 | | | | | | | |
| 13. | Equipment | 05 | 1,400 | | | | | | | |
| 14. | Other | | | | | | | | | |
| 15. | TOTAL COST | | 58,496 | | | | | | | |
| | RECEIPT CODE | FUNDING SOURCE | | | | | | | | |
| 16. | | Federal Receipts 1002 | | | | | | | | |
| 17. | | G.F. Match 1003 | | | | | | | | |
| 18. | | General Funds 1004 | | 58,496 | | | | | | |
| 19. | | I-A Receipts 1005 | | | | | | | | |
| 20. | | Program Receipts 1020 | | | | | | | | |
| 21. | | Other | | | | | | | | |
| FOR B&M USE ONLY | | | | | | | | | | |
| 4A KEY NUMBER _____ | | | | | | | | | | |

A Program Coordinator is needed to write regulations, hold hearings and promulgate regulations as well as administer the grant program. The program will require, on an ongoing basis, the publication of notices of impending grant awards, the processing of awards, and the monitoring of programs.

13 REQUEST FOR
NEW POSITION

AGENCY Health and Social Services
Social and Economic Assistance
for the General Population

PROGRAM _____

BRU Social Services

COMPONENT Direct Service Delivery

FY 85

Page 1 of 2

Revised Date _____

| | | | | | | | | | | |
|---------------------|------------------------------------|-----------------------|-----------|------------|-------------------|--------------------|-------------------------|------|---------|---------|
| 1. | POSITION TITLE Clerk Typist III | | | | RANGE/STEP 8/A | BARG. UNIT GGU | FORM 12 PAGE/LINE | GOV. | APPRDV. | DISAPP. |
| 2. | TYPE OF POSITION | STAFF MONTHS 12 | RP NUMBER | PCN NUMBER | BRU PRIORITY | LOCATION Juneau | ELECTION DISTRICT 04 | LEG. | | |
| 3. | CONTINUATION LEVEL | | ADDITION | | JUSTIFICATION | | | | | |
| 4. | TYPE OF EXPENDITURE | | | AMOUNT | | | | | | |
| | 1 | | | 2 | | 3 | | | | |
| | PERSONAL SERVICES | | | | | | | | | |
| 5. | Salary | | 18,636 | | | | | | | |
| 6. | Benefits | | 1,912 | | | | | | | |
| 7. | Supplemental Benefits | | 1,142 | | | | | | | |
| 8. | Fixed Benefits | | 2,880 | | | | | | | |
| 9. | TOTAL PERSONAL SERVICES | 01 | | 24,570 | | | | | | |
| 10. | Travel | 02 | | - 0 - | | | | | | |
| 11. | Contractual | 03 | | 750 | | | | | | |
| 12. | Commodities | 04 | | 400 | | | | | | |
| 13. | Equipment | 05 | | 1,400 | | | | | | |
| 14. | Other | | | | | | | | | |
| 15. | TOTAL COST | | | 27,120 | | | | | | |
| | RECEIPT CODE | FUNDING SOURCE | | | | | | | | |
| 16. | | Federal Receipts 1002 | | | | | | | | |
| 17. | | G.F. Match 1003 | | | | | | | | |
| 18. | | General Funds 1004 | | 27,120 | | | | | | |
| 19. | | I-A Receipts 1005 | | | | | | | | |
| 20. | | Program Receipts 1028 | | | | | | | | |
| 21. | | Other | | | | | | | | |
| FOR B&M USE ONLY | | | | | | | | | | |
| 4A KEY NUMBER _____ | | | | | | | | | | |

A Clerk Typist III is needed to provide clerical support to the Program Coordinator in the administration of the grant program.

13 REQUEST FOR
NEW POSITION

AGENCY Health and Social Services
Social and Economic Assistance
PROGRAM for the General Population
BRU Social Services
COMPONENT Direct Service Delivery

Page 2 of 2

Revised Date _____

FY 85

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 13 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:

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

DATE:

2/18/84

APPROVED BY:

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

DATE:

2/28/84

Offered: 3/19/84
Referred: Finance

Original sponsor: Rules/Governor

1 IN THE SENATE
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
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 47.35.

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 (1) 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 (1) 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 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
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22 the application process for an impending grant award will specify the
23 geographical area in which services are needed, the type of services,
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25 days of care, and any other requirements established by the depart-
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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

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

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4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

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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 (1) 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 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.

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: SB No. 431
 Title: An Act....purchase of residential child care services
 Sponsor: Rules Committee
 Requestor: Governor
 Date of Request: _____

FISCAL DETAIL

Agency Affected: HEALTH AND SOCIAL SERVICES
 Program Category Affected: _____
 BRU, Program or Subprogram(s) Affected: JUVENILE CUST

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 | | | 811.1 | 851.6 | 894.2 | 938.9 |
| 800 MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | | | 811.1 | 851.6 | 894.2 | 938.9 |
| CAPITAL | | | -0- | | | |
| REVENUE | | | -0- | | | |

FUNDING: (Thousands of Dollars)

| | | | | | | |
|---------------|--|--|-------|-------|-------|-------|
| GENERAL FUND | | | 811.1 | 851.6 | 894.2 | 938.9 |
| FEDERAL FUNDS | | | | | | |
| OTHER | | | | | | |
| TOTAL | | | | | | |

POSITIONS:

| | | | | | | |
|-----------|--|--|-----|--|--|--|
| FULL-TIME | | | -0- | | | |
| PART-TIME | | | -0- | | | |
| TEMPORARY | | | -0- | | | |

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Dina Keeler, Acting for Michael Price Phone: 465-3170
 Division: Family and Youth Services Date: 1/9/84

Approved by Commissioner: Robert London Smith Date: 1/30/84
 Agency: Health & Social Services

Distribution (by Agency preparing fiscal note):

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

12/1/83

SENATE BILL NO. 431

FISCAL NOTE

IV. ANALYSIS

A. ASSUMPTIONS

Promulgation of regulations and the monitoring of all programs and facilities will be done by current staff. The Department will negotiate for the number of beds needed and types of services by geographic area.

B. PROGRAM SUMMARY

This bill establishes a grant program whereby the Department would specify the number of beds and types of services needed in specific geographical areas, and facilities would indicate their ability to provide those services. Grants would then be negotiated with facilities throughout the state and the Division would monitor placements to ensure that children did not stay in placement longer than necessary.

C. COMPUTATIONS

Computations are based on the FY 84 Budget, the FY 85 Governor's Budget and then a 5% COLA for subsequent years.

| | | |
|------------------------|---------|------------|
| FY 85 Governors Budget | 5% COLA | = FY 86 |
| \$16,222.3 | \$811.1 | \$17,033.4 |
| FY 86 | 5% COLA | = FY 87 |
| \$17,033.4 | \$851.6 | \$17,885.0 |
| FY 87 | 5% COLA | = FY 88 |
| \$17,885.0 | \$894.2 | \$18,779.2 |
| FY 88 | 5% COLA | = FY 89 |
| \$18,779.2 | \$938.9 | \$19,718.1 |

D. ECONOMIC IMPACT

The Department will be able to stay within budget allocations and provide residential care for those who are most in need.

E. IMPACT ON LOCAL GOVERNMENTS

There will be no impact on local governments.

Senator Vic Fischer

(907) 465-4954

Alaska State Legislature
Pouch V • Juneau, Alaska 99811 • (907) 465-4954



4/25/84

MEMORANDUM

TO: Members, Senate Finance Committee

FROM: Senator Vic Fischer

RE: CSSB 431 (HESS), An act relating to the purchase of child care services.

Original sponsor: Rules/Governor

The purpose of this bill is to enact a new method of purchasing residential child care services and to repeal the old "full cost of care" method of payment. The new payment method provides grants to facilities based on the state purchasing a specified number of beds by specific geographic areas.

The proposed FY 85 operating budget for residential child care (DHSS Institutional Care component; Senate Figure = \$10,836,300) is based on passage of this legislation.

Without this legislation the "full cost of care" statutes go back into effect July 1 of this year. The old method of payment was suspended for two years and payments for services have been made under an interim payment schedule established in Ch 138, SLA 1982. It would cost the state approximately \$1.6 million additional to provide the same level of service. Alternatively, a static budget under the old method would result in a cutting of service to 18% of the clients.

The HESS Committee Substitute changed the effective dates (which are designed to allow a phase-in of the program); HESS also changed the order of the sections to correct an error with the repealer sections.

Fiscal Note

The fiscal note for FY 85 is funded through a reduction in the grants line item and provides two new positions to administer the new method of payment. The FY 86 and beyond parts of the Fiscal Note really apply to the Residential Child Care program, not the new method of payment enacted by the bill.

Mike Price, Director, Department of Health & Social Services, Division of Family & Youth Services, will be at the meeting to testify on the bill.