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HOUSE COMMITTEE REPORT

(7)

Date Referred: May 8, 1991

FURTHER REFERRALS:

HES
Finance

Date of Committee Action: 5-13-91

The COMMUNITY AND REGIONAL AFFAIRS Committee considered:

HB 321

HOUSE BILL NO. 321

USE OF INCOME OF MENTAL HEALTH PROJECTS

"An Act relating to the use of income earned by an entity through a community mental health project."

RECOMMENDATIONS:

the same title

be replaced with _____ a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

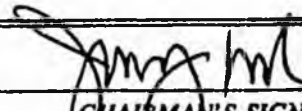
fiscal impact _____

fiscal note(s) _____

zero fiscal note _____

zero fiscal note(s) _____

SIGNING DO PASS		DP	OTHER RECOMMENDATIONS	DNP	NR	AM
Richard (Glatys)	FOSTER	X				
(Signature)	MACKIE	X				
(Signature)		X				
Betty Davis		X				
Cheri Davis		X				



 CHAIRMAN'S SIGNATURE

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. HB 321

Revision Date: _____ Department Affected: Health & Social Services
 Title: Use of income earned through a community mental health project BRU: Community Mental Health Grants
 Sponsor: B. Davis Component: _____
 Requestor: Karen Robinson COMPONENT SERIAL NO.

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

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

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)
 Prior to this Act the Division of Mental Health and Developmental Disabilities has been responsible for oversight of non grant funds. This Act would remove that responsibility from the Division.

Prepared By: Mike Renfro *Mike Renfro* Phone: 465-3370
 Division: Mental Health & Developmental Disabilities Date: 5/14/91
 Approved by Commissioner: *[Signature]* Commissioner: Theodore A. Mala, MD, MPH
 Agency: Department of Health & Social Services Date: 5-14-91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

Southcentral Foundation

May 10, 1991

The Honorable Jerry Mackie, Chairman
Community and Regional Affairs Committee
House of Representatives
Alaska State Legislature
Juneau, Alaska 99811

Dear Chairman Mackie:

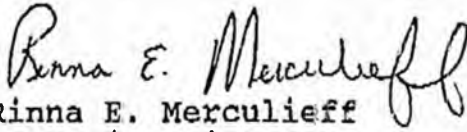
Southcentral Foundation has a small mental health program that receives only limited funding from the Alaska Department of Health and Social Services, and my staff and I must be able to make use of every resource we can to keep our counseling program alive, to respond to the mental health needs of the many people that we serve. An important element in our funding picture is the income that we can generate through third party payment for the services that we provide.

It is our understanding that House Bill 321 will remove restrictions on grant income for mental health programs by amending AS 47.30.550. We also understand that this bill is scheduled for the Community and Regional Affairs Committee on Monday, May 13. We urge you to support this bill and to act quickly to ensure its passage out of your committee. In times of limited State and federal support for programs such as ours, the ability to use income to help support the mental health counseling activities is critical to safeguard the future of the services.

We hope that we can count on your support.

Sincerely yours,

SOUTHCENTRAL FOUNDATION


Rinna E. Merculieff
Executive Director

ALASKA STATE LEGISLATURE

Office of Majority Whip

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VICE CHAIR
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REGIONAL AFFAIRS

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CHAIR
CHILDREN'S CAUCUS

REPRESENTATIVE BETTYE DAVIS

DISTRICT 14 SEAT B • EAST ANCHORAGE • MULDOON

M E M O R A N D U M

TO: REPRESENTATIVE JERRY MACKIE, CHAIRMAN
HOUSE COMMUNITY & REGIONAL AFFAIRS COMMITTEE

FROM: REPRESENTATIVE BETTYE DAVIS *BJD*

DATE: MAY 12, 1991

RE: HB 321 - "AN ACT RELATING TO THE USE OF INCOME EARNED BY
AN ENTITY THROUGH A COMMUNITY MENTAL HEALTH PROJECT."

Thank you for scheduling HB 321 for a hearing before the House
Community & Regional Affairs Committee.

HB 321 amends Alaska Statute 47.30.55. This statute states
"Income earned by an entity through a community mental health
project funded under AS 47.30.520 - 47.30.620 shall be used, as
approved by the department, to augment or enhance the entity's
mental health services."

Grant income, as defined in regulation, 7 AAC 78.320 (10), is
"income earned by a grant project during the grant period
including, but not limited to proceeds from the sale of products
or services such as laboratory tests or computer time, payments
received for medical or hospital services, fees received for
personal services, proceeds from the sales of assets of the grant
project, and royalties from copyrights or publications."

The clause "AS APPROVED BY THE DEPARTMENT," was added to this
section of AS 47.30.550 in 1987, with effective date July 1,
1987. This clause applies only to community mental health
projects. The interpretation of this language, as applied since
its inclusion, has resulted in over-control of private nonprofit
organizations.



The Department of Health and Social Services has proposed revision of regulations governing grant income (7AAC 78.210). The pending regulations significantly increase state control, particularly regarding grant income. The Department require payment to the state of any excess income over the approved budget.

I request your support in the revision of this section, by deleting "AS APPROVED BY THE DEPARTMENT," from the statute. AS 47.30.55 (d) takes managements ability away and puts mental health centers under the control of the State Department of Mental Health and Developmental Disabilities staff.

The issue here is not, whether the State of Alaska should control grant funds, or even matching funds. Mental Health Centers agree that the State of Alaska should get as many services as possible for its dollar. The State needs to let the Board of Directors and the staff manage the mental health centers and do what is necessary to ensure the long-term survival for the centers and the services they provide.

Included for your review are the following documents:

- 1) AS 47.30.550
- 2) 7AAC 78.210
- 3) AS 47.30.520
- 4). Position paper from Southcentral Counseling Center

7 AAC 78.210 is repealed and readopted to read:

7 AAC 78.210. GRANT INCOME. (a) A grantee shall report grant income to the grant agency in a format prescribed by the grant agency.

(b) Subject to the approval of the grant agency under (c) of this section, a grantee shall use grant income to further the objectives of the grant project, including, but not limited to, uses which will

- (1) increase the number of persons served by the grant project;
- (2) increase the services provided by the grant project;
- (3) improve the quality of the services provided by the grant project;
- (4) establish a reserve fund, by board action and with the granting agency's approval, for use in offsetting underestimates of financing needs for the grant project; this is to be restricted in the fund balance;
- (5) improve the capabilities of the grant project to generate reimbursement for services from a source other than the grant agency or the clients or patients of the grant project;
- (6) establish a fund, by board action and with granting agency approval, to generate income for the program; this fund may not exceed the amount of the grant and will be restricted in the fund

balance; or

(7) satisfy requirements under the grant program for matching contributions from the grantee.

(c) Except for grant income placed in a fund under (b)(6) of this section, the grantee must expend grant income in the grant period in which it is earned or during the succeeding 12 months. A grantee may use grant income only

(1) as specified in the grant project service plan, or amended service plan, and the terms of the grant award; and

(2) as authorized under the grant project budget or budget amendments, approved by the grant agency; or

(3) when the grantee's agency approved service plan and budget or amendments provides for use of the anticipated grant income to reduce the amount of the grant otherwise required to operate the grant project. However, to the extent that actual grant income during the grant period exceeds the amount approved by the grant agency, such excess grant income must be paid to the grant agency by the grantee. (Eff. 4/11/81. Register 78; am 6/28/84, Register 90; am / / , Register)

Authority: AS 18.09.010

AS 47.05.010

AS 47.20.010

AS 47.30.477

AS 47.30.1



SOUTHCENTRAL COUNSELING CENTER APR 30 1991

4020 Folker Street • Anchorage, Alaska 99508
(907) 563-1000

- Adult and Family Services
- Emergency Services 24 Hours
- Psychiatric Services
- Senior Services
- Community Support Unit
 - Outpatient
 - Residential
- Day Break

April 29, 1991

Representative Bettye Davis
House of Representatives
P.O. Box V
Juneau, Alaska 99811

Dear Representative Davis:

Enclosed is a position paper regarding the grant income clause in AS 47.30.550 we have discussed over the past several weeks. You requested that I forward a supporting document for a legislative amendment you agreed to introduce.

Several program administrators agree to testify regarding this amendment. Some of them may forward letters to you as well. I appreciate your support and thank you for your help.

Sincerely,

Ken Taylor, LCSW
Executive Director

KT/sms
Enclosure

POSITION PAPER

AS 47.30.550 COST SHARING FORMULA; LIMITATION

AMENDMENT

- (d) *Income earned by an entity through a community mental health project funded under AS 47.30.520 - 47.30.620 shall be used, [AS APPROVED BY THE DEPARTMENT], to augment or enhance the entity's mental health services.*

The clause "AS APPROVED BY THE DEPARTMENT," was added to this section of AS 47.30.550 in 1987, with effective date July 1, 1987. This statute applies only to community mental health projects. The interpretation of this language as applied since its inclusion has resulted in over-control of private nonprofit organizations through excessive regulation.

Regulatory implementation of the above statute by the Department of Health and Social Services has included proposed revision of regulations governing grant income (7AAC 78.210). The pending regulations significantly increase state control of grant income by requiring payment of excess income by grant organizations to the state. Currently, grant income is utilized for personnel costs, insurance costs, capital acquisitions and repairs, cash reserves used for cash flow, expansion of services, and various other program and support costs. The state has been unable to meet increasing costs of operations over the past several years. The significant funding increments for mental health provided by the legislature during the 1980s have been utilized for increased staffing, with no allowance for maintenance of effort. Increasing control of grant income is only workable if the state also assumes increased responsibility for the increasing organizational costs and liabilities.

Nonprofit organizations are unique in their ability to expand state funding for services. By definition, the mission of nonprofits is to recycle any profits or excess income to enhance their services. The state defrays a significant share of costs by delivering services through grant organizations. The local community gains input and accepts responsibility through volunteer governing boards. Consistent with original statutory language (AS 47.30.520 Legislative Purpose), the state relationship with private nonprofit organizations allows improved utilization of existing resources through locally developed, administered, and controlled community mental health programs. This relationship is optimal when effective and efficient management is demanded of local programs as well as state government.

Increasing control by the bureaucracy of state government will not improve effective or efficient management of programs. The motivation to succeed for nonprofit organizations and the ability to succeed as business organizations is undermined by such over-control.

The position of Anchorage Community Mental Health Services, Inc. is that the language "AS APPROVED BY THE DEPARTMENT" should be removed from the statute. Furthermore, all efforts to improve the ability of nonprofit organizations to enhance and augment state funds should be undertaken. All public policy, statutory as well as regulatory, should be constructed with the goal of maximization of public and private resources through effective partnerships.