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STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY
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Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

H HESS

2/4/92

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. HB 384

Revision Date: _____
Title: An act relating to administrative costs for DCAP

Department Affected: Community and Regional Affairs
BRU: Child Assistance
Component: Day Care Assistance Programs

Sponsor: Rep. C. Davis
Requestor: (H) Hes

COMPONENT SERIAL NO.

1	4	1	4
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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	570.0	590.0	590.0	590.0	590.0	590.0
MISCELLANEOUS						
TOTAL OPERATING	570.0	590.0	590.0	590.0	590.0	590.0

CAPITAL						
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REVENUE						
FUND SOURCE:						

FUNDING: (Thousands of Dollars)

GENERAL FUND	570.0	590.0	590.0	590.0	590.0	590.0
FEDERAL FUNDS						
OTHER						
FUND SOURCE:						
TOTAL	570.0	590.0	590.0	590.0	590.0	590.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: N/A

ANALYSIS: (Attach a separate page if necessary.)
See attached sheet

Prepared By: Remond Henderson *Remond Henderson*
Division: Administrative Services Division

Phone: 465-4708
Date: 1/31/92

Approved by Commissioner: E. A. Berry
Agency: Department of Community and Regional Affairs

Date: 2-2-92

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. HB 384

By increasing the allowable administrative rate from 10% to 15% the Bill increases the costs to the program by 5% or \$570,000 in FY 93 and by \$590,000 thereafter. The increase of \$20,000 is due to \$400,000 which will be reinstated into the Day Care Assistance Program during the FY 94 that is currently being used as a required GF match to the federal At Risk Assistance child care program. Federal funding decreases by this amount in FY 94 due to the fact that Alaska received two year's worth of funds the first year the program was implemented, FY 92.

If the increment is not funded it will mean a decrease of assistance to approximately 160 children for a full year. Although there has been an influx of new federal funds into the program this year, it has served to clear waiting lists statewide and possibly fund new communities. Another program financial impact which will increase the costs of services during FY 93 is the new market rate survey results. Preliminary data indicate that there will be a 5% - 8% increase in child care provider rates as of July 1, 1992. This item alone would mean fewer people served with the same funds, but it is anticipated that the impact will be minimized due to increased federal dollars. However, the program could not absorb a additional 5% increase of costs without decreasing the number of families assisted.

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

X 150 THIRD STREET
JUNEAU, ALASKA 99801-1291
PHONE: (907) 465-4700

□ 949 E. 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508-4302
PHONE: (907) 563-1073

RECEIVED
2-5-92

OFFICE OF THE COMMISSIONER

January 31, 1992

POSITION PAPER

RE: House Bill No. 384

Sponsor: Representative Davis

Program Effects of the Bill

This bill effects two items in current Statute: (1) it increases the allowable administrative cost for the contractor from 10% to 15%, and; (2) it allows contractors to utilize Day Care Assistance funds for administrative costs based on the contract amount instead of on the amount expended. This bill will allow greater predictability of annual administrative budget. A contractor will be able to plan on a designated amount for administration where that has not been the case in the past.

The Statute gives priority in contracting for day care administration services to municipalities, but some municipalities have been hesitant to participate because of the uncertainty about the state funds to be received and because at 10% the funds do not cover the full cost of administration. Passage of this bill will encourage more municipalities to participate in the Day Care Assistance Program. It is critical to proper program implementation and oversight that contractors have sufficient staff available to administer the program.

Comments:

The Department of Community & Regional Affairs supports passage of this bill.

Edgar Blachford

Edgar Blachford
Commissioner
Department of Community and
Regional Affairs

ALASKA STATE LEGISLATURE

ELECTIVE DISTRICT 1

BYDER
KETCHIKAN
KUPREANOF
MEYERS CHUCK
PETERSBURG
SAXMAN
WRANGELL



HOME
P.O. BOX 5723
KETCHIKAN, AK 99901
PHONE 225-6304

DURING SESSION
P.O. BOX 1
STATE CAPITOL BUILDING
JUNEAU, AK 99811
PHONE 465-3424

Representative Cheri L. Davis

SPONSOR STATEMENT HB 384

Good morning and thank you for scheduling this bill so promptly.

House Bill 384, is legislation which will increase the amount of money that a day care facility or organization may use for their administrative costs. As the law is written now, Day Care Assistance Programs can only use 10 percent of their annual day care benefits from the state for administrative costs. This legislation increases the amount of money available for administrative costs to 15 percent and insures the facility or organization will not receive less than \$1,000 in administrative payments.

Many cities and boroughs are finding that their administrative costs are in excess of the 10 percent allowed by current law. If a municipality needs more than 10 percent, it must take the money from somewhere else or compromise the quality of their day care assistance program.

Direct operational costs usually exceed 10 percent. These costs have, for example, averaged 12 to 13 percent in the last two fiscal years in the Fairbanks North Star Borough and are 22 percent in Ketchikan. Clients and accountability suffer when administration of the program is underfunded, an increase to 15 percent will alleviate some of the monetary pressures these municipalities are facing.

Again I thank you for hearing this bill today, and I will be glad to try and answer any questions you may have.

Sponsor Statement

FY 91 DAYCARE ASSISTANCE EXPENDITURES

(AS OF 2/11/92)

<u>COMMUNITY</u>	<u>TOTAL AWARD</u>	<u>SUBSIDY EXPENDED</u>	<u>ADMIN. EXPENDED</u>
Anchorage	6,568,279.00	5,379,591.42	537,959.16
Aniak	25,063.00	18,410.31	1,841.04
Bethel	152,596.00	124,067.00	12,406.71
Cordova	61,618.00	49,698.84	4,969.89
Craig	71,400.00	66,157.65	6,615.78
Delta Junction	22,075.00	10,520.72	1,096.82
Dillingham	56,737.00	45,102.87	4,510.30
Fairbanks	2,324,488.00	1,984,224.16	198,176.88
Ft. Greely	39,637.00	18,037.63	1,803.79
Glennallen	10,282.00	7,938.40	999.96
Haines	20,481.00	17,840.25	1,784.03
Healy	2,350.00	343.00	535.26
Homer	129,855.00	109,609.12	10,960.93
Juneau	689,730.00	589,479.35	58,947.92
Kenai	104,648.00	85,365.41	8,536.54
Ketchikan	509,968.00	379,390.58	37,939.07
Kodiak	187,543.00	164,547.73	16,454.54
Kotzebue	138,794.00	121,185.80	12,118.59
Mat-Su Borough	639,803.00	506,184.38	50,618.47
Metlakatla	97,329.00	75,527.80	7,552.79
Nenana	5,599.00	3,502.00	999.96
Nome	59,974.00	39,176.32	3,917.63
North Slope	24,050.00	8,966.60	963.88
Petersburg	52,404.00	41,402.10	4,140.23
Seward	77,590.00	64,494.55	6,449.46
Sitka	232,353.00	161,364.00	16,136.43
Skagway	11,404.00	10,048.60	1,004.86
Soldotna	243,385.00	187,744.53	18,774.46
Valdez	63,448.00	57,680.00	5,768.00
Wrangell	49,116.00	32,279.66	3,227.99

FY 90 DAYCARE ASSISTANCE EXPENDITURES
(AS OF 2/11/92)

<u>COMMUNITY</u>	<u>TOTAL AWARD</u>	<u>SUBSIDY EXPENDED</u>	<u>ADMIN. EXPENDED</u>
Anchorage	5,407,625.00	4,522,905.70	452,290.58
Aniak	32,266.00	22,626.81	2,262.69
Bethel	134,956.00	101,469.03	10,376.91
Cordova	80,629.00	53,599.17	5,359.94
Craig	74,600.00	65,113.70	6,834.39
Delta Junction	32,215.00	19,933.45	1,993.35
Dillingham	48,241.00	40,107.92	4,010.80
Fairbanks	2,315,995.00	2,058,375.81	205,991.60
Ft. Greely	26,303.00	15,738.70	1,777.88
Glennallen	19,631.00	10,084.42	1,008.44
Haines	39,540.00	16,487.69	2,099.78
Healy	7,505.00	112.50	11.25
Homer	82,114.00	62,999.53	6,423.97
Juneau	673,636.00	584,272.56	58,670.28
Kenai	166,571.00	76,007.44	7,673.73
Ketchikan	333,885.00	295,378.50	29,537.88
Kodiak	221,157.00	165,183.01	16,518.32
Kotzebue	112,407.00	99,436.31	10,253.63
Mat-Su Borough	541,073.00	428,414.40	42,889.44
Metlakatla	97,998.00	84,895.74	8,489.59
Nenana	9,059.80	2,767.42	666.64
Nome	64,399.00	52,005.72	5,510.57
North Slope	12,635.00	5,997.24	1,579.72
Petersburg	63,979.00	44,958.87	4,782.90
Seward	70,631.00	62,702.52	6,270.2
Sitka	267,314.00	191,696.17	19,412.62
Skagway	12,137.00	8,798.94	1,268.90
Soldotna	203,712.00	153,738.26	15,373.82
Valdez	69,131.00	56,454.85	5,645.49
Wrangell	62,676.00	42,219.40	4,221.95

FY 89 DAYCARE ASSISTANCE EXPENDITURES
(AS OF 2/11/92)

<u>COMMUNITY</u>	<u>TOTAL AWARD</u>	<u>SUBSIDY EXPENDED</u>	<u>ADMIN. EXPENDED</u>
Anchorage	4,608,894.00	4,013,971.56	401,397.18
Aniak	29,906.00	21,613.25	2,161.33
Bethel	136,598.00	91,030.21	9,333.04
Cordova	95,124.00	83,801.55	8,483.16
Craig	67,572.00	60,843.88	6,392.38
Delta Junction	15,001.00	12,354.66	1,316.75
Dillingham	25,086.00	17,631.46	2,004.16
Fairbanks	2,031,098.00	1,783,357.48	178,493.08
Ft. Greely	26,434.00	21,204.66	2,345.48
Galena	5,669.00	852.55	449.21
Glennallen	15,215.00	10,308.80	1,030.88
Haines	34,690.00	28,315.15	3,174.52
Healy	6,026.00	1,442.91	225.93
Homer	73,244.00	58,285.79	5,942.58
Juneau	590,078.00	530,787.40	53,321.78
Kenai	184,245.00	167,365.69	16,818.55
Ketchikan	363,642.00	317,603.47	32,068.37
Kodiak	239,330.00	211,437.92	21,343.79
Kotzebue	122,046.00	99,594.46	10,289.45
Mat-Su Borough	670,123.18	553,586.48	55,406.66
Metlakatla	72,259.00	65,341.10	6,872.13
Nome	76,491.00	58,167.76	6,126.79
North Slope	26,760.00	6,027.82	1,113.78
Petersburg	71,414.00	56,755.24	5,962.53
Seward	71,460.00	55,090.41	5,509.05
Sitka	211,401.00	157,645.75	16,007.58
Skagway	7,941.00	6,152.51	1,024.25
Soldotna	138,356.00	116,157.50	11,615.71
Valdez	70,802.00	54,361.14	5,436.12
Wrangell	46,281.00	39,349.49	3,934.95

February 4, 1992

Representative Georgianna Lincoln
P.O. Box V
State Capitol Building
Juneau, AK 99811

Dear Representative Lincoln,

The Association of Local Administrators of Day Care Assistance supports HB 384, and urges you to do the same.

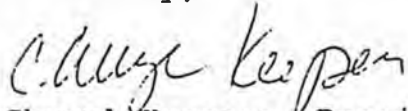
The Local Administrator's Association is an informal organization of local governments and organizations that run the 30 Day Care Assistance programs in Alaska. At our most recent annual meeting (April 1991), the issue of administrative funding was discussed at length. The members present voted unanimously to support changing the existing statute to address both the amount and mechanism of administrative funding for local contractors.

HB 384 addresses both issues. Ten percent is not enough to run a quality program. Clients, child care providers and accountability suffer when administration is underfunded. Actual costs vary from one local contractor to another, but Local Administrators support 15% as a fair level of state support.

The mechanism currently used is reimbursing local contractors on the basis of the amount of subsidy funds paid each month. The amount varies from month to month, and the actual amount of administrative funds a local contractor will receive is not known until after the fiscal year is over - too late to budget effectively. This can lead local contractors to be too conservative in their spending, keeping staffing levels so low that clients can't get appointments when they need them, and leaving subsidy funds unspent.

We urge you to support HB 384. By allowing for more reasonable funding levels and more efficient budget management, local contractors can do a better job of meeting the needs of clients and child care providers, and meeting state administrative requirements. If you have any questions regarding our position, please feel free to contact me at 459-1474.

Sincerely,



Cheryl Keepers, President
Association of Local Administrators
c/o Day Care Assistance
Fairbanks North Star Borough
PO Box 71267
Fairbanks, AK 99707

Local Administrator's Association

1991-92 Officers

President	Cheryl Keepers Fairbanks North Star Borough PO Box 71267 Fairbanks, AK 99707
Vice-President	Linda Inglis Ketchikan Gateway Borough 215 Main Street #212 Ketchikan, AK 99901
Secretary	Alice Gates Women's Resource & Crisis Center 325 South Spruce Kenai, AK 99611
Treasurer	Pat Booth Nome Child Care, Inc. PO Box 1189 Nome, AK 99762

DCAP programs at April 1991 Local Administrator's Association meeting:

Anchorage	Ketchikan
Aniak	Kodiak
Barrow	Kotzebue
Bethel	Mat-Su
Cordova	Palmer
Craig	Sitka
Fairbanks	Skagway
Haines	Valdez
Juneau	Wrangell
Kenai/Soldotna	

Supplemental Information:

Day Care Assistance Administrative Funding

The Day Care Assistance program exists to help eligible families work or train for work by paying for child care costs. To do that, staff must meet with families, work with child care providers, process child care billings and perform related administrative tasks.

Funding comes from the State of Alaska, via the Department of Community and Regional Affairs. The Day Care Assistance grant provides money for child care subsidies and program administration. An amount equal to 10% of monies spent on subsidies can be used for administration. There are three problems with this:

1. families are not served even though subsidy monies go unexpended;
2. program and budget management is less effective; and
3. ten percent is not enough to cover direct operational costs.

Further explanation of each of these follows:

1. Every month the grantee pays for child care: after totalling the amount spent, an additional 10% for administrative costs is added to the invoice to the State. Every month a different amount is spent on subsidies, and the amount of administrative funding changes. Total annual administrative receipts will not be known until the fiscal year is over.

This uncertainty leads to being very conservative in administrative spending - which would be good, except that it means fewer families are served than could have been helped with the available subsidy funds. Keeping staffing levels low enough to be certain to stay within budget

limits restricts the time available for client interviews. People then have to wait for appointment openings. Some families lose job opportunities because they can't cover child care costs until their appointment. This affects some programs more than others, depending in part on program size and local financial support.

2. It is difficult to manage effectively with an ever shifting amount of administrative funding: monies that could have been spent earlier in the year to greater client service are not spent until the end of the year. This results in poorer service to families and child care providers.

3. Direct operational costs to the grantee (salaries, rent, supplies) usually exceed 10%. For example, these costs averaged 12 to 13% in fiscal years 1989 & 90 in the Fairbanks North Star Borough, but increased to 18% in FY 91. In Ketchikan, direct costs are 22%. In both these examples, the local governments have made up the difference.

A sample of administrative costs for FY91:

Anchorage:	12% (direct)	
Aniak:	14% (direct)	2% (indirect)
Bethel:	10% (direct)	
Craig:	14% (direct)	1% (indirect)
Fairbanks:	18% (direct)	8.6% (indirect)
Homer:	20% (direct)	
Juneau:	13% (direct)	
Kenai:	10% (direct)	
Ketchikan:	22% (direct)	

Some local governments do not contribute to their Day Care Assistance programs: those programs are not able to use all of the available grant subsidy funds because they cannot hire enough staff to run the program.

Families are unable to work or go to school because they can't get Day Care Assistance, even though the subsidy monies are there.

The solution being proposed is simple: to change the law to provide administrative funds not to exceed 15% of total day care assistance funds. The administrative amount would be specified in the grant award, so local administrators could budget with certainty. Fifteen percent would be enough to cover direct program operating costs for some organizations: yet it is not enough for any grantee organization to "skim".

If the overall funding for Day Care Assistance does not increase, this could cut into the allowable subsidy funds. However, by promoting more effective management, a greater percentage of subsidy monies will be spent statewide, helping more families.

February 1992
prepared by
Cheryl Keepers
Day Care Assistance
Fairbanks North Star Borough
Fairbanks, AK 99707
459-1474



Fairbanks North Star Borough

809 Pioneer Road

P.O. Box 71267

Fairbanks, Alaska 99707-1267

907/459-1000

February 4, 1992

Representatives Pat Carney & Georgianna Lincoln, Co-Chairs
House Health, Education & Social Services Committee
Alaska State Legislature
Box V
Juneau, Alaska 99811

Dear Representatives Carney and Lincoln,

The Fairbanks North Star Borough supports HB 384, and urges its passage. The bill addresses two issues: the level and method of administrative funding for local contractors. Both are important.

The first issue is clear: the costs to local contractors are simply not covered by 10%. The State requires local contractors to follow state policies and procedures, and those requirements cannot be met at 10% cost. Adequate service to program participants cannot be met at 10% funding.

Direct costs in the FNSB for several years averaged 12 - 13%, with indirect costs an additional 8.6%. The Borough was therefore contributing more than the State. In the last two years, DCRA has made many program changes. The Borough has also improved the level of service. As a result, costs have risen. Direct costs last fiscal year approached 20%: indirect costs continue at 8.6%. Raising the State contribution to 15% will approach a more equal sharing of the cost.

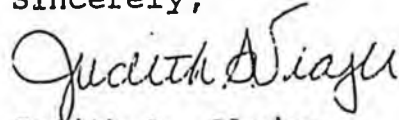
Equally important is setting the administrative fee on the contract award rather than on the amount of benefits paid. The costs locally to operate the Day Care Assistance program do not fluctuate in direct relationship to the benefits paid out each month. For example, the cost one month to qualify 400 clients for the program is not materially different that to qualify 375 clients for the program the next month. However, the administrative fee recovery can be very different. We cannot adjust our operating costs month by month, such as laying off staff, rehiring staff, etc. to keep the administrative fee recovery in line with the operating expenses.

The current situation causes local contractors who cannot subsidize the State's administrative fee to keep their operating costs down permanently by understaffing the program. This understaffing causes day care benefits to lapse and not to reach the clients as the program intended.

In December 1990, the Borough Assembly adopted a resolution urging the Legislature to change the level and method of administrative funding for local contractors. A copy is attached in support of HB 384.

Should you have any questions or need further information, do not hesitate to contact me or the Borough's Day Care Assistance administrator, Cheryl Keepers. Thank you for your consideration.

Sincerely,



Judith A. Slajer
Chief Financial Officer

encl. as stated

cc: House HESS Committee Members:

Rep. Bettye Davis, Vice-Chairman

Rep. Cheri Davis

Rep. John C. Gonzales

Rep. Mary Miller

Rep. Mark Hanley

James Sampson, Mayor

Fairbanks North Star Borough

Hank Hove, Presiding Officer,

Fairbanks North Star Borough Assembly

Edgar Blatchford, Commissioner

Dept. of Community and Regional Affairs

By: Juanita Helms
Introduced: 12/13/90
Adopted: 12/13/90

RESOLUTION NO. 90-123

PROPOSING A CHANGE IN ALASKA STATUTES TO ESTABLISH A
STABLE AND ADEQUATE ADMINISTRATIVE FEE FOR ADMINISTRATION
OF THE DAY CARE PROGRAM

WHEREAS, the Day Care Assistance program was created to help low and moderate income parents work or train for work by paying for child care costs; and

WHEREAS, to accomplish this goal certain administrative tasks are required and costs are incurred; and

WHEREAS, the current law provides for a reimbursement to local program administrators for costs of administration based on actual subsidy expenditures; and

WHEREAS, a change from the reimbursement method to a flat rate of program allocation would enable more dollars to be used for parent subsidies rather than lapse (unspent) at year-end; and

WHEREAS, the direct operational costs (such as rent, salaries, supplies) of determining and monitoring parent eligibility, and processing provider billings is 12-13% of the subsidies expended, therefore, the local governments are making up the dollars to keep the program stable; and

WHEREAS, it is in the best interest of the State to continue to have the Day Care Program administered at the local level; and

WHEREAS, the State is responsible to provide funds for administration sufficient to:

1. pay the total cost of direct program operations (administration), and
2. maximize the funding available for parent subsidies.

NOW, THEREFORE, BE IT RESOLVED, that the Assembly of the Fairbanks North Star Borough supports amending A.S.44.47.260 to read

Section 44.47.260 Payments to municipality or organization. When a contract is made under AS 44.47.250(b)(2) or (b)(4) between the department and a municipality or an organization, the department shall pay to that municipality or organization the greater of

(1) an amount equal to 13 [10] percent of the total annual contract, award to [day care benefits paid to day care facilities in the geographic area administered by] that municipality or organization, or

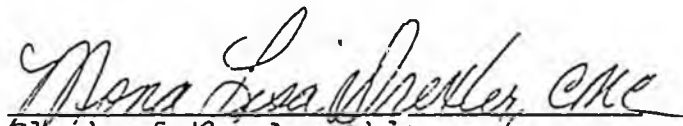
(2) \$1,000 per year.

PASSED AND APPROVED THIS 13TH DAY OF DECEMBER, 1990.



Presiding Officer

ATTEST:



Clerk of the Assembly



Fairbanks North Star Borough

800 Pioneer Road

P.O. Box 71267

Fairbanks, Alaska 99707 1267

907/459-1000

January 27, 1992

Representative Cheri Davis
P.O. Box V
State Capitol Bldg.
Juneau, AK 99811

Dear Representative Davis,

Thank you for introducing HB 384. The issue of administrative funding for local organizations who run the Day Care Assistance program is of great concern to me, as the Local Administrator of the Fairbanks North Star Borough Day Care Assistance program, and to my colleagues across the state. As you may know, Local Administrators have an informal association which meets annually. At our meetings in both 1990 and 1991 this came up as the top priority issue. Over 20 of the 30 programs were represented at the April 1991 meeting: the vote to support changing the statute was unanimous.

There are actually two issues that need to be addressed in this change. One is the percentage, as you note: 10% is not enough to run a quality program. Clients and accountability suffer when administration of the program is underfunded. Actual costs vary from one municipality/organization to another, but Local Administrators supported 15% as a fair compromise.

The second issue is the mechanism, i.e. payments based on the amount of subsidy expended. This is a complex problem, but the bottom line is that not knowing how much administrative funding one will receive until after the year is over (and the administrative funds spent) leads organizations to be so conservative in their administrative spending that people who need the assistance may not get it, even when subsidy funds are available. Please refer to the attached "supplemental information" for greater detail on this aspect of the problem. I would ask you to consider rewording HB 384 to address this issue as well.

Again, thank you for your work on this issue. Please let me know how we, as Local Administrators of the Day Care Assistance program, can assist in passage of HB384.

Sincerely,

Cheryl Keepers
Cheryl Keepers, President
Local Administrator's Association
c/o Day Care Assistance
Fairbanks North Star Borough
PO Box 71267
Fairbanks, AK 99707

**Day Care Assistance
Administrative Payments
Position Paper**

Administrative payments for local contractors running Day Care Assistance are controlled by statute. The relevant section of the statute currently reads:

Sec. 44.47.260 Payments to municipality or organization. When a contract is made under AS 44.47.250(b) between the department and a municipality or an organization, the department shall pay to that municipality or organization the greater of

- (1) an amount equal to 10 percent of the total annual day care benefits paid to day care facilities in the geographic area administered by that municipality or organization under the contract; or*
- (2) \$1,000 per year.*

There are two problems with the existing law:

1. the mechanism (how the administrative payments are made) causes poor service to families and ineffective program management; and
2. the amount paid to local contractors is far less than it costs to run the program.

Local Administrators support deleting Section 44.47.260 and replacing it with:

*Sec. Contractor Administrative Payments
Contractor administrative payments may not exceed 15 percent of the annual day care assistance program funds. A contractor may not receive less than \$1,000 in administrative payments.*

This change will resolve the mechanism issue, and improve the adequacy of funds to meet costs of running the program.

We are aware that increasing the administrative funding could impact the funding available for subsidies. However, it would be irresponsible to continue to try to operate the program at the current level, as this does not allow for adequate service to parents, child care providers, or the community at large. It also does not allow adequate program/fiscal accountability.

The proposed language would allow the state discretion in allocating administrative funds, so that programs that only needed, for example, 12% administrative funding would get that. It does not mandate the full 15% be spent on administration.

Supplemental Information: DCA Administrative Funding

The Day Care Assistance program exists to help eligible families work or train for work by paying for child care costs. To do that, staff must meet with families, work with child care providers, process child care billings and perform related administrative tasks.

Funding comes from the State of Alaska, via the Department of Community and Regional Affairs. The Day Care Assistance grant provides money for child care subsidies and program administration. An amount equal to 10% of monies spent on subsidies can be used for administration. There are three problems with this:

1. families are not served even though subsidy monies go unexpended;
2. program and budget management is less effective; and
3. ten percent is not enough to cover direct operational costs.

Further explanation of each of these follows:

1. Every month the grantee pays for child care: after totalling the amount spent, an additional 10% for administrative costs is added to the invoice to the State. Every month a different amount is spent on subsidies, and the amount of administrative funding changes. Total annual administrative receipts will not be known until the fiscal year is over.

This uncertainty leads to being very conservative in administrative spending - which would be good, except that

it means fewer families are served than could have been helped with the available subsidy funds. Keeping staffing levels low enough to be certain to stay within budget limits restricts the time available for client interviews. People then have to wait for appointment openings. Some families lose job opportunities because they can't cover child care costs until their appointment. (This affects some programs more than others. It is not a current problem in Fairbanks because the Borough partially funds the administrative budget. It was a problem in Fairbanks as recently as 1 year ago.)

2. It is difficult to manage effectively with an ever shifting amount of administrative funding: monies that could have been spent earlier in the year to greater client service are not spent until the end of the year. This results in poorer service to families and child care providers.

3. Direct operational costs to the grantee (salaries, rent, supplies) usually exceed 10%. For example, these costs have averaged 12 to 13% in the last two fiscal years for the Fairbanks North Star Borough. In Ketchikan, direct costs are 22%. In Fairbanks, the Borough has made up the difference in general fund revenues. Some local governments do not contribute to their Day Care Assistance programs: those programs are not able to use all of the available grant subsidy funds because they cannot hire enough staff to

run the program. Families are unable to work or go to school because they can't get Day Care Assistance, even though the subsidy monies are there.

Providing administrative funding in this manner is a major flaw in the legislation that created the Day Care Assistance program. Day Care Assistance administrators statewide are working toward correcting the problem.

The solution being proposed is simple: to change the law to provide administrative funds not to exceed 15% of total day care assistance funds. The administrative amount would be specified in the grant award, so local administrators could budget with certainty. Fifteen percent would be enough to cover direct program operating costs for many organizations: yet it is not enough for any grantee organization to "skim". This language would also give DCRA some discretion in allocating percentages: it is possible one grantee might only need 12% and another need 16%, as long as the total for all programs would not exceed 15%.

If the overall funding for Day Care Assistance does not increase, this will cut into the allowable subsidy funds. However, by promoting more effective management, a greater percentage of subsidy monies will be spent statewide, helping more families.

RESOLUTION NO. 968

A RESOLUTION OF THE ASSEMBLY OF THE KETCHIKAN GATEWAY BOROUGH, ALASKA, SUPPORTING LEGISLATION TO ESTABLISH STABLE AND SUFFICIENT FUNDING FOR COSTS INCURRED IN THE ADMINISTRATION OF THE STATE DAY CARE PROGRAM; AND ESTABLISHING AN EFFECTIVE DATE.

R E C I T A L S

A. The State of Alaska Day Care Assistance program was created to help low and moderate income parents work or train for work by paying for child care costs.

B. In accomplishing this goal, certain administrative tasks are required and costs are incurred by local Day Care Administrators.

C. The current law provides for the reimbursement to local governments for the cost of administration of the program based on actual subsidy expenditures.

D. A change from the current reimbursement method to a flat rate of program allocation method would enable more dollars to be used for parent subsidies rather than lapse, unspent, at the end of the year.

E. The direct operational costs, such as rent, salaries, supplies, and of determining and monitoring parent eligibility and processing provider billings, is substantially higher than the subsidies expended, forcing local governments to make up the cost differential to keep the program stable.

F. The Assembly believes that it is in the best interest of the State of Alaska to continue to have the Day Care Program administered at the local level.

G. Under the Day Care Assistance Program, the State is responsible for providing funds for administration that are sufficient to pay the total cost of direct program operations (administration) and for maximizing the funding available for parent subsidies within each community.

NOW, THEREFORE, IT IS RESOLVED BY THE ASSEMBLY OF THE KETCHIKAN GATEWAY BOROUGH, ALASKA, as follows:

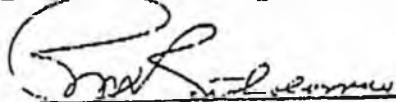
Section 1: The Borough Assembly hereby supports legislation to establish stable and sufficient funding for costs incurred in the administration of the State Day Care Program.

RESOLUTION NO. 968

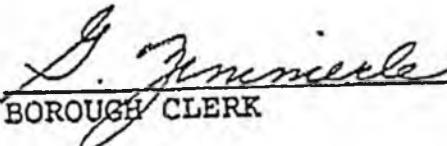
Page 2

Section 2: When a contract is executed under AS 44.47.250(b)(2) or (b)(4) between the State and a municipality or an organization, the Assembly recommends that the State pay to the municipality or organization the greater of the following: (1) an amount equal to twenty-two percent (22%) of the total annual contract award for Day Care benefits paid to Day Care facilities in the geographic area administered by that municipality or organization (including any subsequently available funds), or (2) one thousand dollars (\$1,000) per year.

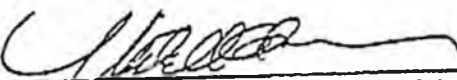
Section 3: This Resolution is effective upon adoption.


BOROUGH MAYOR

ATTEST:


BOROUGH CLERK

Approved as to form:


INTERIM BOROUGH ATTORNEY

KIDPAC Position Paper
Day Care Assistance
Administrative Payments

KIDPAC supports changing how local contractors are paid for administering the Day Care Assistance program.

Administrative payments for local contractors running Day Care Assistance are controlled by statute. There are two problems with the existing law:

1. the amount paid to local contractors is far less than it costs to run the program, and
2. the mechanism (how the administrative payments are made) causes poor service to clients as well as giving local contractors unnecessary fiscal headaches.

KIDPAC supports deleting Section 44.47.260, which restricts administrative payments to 10% of benefits paid for child care, and replacing it with:

Contractor administrative payments may not exceed 15 percent of the annual day care assistance program funds. A contractor may not receive less than \$1,000 in administrative payments.

This change will resolve the mechanism issue, and improve the adequacy of funds to meet costs. Please note that 15% will NOT cover the full cost of running the program: local communities will still be paying something toward administering Day Care Assistance.

We are aware that increasing the administrative funding could impact the funding available for subsidies. However, it would be irresponsible to continue to try to operate the program at the current level, as this does not allow for adequate service to parents, child care providers, or the community at large. It also does not allow adequate program/fiscal accountability.

The proposed language would allow the state discretion in allocating administrative funds, so that programs that only needed, for example, 12% administrative funding would get that. It does not mandate the full 15% be spent on administration.

KIDPAC - A Voice for Children
PO Box 20226
Anchorage, AK 99520
11/91

KIDPAC Position Paper
Day Care Assistance Administrative Funding
Supplemental Information
11/91

The Day Care Assistance program exists to help eligible families work or train for work by paying for child care costs. To do that, staff must meet with families, work with child care providers, process child care billings and perform related administrative tasks.

Funding comes from the State of Alaska, via the Department of Community and Regional Affairs. The Day Care Assistance grant provides money for child care subsidies and program administration. An amount equal to 10% of monies spent on subsidies can be used for administration. There are three problems with this:

1. families are not served even though subsidy monies go unexpended;
2. program and budget management is less effective; and
3. ten percent is not enough to cover direct operational costs.

Further explanation of each of these follows:

1. Every month the grantee pays for child care: after totaling the amount spent, an additional 10% for administrative costs is added to the invoice to the State. Every month a different amount is spent on subsidies, and the amount of administrative funding changes. Total annual administrative receipts will not be known until the fiscal year is over.

This uncertainty leads to being very conservative in administrative spending - which would be good, except that it means fewer families are served than could have been helped with the available subsidy funds. Keeping staffing levels low enough to be certain to stay within budget severely limits the time available for client interviews. People then have to wait for appointment openings. Families lose job opportunities because they can't cover child care costs until their appointment.

2. It is difficult to manage effectively with an ever shifting amount of administrative funding: monies that could have been spent earlier in the year to greater client service are not spent until the end of the year. This results in poorer service to families and child care providers.

3. Direct operational costs to the grantee (salaries, rent, supplies) usually exceed 10%. For example, these costs have averaged 13% in the last two fiscal years in Fairbanks. In Ketchikan, direct costs are 22%. While the 10% was designed to require local contribution, some local governments do not contribute to their Day Care Assistance programs. Those programs are not able to use all of the available grant subsidy funds because they cannot hire enough staff to run the program. Families are unable to work or go to school

because they can't get Day Care Assistance, even though the subsidy monies are there.

Providing administrative funding in this manner is a major flaw in the legislation that created the Day Care Assistance program.

The solution being proposed is simple: to change the law to provide administrative funds not to exceed 15% of total day care assistance funds. The administrative amount would be specified in the grant award, so local administrators could budget with certainty. Fifteen percent would be enough to cover direct program operating costs for many organizations: yet it is not enough for any grantee organization to "skim". This language would also give DCRA some discretion in allocating percentages: it is possible one grantee might only need 12% and another need 16%, as long as the total for all programs would not exceed 15%.

If the overall funding for Day Care Assistance does not increase, this will cut into the allowable subsidy funds. However, by promoting more effective management, a greater percentage of subsidy monies will be spent statewide, helping more families.

KIDPAC - A Voice for Children
PO Box 202266
Anchorage, AK 99520.



KETCHIKAN GATEWAY BOROUGH

Day Care Assistance
360 Main Street
Ketchikan, Alaska 99901
(907) 228-6636

February 15, 1992



Representative Cheri Davis
P.O. Box V
Juneau Alaska 99811

Dear Representative Davis:

As the Local Administrator for the Ketchikan Day Care Assistance Program I am writing in support of HB 384.

The DCAP program has been functioning for the past 12 years with the same percentage (10%) for administrative cost. Two other day care related programs, Transitional Day Care (TCCB) and At Risk Assistance (ARA) both allocate 15% for administrative costs.

I appreciate your efforts to put DCAP in line with TCCB and ARA.

Please add my name to those in support of HB 384.

Sincerely,

Linda Inolis
Day Care Administrator

February 18, 1992

Representative Cheri Davis
Alaska State Legislature
State Capitol
Juneau, Alaska 99801-1182

RE: HB 384

Dear Representative Davis:

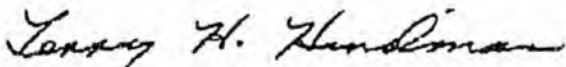
I am the Daycare Assistance Local Administrator in Petersburg and wish to convey to you my strong support for the passing of HB 384.

Administrative costs have remained at 10% since the inception of the Daycare Assistance program which has been nearly 15 years. As we both know, the costs of administrative expenses have done nothing but increase.

Local administrators have had to absorb the increase of phone, postage, office supplies, advertising, gas, etc. even though they have received no increase for administrative costs to help absorb the increase of expenses leaving the local administrators going backwards for too many years and this doesn't even allow for inflation or a recession.

It is long past-due for an increase for administrative expenses and I strongly send my support for the passage of HB 384.

Sincerely,



Terry H. Hindman
Local Daycare Assistance Administrator
P.O. Box 1089
Petersburg, Alaska 99833
(907) 772-3565

cc: Cheryl Keepers

HOUSE COMMITTEE REPORT

(7)

Date Referred: January 13, 1992

FURTHER REFERRALS: Community & Regional Affairs
Finance

Date of Committee Action: 2/6/92

The HEALTH, EDUCATION AND SOCIAL SERVICES Committee considered:

HB 384

HOUSE BILL NO. 384

ADMIN. COSTS OF DAY CARE PROGRAMS

"An Act relating to administrative costs of contractors under the day care assistance program."

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 Community & Regional Affairs] fiscal note(s) _____

zero fiscal note _____ [] zero fiscal note(s) _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Patricia Lewis</i>	✓				
<i>Betty Davis</i>	✓	<i>Mary Miller</i>		✓	
<i>Cheri Davis</i>	✓	<i>Mark Stanley</i>		X	
<i>J. L. Soyales</i>	✓				

Patricia Lewis
 CHAIRMAN'S SIGNATURE

CS FOR HOUSE BILL NO. 476 (CRA)
IN THE LEGISLATURE OF THE STATE OF ALASKA
SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Offered:
Referred:

Sponsor(s): HOUSE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act requiring municipal fiscal notes for bills and resolutions."

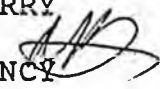
2 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

3 * Section 1. AS 24.08.035 is amended by adding a new subsection to read:

4 (e) If a bill or resolution that is referred to at least two committees, except an
5 appropriation bill, affects a municipality, there shall be attached to the measure a municipal fiscal
6 note containing an estimate for the current fiscal year and five succeeding fiscal years of the cost
7 to municipalities that would result from enactment of the measure. If the measure does not
8 increase costs to a municipality, a statement to that effect shall be attached. The second
9 committee of referral shall request the municipal fiscal note. It shall be prepared by the
10 Department of Community and Regional Affairs in cooperation with other affected state agencies.
11 It shall be delivered in accordance with (d) of this section within five days of the request, or
12 within two days if the request is made after the 90th day of a regular session or during a special
13 session. To the extent practicable, before delivering the fiscal note the department shall consult
14 with municipalities that would be affected by the measure. The municipal fiscal note must

- 1 contain information that substantially complies with (c)(1), (2), (6), and (7) - (9) of this section.
- 2 An amendment or a substitute measure proposed by a committee of referral that changes the
- 3 fiscal effect of a bill on a municipality shall be explained by the department in a revised
- 4 municipal fiscal note attached to the bill.
- 5 * Sec. 2. This Act is repealed July 1, 1997.

MEMORANDUM

TO: JERRY
FROM: NANCY 
RE: TODAY'S MEETING 3/16/92

HB 384 - Current law limits administrative costs of day care assistance to 10%; this bill would increase it to 15%. DCRA fiscal note reflects that the 5% increase in administrative costs will remove \$570,000 from the program and eliminate funding for 160 children if new funds are not received for the program to cover the increase. The department supports the bill because it believes the increased administrative funding will encourage more municipalities to participate. I also note that DCRA proposes to reduce day care assistance by \$884.7 under their budget reduction scenario.

HB 526 - Rep. Lincoln is meeting this morning with Commerce and DOTPF to try to work out some issues with the bill. DOTPF apparently has problems with the bill; Commerce has submitted a \$99.9 fiscal note (none received as yet from DOTPF). This bill allows communities to form local citizen's commissions to monitor state construction contracts in progress and evaluate performance. Commerce would be required to base decisions on the renewal of a contractor's license on the recommendation of these local commissions. Unincorporated communities would be given the right to participate in contract administration; they may assume all or part of the public works administration, or jointly administer with the department (DOTPF). Small communities (under 2,000) would be relieved from the competitive bid process for contracts for goods or services on projects under \$100,000.

HB 476 - We have a new draft CS. I have incorporated amendments which include: the fiscal note will be requested at the second committee of referral; will reflect only costs and not savings; will be done by C&RA in cooperation with any affected state agencies; will be distributed in accordance with AS 24.08.035(d); will include information required in AS 24.08.035(c) (1), (2), (6) and (7) - (9); and will sunset in five years.

I did not include two of the amendments requested by the AML. One was to define "mandate", a term which does not appear in the bill; the other one provided that no legislation or agency rule would be binding on local governments if a fiscal note form was not attached. The legislature cannot pass a bill which binds them to any future action; also, if you have a bill with only one committee referral, there would be no requirement for a fiscal note to be prepared. I was also confused by the term "agency rule"; I would assume that includes policy and regulation, which goes beyond the scope of this bill.