

SB

101

SENATE COMMITTEE REPORT

DATE: 3/16/93

FURTHER: FINANCE

DATE TURNED INTO OFFICE: 4/16/93

JUDICIARY Committee considered SENATE BILL NO. 101

"An Act relating to eligibility for and payments of public assistance; and providing for an effective date."

and recommends:

- replace with _____ CS _____ (_____)
- or adopt previous _____ CS _____ (_____)
- attaches amendment(s)

- same title
- new title
- technical title change (HB only)

- adopts _____ Letter of Intent
- further referral to the _____

- do pass
- do not pass
- no recommendation
- individual recommendations

NEW FISCAL NOTES

Department	Date	Zero	Fiscal
DHESS	3-23-93		(1944.4)
DHESS	4-02-93		(106.9)
DHESS	4-02-93		(106.8)

PREVIOUS FISCAL NOTES

Department	Date	Zero	Fiscal
DHESS	2/5/93		(2107.3)
DHESS	2/5/93		(28600.1)
DHESS	2/5/93		(4051.4)
DHESS	2/5/93		(434.0)
DHESS	2/5/93		(607.7)

Appropriation No Fiscal Note

DO PASS:

Patricia Harford

OTHER RECOMMENDATIONS:

George Jackson No Rec

Suzanne Little Do Not Pass

Adrian Taylor N/A BC

Chair: Signature and Recommendation

Department of Health and Social Services
Division of Public Assistance
February 16, 1993

DISCUSSION PAPER
SENATE BILL NO. 101/HOUSE BILL NO. 67

Senate Bill 101/House Bill 67 are identical measures that represent the Administration's response to the problems of welfare dependency and increasing costs in Alaska's cash public assistance programs. This set of changes has the dual goals of producing immediate savings in program costs and curbing the rate of increase in the welfare caseload.

SB 101/HB 67 achieves substantial cost savings in the Aid to Families with Dependent Children (AFDC) program by reducing benefit payments by 6.3 percent to January 1991 levels, suspending the calendar year 1994 automatic cost-of-living allowance (COLA) adjustment in payment levels, and reducing the payment standards for two-parent AFDC families (AFDC Unemployed Parent and Incapacitated Parent cases) to the same level as the standards for single-parent (AFDC Basic) families.

In addition to saving program dollars, this change establishes payment equity among single-parent and two-parent AFDC families of the same size. SB 101/HB 67 also makes a cost-neutral adjustment to the payment standards for AFDC families headed by a non-needy relative in order to bring Alaska's AFDC program into conformity with federal requirements that payment standards be incremented equally for each additional child.

SB 101/HB 67 amends the Adult Public Assistance (APA) statutes to achieve savings in payments to the aged, disabled, and blind. APA benefits are reduced to the level in effect in January 1990, resulting in a net reduction in assistance to individual recipients of 3.7 percent. The scheduled January 1994 COLA increase is suspended. The APA statutes are also amended to allow the State to be reimbursed for Interim Assistance paid to individuals applying for federal Supplemental Security Income (SSI) benefits by collecting the Interim Assistance from their retroactive entitlement to SSI benefits.

SECTIONAL ANALYSIS of SB 101/HB 67

Section 1 of the bill amends AS 47.25.320(a) to reduce Aid to Families with Dependent Children (AFDC) maximum payment levels by 6.3 percent, effectively rolling them back to the levels in effect on January 1, 1991. The maximum grant amounts specified in the current statute were established in 1982.

Under the COLA provision at AS 47.25.320(d), those amounts have been increased annually to reflect cost-of-living increases. The maximum monthly grant amount for one adult and one child is specified in AS 47.25.320(a)(2)(A) as \$500; COLA adjustments have increased this standard to \$845 as of January 1993. Section 1 reduces the standard to \$792.

This section makes a similar adjustment to the payment increment for additional children specified at AS 47.25.320(a)(2)(C). The increment has increased because of COLA adjustments from \$65 in 1982 to \$105 in 1993; SB 101/HB 67 reduces the increment to \$98 for each additional child.

Section 1 amends AS 47.25.320(a)(3) to reduce by 6.3 percent the maximum grant amount for a pregnant woman in her last trimester or an adult whose only dependent child receives SSI benefits. The maximum grant amount specified for such "Adult-only" AFDC cases is set by regulation at \$530 per month as of January 1993. Section 1 reduces the standard to \$497.

Section 1 also amends and renumbers AS 47.25.320(a)(2)(C) to restructure the payment standards for AFDC Unemployed Parent and Incapacitated Parent families by setting the increment for the second parent at \$98, the same as the increment for a second or additional child. The increment for the second parent is currently set by regulations at 7 AAC 45.520 (a)(2) and statute at AS 45.25.320(e). The January 1993 payment standard for a family of two parents and one child is \$1040. This change reduces the standard to \$890 and adds \$98 for each additional child, the same as the proposed standards for single-parent households of the same size.

Finally, Section 1 restructures the payment standards for AFDC households headed by a non-needy specified relative ("Adult-not-included" cases). This cost-neutral change is necessary to conform the program to federal law. The federal Department of Health and Human Services has cited Alaska's AFDC payment standards for households of this type as out of compliance with the requirement that the payment increment for each child above the base level for one child be the same.

Current law sets the payment standard for one child at \$200, two children at \$400, and the increment for a third or additional child at \$65. COLA adjustments since 1982 have increased these standards to \$335 for one child, \$672 for two, and \$105 for each additional child as of January 1993. Section One sets the standard at \$452 for one child and \$98 for each additional child.

The changes in benefit levels imposed by Section 1 would take effect on July 1, 1993.

Section 2 of the bill amends AS 47.25.320(d) to suspend for calendar 1994 the automatic COLA adjustment to the AFDC payment standards. This adjustment, which is based on the federal SSI COLA, occurs each January and is expected to be approximately 3 percent in January 1994. Section 2 also includes language that directs that the 1994 COLA, as well as the previous AFDC COLAs that are, in effect, rescinded by Section 1, will not be restored after 1994. Under Section 2, the annual AFDC COLA adjustments would resume in calendar 1995.

Section 3 allows the Department of Health and Social Services to use its regulatory authority to set standards of need that exceed the payment standards set in Section 1. Federal law allows the states to pay a reduced percentage (a "ratable reduction") of the amount that is established as necessary for the basic household expenses that the AFDC payment is intended to cover. Alaska has historically paid 100 percent of need.

Ratable reductions may be structured to create a payment "gap" that works as an incentive for recipients to earn income. The administration intends to use the authority provided in Section 3 to establish AFDC need standards that are 6.3 percent above the payment standards set in Section 1, effectively maintaining the January 1993 basic need standards and creating a small payment gap that assures that current AFDC recipients who receive small grants will continue to be eligible for Medicaid and Job Opportunities and Basic Skills Training (JOBS) program services, and providing a small incentive for recipients to work.

The authority provided by Section 3 could also be used, given sufficient appropriations to cover additional AFDC and Medicaid program costs, to create a larger payment gap that allows recipients to retain more of their earnings and earn larger amounts without losing eligibility for AFDC and AFDC-related benefits.

Section 4 amends 47.25.430(b) to suspend the January 1994 COLA increase in Adult Public Assistance benefits. This adjustment, which is based on the federal SSI COLA, is expected to be approximately 3 percent. Section 4 also includes language that directs that the 1994 COLA, as well as the previous APA COLAs that are, in effect, rescinded by Section 5, will not be restored after 1994. Under Section 4, the annual APA COLA adjustments would resume in calendar 1995.

Section 5 amends AS 47.25.430(a) to reduce Adult Public Assistance payments to the levels in effect on January 1, 1990. The January 1993 APA payment to a typical individual who also receives SSI benefits is \$374; Section 5 would reduce that payment to \$331. The payment to a typical couple would be reduced from \$544 to \$484.

Because of increases in the amount of SSI benefits since 1990, the total assistance income of a typical single APA recipient would decrease from \$808 (combined SSI and APA) to \$778 - a reduction of 3.7 percent. A typical couple's combined assistance would be reduced from \$1196 to \$1156 - a 3.3 percent reduction. The APA benefits of recipients who do not receive SSI would be similarly reduced.

The APA need standards are set by regulation at 7 AAC 40.310. Section 5 gives the Department of Health and Social Services the direction and authority to reduce the standards.

The changes in benefit levels imposed by Section 5 would take effect on July 1, 1993.

Section 6 amends AS 47.25.455 to allow the state to be reimbursed for Interim Assistance benefits paid to APA applicants while they are waiting for the Social Security Administration to determine their disability. Social Security typically takes 4 months or longer to make a disability determination. APA applicants must be disabled under SSI standards before they qualify for regular APA and Medicaid benefits; Interim Assistance provides these individuals with a \$280 monthly payment for basic living expenses until they are determined eligible to receive SSI and regular APA benefits.

Once APA applicants are determined to be disabled, they are retroactively eligible for SSI from the date they applied. Such individuals typically receive 4 or more months of retroactive SSI benefits (at up to \$434 per month) for the months they received Interim Assistance. Federal law allows the states to be reimbursed for the Interim Assistance from the applicant's retroactive SSI benefits. Section 6 establishes the authority for Interim Assistance reimbursement in Alaska by requiring applicants to repay the Interim Assistance they receive if they are found eligible for SSI. The Social Security Administration would make the individual's retroactive SSI payment to the Division of Public Assistance. DPA would retain the first \$280 of each month's retroactive SSI benefit and forward the balance to the recipient.

Section 6 also eliminates retroactive eligibility for regular APA benefits to individuals who have received Interim Assistance. Under current law, an Interim Assistance recipient who is found eligible for SSI is retroactively entitled to APA benefits; this entitlement is reduced by the amount of Interim Assistance the individual already received each month. Interim Assistance reimbursement will achieve savings only if the retroactive entitlement is eliminated. Section 6 adds a new subsection (d) to AS 47.25.455 that repeals the retroactive entitlement to APA benefits of Interim Assistance who are found eligible for SSI.

The changes in Section 6 take effect on July 1, 1993.

Section 7 repeals AS 47.25.320(e), which established the payment standards for AFDC Unemployed Parent cases when the AFDC-UP program was enacted in 1990. This change is necessary to conform to the change to AS 47.25.320(a)(2) made in Section 1, establishing the payment standards for two-parent AFDC families at the same level as the standards for single-parent families.

Section 8 provides transitional authority to allow DHSS to adopt implementing regulations for SB 101/HB 67 before the effective date of the law. The regulations would take effect on the effective date of the legislation. This provision is intended to facilitate timely implementation on the statutory changes included in the bill.

Section 9 provides for an effective date for the bill of July 1, 1993.



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

STATE OF ALASKA

POSITION PAPER
March 12, 1993

FEDERAL POLICY CHANGES NEEDED FOR STATE WELFARE REFORM

The State of Alaska needs changes in federal policy to enable it to move forward with initiatives to reduce welfare dependency and promote the self-sufficiency of welfare recipients. We propose changes in the following policy areas.

- AFDC Waiver Authority: Provide more options to states. Allow statewide waivers without demonstration project methodology.
- AFDC Unemployed Parents: Repeal the "100-hour rule."
- AFDC Eligibility Policy: Expand work incentives; allow options for the vehicle value limit.
- JOBS Program Policy: Drop unrealistic requirements and recognize the value of paid work.

Reallocate lapsed federal JOBS funds to states that have fully matched 100 percent of federal CAP.

Eliminate "new job" requirement for Work Supplementation.
- Work Experience: Provide federal matching funds for work experience programs for non-JOBS AFDC recipients.
- Health Care: Expand Transitional Medicaid coverage for AFDC recipients who go to work.

Background

The State of Alaska has found that federal policies severely limit its ability to try new approaches in the Aid to Families with Dependent Children (AFDC) program and in the Job Opportunities and Basic Skills Training (JOBS) program for AFDC recipients. Many Alaskans have expressed a growing sense of frustration as it has become clear that the federal government must act before we can hope to make real, positive changes in our AFDC program.

Along with many other states, Alaska has experienced a rapid rise in its AFDC caseload over the past four years, with serious impact on the state budget. Alaska's caseload grew by 49.5 percent between July 1989 and September 1992, and is projected to continue to grow by at least five percent per year.

The Alaska Department of Health and Social Services has been working to identify the causes of welfare dependency and developing measures to curb the growth of the AFDC program. The January 1993 issue of Alaska Economic Trends includes an article that summarizes the department's study of welfare dependency and welfare restructuring measures. The study revealed that federal requirements stand in the way of state initiatives to reduce welfare dependency. Many of the most eloquent critics of existing federal policies are themselves AFDC recipients.

Proposed Federal Changes

AFDC Waiver Authority

Provide Options to States: The states' policy options are too limited. Policy waivers are difficult to obtain, expensive to operate, and inequitable in their application. Section 1115 of the Social Security Act establishes the only authority for waiver of federal AFDC policies. The waiver requirements are a major obstacle to welfare reform. The cost of designing and operating the demonstration projects required for waiver approval is prohibitive for sparsely populated states like Alaska. A project of any significant size requires major modifications to electronic data processing systems and additional staff to design, monitor, and operate the project in compliance with the rigid federal guidelines. Some of the federal statutes and regulations governing AFDC and JOBS make so little sense that there is no further need for experimentation to test alternatives.

Allow Essential Waivers without Demonstration Project Methodology: The demonstration project requirement to implement different eligibility rules on experimental and control groups raises the issue of inequitable treatment of similarly situated people, and makes it impossible to apply innovative rules to the state's entire AFDC caseload. Much has been written in the media about the innovations advanced by some of the larger states like Wisconsin, New Jersey, Maryland and California. These

stories tend to ignore the fact that the alternative rules being tested apply only to a selected number of individuals. The general perception of the ability of the states to restructure their welfare programs stands in sharp contrast to the reality of applying waivers under the current requirements. Waivers should be granted to allow statewide changes without requiring a control group.

AFDC Unemployed Parents

Repeal the 100-hour Rule: The limit on the number of hours that AFDC parents in intact families may work encourages dependency and wastes state and federal program dollars. The "100-hour rule" for AFDC Unemployed Parent cases, which denies benefits to families where a parent works more than 100 hours per month, actually fosters AFDC dependency and drives up the cost of the program. Low-income families frequently choose not to accept jobs that are available to them because they can't afford to take them. Families that might eventually work themselves off welfare stay on, hoping for a job that will pay enough to support them, and give up a source of income that would partially support them and reduce the cost of their AFDC benefits. The 100-hour rule must be repealed.

AFDC Eligibility Policy

Expand Work Incentives: Financial incentives for welfare recipients to work are inadequate. The statutory policy on treatment of earned income provides little incentive for AFDC parents to work. States must be given the authority to disregard substantially larger amounts of working recipients' income so they will have real incentives to get jobs and keep working.

Allow Options for the Vehicle Value Limit: The regulatory restriction on the value of the family automobile keeps people at home when they could be working or training for work. It doesn't allow potential workers to have the reliable transportation they need to get training, search for work, get children to child care, or commute to available jobs. Federal policy must be changed to empower the states to set much higher limits on the value of vehicles more than the \$1500 allowed under existing regulations.

JOBS

Drop Unrealistic Requirements: Participation quotas for the JOBS program for AFDC recipients are unrealistic and do not recognize work itself as a legitimate training activity. As the American Public Welfare Association pointed out in a recently adopted resolution, the statutory requirement to have 40 percent of AFDC Unemployed Parent families participate in individual work experience beginning in fiscal year 1994 is unrealistic when you consider the cap on federal JOBS funding, the general lack of job skills of most recipients, and the high cost of developing sites and operating and monitoring the program.

Recognize Paid Work: The 40 percent requirement, combined with the other JOBS program participation quotas, sets the states up for failure and loss of federal funding. This problem is exacerbated by the fact that the Department of Health and Human Services refuses to recognize unsubsidized employment as a legitimate work experience for unemployed parents. Paid employment--a real job--is the best possible work experience and must be the primary aim of the JOBS program. The JOBS participation quotas must be adjusted to reflect what can be reasonably accomplished with the amount of funding available.

Reallocate Lapsed JOBS Funds to States Who Use Cap: The authorization for Title IV-F JOBS funds is inadequate to carry out federal mandates for JOBS. Some states have fully expended their capped allocation and some states have lapsed JOBS funds by failing to appropriate adequate state match. The federal government should re-allocate lapsed JOBS funds to states that utilize their full cap and are making a welfare-to-work commitment with adequate state match. Alaska could be entitled to an additional \$1,000,000 for its JOBS program if a reallocation policy were in place.

Eliminate "New Job" Requirement for Work Supplementation: There is welfare dependency-breaking value in JOBS Work Supplementation (welfare recipients working for a paycheck from an employer, partially funded by diversion of the welfare grant). The federal requirement that Work Supplementation job placements be made only in jobs which did not previously exist severely restricts the use by public assistance agencies of the Work Supplementation program. JOBS program policy must be changed to allow Work Supplementation placements in any job available in the employment market.

Work Experience for non-JOBS AFDC Recipients

Restore Federal Funding for Title IV-A Work Experience: The Family Support Act of 1988 repealed federal funding and authority for mandatory work experience activities for AFDC recipients who are not enrolled in JOBS. Comprehensive welfare reform requires federal support of work experience for AFDC clients who, because of limited funding, are not served by the JOBS program. An impetus to work must be placed on all welfare recipients, not just those enrolled in JOBS. Authority and funding for non-JOBS AFDC work experience must be restored.

Health Care

Expand Transitional Medicaid: Under the current rules, the maximum Transitional Medicaid coverage is twelve months for people who lose eligibility for AFDC due to increases in earned income. It has been widely acknowledged that access to health care is one of the major reasons people stay on welfare. The twelve-month coverage limitation is a barrier to long-term employment for people entering the labor force,

particularly at the lower wage levels. The twelve-month limitation must be supplemented by an extension of coverage at state option, based either on length of employment, total income of the household, or both.

Conclusion

Regulatory and statutory provisions which promote dependency and hinder the states' efforts must be repealed. The federal government must move away from the demonstration project concept toward a statutory expansion of the states' policy options. The states also need a simple, comprehensive administrative process for waiver of statutory and regulatory requirements. The states are well motivated to control costs while assuring that their citizens are protected from poverty. States are not going to adopt changes that do not promise to yield results.

These federal policy changes must be made, and made quickly, to support the states in their desire to affect positive changes toward the promotion of self-sufficiency and the reduction of welfare costs.