

**HB**

**515**

# FISCAL NOTE

STATE OF ALASKA  
1996 LEGISLATIVE SESSION

BILL NO. HB 515

Revision: \_\_\_\_\_  
 Title: Grants for Residential Services  
 Sponsor: Williams  
 Requestor: House HESS

Dent. Affected: Health and Social Services  
 BRU: Administrative Services  
 Component: Commissioner's Office  
 COMPONENT SERIAL NO. 317  
 See also (SN#): \_\_\_\_\_

**Expenditures/Revenues:**

(Thousands of Dollars)

OPERATING	FY97	FY98	FY99	FY00	FY01	FY02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES						
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CHANGES IN REVENUES ( )						
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**FUND SOURCE**

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1008 GF/MHTIA						
Other (please specify)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of any current year (FY96) cost: \$0.0

**ANALYSIS:** (Attach a separate page if necessary)

AS 47.40.041(c)(2) prohibits recipients of grants for youth residential care (administered by the Division of Family and Youth Services) from using grant funds for capital expenditures. In many cases, this prohibition forces grantees to rent buildings and equipment even when the Department and the grantee agree that acquisition of an asset would be more economical and would improve services. These restrictions do not apply to other grant programs administered by the Department.

The Department feels that simply amending AS 47.40.041(c) to remove paragraph (2) would be preferable to the current bill, since the paragraph serves no useful purpose. While the bill could provide relief to specific grantees by allowing them to purchase a building, the Department feels that the current bill is too narrowly focused. It would allow purchase of a building for use for youth residential services, but may not allow for "construction, or lease with option to purchase" of facilities which are specifically prohibited by AS 47.40.041(c)(2). Moreover, use of grants to defray capital costs for major equipment and other assets would still be prohibited.

Prepared by: Janet Clarke  
 Division: Administrative Services  
 Approved by Commissioner: Karen Perdue  
 Agency: Department of Health & Social Services

Phone: 465-3082  
 Date: 02/23/96

Date: 2/26/96

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(7)

HOUSE COMMITTEE REPORT

Date Referred to Committee: February 12, 1996

FURTHER REFERRALS:

Judiciary  
Finance

Date of Committee Action: 3/7/96

The HEALTH, EDUCATION AND SOCIAL SERVICES Committee considered:

HB 515

HOUSE BILL NO. 515

USE OF YOUTH SERVICES GRANTS

"An Act relating to grants for residential services for certain minors for whom the state has assumed responsibility; and providing for an effective date."

recommends it be replaced  the same title  
with the following committee substitute \_\_\_\_\_  a new title

additional referral to \_\_\_\_\_ Committee  
 attached amendment(s)

ADOPTS: \_\_\_\_\_ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) \_\_\_\_\_ APPROVES PREVIOUS: (Dept/Date) \_\_\_\_\_  
 fiscal note(s) \_\_\_\_\_  fiscal note(s) \_\_\_\_\_

zero fiscal note(s) H+SS  zero fiscal note(s) \_\_\_\_\_

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>[Signature]</i>	<input checked="" type="checkbox"/>			
<i>[Signature]</i>			<input checked="" type="checkbox"/>	
<i>[Signature]</i>	<input checked="" type="checkbox"/>			
<i>[Signature]</i>	<input checked="" type="checkbox"/>			
<i>[Signature]</i>	<input checked="" type="checkbox"/>			

CHAIR'S SIGNATURE *[Signature]*

# Alaska State Legislature



Committees:  
House Resources  
Co-Chairman  
World Trade &  
State Federal Relations  
Transportation  
Rules  
Oil & Gas

Representative William K. Williams

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## Sponsor Statement

### House Bill 515

House Bill 515 allows the recipient of an operating grant for residential services to use grant money to pay for the purchase of a building. Residential services are defined in statute as "24-hour care and supervision of minors in residential child care facilities that are commonly known as group homes or institutions" (AS 47.40.091).

Currently recipients of these grants may not use the grant money to pay the principal of a mortgage loan. They may, however, use the money for rent and lease payments. Today recipients pay rent/lease payments year after year with no chance of building equity. The residential youth home in Ketchikan has spent over \$200,000 in rent over the last six years. They could own their facility today had it not been for the present statute.

By changing this statute these residential centers can, in many cases, lower monthly payments and eventually own their own facility. In the long run this will lessen their dependency on the state and allow more money for the programs that help our troubled youth.

During these times of fiscal responsibility we need to get the most out of every dollar the state spends. I believe this legislation will give these homes flexibility toward bettering their programs. I urge you to support this legislation.

# ALASKA ASSOCIATION OF HOMES FOR CHILDREN

February 21, 1996

The Bethel Group Home  
Bethel, Alaska

Ketchikan Children's Home  
Ketchikan, Alaska

Presbyterian Hospitality House  
Fairbanks, Alaska

The Salvation Army  
Booth Memorial Home  
Anchorage, Alaska

Sitka Youth Home  
Sitka, Alaska

Maniilaq Association Group Home  
Kotzebue, Alaska

Alaska Youth & Parent Foundation  
Anchorage, Alaska

Nome Receiving Home  
Nome, Alaska

Kodiak Baptist Mission  
Kodiak, Alaska

Council of President's  
Receiving Home  
Bethel, Alaska

Kenai Peninsula Community  
Care Center  
Kenai, Alaska

North Star Home  
Dot Lake, Alaska

Juneau Youth Services  
Juneau, Alaska

Alaska Children's Services  
Anchorage, Alaska

Life Quest  
Wasilla, Alaska

Barrow Children's Home  
Barrow, Alaska

Alaska Baptist Family Services  
Anchorage, Alaska

Representative Bill Williams  
House of Representatives  
Alaska State Legislature  
State Capitol  
Juneau, Alaska 99801-1182

RE: HB 515

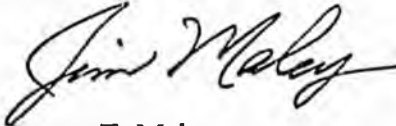
Dear Representative Williams:

This letter is to express the appreciation of the seventeen children's agencies of the Alaska Association of Homes for Children for your introduction of House Bill 515. In recent action, the Association voted to endorse this legislation.

In times of reduced revenues, it is imperative that we provide our services to Alaska's children in the most effective and efficient manner possible. Your bill provides a level of flexibility to utilization of state funds which is of benefit to the children served, the agencies providing the services, and the people of Alaska.

Again, our sincere thanks and support for your efforts.

Sincerely,



James E. Maley,  
President

Residential Child Care Agencies Serving the Needs of Alaska's Youth

SUPPORT

## DIVISION OF FAMILY AND YOUTH SERVICES

### GRANT PROGRAM: Residential Child Care

#### AUTHORITY:

AS 47.40.011 Purchase of Service. (a) When the Department purchases residential services for minors for whom the state has assumed responsibility under AS 47.10, the Department shall: (1) purchase the service only under grants to local government units or non-profit corporations; (2) award grants for a specific number of beds as provided in AS 47.40.041. (b) The Department shall adopt regulations necessary to carry out the provisions of AS 47.40.01-47.40.091, including regulations establishing the procedures to be followed in awarding grants, the type of services for which payment may be made, costs that may be paid with grant money and the method of payment.

#### APPROPRIATIONS:

Funding for these grants is made through the Purchased Service BRU Residential Child Care Component. This component includes funds for grants as well as purchase of service from out-of-state providers when the care required is not available in state. This component also includes funding for other services such as medical, psychological services, client travel and clothing. Residential care grants to in-state providers totaled \$8,529,728 for FY 96.

#### PRIORITIES:

The primary focus of residential child grants has been to protect and treat children who are victims of child abuse and neglect as well as to rehabilitate juvenile offenders. Services provided are intended to achieve both immediate and long term solutions to family problems; promote the preservation, rehabilitation, and reunification of families to the extent possible; and to promote independence and the use of least restrictive alternatives. The major emphasis is to provide services to children in their own communities whenever possible. Programs include emergency shelter, day treatment, specialized residential care and staff secure care. Length of stay in care ranges from one day up to two years.

**TARGET GROUP/GEOGRAPHICAL AREA SERVED:**

Services are provided in communities across the state under this program. Approximately 1,357 abused and neglected children and delinquent youth are served annually through these grants.

**RESOURCE ALLOCATIONS:**

Regional funding allocations are based on populations, caseloads, and available beds in each region.

Northern	29%
Southcentral	51%
Southeastern	20%.

**CRITERIA:**

Criteria are based on evaluation of potential grantees' understanding of services to be provided, background statements, technical approach, experience and personnel qualifications, preference for statewide or regional priorities, and budget factors. Regional Administrators who administer both family services and youth services provide input to the Proposal Evaluation Committee on the effectiveness of grant applications in providing services.

## Grants to Non-Profit Agencies for Capital Assets: Maintaining the Public Purpose and the State's Interest

The Department of Health and Social Services administers many programs that provide grant funds to non-profit organizations. Some grants are for acquisition of capital assets—real property or major equipment. Since capital assets have a useful life longer than a year, potential problems exist in assuring the proper use of those assets over their useful life, which may be many years.

Nonetheless, the potential problems can be addressed and the acquisition of assets by grantees can represent good business practice. On a case by case base, allowing grantees to purchase capital assets may offer substantial cost savings or substantial improvements in services. For instance, purchasing a vehicle may be preferable to leasing if the lease payments are higher than installment payments for a purchase—especially since the grantee would own the vehicle free and clear after making payments. The decision whether to lease or acquire a capital asset can be complex and requires an evaluation of the particular situation.

The Department's grant regulations, notably 7AAC 78.280(c) (attached), provide some protection against inappropriate use of capital assets acquired with grant funds. (However, statutes—AS 37.05.318—prevent regulations from applying to named-recipient grants—those specifically designated by the legislature to a particular organization.) The regulations state that title to a capital asset vests in the grantee, but if the grantee does not provide the services for which the asset was acquired, the Department can transfer the asset to another entity that will provide the service (under certain conditions). As an example, an agency with a building bought entirely with grant funds may stop providing the services for which it purchased the building. The Department could then require the agency to transfer the building to the successor agency now providing the services (or to reimburse the grant funds). This authority gives the Department bargaining strength in negotiating a settlement to maintain the purpose of the original grant.

In addition, the Department establishes "security agreements" for capital assets that provide legal assurances the assets will be used in a manner appropriate to the grant. In the case of real property, the security-agreement used is generally a deed of trust (similar to that used for a mortgage loan), although in some cases covenants and restrictions are recorded on the property instead. Another type of security agreement (Uniform Commercial Code Financing Statement, the "UCC-1" form) is generally used for equipment. All security agreements are restrictions on title, and are recorded at the State Recorder's Office.

The deed of trust allows the state to foreclose on real property that is being used for purposes contrary to the intent of the grant. It can provide some legal leverage in negotiations with those grantees. In the security agreements the State's interest in the property is assumed to gradually depreciate over a period of time, usually twenty years in the case of real property. The twenty year period has been used traditionally and has basis in old IRS depreciation schedules and old federal guidelines. In many cases, because of mixing of funding sources in a capital asset and fluctuations in market value, the exact amount of value attributable to a particular grant can be very complex. The twenty year period reasonably balances the need to ensure the public's money is invested correctly while recognizing legal and administrative realities that make perpetual and precise control impossible.

procedures for the procurement of goods and services. The practices and procedures must be acceptable to the grant agency. The practices and procedures shall provide that

(1) for purchases of non-expendable personal property, or for the award of a contract with a value of \$300 or more, the grantee will require three competitive price quotations from potential suppliers; and

(2) the grantee will retain written records of price quotations in accordance with 7 AAC 78.250 and will include in the written records

(A) specifications;

(B) suppliers' names and addresses; and

(C) the prices quoted. (Eff. 4/11/81, Register 78)

Authority: AS 18.08.010  
AS 44.29.150

AS 47.05.010  
AS 47.30.477

AS 47.30.530

**7 AAC 78.280. PROPERTY MANAGEMENT.** (a) If the grantee acquires an interest in real property with money received from the grant, the grantee must negotiate property management terms with the grant agency.

(b) Before the grantee may use money received from a grant to purchase non-expendable personal property, the acquisition cost of the property must be included in the budget, or in an amendment to the budget, of the grant project approved by the grant agency. In this subsection, "acquisition cost" means

(1) the cost of the non-expendable personal property and the cost of necessary accessories; and

(2) ancillary charges, such as duty, taxes, transportation, protective in-transit insurance, and installation fees if the inclusion of those charges is in accordance with the grantee's regular accounting practices.

(c) Title to property purchased under (b) of this section vests in the grantee upon acquisition subject to the right of the grant agency to transfer title to the property to the state or to another person or legal entity if

(1) the grant agency did not waive its right to transfer title to property under this subsection under the terms of the grant;

(2) the grantee no longer has need for the property in the grant project for which it was acquired, or the grant project or that part of the grant project for which the property was acquired is being transferred to another grantee;

(3) no later than 120 days after the completion or termination of the grant or 120 days after the date of an appeal decision under 7 AAC 78.310, if applicable, whichever is later, the grant agency provides written notice to the grantee of its intent to transfer the property; and

## RESIDENTIAL CHILD CARE

BRU: PURCHASED SERVICES

COMPONENT: RESIDENTIAL CHILD CARE

DIVISION OF FAMILY AND YOUTH SERVICES

GRANTEE	LOCATION	ELECT. DIST.	NEW/ CONT.	FY86 AMT. AWARDED	SERVICE	FTE STAFF	AMT. PERS. SERVICES	FUND SOURCE	FY 86 AMT. AWARDED
ALASKA BAPTIST FAMILY SERVICES	ANCHORAGE	10-25	CONT	\$487,172	SPECIALIZED RESIDENTIAL CARE.	12.48	\$400,882	GF	\$558,260
ALASKA CHILDREN'S SERVICES, INC.	ANCHORAGE	10-25	CONT	\$753,025	RESIDENTIAL PSYCHIATRIC TREATMENT.	7.10	\$148,015	GF	\$753,025
ALASKA YOUTH & PARENT FOUNDATION	ANCHORAGE	10-25	CONT	\$762,425	EMERGENCY SHELTER CARE.	19.12	\$582,923	GF	\$674,800
ASSOCIATION OF VILLAGE COUNCIL PRESIDENTS	BETHEL	39	CONT	\$289,080	EMERGENCY SHELTER CARE.	4.82	\$213,392	GF	\$289,080
BETHEL GROUP HOME	BETHEL	39	CONT	\$443,197	RESIDENTIAL CARE.	5.11	\$299,431	GF	\$373,614
JUNEAU YOUTH SERVICES	JUNEAU	03-04	CONT	\$268,900	RESIDENTIAL CARE, SEX OFFENDERS.	8.00	\$216,390	GF	\$268,275
JUNEAU YOUTH SERVICES	JUNEAU	03-04	CONT	\$167,900	EMERGENCY CARE, TRANSITIONAL CARE.	2.00	\$122,250	GF	\$167,900
JUNEAU YOUTH SERVICES	JUNEAU	03-04	CONT	\$532,900	RESIDENTIAL CARE, INTENSIVE TREATMENT.	11.50	\$378,324	GF	\$532,900
KENAI PENINSULA COMMUNITY CARE CENTER	KENAI	09	CONT	\$878,900	RESIDENTIAL CARE, EMERGENCY CARE (TEACHING FAMILY HOME).	13.00	\$498,579	GF	\$878,900
KIDS ARE PEOPLE	WASILLA	28-28	NEW	\$0	RESIDENTIAL CARE.	2.80	\$87,600	GF	\$87,600
KODIAK BAPTIST	KODIAK	08	CONT	\$451,085	RESIDENTIAL CARE (TEACHING FAMILY HOME).	7.00	\$269,690	GF	\$410,077
MAT-SU COMMUNITY COUNSELING CENTER	WASILLA	28-28	CONT	\$219,000	RESIDENTIAL CARE AND EMERGENCY SHELTER.	5.11	\$176,907	GF	\$219,000

## RESIDENTIAL CHILD CARE

BRU: PURCHASED SERVICES

COMPONENT: RESIDENTIAL CHILD CARE

DIVISION OF FAMILY AND YOUTH SERVICES

GRANTEE	LOCATION	ELECT. DIST.	NEW/ CONT.	FY88 AMT. AWARDED	SERVICE	FTE STAFF	AMT. PERS. SERVICES	FUND SOURCE	FY 88 AMT. AWARDED
NOME RECEIVING HOME	NOME	38	CONT	\$375,445	RESIDENTIAL CARE AND EMERGENCY SHELTER.	7.52	\$115,772	GF	\$145,912
NORTH SLOPE BOROUGH RECEIVING HOME	BARROW	37	CONT	\$582,175	RESIDENTIAL CHILD CARE AND EMERGENCY SHELTER.	15.00	\$443,298	GF	\$582,175
NORTH STAR HOME, INC.	DOT LAKE	36	CONT	\$335,800	RESIDENTIAL CARE (TEACHING FAMILY HOME).	3.13	\$189,404	GF	\$335,800
PRESBYTERIAN HOSPITALITY HOUSE	FAIRBANKS	29-34	CONT	\$629,625	RESIDENTIAL CARE (TEACHING FAMILY HOME).	11.80	\$396,363	GF	\$629,625
RESIDENTIAL YOUTH CARE, INC.	KETCHIKAN	01	CONT	\$276,130	RESIDENTIAL CARE.	2.72	\$194,855	GF	\$304,130
RESIDENTIAL YOUTH CARE, INC.	KETCHIKAN	01	CONT	\$219,000	RESIDENTIAL EMERGENCY SHELTER.	1.60	\$156,221	GF	\$219,000
SALVATION ARMY - BOOTH MEMORIAL	ANCHORAGE	10-25	CONT	\$735,475	RESIDENTIAL CARE, INTENSIVE TREATMENT, FEMALE.	2.72	\$518,743	GF	\$791,475
SALVATION ARMY - BOOTH MEMORIAL	ANCHORAGE	10-25	CONT	\$232,050	DAY TREATMENT.	4.80	\$179,154	GF	\$232,050
YOUTH ADVOCATES OF SITKA	SITKA	02	CONT	\$276,130	RESIDENTIAL CARE AND EMERGENCY SHELTER.	6.85	\$222,928	GF	\$276,130
TOTALS FOR RESIDENTIAL CHILD CARE						164.38	\$5,809,221		\$8,629,728

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