

SB

37

SFIN

FILE

STATE OF ALASKA

TONY KNOWLES, GOVERNOR

DEPT. OF HEALTH AND SOCIAL SERVICES

P.O. BOX 110540
JUNEAU, ALASKA 99811-0540
PHONE: (907) 465-3347

DIVISION OF PUBLIC ASSISTANCE

March 6, 1996

The Honorable Rick Halford
Senator
State Capitol
RM 508
Juneau, AK 99801-1182

Dear Senator Halford:

In last Tuesday's meeting of the Senate Finance Committee, you made several requests for information regarding the Senate Finance Committee Substitute for Senate Bill 37 (PFD Hold Harmless). This letter completes our response to your requests.

1. *You requested updated fiscal notes for the Committee Substitute adopted by the Finance Committee.*

We transmitted the requested fiscal notes to the committee earlier this week. You will find a fiscal note summary spreadsheet enclosed.

2. *You asked for a detailed breakdown on how PFD Hold Harmless funds are used.*

As we indicated in our testimony last week, some PFD Hold Harmless funds are paid out directly as hold harmless benefits and some are transferred to other budget components. PFD Hold Harmless funds for the replacement of federal Supplemental Security Income benefits are transferred to the Social Security Administration. The breakdown you requested follows:

PFD Hold Harmless Component
FY 97 Governor's Budget: Expenditure Summary

AFDC benefit replacement (Transferred as IA Receipts to AFDC Component)	12,100.0
Food Stamp replacement (Paid directly to recipients from PFD HH Component)	3,624.1

The Honorable Rick Halford

March 6, 1996

Page 2

Adult Public Assistance benefit replacement (Transferred as IA Receipts to APA Component)	2,644.0
Supplemental Security Income benefit replacement (Paid to Social Security Administration to reimburse SSI costs)	1,790.0
Medicaid benefit replacement (Transferred as IA Receipts to Medicaid PFD HH Component)	1,100.0
Hold Harmless program administration (Transferred as IA receipts to Eligibility Determination Component)	480.5
PFD HH Component - Total FY 97	21,738.6

3. *You asked about the statutory authority for the expenditure of PFD Hold Harmless funds.*

Authority to appropriate money from the Permanent Fund Dividend Fund to pay PFD Hold harmless costs is found at AS 43.23.025(a)(1)(E) (copy enclosed).

General authority for the PFD Hold Harmless program is found at AS 43.23.075 (copy enclosed). This section authorizes PFD Hold Harmless coverage of both public assistance and medical assistance benefits.

You asked specifically for the statutory authority for the replacement of federal Food Stamp and Supplemental Security Income program benefits with PFD hold harmless benefits. The referenced statute does not specifically name the programs covered by the hold harmless provision.

The authority for Food Stamp and SSI replacement is grounded in legislative history. The Division of Legislative Audit issued a report on the PFD Hold Harmless program in October 1993 (ref.: Audit Control Number 06-4457-94) that documents the intent of the original PFD Hold Harmless legislation to protect federal SSI and Food Stamp benefits, as well as AFDC, Adult Public Assistance, and Medicaid benefits.

4. *You asked if there is any automatic mechanism that prorates PFD Hold Harmless payments.*

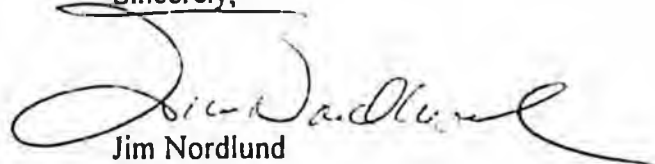
In general, PFD Hold Harmless program costs are a function of the costs of the formula program benefits replaced by Hold Harmless benefits, automatically rising and falling with the costs of the protected programs.

The Honorable Rick Halford
March 6, 1996
Page 3

There is no statutory proration authority applicable to the PFD Hold Harmless program; in fact, statutory language prohibits PFD HH benefit proration. The PFD Hold Harmless statute provides that individuals who become ineligible for public assistance because of receipt of a dividend is: "entitled to receive, for a period not to exceed four months, the same amount the individual would have received under other public assistance programs if there had been no permanent fund dividend program." Similar language creates an entitlement to full replacement of Medicaid benefits. This language precludes any direct proration of Hold Harmless benefits.

I trust that this correspondence satisfies your requests for information. If you require any clarification or expansion on the information provided here, please contact Curt Lomas, of my staff at 465-3382.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jim Nordlund", written over a horizontal line.

Jim Nordlund
Director

Enclosures

PFD HOLD HARMLESS Program
Fiscal Note Summary CSSB 37 (Fin)
3/6/96

BRU Budget Component(s)

PFD Hold Harmless component	FY97	FY98	FY99	FY00	FY01	FY02
DPA						
PFD-HH for AFDC	(12,100.0)	(12,100.0)	(12,100.0)	(12,100.0)	(12,100.0)	(12,100.0)
PFD-HH for Food Stamps	(3,624.1)	(3,805.3)	(3,995.6)	(4,145.3)	(4,405.1)	(4,625.4)
PFD-HH for Medicaid	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)
PFD-HH administration	(422.8)	(435.5)	(448.5)	(462.0)	(475.9)	(490.1)
Total PFD-HH Component	(17,246.9)	(17,440.8)	(17,644.1)	(17,807.3)	(18,081.0)	(18,315.5)
Funding Source:						
PFD Fund	(17,246.9)	(17,440.8)	(17,644.1)	(17,807.3)	(18,081.0)	(18,315.5)

Services components

DPA	AFDC Component	(12,100.0)	(12,100.0)	(12,100.0)	(12,100.0)	(12,100.0)	(12,100.0)
DMA	Medicaid PFD HH	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)
DMA	Medicaid Services	660.0	660.0	660.0	660.0	660.0	660.0
DPA	Eligibility Determination	120.7	100.7	100.7	100.7	100.7	100.7
DPA	General Relief Assistance	706.1	741.4	778.5	817.4	858.3	901.2
	Total Services Components	(11,713.2)	(11,697.9)	(11,660.8)	(11,621.9)	(11,581.0)	(11,538.1)
	Funding Sources:						
	Federal Receipts	390.3	380.3	380.3	380.3	380.3	380.3
	General Fund Match	390.4	380.4	380.4	380.4	380.4	380.4
	General Fund	1,128.9	1,176.9	1,227.0	1,279.4	1,334.2	1,391.3
	Inter-Agency Receipts (IA)	(13,622.8)	(13,635.5)	(13,648.5)	(13,662.0)	(13,675.9)	(13,690.1)
	(IA from the PFDHH component)						
	Funding Source sub-total	(11,713.2)	(11,697.9)	(11,660.8)	(11,621.9)	(11,581.0)	(11,538.1)

Total all Components (Fund Sources)

All Funding Sources:							
PFD Fund	(17,246.9)	(17,440.8)	(17,644.1)	(17,807.3)	(18,081.0)	(18,315.5)	
Federal Receipts	390.3	380.3	380.3	380.3	380.3	380.3	
General Fund Match	390.4	380.4	380.4	380.4	380.4	380.4	
General Fund	1,128.9	1,176.9	1,227.0	1,279.4	1,334.2	1,391.3	
Inter-Agency Receipts (IA) *	(13,622.8)	(13,635.5)	(13,648.5)	(13,662.0)	(13,675.9)	(13,690.1)	

* Note: The reduction in interagency receipts is duplicated in the reduction of PFD fund.

eligibility. (a) The Administrative Procedure Act of individuals for require an individual-ner may use other nts or agencies to ommissioner shall g the eligibility of idual's spouse may missioner in deter-

an application form cation must include 3.035 and contain a residency.

may be provided by lual must personally t, including the certi-section.

ncy of an unemanci-abled or an incompe-s parent, legal guard-

i dividend on behalf of dividend in trust for s subsection shall be with AS 37.10.070.

at individual may not er or employee of the t, guardian, or autho- of the state managed ived on behalf of the

ion of the department rmanent fund dividend nent fund dividend on at decision to the supe-

An appeal under this al to a trial de novo. The ministrative proceeding appeal is limited to mat- strative proceeding.

is of AS 43.23.035 apply nd dividend on behalf of 59 SLA 1988; am § 4 ch

107 SLA 1989; am §§ 2, 3 ch 68 SLA 1990; am § 47 ch 21 SLA 1991; am § 2 ch 68 SLA 1991; am §§ 10, 11 ch 4 SLA 1992)

Effect of amendments. — The first 1990 amendment, effective June 11, 1991, in subsection (b), substituted "12 months" for "24 months" near the beginning of the third and fourth paragraphs.

The second 1991 amendment, effective July 1, 1991, made the same changes as the first and inserted "unless this requirement has been waived under AS 43.23.005(f)" in two places.

The 1992 amendment, effective January 1, 1993, added the last two sentences in subsection (a) and rewrote subsection (b).

Editor's notes. — Under § 20, ch. 4, SLA 1992, the amendment to (a) of this section made by § 10, ch. 4, SLA 1992, is retroactive to January 1, 1992.

NOTES TO DECISIONS

Extension of filing time denied. — Department of revenue ruling that an extension of time for filing an application for a permanent fund dividend was not available because the information submitted in the original application was deceptive was reasonable and not arbitrary, where applicant submitted false residency verifications containing forged signatures. *Handley v. State, Dep't of Revenue, 838 P.2d 1231 (Alaska 1992).*

Prohibiting permanent fund distribution to illegal aliens. — An administrative regulation, which restricted per-

manent fund dividend eligibility to aliens with resident alien or refugee status, fell within the delegated authority of the commissioner of revenue to regulate the eligibility of individuals for permanent fund dividends. The regulation was also constitutional under the state and federal equal protection clauses. Limiting the distribution of dividends to those who are lawful permanent residents is rationally related to legitimate objectives of the dividend program. *State, Dep't of Revenue v. Cosio, 858 P.2d 621 (Alaska 1993).*

Sec. 43.23.016. Voter registration. The commissioner shall include voter registration forms prepared under AS 15.07.070(b) with permanent fund dividend applications. (§ 1 ch 48 SLA 1992)

Effective dates. — Section 2, ch. 48, SLA 1992 makes this section effective on January 1, 1993.

Legislative history reports. — For legislative letter of intent and request for

report in connection with the enactment of this section by § 1, ch. 48, SLA 1992 (CSSB 362(STA)(title am)), see 1992 Senate Journal, p. 2053.

Sec. 43.23.025. Amount of dividend. (a) By October 1 of each year the commissioner shall determine the value of each permanent fund dividend for that year by

(1) determining the total amount available for dividend payments, which equals

(A) the amount of income of the Alaska permanent fund transferred to the dividend fund under AS 37.13.145(b) during the current year;

(B) plus the unexpended and unobligated balances of prior fiscal year appropriations that lapse into the dividend fund under AS 43.23.045(d);

(C) less the amount necessary to pay dividends from the dividend fund in the current year under AS 43.23.055(3) and (7);

(D) less the amount necessary to pay dividends from the dividend fund due to eligible applicants who, as determined by the department, filed for a previous year's dividend by the filing deadline but who were not included in a previous year's dividend computation;

(E) less appropriations from the dividend fund during the current year, including amounts to pay costs of administering the dividend program and the hold harmless provisions of AS 43.23.075;

(2) determining the number of individuals eligible to receive a dividend payment for the current year; and

(3) dividing the amount determined under (1) of this section by the amount determined under (2) of this section.

(b) [Repealed, § 5 ch 68 SLA 1991.] (§ 1 ch 102 SLA 1982; am § 1 ch 55 SLA 1983; am § 2 ch 43 SLA 1984; am § 2 ch 57 SLA 1987; am § 2 ch 54 SLA 1988; am § 4 ch 68 SLA 1990; am § 1 ch 198 SLA 1990; am § 5 ch 68 SLA 1991; am § 27 ch 134 SLA 1992)

Effect of amendments. — The 1991 amendment, effective June 20, 1991, repealed subsection (b).

The 1992 amendment, effective July 1, 1992, made a section reference substitution in subparagraph (a)(1)(A).

Sec. 43.23.028. Public notice. (a) By October 1 of each year the commissioner shall give public notice of the value of each permanent fund dividend for that year. The notice and the stub attached to each individual dividend check must disclose the amount

(1) of each dividend attributable to income earned by the permanent fund from deposits to that fund required under art. IX, sec. 15, Constitution of the State of Alaska;

(2) of each dividend attributable to income earned by the permanent fund from appropriations to that fund and from amounts added to that fund to offset the effects of inflation; and

(3) by which each dividend has been reduced due to each appropriation from the dividend fund, including amounts to pay the costs of administering the dividend program and the hold harmless provisions of AS 43.23.075.

(b) The notice requirements of (a) of this section do not apply to appropriations from the dividend fund to the crime victim compensation fund established under AS 18.67.162, to the council on domestic violence and sexual assault established under AS 18.66.010, or to the Department of Corrections to the extent that amounts appropriated for a fiscal year do not exceed the total amount that would have been paid during the previous fiscal year to individuals who are ineligible to receive dividends under AS 43.23.005(d) if they had been eligible. (§ 2 ch 198 SLA 1990; am § 3 ch 68 SLA 1991; am § 1 ch 82 SLA 1993)

Effect of amendments. — The 1993 amendment, effective July 1, 1993, added subsection (b).

The 1993 amendment, effective July 1, 1993, inserted "to the extent of the amount of the fine for domestic violence and sexual assault under AS 18.66.010" in subsection (b) and made other changes in subsection (b).

Sec. 43.23.035. (a) If a person is convicted of a crime for which a criminal certification requirement is required, and the certification requirement is reversed, that person is not eligible for a permanent fund dividend if the person should not have been convicted of the crime.

(b) If the commissioner determines that a person should not have been convicted of a crime, the person may use the permanent fund dividend to pay the amount of any tax on the permanent fund dividend that the person has paid on the dividend.

(1) three years

(2) six years after the date the person is determined to be innocent of the crime, unless the person has been previously convicted of a crime that is a felony or a misdemeanor made in an application for a permanent fund dividend.

(c) An individual who is convicted of a crime and who misrepresents, or who omits a material fact pertaining to the crime, is liable to a civil fine of not more than five dividends for each year that the individual may commence a criminal action against the individual.

(d) If notice is given under subsection (b) of this section, the individual is not eligible for recovery of the permanent fund dividend for the year in which the individual committed a crime for which the individual is convicted. (§ 1 ch 198 SLA 1990; am § 4 SLA 1993)

Effect of amendments. — The 1993 amendment, effective July 1, 1993, added subsection (b).

Security Act, Title XIX) had there been no permanent fund dividend program.

(c) An individual who is denied assistance solely because permanent fund dividends received by the individual or by a member of the individual's household are counted as income or resources under federal law or regulation is eligible for cash assistance under AS 47.25.120 — 47.25.300 (general relief assistance program). Notwithstanding the limit in AS 47.25.130, the individual is entitled to receive, for a period not to exceed four months, the same amount as the individual would have received under other public assistance programs had there been no permanent fund dividend program. (§ 1 ch 102 SLA 1982)

Revisor's notes. — Section 14, ch. 99, SLA 1985, amends this section. The amendment is effective if § 1, ch. 99, SLA 1985 is repealed (see § 25, ch. 99, SLA 1985). If the amendment becomes law, the section will read: "(a) In determining the eligibility of an individual under a public assistance program administered by the Department of Health and Social Services in which eligibility for assistance is based on financial need, the Department of Health and Social Services may not consider a permanent fund dividend as income or resources received by the recipient of public assistance or by a member of the recipient's household unless required to do so by federal law or regulation. The Department of Health and Social Services shall notify all recipients of public assistance of the effects of a permanent fund dividend credit or cash payment.

"(b) An individual who is denied medical assistance under 42 U.S.C. 1396 — 1396p (Social Security Act, Title XIX) solely because of the credit or receipt of a permanent fund dividend by the individual or by a member of the individual's

household is eligible for state-funded medical assistance under the general relief assistance program (AS 47.25.120 — 47.25.300). The individual is entitled to receive, for a period not to exceed four months, the same level of medical assistance as the individual would have received under 42 U.S.C. 1396 — 1396p (Social Security Act, Title XIX) had there been no permanent fund dividend program.

"(c) An individual who is denied assistance solely because permanent fund dividends credited to or received by the individual or by a member of the individual's household are counted as income or resources under federal law or regulation is eligible for cash assistance under the general relief assistance program (AS 47.25.120 — 47.25.300). Notwithstanding the limit in AS 47.25.130, the individual is entitled to receive, for a period not to exceed four months, the same amount as the individual would have received under other public assistance programs had there been no permanent fund dividend program."

Sec. 43.23.080. Eligibility for state public assistance payments. [Repealed, § 22 ch 102 SLA 1982.]

Sec. 43.23.085. Eligibility for state programs. A program administered by the state or any of its instrumentalities or municipalities, the eligibility for which is based on financial need, may not consider a permanent fund dividend as income or resources unless required to do so by federal law or regulation. (§ 1 ch 102 SLA 1982)

Sec. 43.23.090. Tax.

Sec. 43.23.095. Definition.

- (1) "Alaska permanent fund" means the permanent fund established by AS 15 of the state constitution.
- (2) *[Repealed, § 38 ch 102 SLA 1982.]*
- (3) *[Repealed, § 38 ch 102 SLA 1982.]*
- (4) "disabled" means a person who has a physical or mental condition that requires the person to sign an application during the preceding 12 months for orthopedic, or other health care, that is attributable to a physical or mental condition such as autism or other cause;
- (5) "dividend fund" means the permanent fund;
- (6) "individual" means a natural person;
- (7) "permanent fund" means the permanent fund established by AS 15 of the state constitution;
- (8) "state resident" means a person who is domiciled in the state with the individual; the individual is not domiciled in the state and is absent from the state for more than 180 days;
- (A) vocational, professional, or other comparable program with the individual;
- (B) secondary or postsecondary education;
- (C) military service;
- (D) medical treatment;
- (E) service in Congress;
- (F) other reasons which are beyond the individual's control; or
- (G) service in the Peace Corps;
- (9) "year" means a calendar year.

Revisor's notes. — Section 14, ch. 99, SLA 1985, amends present (7) and (9). The amendment is effective if § 1, ch. 99, SLA 1985 is repealed (see § 25, ch. 99, SLA 1985). If the amendment becomes law, the paragraph will read: "The permanent fund dividend means a credit to an annuity account or a cash payment to the individual." In addition, § 16, ch. 99, SLA 1985, enacts AS 43.23.110. If § 16, ch. 99, SLA 1985 becomes law, the new sections

"Article 2. Annuity Programs"

Sec. 43.23.110. Annuity investments. (a) The annuity investments

FISCAL NOTES ACCOMPANYING SB 37

	<u>1995</u>		<u>1996</u>	
	<u>Cost</u>	<u>Savings</u>	<u>Cost</u>	<u>Savings</u>
1. DH&SS, Med. Asst. Hold Harmless		(1,100.0)		(1,100.0) <i>adjust.</i>
2. DH&SS, Med. Asst. Medicaid Fac.	488.4			
3. DH&SS, Med. Asst. Medicaid Non-Fac.	171.6		660.0 (#2&3 Combined)	
4. DH&SS, Pub. Asst. Eligibility	86.0		120.7	
5. DH&SS, PFD Hold Harmless		(22,316.1)		(21,738.6) <i>adjust.</i>
6. DH&SS, Adult Pub. Assist.		(2,562.1)		(2,644.0)
7. DH&SS, General Relief	1,052.8		1,026.7	
8. DH&SS, AFDC		(12,875.5)		(12,100.0)
9. DOR	0			
	<hr/>	<hr/>	<hr/>	<hr/>
	1,798.8	(38,853.7)	1,807.4	(37,582.6)

Prepared by SFC staff
2/23/96

3/9/95

^{Jan}
Dave -

During the meeting
this morning Jan.
Frank moved to
tighten the title on
SB 37. Attached is
a draft for his
review.

OK

Kathy
2018

3/10/95

Delivered to Sen. Phillips
for his review.

Caroline advised that
new title appears to be
confusing. She said
she would talk with
Sen. Phillips and get
back to me. 3:30pm

3/16/95 Caroline advised
that Sen. Phillips said
to go ahead with this
draft.

CS FOR SENATE BILL NO. 37(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): SENATORS PHILLIPS, Taylor

A BILL

FOR AN ACT ENTITLED

1 "An Act eliminating medical assistance from the general relief assistance program
 2 for individuals who, due to receipt of permanent fund dividends, are denied
 3 medical assistance under 42 U.S.C. 1396 - 1396p (Social Security Act, Title XIX),
 4 eliminating cash assistance under the general relief assistance program for
 5 individuals who, due to receipt of permanent fund dividends, are denied assistance
 6 under federal law or regulation, providing for general relief assistance for
 7 individuals who, due to receipt of permanent fund dividends, are denied assistance
 8 under adult public assistance or 42 U.S.C. 1381 - 1385 (Title XVI, Social Security
 9 Act Supplemental Security Income Program), and providing for an effective date."

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

11 * Section 1. AS 43.23.075(b) is amended to read:

12 (b) An individual who is denied [MEDICAL] assistance under AS 47.25.430 -

1 47.25.615 (adult public assistance) or 42 U.S.C. 1381 - 1385 (Title XVI, Social
2 Security Act Supplemental Security Income Program) [42 U.S.C. 1396 - 1396p
3 (SOCIAL SECURITY ACT, TITLE XIX)] solely because of the receipt of a
4 permanent fund dividend by the individual or by a member of the individual's
5 household is eligible for state-funded [MEDICAL] assistance under AS 47.25.120 -
6 47.25.300 (general relief assistance program). The individual is entitled to receive, for
7 a period not to exceed four months, the same level of [MEDICAL] assistance as the
8 individual would have received under AS 47.25.430 - 47.25.615 (adult public
9 assistance) or 42 U.S.C. 1381 - 1385 (Title XVI, Social Security Act Supplemental
10 Security Income Program) [42 U.S.C. 1396 - 1396p (SOCIAL SECURITY ACT,
11 TITLE XIX)] had there been no permanent fund dividend program.

12 * Sec. 2. AS 43.23.075(c) is repealed.

13 * Sec. 3. This Act takes effect July 1, 1995.

WORK DRAFT

WORK DRAFT

WORK DRAFT

3/9/95
Adopted

9-LS0449NG

Cook

2/17/95

in lieu of 2/15/95 Draft Called legal re: tightened title 11:45am

CS FOR SENATE BILL NO. 37()

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): SENATORS PHILLIPS, Taylor

Tighten Title

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to treatment of permanent fund dividends for purposes of
2 determining eligibility for certain benefits; and providing for an effective date."

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

4 * Section 1. AS 43.23.075(b) is amended to read:

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7 Security Act Supplemental Security Income Program) [42 U.S.C. 1396 - 1396p
8 (SOCIAL SECURITY ACT, TITLE XIX)] solely because of the receipt of a permanent
9 fund dividend by the individual or by a member of the individual's household is eligible
10 for state-funded [MEDICAL] assistance under AS 47.25.120 - 47.25.300 (general relief
11 assistance program). The individual is entitled to receive, for a period not to exceed four
12 months, the same level of [MEDICAL] assistance as the individual would have received
13 under AS 47.25.430 - 47.25.615 (adult public assistance) or 42 U.S.C. 1381 - 1385
14 (Title XVI, Social Security Act Supplemental Security Income Program) [42 U.S.C.

1 1396 - 1396p (SOCIAL SECURITY ACT, TITLE XIX)] had there been no permanent
2 fund dividend program.

3 * Sec. 2. AS 43.23.075(c) is repealed.

4 * Sec. 3. This Act takes effect July 1, 1995.

3/1/95

WORK DRAFT

WORK DRAFT

WORK DRAFT

9-040419G

Cook

2/15/95

Adopted

Supersede
by 2/17/95
Draft

CS FOR SENATE BILL NO. 37()

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): SENATORS PHILLIPS, Taylor

A BILL

FOR AN ACT ENTITLED

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2 determining eligibility for certain benefits; and providing for an effective date."

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6 - 1385 (Title XVI, Social Security Act Supplemental Security Income Program) [42
7 U.S.C. 1396 - 1396p (SOCIAL SECURITY ACT, TITLE XIX)] solely because of the
8 receipt of a permanent fund dividend by the individual or by a member of the individual's
9 household is eligible for state-funded [MEDICAL] assistance under AS 47.25.120 -
10 47.25.300 (general relief assistance program). The individual is entitled to receive, for
11 a period not to exceed four months, the same level of [MEDICAL] assistance as the
12 individual would have received under 42 U.S.C. 1381 - 1385 (Title XVI, Social Security
13 Act Supplemental Security Income Program) [42 U.S.C. 1396 - 1396p (SOCIAL
14 SECURITY ACT, TITLE XIX)] had there been no permanent fund dividend program.

- 1 * Sec. 2. AS 43.23.075(c) is repealed.
- 2 * Sec. 3. This Act takes effect July 1, 1995.



ALASKA STATE LEGISLATURE

SENATOR RANDY PHILLIPS
SENATE DISTRICT L

SESSION
State Capitol
Juneau, AK 99801
(907) 465-4949
800-478-4950
Fax: 465-4979

INTERIM
P.O. Box 142
Eagle River AK 99577
(907) 694-4949
Fax: 694-4948

SPONSOR STATEMENT

DRAFT CS SB 37, "An Act eliminating medical assistance from the general relief assistance program for individuals who, due to receipt of permanent fund dividends, are denied medical assistance under 42 U.S.C. 1396- 1396p (Social Security Act, Title XIX), eliminating cash assistance under the general relief assistance program for individuals, who due to receipt of permanent fund dividends, are denied assistance under federal law or regulation, providing for general relief assistance for individuals who, due to receipt of permanent fund dividends, are denied assistance under adult public assistance or 42 U.S.C. 1381 - 1385 (Title XVI, Social Security Supplemental Security Income Program); and providing for an effective date."

The draft CS for SB 37 ends the hold harmless provision of the permanent fund dividend for persons receiving AFDC, Medicaid and general relief benefits. Alaskans who are aged, blind or disabled who receive Supplemental Security Income (SSI) are excluded from this legislation and would still be eligible to receive their permanent fund dividend without affecting their SSI benefits.

The FY '97 funding request for the hold harmless program is \$21.258 million. Last year, that resulted in a reduction of \$40.36 to each permanent fund dividend check issued. By the year 2000 it is projected that the deduction will be \$48.31. This amounts to a tax on each Alaskan's dividend check, and is the only tax taken directly from the check.

With the elimination of the hold harmless provision, permanent fund dividends received by AFDC and general relief recipients would be treated as income, just as are the dividend checks received by every other Alaskan.

3/20/95

Transmitted to
Larry for okay before
filing.

Larry advised that an
updated version would
be forthcoming reflecting
changes in CSSB 37 (Fix).

Kathy

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Alaska Commission on Aging

Position Paper on Senate Bill 37

The Alaska Commission on Aging opposes Senate Bill 37 which repeals the Permanent Fund Dividend (PFD) Hold Harmless program. Passage of this bill will negatively impact 8,000 senior citizens in Alaska who receive adult public assistance, food stamps, Supplemental Security Income (SSI), and Medicaid.

The PFD hold harmless program currently allows all Alaskans, regardless of income, to enjoy the dividend program and to share the wealth of the state. By eliminating the hold harmless program, the legislature would force people on public assistance to lose needs-based assistance. Loss of benefits could result in extreme hardship for a certain class of low income people, including the poor elderly, blind and disabled, who receive public assistance.

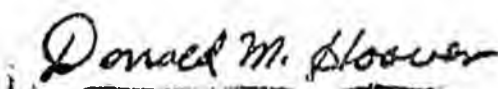
For seniors, loss of adult public assistance or SSI could mean inability to pay rent, utilities, or other bills associated with the cost of housing. The potential exists for seniors on SSI or adult public assistance to lose their housing and become homeless because of the PFD. No resident of Alaska should be placed in that position. Loss of food stamp eligibility could mean that seniors cannot afford nutritious food and would go hungry for a month before they could be reinstated into the program.

Seniors on Medicaid would be suspended for a month when they receive their PFD. If, during that month, they become ill, need hospitalization, or need to go to a nursing home, Medicaid will not pay their bills. In addition, if seniors on Medicaid fail to spend down their permanent fund in one month, they will not only be suspended, but will also be determined ineligible to receive Medicaid and will have to reapply at a later date. Not only does this situation create confusion and additional work for the seniors involved, but it also creates additional administrative paperwork for the State.

The PFD is not earned income. Paying for hold harmless through the PFD program is a small cost to Alaskans. Yet that small sacrifice greatly benefits Alaska's poor population. All Alaskans deserve to share the distributed oil wealth equally without fear of losing their homes or going hungry because of loss of public assistance benefits.

The Alaska Commission on Aging opposes SB 37.

Dated March 1, 1995



Donald M. Hoover, Chairman
Alaska Commission on Aging

Hold for
updated
version. 3/2

ALASKA COMMISSION ON AGING

Position Paper on CS for Senate Bill 37; End Permanent Fund Hold Harmless

The Alaska Commission on Aging opposes the Committee Substitute for Senate Bill 37 which repeals many of the Permanent Fund Dividend (PFD) Hold Harmless provisions. This bill would temporarily halt assistance which poor Alaskans of all ages now receive through Medicaid, Aid to Families with Dependent Children (AFDC), or Food Stamps by no longer covering them under the PFD Hold Harmless provisions.

The PFD hold harmless program currently allows all Alaskans, regardless of income, to enjoy the dividend program and share equally in Alaska's wealth. Eliminating much of the hold harmless program would cause poor children, their parents, the disabled, the ill, and the aged to lose needs-based assistance, creating extreme financial hardship for this substantial number of Alaskans.

Seniors on Medicaid would be suspended for the month when they received their PFD, if they did not spend their entire check within the month it was received. (Sometimes an ill person has difficulty managing these financial matters so as to escape the Medicaid denial "trap.") Senior PFD recipients in nursing homes, who had already depleted their personal finances paying for their care, would find their Medicaid eligibility denied for one to three months.

The provisions of SB 37 are not consistent with Alaskans' family values, and sense of community. The PFD is not earned income. Paying for the hold harmless provisions through the PFD program is a small cost to all Alaskans which greatly benefits the State's poor population.

The Alaska Commission on Aging is committed to the health and well-being of Alaskans of all ages and incomes. All Alaskans deserve to share the distributed oil wealth equally, without fear of losing the assistance which provides them with basic shelter, food, and medical assistance.

Dated: 4/21/95, 1995



Donald M. Hoover, Chairman
Alaska Commission on Aging



ALASKA STATE LEGISLATURE

SENATOR RANDY PHILLIPS
SENATE DISTRICT L

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State Affairs
Legislative Budget & Audit Committee

MEMBER
Senate Finance Committee
Alaska Commission on
Postsecondary Education
Alaska Job Training Council

EXPLANATION OF DRAFT CS SB 37

The draft CS for SB 37 removes recipients of SSI (federal supplemental security income) and adult public assistance, which is the state supplement to SSI, from the bill. These recipients are the disabled and elderly, the majority of whom have no choice but to be on public assistance. Under this bill these individuals would be eligible to collect their Permanent Fund Dividend without affecting the amount of public assistance they are entitled to receive.

Under this draft, the hold harmless provision would still be eliminated for AFDC recipients.



ALASKA STATE LEGISLATURE

SENATOR RANDY PHILLIPS

SENATE DISTRICT L

SESSION

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MEMBER

Senate Finance Committee
Alaska Commission on
Postsecondary Education
Alaska Job Training Council

Sectional Analysis

CS SB 37 (draft)

Section 1.

Amends AS 43.23.075(b) to allow persons on adult public assistance or Supplemental Security Income to receive, for a period of up to four months, the same level of assistance as if they had not received a permanent fund dividend.

Section 2.

Repeals AS 43.23.075(c), which provides for general relief assistance for an individual who is denied assistance because of the receipt of a Permanent Fund Dividend.

Section 3.

Provides for an effective date of July 1, 1995.

Position Paper
CS SB 37
Work Draft
9-LS0449\G
Cook
2/17/95

The Department of Health and Social Services opposes passage of this legislation.

Previous Administrations have considered elimination of the Permanent Fund Dividend Hold-Harmless program and have concluded that elimination is neither desirable nor cost-effective. The Eighteenth Legislature apparently reached the same conclusion. Legislation to repeal the hold-harmless program was introduced in 1993 and did not pass.

This legislation produces increases in General Fund expenditures and makes unprecedented cuts in assistance to low-income families, the working poor, and people with catastrophic, unanticipated medical needs. In effect, this bill sends a clear message to Alaskans who are so poor that they need public assistance to meet their basic needs for food, shelter, clothing, and medical care: *You do not deserve to share equally with the rest of us in Alaska's oil wealth.*

Legislation like this has no place in this era of welfare reform. Real welfare reform means creating real chances and positive choices for people to succeed, not making them poorer. Many welfare recipients share a sense of being trapped in a system that does not care about them and offers no real opportunity for a better life; changing that belief is essential to changing the system to one that works for poor people and the rest of us.

The cutbacks imposed by this bill will set people back further than they already are and make it even harder for them to make it on their own. The Department is working hard to change the system to encourage financial independence. This legislation will make a very challenging job even harder.

Federal law changes are likely within the next year to allow payments like the Permanent Fund Dividend to be exempted from counting against public assistance benefits, and to enable Alaska to encourage public assistance recipients to use their dividend money constructively, in ways that will help them become self-supporting.

WHY OPPOSE THIS BILL?

- **It's unfair.** The PFD hold harmless program was established to assure that all Alaskans could share equally in the state's oil wealth. That philosophy is as valid today as it was when the hold harmless program was created along with the first dividend distribution.

It is as wrong to characterize the funding of the hold harmless program as a "tax" on dividend recipients as it would be to call the funding of the administration of the dividend program itself from the same source a "tax." The hold harmless program is part of the dividend program.

- **It's expensive.** This bill doesn't save General Fund money, it costs.

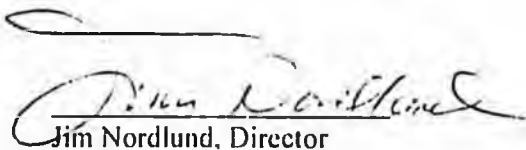
- **It's bad social policy.** Making poor people even poorer accomplishes nothing, it just sets them deeper into poverty and makes it harder for them to escape. In some instances, people will lose medical coverage for unavoidable costs that far exceed the amount of their dividends; such costs will inevitably be passed along to the public.
- **It's bad timing.** Major Welfare Reform is underway. This bill is premature and may become unnecessary before the end of this year. We'd best put our efforts into positive, lasting reform. Alaska may soon be able to let welfare recipients set aside dividend money for specific purposes like education or job training, purchase of tools needed for work, or other uses that will help them become self-supporting.

WHAT THIS BILL DOES:

- **Leaves more than 24,000 children who live below the poverty line without AFDC benefits for a month every year.** Also cuts off AFDC to the more than 14,000 parents who live with them. Contrary to popular belief, many AFDC clients work. Many others would work if jobs were available, and do work when they can, often seasonally.
- **Cuts off food stamp replacement benefits to more than 36,000 Alaskans.** Many of these are low-income working people who don't make enough to provide for a basic, healthy diet. Others are elderly, disabled, or homeless. Many are children. All are poor.
- **Increases public assistance administrative costs.** Currently, an interagency agreement between the Department and the federal AFDC agency reduces the amount of case processing required when AFDC recipients receive dividends. This bill will nullify that agreement and create additional work for public assistance eligibility workers. Additional demand for General Relief benefits will also create additional casework. Most of the cost of processing dividend-related case changes will shift from the PFD hold harmless program to the General Fund.
- **Creates additional need for state General Relief benefits.** Many AFDC and Food Stamp households will face emergency needs for food or shelter and turn to the General relief program for help when they lose their eligibility for AFDC and/or food stamps two months after they get their dividends.
- **Drives up General Fund costs.** This bill produces \$1.12 million in new General Fund/GFM costs for administration and General Relief benefits.
- **Makes the largest reduction ever in Alaska's AFDC program.** On an annual basis, a typical AFDC family would lose nearly 8 percent of its annual cash assistance benefits under this legislation. In 1993, after long debate about a larger proposed reduction, the legislature adopted an AFDC reduction of about 3 percent. In 1994, House Bill 409, which would have imposed a 1.7 percent reduction in its final form, failed to pass.
- **Further degrades the purchasing power of AFDC benefits.** No increases in AFDC benefit levels have occurred since 1993, when automatic annual COLA adjustments were repealed, despite an increase of 5.5 percent in the federal consumer price index since then.


- **Cuts off Medicaid to people who can't afford to pay their own medical costs.** Although relatively few people would lose medical coverage under this bill, many of them would be people with unanticipated, potentially very expensive, medical needs.
- **Reduces the ability of people on public assistance to use their dividends for essential purchases.** Research has shown that public assistance recipients commonly use their dividends to buy clothes, stock up on food, pay off bills, and purchase household goods. Like other low-income people, public assistance recipients tend to use their dividends to purchase needed items in the local economy.

RECOMMENDATION: The Department of Health and Social Services recommends against passage of this legislation.



Jim Nordlund, Director
Division of Public Assistance

2/21/95
Date



Karen Perdue
Commissioner
Department of Health and Social
Services

2/21/95
Date

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. DRAFT - CSSB 37
(9-LS0449)G COOK 2/17/95

Revision Date: _____ Dept. Affected: Health and Social Services
Title: An Act relating to permanent fund dividends BRU: PFH Hold Harmless
Component: PFH Hold Harmless
Sponsor: Phillips
Requestor: Phillips COMPONENT SERIAL NO. 225

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY96	FY97	FY98	FY99	FY00	FY01
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	(366.7)	(385.0)	(404.3)	(424.5)	(445.7)	(468.0)
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	(17,663.6)	(18,546.8)	(19,474.1)	(20,447.8)	(21,470.2)	(22,543.7)
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	(18,030.3)	(18,931.8)	(19,878.4)	(20,872.3)	(21,915.9)	(23,011.7)

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGES IN REVENUES	0	0	0	0	0	0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other 1050 PFD Fund	(18,030.3)	(18,931.8)	(19,878.4)	(20,872.3)	(21,915.9)	(23,011.7)
TOTAL	(18,030.3)	(18,931.8)	(19,878.4)	(20,872.3)	(21,915.9)	(23,011.7)

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 any current year (FY95) cost: \$ NONE

ANALYSIS: (Attach a separate page if necessary)

This bill repeals Permanent Fund Hold Harmless (PFH-HH) protection for recipients of Aid to Families with Dependent Children (AFDC), Medicaid, and the Food Stamp Program. PFH-HH protection of cash benefits to the aged, blind, and disabled under the Adult Public Assistance (APA) and Supplemental Security Income (SSI) programs continues to be provided as under the current law.

The PFH-HH program replaces the public assistance benefits of individuals who are denied benefits because federal law or regulation requires that their Permanent Fund dividend payments be treated as income or a resource (asset) in determining their eligibility for public assistance benefits. AS 43.23.075 holds public assistance benefits harmless for up to four months each year from the effects of receiving dividend payments.

Prepared by: Jim Nordlund, Director
Division: Division of Public Assistance
Approved by Com: Karen Perdue
Agency: Department of Health & Social Services

Phone: 465-2630
Date: 2/21/95
Date: 2/21/95

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ANALYSIS (cont.):

The PFD Hold Harmless program was established at the same time as the original, \$1000 PFD distribution in 1982. The legislature established the program to assure that low-income Alaskans could enjoy the benefit of the dividend program on the same basis as other Alaskans, without losing their eligibility for needs-based assistance.

These changes in the PFD Hold Harmless program will impact both the amount of assistance paid to individuals and families and the administrative effort required for the Division of Public Assistance to provide timely, accurate delivery of benefits. The Department of Health and Social Services has established interagency agreements with the federal agencies responsible for the AFDC and SSI programs. The agreement for the AFDC program, which substantially reduces the amount of case processing required when recipients receive dividends, would be nullified by this legislation. The agreement for the SSI program will continue. The administrative effort to process PFD Hold Harmless benefits for AFDC, Food Stamp and Medicaid recipients will be supplanted by the additional case processing effort required to suspend public assistance payments when dividend payments are distributed.

Technical Analysis

Section 1 of the bill repeals the existing language in AS 43.23.075(b) that allows replacement of Medicaid and inserts language that provides for replacement of Supplemental Security Income and Adult Public Assistance for recipients who lose eligibility solely because of receipt of a permanent fund dividend.

Section 2 of the bill repeals the language at AS 43.23.075(c) which authorizes payment of cash assistance to replace other public assistance benefits lost solely because of receipt of permanent fund dividend.

Section 3 establishes an effective date of July 1, 1995.

ANALYSIS (cont.):**Program Impacts**

Under current law, PFD-HH is paid to replace public assistance benefits in the following programs:

Aid to Families with Dependent Children (AFDC)

Food Stamp Program (FSP)

Medicaid

Adult Public Assistance (APA)

Supplemental Security Income (SSI)

The FY 96 Governor's budget plans expenditures to replace benefits with PFD-HH funds according to the following schedule:

<u>Program</u>	<u>Cases</u>	<u>Persons Impacted</u>	<u>Formula Budget</u>
AFDC	12987	39639	12875.5
FSP	11373	36384	3688.1
Medicaid	NA	2000	1100.0
APA	7932	7932	2562.1
SSI	5630	5630	1617.7
Total FY 96 Grants			21843.4

PFD-HH funds for replacement of Food Stamp benefits are paid directly to recipients as cash in lieu of food coupons. In FY 96, a typical Food Stamp household is expected to receive one \$324 PFD-HH payment to replace a month's worth of food coupons.

PFD-HH funds for replacement of AFDC benefits are transferred as Interagency Receipts to the AFDC component of the Assistance Payments BRU.

ANALYSIS (cont.):

In the AFDC program, PFD-HH benefits replace federally-matched AFDC payments which would otherwise not be paid because of dividend receipt. The benefits replaced include AFDC grants which would be denied because of the dividend payments themselves as well as grants that would be reduced because federal AFDC policy requires that cash PFD-HH payments made in lieu of food stamps be treated as income for AFDC purposes. A typical AFDC family is expected to receive \$780 in PFD-HH during FY 96 to replace one month's AFDC grant, and an additional \$272 in PFD-HH to restore AFDC grant reductions that result from receiving cash in lieu of food coupons.

Under an interagency operating agreement with the federal Department of Health and Human Services, claims for AFDC federal matching funds are reduced to reflect the amount of benefits which would be paid if AFDC grants were denied because of dividend and food stamp hold harmless payments. This agreement saves substantial administrative effort because individual AFDC cases do not have to be suspended during the dividend season. This legislation would nullify the AFDC agreement.

PFD-HH funds for replacement of Medicaid benefits are transferred as Interagency Receipts to the Medicaid PFD Hold Harmless component of the Medical Assistance BRU. Most Medicaid PFD Hold Harmless benefits are paid on behalf of individuals who retain dividend money beyond the month they receive it, causing their household's resources to exceed program limits.

PFD-HH funds for replacement of APA benefits are transferred as Interagency Receipts to the Adult Public Assistance component of the Assistance Payments BRU. The typical PFD-HH benefit to an APA recipient is \$323 to replace one month's benefit. These payments would continue under this legislation.

PFD-HH funds for replacement of SSI benefits are paid under an interagency agreement to the federal Social Security Administration, which applies them as reimbursement for the cost of SSI benefits paid to individuals who receive dividends. PFD-HH benefits to replace SSI are expected to average \$287 per person in FY 96. Under this bill, the SSI agreement continues.

PFD-Hold Harmless benefits will not be paid to AFDC, Food Stamp, and Medicaid recipients if this bill becomes law. Most AFDC and Food Stamp recipients who receive dividends will become ineligible for benefits for one month, usually falling two months after the month they receive their dividend payments.

ANALYSIS (cont.):

The cost of PFD-HH benefits in future years is projected to grow at 5 percent per year, based on anticipated annual caseload growth of 5 percent.

Administrative Impacts

The administrative cost of the PFD Hold Harmless program is based on estimates of the proportion of time used by Eligibility Determination staff to process case actions related to divided payments and PFD-HH benefits. In FY 96, 472.7 in PFD-HH Contractual funds is planned to be transferred as Interagency Receipts to the Eligibility Determination component of the Public Assistance Administration BRU.

This analysis presumes that the intent of this legislation is to continue appropriation of money from the Dividend Fund to administer PFD-HH for APA and SSI cases and to preclude the appropriation of money from the Dividend Fund to administer other public assistance programs. The cost of processing case changes resulting from the receipt of dividends by AFDC, Food Stamp, and Medicaid recipients is, therefore, shifted to General Fund.

Under this legislation, two permanent full-time positions statewide will continue to process PFD-HH casework on the APA caseload at a cost of 106.0 and continue to be funded with PFD-HH funds. The administrative effort to process PFD-HH for APA and SSI cases would not change.

This bill results in a net increase in the administrative effort required to take the dividend payments into account in AFDC, Food Stamp and Medicaid and process the necessary case changes. The time required to process Food Stamp cases would decrease because it would no longer be necessary to convert assistance to cash in lieu of food coupons and back again. The time to process AFDC cases in the absence of the PFD-HH program would increase substantially: under the Hold Harmless program, benefit authorization for these programs consists of the one-time entry of a few special computer codes. Without the PFD-HH program, action will have to be taken to suspend the benefits of each affected public assistance case, and to reinstate benefits after the month of suspension. Processing dividend payments received by AFDC, Food Stamp, and Medicaid cases will cost 366.7 General Fund.

The need for staff is also expected to increase because of a substantial increase in General Relief applications from recipients who are unable to pay for rent or food when they lose their cash and food benefits two months after they receive their dividend checks. The Division of Public Assistance would make every effort to apprise recipients in advance that they will be retrospectively ineligible, but some AFDC and Food Stamp recipients would inevitably fail to conserve enough dividend money to meet their future needs.

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. DRAFT CSSB37
(9-LS0449)G COOK 2/17/95)

Revision Date: _____ Dept. Affected: Health and Social Services
Title: An Act relating to permanent fund dividends BRU: Assistance Payments
Component: AFDC
Sponsor: Phillips
Requestor: Phillips COMPONENT SERIAL NO. 220

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY96	FY97	FY98	FY99	FY00	FY01
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	(12,875.5)	(13,519.3)	(14,195.3)	(14,905.1)	(15,650.4)	(16,432.9)
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	(12,875.5)	(13,519.3)	(14,195.3)	(14,905.1)	(15,650.4)	(16,432.9)

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGES IN REVENUES	0	0	0	0	0	0
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other 1007 I/A Receipts	(12,875.5)	(13,519.3)	(14,195.3)	(14,905.1)	(15,650.4)	(16,432.9)
TOTAL	(12,875.5)	(13,519.3)	(14,195.3)	(14,905.1)	(15,650.4)	(16,432.9)

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 any current year (FY95) cost: \$ NONE

ANALYSIS: (Attach a separate page if necessary)

This bill repeals Permanent Fund Hold Harmless (PFD-HH) protection for recipients of Aid to Families with Dependent Children (AFDC), Medicaid, and the Food Stamp Program. PFD-HH protection of cash benefits to the aged, blind, and disabled under the Adult Public Assistance (APA) and Supplemental Security Income (SSI) programs continues to be provided as under the current law.

Prepared by: Jim Nordlund, Director
Division: Division of Public Assistance
Approved by Com: Karen Perdue
Agency: Department of Health & Social Services

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Date: 2/21/95

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ANALYSIS (cont.):

The PFD-HH program replaces the AFDC benefits of individuals who are denied because federal law requires that their Permanent Fund dividend payments be treated as income or a resource (asset) in determining their eligibility. AS 43.23.075 holds AFDC benefits harmless for up to four months each year from the effects of receiving dividend payments. PFD payments are unearned income, which reduces AFDC benefits by about 92 cents for each dollar of income. Families which retain dividend money lose AFDC eligibility if their total resources exceed \$1000.

The AFDC budget component includes PFD-HH funds transferred as Interagency Receipts to replace federally-matched AFDC benefits that would otherwise not be paid because of dividend receipt. The benefits replaced include AFDC grants which would be denied because of the dividend payments themselves as well as grants that would be reduced because federal AFDC policy requires that cash PFD-HH payments made in lieu of food stamps be treated as income for AFDC purposes.

The FY96 Governor's budget plans \$12,875,500.00 in PFD-HH expenditures to replace the AFDC benefits of 12,987 families including 39,639 individuals. The cost of PFD-HH benefits to replace AFDC in future years is projected to grow at 5 percent per year, based on anticipated annual caseload growth of 5 percent.

Under current law, a typical AFDC family is expected to receive \$780 in PFD-HH during FY 96 to replace one month's AFDC grant, and an additional \$272 in PFD-HH to restore AFDC grant reductions that result from receiving cash in lieu of food coupons. PFD-Hold Harmless benefits will not be paid to AFDC recipients if this bill becomes law. In most AFDC cases, recipients who receive dividends will become ineligible for benefits for one month, usually falling two months after the month they receive their dividend payments. Recipients who save enough of their dividend money to place them over the \$1000 resource limit will be ineligible until they have spent the money.

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. DRAFT CSSB37
(9-LS0449)G COOK 2/17/95

Revision Date: _____ Dept. Affected: Health and Social Services
Title: An Act relating to permanent fund dividends BRU: Assistance Payments
Sponsor: Phillips Component: General Relief Assistance
Requestor: Phillips COMPONENT SERIAL NO. 221

Expenditures/Revenues:

	(Thousands of Dollars)					
	FY96	FY97	FY98	FY99	FY00	FY01
OPERATING						
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	715.4	751.2	788.7	828.1	869.5	913.0
MISCELLANEOUS						
TOTAL OPERATING	715.4	751.2	788.7	828.1	869.5	913.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGES IN REVENUES	0	0	0	0	0	0

FUND SOURCE

	(Thousands of Dollars)					
	FY96	FY97	FY98	FY99	FY00	FY01
1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	715.4	751.2	788.7	828.1	869.5	913.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	715.4	751.2	788.7	828.1	869.5	913.0

POSITIONS:

	FY96	FY97	FY98	FY99	FY00	FY01
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 any current year (FY95) cost: \$ NONE

ANALYSIS: (Attach a separate page if necessary)

This bill repeals Permanent Fund Dividend Hold Harmless (PFD-HH) protection for recipients of AFDC, Food Stamps, and Medicaid. PFD-HH protection of Adult Public Assistance and Supplemental Security Income payments continues as under current law.

Because of the retrospective budgeting methodology in place for the AFDC and Food Stamp programs, the month of ineligibility will usually occur two months after the month the dividend is received. For example, if a family on public assistance gets its PFD checks in October, they will be ineligible for AFDC and food stamps in December.

Prepared by: Jim Nordlund, Director
Division: Division of Public Assistance
Approved by Com: Karen Perdue
Agency: Department of Health & Social Services

Phone: 465-2680
Date: 2/21/95
Date: 2/21/95

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ANALYSIS (cont.):

The General Relief Assistance (GRA) program provides vendor payments of up to \$120 per person per month for emergency needs such as food, clothing, and shelter when no other resource is available to pay for them. AFDC recipients are not generally eligible for GRA services because their cash grant meets their basic needs. Food Stamp recipients are not eligible for GRA for food purchases because their needs have already been covered.

This legislation will substantially increase the number of people who are entitled to GRA. Recipients who do not conserve enough of their dividend money to meet their needs two months later when they lose their AFDC and/or Food Stamp benefits can be expected to apply for General Relief when they are confronted with eviction, lack of food, lack of heating fuel, or lack of adequate winter clothing.

Under this bill, the following unduplicated numbers of individuals and cases are expected to be denied at least one month's benefits in FY96 as a result of receiving dividend payments:

<u>Program</u>	<u>Households</u>	<u>Persons Impacted</u>
AFDC	12987	39639
FSP*	<u>3867</u>	<u>9668</u>
Total	16854	49307

* 66 percent of the Food Stamp caseload also receives AFDC and APA benefits. This unduplicated count represents 34 percent of the Food Stamp PFD-HH caseload.

We estimate that 15 percent of the affected cases, with an average household size of 2.6 persons, will be entitled to GRA benefits for one month as a result of the repeal of PFD Hold Harmless coverage imposed by this legislation.

$16854 \text{ cases} \times 15\% = 2528 \times \$ 283 \text{ average payment} = 715.4$

The result will be an increase of 715.4 in need for FY 96 General Fund appropriations to pay General Relief benefits for food, shelter, and clothing costs.

We assume a 5 percent annual rate of caseload growth for FY 97 through FY 01.

FISCAL NOTE

**STATE OF ALASKA
1995 LEGISLATIVE SESSION**

BILL NO. DRAFT CSSB37
(9-LS0449(G) COOK 2/17/95)

Revision Date: _____ Dept. Affected: Health and Social Services
 Title: An Act relating to permanent fund dividends BRU: Public Assistance Administration
 Component: Eligibility Determination
 Sponsor: Phillips
 Requestor: Phillips COMPONENT SERIAL NO. 236

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY96	FY97	FY98	FY99	FY00	FY01
PERSONAL SERVICES	86.0	88.6	91.2	94.0	96.8	99.8
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	86.0	88.6	91.2	94.0	96.8	99.8
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGES IN REVENUES	0	0	0	0	0	0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	43.0	44.3	45.6	47.0	48.4	49.9
1003 GF Match	43.0	44.3	45.6	47.0	48.4	49.9
1004 GF	366.7	385.0	404.3	424.5	445.7	468.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other 1007 I/A Receipts	(366.7)	(385.0)	(404.3)	(424.5)	(445.7)	(468.0)
TOTAL	86.0	88.6	91.2	94.0	96.8	99.8

POSITIONS:

FULL-TIME	2	2	2	2	2	2
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of any current year (FY95) cost: \$ NONE

ANALYSIS: (Attach a separate page if necessary)

This bill repeals Permanent Fund Hold Harmless (PFD-HH) protection for recipients of Aid to Families with Dependent Children (AFDC), Medicaid, and the Food Stamp Program. PFD-HH protection of cash benefits to the aged, blind, and disabled under the Adult Public Assistance (APA) and Supplemental Security Income (SSI) programs continues to be provided as under the current law.

The PFD-HH program replaces the public assistance benefits of individuals who are denied benefits because federal law or regulation requires that their Permanent Fund dividend payments be treated as income or a resource (asset) in determining their eligibility for public assistance benefits. AS 43.23.075 holds public assistance benefits harmless for up to four months each year from the effects of receiving dividend payments.

Prepared by: Jim Nordlund, Director *Jim Nordlund* Phone: 465-2680
 Division: Division of Public Assistance Date: 2/21/95
 Approved by Com: Karen Perdue *Karen Perdue* Date: 2/21/95
 Agency: Department of Health & Social Services

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ANALYSIS (cont.):

This legislation will increase the administrative effort required for the Division of Public Assistance to provide timely, accurate delivery of benefits. The Department of Health and Social Services has established interagency agreements with the federal agencies responsible for the AFDC and SSI programs. These agreements reduce the amount of case processing required when recipients receive dividends. The interagency agreement with the federal AFDC agency program would be nullified by this bill. The administrative cost of processing PFD Hold Harmless replacement for the AFDC, Food Stamp and Medicaid programs would be more than supplanted by the additional case processing effort required under this legislation.

The administrative costs of the hold harmless for Adult Public Assistance and the federal SSI program would not be impacted by this legislation.

Administrative Impacts

The administrative cost of the PFD Hold Harmless program is based on estimates of the proportion of time used by Eligibility Determination staff to process case actions related to divided payments. In FY 96, 472.7 in PFD-HH Contractual funds is planned to be transferred as Interagency Receipts to the Eligibility Determination component of the Public Assistance Administration BRU.

Under existing law, the administration of the PFD-HH program and the processing of case changes related to the receipt of dividend payments require the equivalent of 10 permanent, full-time positions. This legislation results in an increase in the amount of administrative effort to take the dividend payments into account. We estimate that 11.8 permanent full-time equivalent positions will be needed to process dividend-related work.

The time required to process Food Stamp cases would decrease because it would no longer be necessary to convert assistance to cash in lieu of food coupons and back again. The time to process AFDC cases in the absence of the PFD-HH program would increase substantially: under the Hold Harmless program, benefit authorization for AFDC hold harmless consists of the one-time entry of a few special computer codes. Without the PFD-HH program, action will have to be taken to suspend the benefits of each affected AFDC case, and to reinstate benefits after the month of suspension. The need for staff is also expected to increase because of a substantial increase in General Relief applications from recipients who are unable to pay for rent or food when they lose their cash and food benefits two months after they receive their dividend checks.

The effects of this bill result in an increase of 86.0 in staffing needs in the Eligibility Determination Component, and in an increase of 409.7 in GF/GRM need for this component.

Position Title Eligibility Technician II		No. of Positions 2	Range/Step R14B	Bargaining Unit GGU
Time Status FT	Staff Months 12	Location Anchorage		Election District
TYPE of EXPENDITURE		AMOUNT		
Salary		60.4		
Benefits		25.6		
Premium Pay				
Other				
Total Personal Services		86.0		
Travel				
Contractual				
Commodities				
Equipment				
Other				
Total Cost		86.0		
FUNDING SOURCE for TOTAL COST				
1002	Federal Receipts	43.0		
1003	GF Match	43.0		
1004	General Fund			
1005	GF/Program Receipts			
1006	GF/Mental Health Trust			
1007	I/A Receipts			
1061	CIP Receipts			
Other				

Justification
 This bill repeals PFD Hold Harmless coverage for the AFDC, Food Stamp, and Medicaid programs and requires that individual AFDC, Food Stamp, and Medicaid cases have dividend payments treated as countable income. The reduction in administrative need that results from this bill is more than offset by the increased time needed to process dividend payments as individual AFDC, Food Stamp, and Medicaid case changes and to handle an increased number of General Relief Assistance cases. Two additional Eligibility Technician case worker positions are needed to administer this additional workload.

**REQUEST for
NEW POSITION**

AGENCY: Health and Social Services
 BRU: Public Assistance Administration
 COMPONENT: Eligibility Determination (0236)

FY96

Page 1 of 1
 Revised Date:

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. Work Draft CS SB 37

9-LS0449\G Cook
2/17/95

Revision Date: _____
Title: An act relating to treatment of permanent fund
dividends for purposes of determining eligibility for certain benefits...
Sponsor: Phillips
Requestor: Phillips

Dept Affected: Health and Social Services
BRU: Medical Assistance
Component: Medicaid PFD Hold Harmless
COMPONENT SERIAL NO. 966
See also (SN#): 229, 230

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY96	FY97	FY98	FY99	FY00	FY01
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	(1,100.0)	(1,210.0)	(1,331.0)	(1,464.1)	(1,610.5)	(1,771.6)
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	(1,100.0)	(1,210.0)	(1,331.0)	(1,464.1)	(1,610.5)	(1,771.6)

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
----------------------	-----	-----	-----	-----	-----	-----

CHANGES IN REVENUES	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other (please specify)	(1,100.0)	(1,210.0)	(1,331.0)	(1,464.1)	(1,610.5)	(1,771.6)
TOTAL	(1,100.0)	(1,210.0)	(1,331.0)	(1,464.1)	(1,610.5)	(1,771.6)

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 any current year (FY95) cost: \$0.0

ANALYSIS: (Attach a separate page if necessary)

Work Draft for Committee Substitute for Senate Bill 37 (9-LS0149\G) amends the Permanent Fund Dividend Hold Harmless (PFD-HH) program to eliminate hold harmless coverage except for people receiving Adult Public Assistance or Supplemental Security Income. The bill eliminates hold harmless coverage of Medicaid. The PFD-HH program replaces the Medicaid benefits of individuals who are denied benefits because federal law or regulation requires that their PFD payment be treated as income or a resource (asset) in determining their eligibility for medical assistance benefits. The legislature established the program in 1981 to assure that low-income Alaskans could receive their PFD on an equal basis with all other Alaskans, without the loss of eligibility for needs-based medical assistance.

The PFD-HH program allows Medicaid recipients to receive and retain PFD money for up to four months and still receive Medicaid services. If the PFD-HH program is eliminated, most Medicaid recipients will continue to remain eligible in the month they receive the check. They could become ineligible for Medicaid if they choose to retain their PFD check and it puts them over the Medicaid resources limit in the following month.

Prepared by: Jon Sherwood
Division: Medical Assistance
Approved by Commissioner: Karen Perdue, Commissioner
Agency: Department of Health & Social Services

Phone: 465-3355
Date: 02/21/95

Date: 2/21/95

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ANALYSIS (cont.):

Many individuals, however, will elect to spend their PFD check in the month of receipt to prevent that money from being considered a resource; these individuals will retain Medicaid eligibility. In absence of PFD-HH funds, regular Medicaid funding will be necessary to cover these individuals, both in Medicaid Facilities and Non-facilities. We anticipate that those individuals who receive Medicaid services in an amount equal to or greater than the amount of a permanent fund dividend are the individuals who will dispose of their PFD check and remain Medicaid eligible. Currently, 60% of annual Medicaid expenditures are for recipients who receive on average \$967 or more in Medicaid benefits each month. We anticipate the regular Medicaid budget will see a commensurate increase equal to 60% of the amount currently budgeted for the PFD-HH program (1.1 million). See companion fiscal notes for Medicaid Non-facility and Medicaid Facility to show related increases.

The FY 96 budget request for PFD-HH is \$1.1 million. We estimate this amount will increase by 10% annually. This fiscal note shows the elimination of the FY 96 and all future PFD-HH budget requests.

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. Work Draft CS SB 37

9-LS0449\G Cook
2/17/95

Revision Date: _____
Title: An act relating to treatment of permanent fund
dividends for purposes of determining eligibility for certain benefits...
Sponsor: Phillips
Requestor: Phillips

Dept. Affected: Health and Social Services
BRU: Medical Assistance
Component: Medicaid Non-Facility
COMPONENT SERIAL NO. 229
See also (SN#): 230, 966

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY96	FY97	FY98	FY99	FY00	FY01
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	171.6	188.8	207.6	228.4	251.2	276.4
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	171.6	188.8	207.6	228.4	251.2	276.4

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGES IN REVENUES	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts	85.8	94.4	103.8	114.2	125.8	138.2
1003 GF Match	85.8	94.4	103.8	114.2	125.6	138.2
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1008 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other (please specify)	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	171.6	188.8	207.6	228.4	251.2	276.4

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 any current year (FY95) cost: \$0.0

ANALYSIS: (Attach a separate page if necessary)

Work Draft for Committee Substitute for Senate Bill 37 (9-LS0449\G) amends the Permanent Fund Dividend Hold Harmless (PFD-HH) program to eliminate hold harmless coverage except for people receiving Adult Public Assistance or Supplemental Security Income. The bill eliminates hold harmless coverage of Medicaid. The PFD-HH program replaces the Medicaid benefits of individuals who are denied benefits because federal law or regulation requires that their PFD payment be treated as income or a resource (asset) in determining their eligibility for medical assistance benefits. The legislature established the program in 1981 to assure that low-income Alaskans could receive their PFD on an equal basis with all other Alaskans, without the loss of eligibility for needs-based medical assistance.

The PFD-HH program allows Medicaid recipients to receive and retain PFD money for up to four months and still receive Medicaid services. If the PFD-HH program is eliminated, most Medicaid recipients will continue to remain eligible in the month they receive the check. They could become ineligible for Medicaid if they choose to retain their PFD check and it puts them over the Medicaid resources limit in the following month.

Prepared by: Jon Sherwood
Division: Medical Assistance
Approved by Commissioner: Karen Perdue, Commissioner
Agency: Department of Health & Social Services

Phone: 465-3355
Date: 02/21/95

Date: 2/21/95

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ANALYSIS (cont.):

Many individuals, however, will elect to spend their PFD check in the month of receipt to prevent that money from being considered a resource; these individuals will retain Medicaid eligibility. In absence of PFD-HH funds, regular Medicaid funding will be necessary to cover these individuals, both in Medicaid Facilities and Non-facilities. We anticipate that those individuals who receive Medicaid services in an amount equal to or greater than the amount of a permanent fund dividend are the individuals who will dispose of their PFD check and remain Medicaid eligible. Currently, 60% of annual Medicaid expenditures are for recipients who receive on average \$967 or more in Medicaid benefits each month. We anticipate the regular Medicaid budget will see a commensurate increase equal to 60% of the amount currently budgeted for the PFD-HH program (1.1 million) See companion fiscal note for Medicaid Facility to show related increase.

The Medicaid expenditures shown reflect what would be a 10% growth (inflation and client growth) in future years in the cost of benefits.

MEDICAID NON-FACILITY CALCULATION

Current FY 98 PFD-HH funding:	\$1,100,000
% of PFD-HH costs shifted to Medicaid	<u>60%</u>
Medicaid Costs of those retaining Medicaid	\$660,000
Less Medicaid Facility expenditures (74%)	<u>\$488,400</u>
Medicaid Facility Expenditures	\$171,600

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. Work Draft CS SB 37

9-LS0449\G Cook
2/17/95

Revision Date: _____
Title: An act relating to treatment of permanent fund
dividends for purposes of determining eligibility for certain benefits...
Sponsor: Phillips
Requestor: Phillips

Dept. Affected: Health and Social Services
BRU: Medical Assistance
Component: Medicaid-Facilities
COMPONENT SERIAL NO. 230
See also (SN#): 229, 966

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY96	FY97	FY98	FY99	FY00	FY01
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	488.4	537.2	591.0	650.1	715.1	786.6
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	488.4	537.2	591.0	650.1	715.1	786.6

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGES IN REVENUES	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts	244.2	268.5	295.5	325.0	357.5	393.3
1003 GF Match	244.2	268.7	295.5	325.1	357.6	393.3
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other (please specify)	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	488.4	537.2	591.0	650.1	715.1	786.6

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 any current year (FY95) cost: \$0.0

ANALYSIS: (Attach a separate page if necessary)

Work Draft for Committee Substitute for Senate Bill 37 (9-LS0449\G) amends the Permanent Fund Dividend Hold Harmless (PFD-HH) program to eliminate hold harmless coverage except for people receiving Adult Public Assistance or Supplemental Security Income. The bill eliminates hold harmless coverage of Medicaid. The PFD-HH program replaces the Medicaid benefits of individuals who are denied benefits because federal law or regulation requires that their PFD payment be treated as income or a resource (asset) in determining their eligibility for medical assistance benefits. The legislature established the program in 1981 to assure that low-income Alaskans could receive their PFD on an equal basis with all other Alaskans, without the loss of eligibility for needs-based medical assistance.

The PFD-HH program allows Medicaid recipients to receive and retain PFD money for up to four months and still receive Medicaid services. If the PFD-HH program is eliminated, most Medicaid recipients will continue to remain eligible in the month they receive the check. They could become ineligible for Medicaid if they choose to retain their PFD check and it puts them over the Medicaid resources limit in the following month.



Prepared by: Jon Sherwood
Division: Medical Assistance

Phone: 465-3355
Date: 02/21/95

Approved by Commissioner: Khren Perdue
Agency: Department of Health & Social Services

Date: 2/21/95

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ANALYSIS (cont.):

Many individuals, however, will elect to spend their PFD check in the month of receipt to prevent that money from being considered a resource; these individuals will retain Medicaid eligibility. In absence of PFD-HH funds, regular Medicaid funding will be necessary to cover these individuals, both in Medicaid Facilities and Non-facilities. We anticipate that those individuals who receive Medicaid services in an amount equal to or greater than the amount of a permanent fund dividend are the individuals who will dispose of their PFD check and remain Medicaid eligible. Currently, 60% of annual Medicaid expenditures are for recipients who receive on average \$987 or more in Medicaid benefits each month. We anticipate the regular Medicaid budget will see a commensurate increase equal to 60% of the amount currently budgeted for the PFD-HH program (1.1 million). See companion fiscal note for Medicaid Non-facility to show related increase.

The Medicaid expenditures shown reflect what would be a 10% growth (inflation and client growth) in future years in the cost of benefits.

MEDICAID FACILITY CALCULATION

Current FY 96 PFD-HH funding:	\$1,100,000
% of PFD-HH costs shifted to Medicaid	<u>60%</u>
Medicaid Costs of those retaining Medicaid	\$660,000
Less Medicaid Non-facility expenditures (25%)	<u>\$171,600</u>
Medicaid Facility Expenditures	\$488,400



ALASKA STATE LEGISLATURE

SENATOR RANDY PHILLIPS

SENATE DISTRICT L

SESSION
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Fact Sheet

CSSB 37 (Fin)

The FY '97 funding request for Permanent Fund Dividend Hold Harmless is \$21.258 million.

Added to past appropriations for hold harmless the total is \$147.77 million.

Prior to FY 1986 hold harmless costs were appropriated from the general fund. Budget decision changed source of funds to PFD.

The amount deducted from each of approximately 535,000 checks for 1995 was \$40.46.

Current law provides:

If welfare benefits, either cash or medical assistance, are lost due to the receipt of a PFD, the state will fund an equivalent amount of assistance for up to four months.

Affected population:

35,500	AFDC recipients
37,760	Food Stamp recipients
2,000	Medicaid recipients
8,263	Adult Public Assistance recipients
5,966	Supplemental Security Income recipients

Most recipients receive a combination of AFDC, food stamps and Medicaid, or Adult Public Assistance and Medicaid, or Adult Public Assistance, Supplemental Security Income and Medicaid.

It is anticipated that most Medicaid recipients could continue to receive Medicaid benefits if they spend their dividend check in the month they receive it.

2/21/95

Larry -

This letter was dropped off by Sherrie Goll for distribution to members. I have given a copy to Sen. Frank's office. Do you wish the letter

1. Delivered
- 2. Put in members' files
3. Other

Kathy
2618

Cecilia Kleinkauf, M.S.W., J.D.
Attorney at Law
P.O. Box 243-963
Anchorage, Alaska 99524

February 19, 1995

Senators Steve Frank and Rick Halford, Co-Chairs
Senate Finance Committee
Room 518 State Capitol.
Juneau, Alaska 99801

Dear Senators Frank and Halford and Members of the Senate Finance Committee:

I am writing to oppose SB 37, which would eliminate the Hold Harmless program, and which is scheduled to be heard in the Senate Finance Committee on February 27th. Under the Hold Harmless program recipients of public assistance are able to continue to receive benefits rather than being discontinued when receipt of their Permanent Fund Dividend check puts them over-income.

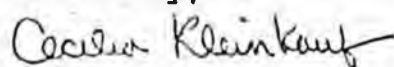
The Hold Harmless program has been in effect since the inception of the Permanent Fund Dividend. The program was created in the belief that the Dividend was to be a benefit for all who qualified and that public assistance recipients' right to the Dividend was the same as all other Alaskans. Please keep in mind that the Dividend Program, as voted on by the people of Alaska, has no income guidelines for eligibility. Passage of SB 37 will have the effect of the legislature imposing such guidelines statutorily.

The effect of eliminating the Hold Harmless program will be to force people who are poor to choose between their public assistance and Medicaid, and their Permanent Fund check. None of the rest of us have to make such a choice, no matter what the source of our income may be. Forcing such a choice only on poor people is the worst kind of discrimination.

In addition to discrimination against poor people, eliminating the Hold Harmless will result in significant general fund expenditures by the Division of Public Assistance which will have to stop public assistance payments when the Dividend is received and then to re-determine eligibility a month or two later.

I urge you to vote against SB 37 based on both its punitive approach and its cost to the State.

Sincerely,


Cecilia Kleinkauf

JAMES E. MALEY
234 E. 15TH AVE.
ANCHORAGE, AK 99501

FEB 27 1995

(S) FN

234 E. 15th. Ave.
Anchorage, AK 99501
February 21, 1995

Senator Rick Halford
Room 508, State Capitol
Juneau, AK 99801-1182

Dear Senator Halford:

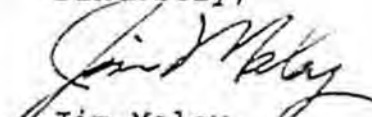
This letter is to express my opposition to Senate Bill 37 which is intended to kill the Hold Harmless provision of the Permanent Fund. I strongly encourage you to vote against this unfair legislation.

As the director of a psychiatric treatment facility for severely emotionally disturbed children, I work daily with dozens of young people who will be the true victims of this legislation. If the parents of these youth choose to take advantage of the dividend, an opportunity they have shared with all Alaskans since the beginning of the program, the children will lose access to the medical and psychiatric treatment they desperately need. The problems they are facing will only be exacerbated, forcing them into the state mental health or juvenile justice system--a much more costly alternative.

The ultimate result will be substantial increases in general fund expenditures in order to save a few Permanent Fund dollars. This additional \$41 on my check is not worth the added costs. I strongly believe we must bring our spending under control; however, doing it at the expense of children's medical needs is not the way.

Thank you for your consideration of this letter.

Sincerely,



Jim Maley



LEGISLATIVE AFFAIRS AGENCY

DIVISION OF PUBLIC SERVICES

RECEIVED

FEB 27 REC'D

DATE: 2-27-95

Please accept the enclosed original(s) of written testimony
for the SB 37 & HB 110 ^{(Police Resource) &} ~~Electronic~~ hearing that was ^{Senate}
scheduled on March 1st & Feb 27th (FIN)

A copy of this testimony was transmitted to your committee via
fax on 2-27-95

Thank you,
Quibbe

February 17, 1995

Regarding the Vote to veto the Hold-Harmless for Welfare recipients:

Please send copies to the following;

Senator Lyda Green

Representative Ogan

House Finance Committee Chairman
Representative Hanely

Senate Finance Committee Chairman
Senator Halford

To Whom it May Concern,

I would like to address the concerns I have with your plans to cancel the Hold-Harmless for Welfare recipients, regarding the Permanent Fund Dividend checks.

This is a major mistake on several levels; unlike the majority of Alaskan's (such as yourself) who are pulling down large government salaries and benefits, we are at a below poverty income level. These P.F.D. checks go towards paying for necessities such as winter coats, boots, gloves, socks, and face masks. They also pay for things that you (probably) never regarded as financially burdensome such as standard school supplies, school fees, after school activities (my kids are doing the jumpers program which not only gives them good exercise but keeps them active towards positive ends), and school photos and year books. Our P.F.D. checks also pays for winter heating cost, car and house insurance (in the recent past it was used to pre-pay rent payments), it is also used to help pay the huge property taxes we now have to come up with. These checks also allow me the opportunity to give my children some type of Christmas (and birthday) without having to depend on local benevolent associations and clubs. This is also the case with the majority of Welfare recipients. Right now the local food banks are overwhelmed, if you deny us the opportunity to supply for our own over the holidays this burden will increase to an unbelievable number. It is going to cost more to supply needed winter clothing and food for the poor than it now does to allow us to supply our own.

Another major point that you seem to want to overlook is, that unlike the majority of working Alaskan's we who are (usually through no choice of our own) on Welfare spend our P.F.D. checks here in Alaska, usually at local businesses. We do not fly or travel outside giving our P.F.D. checks away to Alaska Airlines who's home office is located in Washington State, or any of the other airlines which all employee only a token number of Alaskan's.

Our P.F.D. checks help to keep the local economies alive, which during the winter months is very much needed.

We are required by law to report how we spend our P.F.D. checks. Maybe before you start taking the ax to our only hope at surviving the winter with a modicum of dignity, you should bother to check it out. We buy necessities not luxuries, and if someone was to buy a luxury item its cost would be held against them as accountable income.

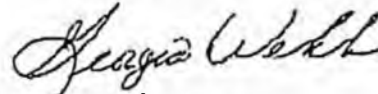
I am a 39 year old single parent with two children, ages 12 and 13. I have been on welfare since 1986 when I left my ex- because I no longer wanted to be an abused and battered woman. Since then I've had seven knee surgerys done (approx. \$20,000.00 worth) and endless amounts of dental work done to repair the damage done by the man who told me he loved me. I am now on Social Security Disability, S.S.I., and Aid to the Disabled (through Welfare), I do receive son A.F.D.C. for the kids, but we are barely able to function from month to month. I am also attending collage to become retrained even though there are extenuating circumstances which are making it a slower then normal process, I have no doubt I will prevail. I've used our P.F.D. checks to cloth, feed, and house my family. I used a great deal of this last years dividend to secure us a home through the Farmers Home Administration program. It (the dividend) paid for the closing cost, the required insurance and the moving cost, which we who are not high paying government employees are required to pay ourselves. Then there is always the necessary and unavoidable expences of deposits to get the gas, electric, water, garbage, sewer, phone, and (if you can afford it which a great many of us on public assistance can't) cable hooked up and turned on.

If you do this - cutoff the Hold-Harmless for Welfare recipients it is going to have a huge back lash effect on the local and state wide economy. It will also put a enormous burden on the already stretched to the max charities. There is do doubt it will do a great deal more damage financially and emotionally then it has positive effects. I know you hope it will force "All of us lazy welfare people", to work but in reality what it will do is force allof us to ask for charity instead of being able to supply for our own needs.

I recently meet a woman at my college who is 29 years old, who has five children (one set of twins) who took their six dividend checks and used them and a promissory note for next years checks to purchase a home through an assumable loan from the owner, so that she could get out from under government housing. There are more of us, especially here in Alaska, who are trying to better ourselves. It is not like many large inter-cities where there are generations of welfare families.

Let me remind you that you all are public employees, and we are part of that public. Our votes helped to put you there and our votes can also help to take you out. I'd also like to remind you for the record that Welfare is 1% of the national debt and the fact that you and your constituents can and do give yourselves raises at will without anyones approval except your own, does not go unnoticed. You better remember we may be poor but we are still citizens of Alaska and The United States and we are paying attention to what you are doing and to whom.

Sincerely;



Georgia Webb
710 Edinborough Drive
Palmer, AK 99645



ALASKA STATE LEGISLATURE

SENATOR RANDY PHILLIPS

SENATE DISTRICT L

February 3, 1995

MEMORANDUM

TO: Senator Rick Halford
Co-chairman, Senate Finance Committee

FROM: Senator Randy Phillips *REP*

RE: SB 37, "An Act relating to treatment of permanent fund dividends for purposes of determining eligibility for certain benefits"

The above referenced bill has been referred to the Senate Finance Committee.

Please consider this as my formal request that SB 37 be scheduled before your committee for a hearing.

If you have any questions or comments do not hesitate to call me at ext. 4949. Your cooperation is appreciated.

SESSION
State Capitol
Juneau, AK 99801
(907) 465-4949
800-478-4950
Fax: 465-4979

INTERIM
P.O. Box 142
Eagle River AK 99577
(907) 694-4949
Fax: 694-4948

CHAIR
Administrative Regulation
Review Committee

VICE-CHAIR
Community & Regional Affairs
State Affairs

MEMBER
Alaska Commission on
Postsecondary Education

9-LS0449AK
Cook
3/9/95

*2/27/96 R.P. Moore
w/ Efd Change*

*Adopted
w/ 1996
EFD.
p. 2*

CS FOR SENATE BILL NO. 37(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS PHILLIPS, Taylor

A BILL

FOR AN ACT ENTITLED

1 "An Act eliminating medical assistance from the general relief assistance program
 2 for individuals who, due to receipt of permanent fund dividends, are denied
 3 medical assistance under 42 U.S.C. 1396 - 1396p (Social Security Act, Title XIX),
 4 eliminating cash assistance under the general relief assistance program for
 5 individuals who, due to receipt of permanent fund dividends, are denied assistance
 6 under federal law or regulation, providing for general relief assistance for
 7 individuals who, due to receipt of permanent fund dividends, are denied assistance
 8 under adult public assistance or 42 U.S.C. 1381 - 1385 (Title XVI, Social Security
 9 Act Supplemental Security Income Program); and providing for an effective date."

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

11 * Section 1. AS 43.23.075(b) is amended to read:

12 (b) An individual who is denied [MEDICAL] assistance under AS 47.25.430 -

1 47.25.615 (adult public assistance) or 42 U.S.C. 1381 - 1385 (Title XVI, Social
2 Security Act Supplemental Security Income Program) [42 U.S.C. 1396 - 1396p
3 (SOCIAL SECURITY ACT, TITLE XIX)] solely because of the receipt of a
4 permanent fund dividend by the individual or by a member of the individual's
5 household is eligible for state-funded [MEDICAL] assistance under AS 47.25.120 -
6 47.25.300 (general relief assistance program). The individual is entitled to receive, for
7 a period not to exceed four months, the same level of [MEDICAL] assistance as the
8 individual would have received under AS 47.25.430 - 47.25.615 (adult public
9 assistance) or 42 U.S.C. 1381 - 1385 (Title XVI, Social Security Act Supplemental
10 Security Income Program) [42 U.S.C. 1396 - 1396p (SOCIAL SECURITY ACT,
11 TITLE XIX)] had there been no permanent fund dividend program.

12 * Sec. 2. AS 43.23.075(c) is repealed.

13 * Sec. 3. This Act takes effect July 1, 1995.

FISCAL NOTES ACCOMPANYING SB 37

	<u>1995</u>		<u>1996 CS(Fin)</u>	
	<u>Cost</u>	<u>Savings</u>	<u>Cost</u>	<u>Savings</u>
1. DH&SS,Med.Asst.Hold Harmless		(1,100.0)		(1,100.0)
2. DH&SS,Med.Asst.Medicaid Fac.	488.4			
3. DH&SS,Med.Asst.Medicaid Non-Fac.	171.6		660.0 (#2&3 Combined)	
4. DH&SS, Pub.Asst.Eligibility	86.0		120.7	
5. DH&SS, PFD Hold Harmless		(22,316.1)		(17,246.9)
6. DH&SS,Adult Pub.Assist.		(2,562.1)		No Note
7. DH&SS,General Relief	1,052.8		706.1	
8. DH&SS,AFDC		(12,875.5)		(12,100.0)
9. DOR	0			

Prepared by SFC staff
3/08/96

FISCAL NOTE SUMMARY AND DISCUSSION
CSSB 37(FIN)

Prepared by the Alaska Department of Health and Social Services
Division of Public Assistance
February 29, 1996

CSSB 37(FIN) repeals Permanent Fund Dividend Hold Harmless (PFD-HH) program protection for Alaskans who lose their eligibility for AFDC, Medicaid, and Food Stamp program benefits because they receive their dividends. The existing PFD Hold Harmless protection for recipients of Adult Public Assistance and federal Supplemental Security Income would continue under this version of SB 37.

Under current law, the PFD-HH program replaces the benefits of individuals who are ineligible for AFDC, Food Stamps, Adult Public Assistance, Supplemental Security Income and Medicaid because federal law or regulation requires that their Permanent Fund dividend payments be treated as income or a resource (asset) in determining their eligibility. AS 43.23.075 holds these benefits harmless for up to four months each year from the effects of receiving dividend payments.

Discussion - The PFD Hold Harmless Program and CSSB 37(FIN)

The PFD Hold Harmless program was established at the same time as the original, \$1000 PFD distribution in 1982. The legislature established the program to assure that low-income Alaskans could enjoy the benefit of the dividend program on the same basis as other Alaskans, without losing their eligibility for needs-based assistance.

Repeal of PFD Hold Harmless program for AFDC, Food Stamp and Medicaid will reduce the amount of assistance paid to individuals and families, increase the administrative effort required for the Division of Public Assistance to process case changes when recipients receive their dividend checks, shift the administrative cost of most dividend-related case processing from the PFD Hold Harmless component to the General Fund, and create increased need for state-funded General Relief assistance.

Under current federal law, receipt of the annual Permanent Fund dividend check causes AFDC families and elderly, blind, or disabled recipients of Adult Public Assistance and Supplemental Security Income to be ineligible for benefits for one month. Most households that receive food stamps also lose a month of eligibility, and a small number of Medicaid recipients are similarly effected. Recipients who retain enough of their dividend payments to exceed the asset limits for the various programs remain ineligible until their assets are spent down. The PFD Hold Harmless program replaces these lost benefits for up to four months each year.

Since FY 86, the Permanent Fund Dividend account has been the funding source for PFD Hold Harmless benefits and administrative costs.

PFD Hold Harmless, Welfare Reform, and Federal Block Grants

Throughout this fiscal note package, we assume the continuation of current federal law provisions that require that dividends be treated as income and assets for public assistance purposes.

If federal legislation converts the AFDC program into a block grant program to the states, the states are likely to have broad discretion in how they treat various sources of income in their new family assistance programs. Under such a change in federal policy, the dividend payments would be treated as exempt income and assets for AFDC purposes under AS 43.23.075(a), which provides that dividends cannot be counted as income or assets for public assistance purposes unless federal law so requires. This legislation leaves AS 43.23.075(a) in force.

It is important to understand that even if such a change in federal law results in the treatment of dividends as exempt income under a new, block-granted AFDC replacement program, the elimination of the contribution to the overall AFDC budget of the PFD Hold Harmless program would under any circumstance result in an overall reduction of approximately ten percent in AFDC benefits, because the PFD Hold Harmless program has historically been a funding source for AFDC benefits.

The current direction in federal welfare reform would not change the Food Stamp and Medicaid program policies regarding the treatment of dividend payments.

Eliminating PFD Hold Harmless protection effectively amounts to a substantial cut in the benefit package available to AFDC and Food Stamp recipients, and to a denial of medical assistance to some individuals with large, unanticipated medical needs.

Program Impacts

Under current law, PFD-HH is paid to replace public assistance benefits in the following programs:

- Aid to Families with Dependent Children (AFDC)
- Food Stamp Program (FSP)
- Medicaid
- Adult Public Assistance (APA)
- Supplemental Security Income (SSI)

The FY 97 Governor's budget plans expenditures to replace benefits with PFD-HH funds according to the following schedule:

<u>Program</u>	<u>Cases</u>	<u>Persons Impacted *</u>	<u>Formula Budget</u>
AFDC	11,911	35,500	12,100.0
FSP	11,800	37,760	3,624.1
Medicaid	NA	2,000	1,100.0
APA	8,263	8,263	2,644.0
SSI	5,966	5,966	1,790.0
		Total FY 97 Grants	21,258.1

* Individuals receiving benefits in more than one program appear in each program count

Replacement Benefits

PFD-HH funds for replacement of **AFDC benefits** are transferred as Interagency Receipts to the AFDC component of the Public Assistance BRU. The benefits replaced include AFDC grants which would be denied because of the dividend payments themselves as well as grants that would be reduced because federal AFDC policy requires that cash PFD-HH payments made in lieu of food stamps be treated as income for AFDC purposes. A typical AFDC family is expected to receive \$804 in PFD-HH during FY 97 to replace one month's AFDC grant, and an additional \$272 in PFD-HH to restore AFDC grant reductions that result from receiving cash in lieu of food coupons.

Under an interagency operating agreement with the federal Department of Health and Human Services, claims for AFDC federal matching funds are reduced to reflect the amount of benefits which would be paid if AFDC grants were denied because of dividend and food stamp hold harmless payments. This agreement saves substantial administrative effort because individual AFDC cases do not have to be suspended during the dividend season.

PFD-HH funds for replacement of **Food Stamp benefits** are paid directly to recipients as cash in lieu of food coupons. In FY 97, a typical Food Stamp household is expected to receive one \$330 PFD-HH payment to replace a month's worth of food coupons.

PFD-HH funds for replacement of **Medicaid benefits** are transferred as Interagency Receipts to the Medicaid PFD Hold Harmless component of the Medical Assistance BRU. Most Medicaid PFD Hold Harmless benefits are paid on behalf of individuals who retain dividend money beyond the month they receive it, causing their household's resources to exceed program limits.

PFD-Hold Harmless benefits will not be paid to AFDC, Food Stamp, and Medicaid recipients if this bill becomes law. In most AFDC and Food Stamp cases, recipients who receive dividends will become ineligible for benefits for one month, usually falling two months after the month they receive their dividend payments.

CSSB 37(FIN) retains the existing authority for PFD Hold harmless protection of Adult Public Assistance and Supplemental Security Income benefits.

PFD-HH funds for replacement of **APA benefits** are transferred as Interagency Receipts to the Adult Public Assistance component of the Assistance Payments BRU. The typical PFD-HH benefit to an APA recipient is \$320 to replace one month's benefit.

PFD-HH funds for replacement of **SSI benefits** are paid under an interagency agreement to the federal Social Security Administration, which applies them as reimbursement for the cost of SSI benefits paid to individuals who receive dividends. PFD-HH benefits to replace SSI are expected to average \$305 per person in FY 97.

Administrative Impacts

The administrative cost of the PFD Hold Harmless program is based on estimates of the proportion of time used by Eligibility Determination staff to process case actions related to dividend payments and PFD-HH benefits. In FY 97, 480.5 in PFD-HH Contractual funds is planned to be transferred as Interagency Receipts to the Eligibility Determination component of the Public Assistance BRU.

The effort required to process dividend receipt for Food Stamp cases would decrease under this legislation because it would no longer be necessary to convert assistance to cash in lieu of food coupons and back again.

The Department of Health and Social Services has established a PFD Hold Harmless processing agreement with the federal AFDC agency; this agreement, which substantially reduces the amount of case processing required when AFDC recipients receive dividends, would be nullified by this legislation.

The time to process AFDC cases in the absence of the PFD-HH program and the federal hold harmless processing agreement would increase substantially: under the Hold Harmless program, AFDC dividend processing consists of the one-time entry of a few special computer codes.

Without the PFD-HH program, action will have to be taken to suspend the benefits of each affected AFDC and Food Stamp case, and to reinstate benefits after the month of suspension. The reduction in the administrative effort to process PFD Hold Harmless benefits would be more than supplanted by the additional effort required to process case changes in the absence of a federal AFDC/ PFD Hold harmless operating agreement.

The need for staff is also expected to increase because of a substantial increase in General Relief applications from recipients who are unable to pay for rent or food when they lose their cash and food benefits two months after they receive their dividend checks. The Division of Public Assistance would make every effort to apprise recipients in advance that they will be retrospectively ineligible, but some recipients would inevitably fail to conserve enough dividend money to meet their future needs.

The offsetting administrative impacts of this legislation produce a need for two Eligibility Technicians in addition to the ten full-time equivalents currently required for PFD processing and funded by PFD Hold Harmless.

The FY 97 Governor's budget plans \$480.5 in PFD HH expenditures to cover the cost of processing dividend-related changes in public assistance case determinations. Eighty-eight percent (\$422.8) of this administrative cost is for processing AFDC, Food Stamp, and Medicaid case changes; these costs are shifted to the General Fund by this legislation. The remaining 12 percent (\$57.7) of these administrative costs are for Adult Public Assistance case processing; these costs continue to be funded by the PFD Hold Harmless program.

FISCAL NOTE

#1

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. CS SB 37 (FIN)

Revision Date: _____	Dept. Affected: <u>Health and Social Services</u>
Title: <u>An act relating to treatment of permanent</u>	BRU: <u>Medical Assistance</u>
<u>fund dividends for purposes of determining eligibility..</u>	Component: <u>Medicaid PFD Hold Harmless</u>
Sponsor: <u>Phillips</u>	COMPONENT SERIAL NO. <u>966</u>
Requestor: <u>Sen Finance</u>	See also (SN#): <u>2077</u>

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY97	FY98	FY99	FY00	FY01	FY02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)
MISCELLANEOUS						
TOTAL OPERATING	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)

CAPITAL EXPENDITURES						
CHANGES IN REVENUES ()						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (please specify) I/A Receipts	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)
TOTAL	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)

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

ANALYSIS: (Attach a separate page if necessary)

Committee Substitute for Senate Bill 37 eliminates Permanent Fund Dividend Hold Harmless (PFD-HH) coverage of the Medicaid program. Currently, the PFD-HH program replaces the Medicaid benefits of individuals who are denied benefits because federal law or regulation requires that their PFD payment be treated as income or a resource (asset) in determining their eligibility for medical assistance benefits. The legislature established the program in 1981 to assure that low-income Alaskans could receive their PFD on an equal basis with all other Alaskans, without the loss of eligibility for needs-based medical assistance.

The PFD-HH program allows Medicaid recipients to receive and retain PFD money for up to four months and still receive Medicaid services.

(see attached page)

Prepared by: Jon Sherwood *JS* *BI*
 Division: Medical Assistance
 Approved by Com: Karen Perdue, Commissioner
 Agency: Department of Health & Social Services

Phone: 465-3355
 Date: 02/28/96
 Date: 3/4/96

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
 For further distribution information, call the Governor's Legislative Office

ANALYSIS (cont.):

If the PFD-HH coverage of Medicaid is eliminated, most Medicaid recipients will continue to remain eligible in the month they receive the check. They could become ineligible for Medicaid if they chose to retain their PFD check and it puts them over the Medicaid resource limit in the following month.

Many individuals, however, will elect to spend their PFD check in the month of receipt to prevent that money from being considered a resource. These individuals will retain Medicaid eligibility. In absence of PFD-HH funds, regular Medicaid funding will be necessary to cover these individuals. We anticipate that those individuals who receive Medicaid services in an amount equal to or greater than the amount of a permanent fund dividend are the individuals who will dispose of their PFD check and remain Medicaid eligible. About 60% of annual Medicaid expenditures are for recipients who receive \$967 or more in Medicaid benefits each month. We anticipate the regular Medicaid budget will see a commensurate increase equal to 60% of the amount currently budgeted for the PFD-HH program (1.1 million). See the companion fiscal note for Medicaid Services to show this increase.

This fiscal note shows the elimination of the FY 97 budget request of 1.1 million. No growth in the PFD Hold Harmless program is assumed as expenditures have been stable over the last few years.

FISCAL NOTE

#2 + 3
combined

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. CS SB 37 (FIN)

Revision Date: _____	Dept. Affected: <u>Health and Social Services</u>
Title: <u>An act relating to treatment of permanent</u>	BRU: <u>Medical Assistance</u>
<u>fund dividends for purposes of determining eligibility..</u>	Component: <u>Medicaid Services</u>
Sponsor: <u>Phillips</u>	COMPONENT SERIAL NO. <u>2077</u>
Requestor: <u>Sen Finance</u>	See also (SN#): <u>966</u>

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY97	FY98	FY99	FY00	FY01	FY02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	880.0	880.0	880.0	880.0	880.0	880.0
MISCELLANEOUS						
TOTAL OPERATING	660.0	660.0	660.0	660.0	660.0	660.0

CAPITAL EXPENDITURES						
CHANGES IN REVENUES ()						

FUND SOURCE (Thousands of Dollars)

	FY97	FY98	FY99	FY00	FY01	FY02
1002 Federal Receipts	330.0	330.0	330.0	330.0	330.0	330.0
1003 GF Match	330.0	330.0	330.0	330.0	330.0	330.0
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (please specify)						
TOTAL	660.0	660.0	660.0	660.0	660.0	660.0

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

POSITIONS:

	FY97	FY98	FY99	FY00	FY01	FY02
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Committee Substitute for Senate Bill 37 eliminates the Permanent Fund Dividend Hold Harmless (PFD-HH) coverage for the Medicaid program. Currently, the PFD-HH program replaces the Medicaid benefits of individuals who are denied benefits because federal law or regulation requires that their PFD payment be treated as income or a resource (asset) in determining their eligibility for medical assistance benefits. The legislature established the program in 1981 to assure that low-income Alaskans could receive their PFD on an equal basis with all other Alaskans, without the loss of eligibility for needs-based medical assistance.

The PFD-HH program allows Medicaid recipients to receive and retain PFD money for up to four months and still receive Medicaid services.

(see attached page)

Prepared by: <u>Jon Sherwood</u> <i>JS</i> <i>BJ</i>	Phone: <u>465-3355</u>
Division: <u>Medical Assistance</u>	Date: <u>02/28/96</u>
Approved by Com: <u>Karen Perdue, Commissioner</u> <i>KP</i>	Date: <u>3/4/96</u>
Agency: <u>Department of Health & Social Services</u>	

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ANALYSIS (cont.):

If the PFD-HH coverage of Medicaid is eliminated, most Medicaid recipients will continue to remain eligible in the month they receive the check. They could become ineligible for Medicaid if they chose to retain their PFD check and it puts them over the Medicaid resource limit in the following month.

Many individuals, however, will elect to spend their PFD check in the month of receipt to prevent that money from being considered a resource. These individuals will retain Medicaid eligibility. In absence of PFD-HH funds, regular Medicaid funding will be necessary to cover these individuals. We anticipate that those individuals who receive Medicaid services in an amount equal to or greater than the amount of a permanent fund dividend are the individuals who will dispose of their PFD check and remain Medicaid eligible. About 60% of annual Medicaid expenditures are for recipients who receive \$967 or more in Medicaid benefits each month.

We anticipate the regular Medicaid budget will see a commensurate increase equal to 60% of the amount currently budgeted for the PFD-HH program (1.1 million). This fiscal note shows the increase of the FY 97 budget request of \$660,000. No growth is assumed as expenditures in the PFD Hold Harmless program have been stable over the last few years.

See the companion fiscal note for PFD Hold Harmless to show the decrease in that component.

FISCAL NOTE

#4

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. CSSB 37 (FIN)

Revision Date: _____	Dept. Affected: <u>Health and Social Services</u>
Title: <u>An act relating to treatment of permanent</u>	BRU: <u>Public Assistance</u>
<u>fund dividends for purposes of determining eligibility</u>	Component: <u>Eligibility Determination</u>
Sponsor: <u>Phillips</u>	COMPONENT SERIAL NO. <u>236</u>
Requestor: <u>Senate Finance</u>	See also (SN#): _____

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING EXPENDITURES	FY97	FY98	FY99	FY00	FY01	FY02
PERSONAL SERVICES	94.4	94.4	94.4	94.4	94.4	94.4
TRAVEL						
CONTRACTUAL	5.0	5.0	5.0	5.0	5.0	5.0
SUPPLIES	1.3	1.3	1.3	1.3	1.3	1.3
EQUIPMENT	20.0					
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	120.7	100.7	100.7	100.7	100.7	100.7

CAPITAL EXPENDITURES						
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CHANGES IN REVENUES ()						
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FUND SOURCE

(Thousands of Dollars)

FUND SOURCE	FY97	FY98	FY99	FY00	FY01	FY02
1002 Federal Receipts	60.3	50.3	50.3	50.3	50.3	50.3
1003 GF Match	60.4	50.4	50.4	50.4	50.4	50.4
1004 GF	422.8	435.5	448.5	462.0	475.9	490.1
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other 1007 I/A Rcpts	(422.8)	(435.5)	(448.5)	(462.0)	(475.9)	(490.1)
TOTAL	120.7	100.7	100.7	100.7	100.7	100.7

Estimate of any current year (FY96) cost: 50.0

POSITIONS:

POSITIONS	FY97	FY98	FY99	FY00	FY01	FY02
FULL-TIME	2	2	2	2	2	2
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

This legislation repeals Permanent Fund Dividend Hold Harmless (PFD-HH) program protection for individuals who lose eligibility for AFDC, Food Stamp, and Medicaid Harmless program benefits when they receive their dividends. This legislation increases the administrative effort required to process dividend-related case actions and shifts the funding source for the existing dividend-processing workload for the AFDC, Food Stamp, and Medicaid caseloads from the PFD Fund to the General Fund.

Prepared by: Jim Nordlund, Director
 Division: Division of Public Assistance
 Approved by Com: Karen Perdue, Commissioner
 Agency: Department of Health & Social Services

Phone: 465-2680
 Date: 02/23/96
 Date: 3/4/96

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ANALYSIS (cont.):Discussion

The administrative cost of the PFD Hold Harmless program is based on estimates of the proportion of time used by Eligibility Determination staff to process case actions related to dividend payments and PFD-HH benefits. In FY 97, 480.5 in PFD-HH Contractual funds for PFD Hold Harmless administration is planned to be transferred as Interagency Receipts to the Public Assistance Eligibility Determination component.

Under this legislation, the cost of processing PFD income in Food Stamp Program cases would decrease because it would no longer be necessary to convert assistance to cash in lieu of food coupons and back again. The cost of Processing PFD income for AFDC cases would increase substantially: under the Hold Harmless program, benefit authorization AFDC consists of the one time entry of a few special computer codes. Without the PFD-HH program, action will have to be taken to suspend the benefits of each affected AFDC case, and to reinstate benefits after the month of suspension. Staff effort will also increase because of a substantial increase in General Relief applications from recipients who are unable to pay for rent or food when they lose their cash and food benefits two months after they receive their dividend checks.

Assumptions and Calculations

We assume that the intent of this legislation is to preclude the appropriation of money from the Dividend Fund to administer public assistance.

Dividend processing for the Adult Public Assistance program constitutes 12 percent of dividend processing costs. We assume that these costs ($0.12 \times 480.5 = 57.7$ in FY 97) continue to be funded with interagency receipts from the PFD Hold harmless program.

Eighty-eight percent ($0.88 \times 480.5 = 422.3$ in FY 97) of the existing cost of processing case changes resulting from the receipt of dividends is, therefore, shifted to General Fund. We assume that these costs increase by 3 percent per year after FY 97.

This legislation increases the annual PFD processing workload by the equivalent of two full-time time equivalents, producing a need for two additional Eligibility Technician positions in the Eligibility Determination Component. General fund cost calculations for these additional positions are detailed below:

Calculations

Additional staff: 2 Eligibility Technician II - PFT - Anchorage

	FY97	FY98	FY99	FY00	FY01	FY02
Salary	66.6	66.6	66.6	66.6	66.6	66.6
Benefits	27.8	27.8	27.8	27.8	27.8	27.8
Contractual	5.0	5.0	5.0	5.0	5.0	5.0
Supplies	1.3	1.3	1.3	1.3	1.3	1.3
Equipment	20.0	0.0	0.0	0.0	0.0	0.0
Total Oper.	120.7	100.7	100.7	100.7	100.7	100.7

Position Title Eligibility Technician II		No. of Positions 2	Range/Step R14B	Bargaining Unit GGU
Time Status FT	Staff Months 12.0	Location Anchorage		Election District
TYPE of EXPENDITURE		AMOUNT		
Salary		66.0		
Benefits		27.8		
Premium Pay				
Other				
Total Personal Services		94.4		
Travel				
Contractual		5.0		
Commodities		1.3		
Equipment		20.0		
Other				
Total Cost		120.7		
FUNDING SOURCE for TOTAL COST				
1002	Federal Receipts	60.3		
1003	GF Match	60.4		
1004	General Fund			
1005	CFR/Program Receipts			
1007	I/A Receipts			
1037	GF/III			
1061	CHP Receipts			
Other	()			
<p>Justification</p> <p>CSSB 37 repeals the PFD Hold Harmless program and requires that Individual AFDC, Food Stamp, Adult Public Assistance, and Medicaid cases be suspended for at least one month when dividends are received. The reduction in administrative need that results from the repeal of the PFD Hold Harmless program is more than offset by the increased time needed to process dividend payments as individual case changes and to handle an increased number of General Relief Assistance cases.</p> <p>Two additional Eligibility Technician case worker positions are needed to administer this additional workload.</p>				

**REQUEST for
NEW POSITION**

AGENCY: Health and Social Services
 BRU: Public Assistance
 COMPONENT: Eligibility Determination

FY97

Page: 1 of 1
 Revised Date:

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. CSSB 37 (FIN)

#5

Revision Date: _____	Dept. Affected: <u>Health and Social Services</u>
Title: <u>An act relating to treatment of permanent fund dividends for purposes of determining eligibility</u>	BRU: <u>Public Assistance</u>
Sponsor: <u>Phillips</u>	Component: <u>PFD Hold Harmless</u>
Requestor: <u>Senate Finance</u>	COMPONENT SERIAL NO. <u>225</u>
	See also (SN#): _____

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY97	FY98	FY99	FY00	FY01	FY02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	(422.8)	(435.5)	(448.5)	(462.0)	(475.9)	(490.1)
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	(16,824.1)	(17,005.3)	(17,195.6)	(17,345.3)	(17,605.1)	(17,825.4)
MISCELLANEOUS						
TOTAL OPERATING	(17,246.9)	(17,440.8)	(17,644.1)	(17,807.3)	(18,081.0)	(18,315.5)

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						
1037 GF/Mental Health						
Other 1050 PFD Fund	(17,246.9)	(17,440.8)	(17,644.1)	(17,807.3)	(18,081.0)	(18,315.5)
TOTAL	(17,246.9)	(17,440.8)	(17,644.1)	(17,807.3)	(18,081.0)	(18,315.5)

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

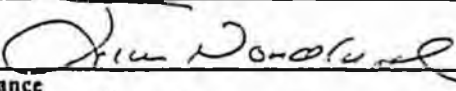
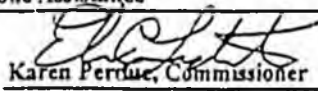
POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

This legislation repeals Permanent Fund Dividend Hold Harmless (PFD-HH) program protection for individual who lose eligibility for AFDC, food stamps, and Medicaid program benefits when they receive their dividends. The PFD-HH program replaces the public assistance benefits of individuals who are denied benefits because federal law or regulation requires that their Permanent Fund dividend payments be treated as income or a resource (asset) in determining their eligibility for public assistance benefits. AS 43.23.075 holds public assistance benefits harmless for up to four months each year from the effects of receiving dividend payments.

Under this legislation, current PFDHH expenditures to replace Adult Public Assistance and federal Supplemental Security Income benefits would continue as provided under current law.

Prepared by: Jim Nordlund, Director 
 Division: Division of Public Assistance
 Approved by Com: Karen Perdue, Commissioner 
 Agency: Department of Health & Social Services

Phone: 465-2680
 Date: 02/28/96
 Date: 3/4/96

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ANALYSIS (cont.):**Calculations**

This legislation results in reductions of FY 97 PFD-HH expenditures to replace public assistance benefits according to the following schedule:

<u>Program</u>	<u>Cases</u>	<u>Persons Impacted</u>	<u>Budget Formula</u>
AFDC	11,911	35,500	12,100.0
FSP	11,800	37,760	3,624.1
Medicaid	NA	2,000	<u>1,100.0</u>
		Total FY97 Grants	16,824.1

PFD-HH expenditures to replace Adult Public Assistance and federal Supplemental Security Income benefits would continue under this legislation.

This legislation also repeals the authority to use PFD-HH contractual funds to pay for the administration of the PFD-HH program for recipients of AFDC, food stamps, and Medicaid. This results in a reduction of \$422.3 in PFD-HH funding need in FY 97. The cost of processing dividend-related case changes for these programs would shift to the General Fund.

PFD-HH expenditures to administer the PFD-HH program for Adult Public Assistance and Supplemental Security Income recipients would continue under this legislation.

FISCAL NOTE

#17

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. CSSB 37 (FIN)

Revision Date: _____	Dept. Affected: <u>Health and Social Services</u>
Title: <u>An act relating to treatment of permanent</u>	BRU: <u>Public Assistance</u>
<u>fund dividends for purposes of determining eligibility</u>	Component: <u>General Relief Assistance</u>
Sponsor: <u>Phillips</u>	COMPONENT SERIAL NO. <u>221</u>
Requestor: <u>Senate Finance</u>	See also (SN#): _____

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY97	FY98	FY99	FY00	FY01	FY02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	706.1	741.4	778.5	817.4	858.3	901.2
MISCELLANEOUS						
TOTAL OPERATING	706.1	741.4	778.5	817.4	858.3	901.2

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGES IN REVENUES ()						
-------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY97	FY98	FY99	FY00	FY01	FY02
1002 Federal Receipts						
1003 GF Match						
1004 GF	706.1	741.4	778.5	817.4	858.3	901.2
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (please specify)						
TOTAL	706.1	741.4	778.5	817.4	858.3	901.2

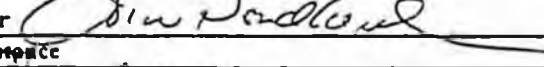

Estimate of any current year (FY96) cost: \$0.0

POSITIONS:

POSITIONS	FY97	FY98	FY99	FY00	FY01	FY02
FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

This legislation repeals Permanent Fund Dividend Hold Harmless (PFD-HH) program protection for individuals who lose eligibility for AFDC, food stamps, and Medicaid benefits when they receive their dividends. Without the protection of the PFD-HH program, most households receiving AFDC and Food Stamp program benefits will become ineligible for assistance for one month each year. Because of the retrospective budgeting methodology in place for the AFDC and Food Stamp programs, the month of ineligibility will usually occur two months after the month the dividend is received. For example, if a family on public assistance gets its PFD checks in October, they will be ineligible for AFDC and food stamps in December.

Prepared by: Jim Nordlund, Director 
 Division: Division of Public Assistance
 Approved by Com: Karen Petrac, Commissioner 
 Agency: Department of Health & Social Services

Phone: 465-2680
 Date: 02/28/96
 Date: 3/4/96

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ANALYSIS (cont.):

The General Relief Assistance (GRA) program provides vendor payments of up to \$120 per person per month for emergency needs such as food, clothing, and shelter when no other resource is available to pay for them. AFDC recipients are not generally eligible for GRA services because their cash grant meets their basic needs. Food Stamp recipients are not eligible for GRA for food purchases because their needs have already been covered.

The repeal of PFD-Hold Harmless imposed by this legislation will substantially increase the number of people who are eligible for GRA. Recipients who do not conserve enough of their dividend money to meet their needs two months later when they lose their public assistance can be expected to apply for General Relief when they are confronted with eviction, lack of food, lack of heating fuel, or lack of adequate winter clothing.

Under this legislation, the following unduplicated numbers of individuals and cases are expected to be denied at least one month's benefits in FY97 as a result of receiving dividend payments:

<u>Program</u>	<u>Households</u>	<u>Persons Impacted</u>
AFDC	11,911	35,500
FSP*	4,720	15,100
Total	16,631	50,600

* About 60 percent of the Food Stamp caseload also receives AFDC and APA benefits. This unduplicated count represents 40 percent of the Food Stamp PFD-HH caseload.

Assumptions

We estimate that 15 percent of the affected cases, with an average household size of 2.6 persons, will be eligible to GRA benefits for one month as a result of the repeal of PFD Hold Harmless coverage imposed by this legislation.

Calculation

$16,631 \text{ cases} \times 15\% = 2495 \times \$ 283 \text{ average payment} = \706.1

The result will be an increase of 706.1 in need for FY 97 General Fund appropriations to pay General Relief benefits for emergency food, shelter, and clothing costs.

We assume a 5 percent annual rate of growth in need for FY 98 through FY 02.

FISCAL NOTE

#8

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. CSSB 37 (FIN)

Revision Date: _____	Dept. Affected: <u>Health and Social Services</u>
Title: <u>An act relating to treatment of permanent</u>	BRU: <u>Public Assistance</u>
<u>fund dividends for purposes of determining eligibility.</u>	Component: <u>AFDC</u>
Sponsor: <u>Phillips</u>	COMPONENT SERIAL NO. <u>220</u>
Requestor: <u>Senate Finance</u>	See also (SN#): _____

Expenditures/Revenues:	(Thousands of Dollars)					
OPERATING EXPENDITURES	FY97	FY98	FY99	FY00	FY01	FY02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	(12,100.0)	(12,100.0)	(12,100.0)	(12,100.0)	(12,100.0)	(12,100.0)
MISCELLANEOUS						
TOTAL OPERATING	(12,100.0)	(12,100.0)	(12,100.0)	(12,100.0)	(12,100.0)	(12,100.0)
CAPITAL EXPENDITURES						
CHANGES IN REVENUES ()						

FUND SOURCE	(Thousands of Dollars)					
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other 1007 I/A Rcpts	(12,100.0)	(12,100.0)	(12,100.0)	(12,100.0)	(12,100.0)	(12,100.0)
TOTAL	(12,100.0)	(12,100.0)	(12,100.0)	(12,100.0)	(12,100.0)	(12,100.0)

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

POSITIONS:						
FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

This legislation repeals the Permanent Fund Dividend Hold Harmless (PFD-HH) program protection for individuals who lose eligibility for AFDC, food stamps, and Medicaid benefits when they receive their dividends.

Current federal AFDC law requires that Permanent Fund dividends be treated as income for AFDC purposes. Dividend money retained beyond the month it is received must be treated as a resource. The dividend payments are unearned income, generally result in a family becoming ineligible for AFDC for one month each year. Families which retain dividend money lose AFDC eligibility if their total resources exceed \$1000.

Prepared by: Jim Nordlund, Director
 Division: Division of Public Assistance
 Approved by Com: Karen Pardue, Commissioner
 Agency: Department of Health & Social Services

Phone: 465-2680
 Date: 02/23/96
 Date: 3/4/96

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ANALYSIS (cont.):**Assumptions**

We assume for purposes of this analysis that a stable economy and the Department's current welfare reform efforts will hold the caseload constant for the next six years. We also assume that AFDC Benefit levels will remain constant.

We further assume that current federal law, which requires that dividends be treated as income for AFDC purposes, remains in force. The result will be that most AFDC cases become ineligible for one month each year, and no PFD hold harmless benefits are issued to replace the lost AFDC benefits. Recipients who retain enough PFD money to cause their countable assets to exceed the \$1000 AFDC limit will be ineligible for more than one month.

Discussion/Impacts

The AFDC budget component includes PFD-HH funds transferred as Interagency Receipts to make payments to replace federally-matched AFDC benefits which would otherwise not be paid because of dividend receipt. The benefits replaced include AFDC grants which would be denied because of the dividend payments themselves as well as grants that would be reduced because federal AFDC policy requires that cash PFD-HH payments made in lieu of food stamps be treated as income for AFDC purposes.

The FY97 Governor's budget plans \$12,100,000.00 in PFD-HH expenditures to replace the AFDC benefits of 11,911 families including 35,500 individuals. This legislation results in a reduction of \$12,100.0 in AFDC program benefits.

Revision Date: February 26, 1996 Dept. Affected: Department of Revenue
 Title: End Permanent Fund Dividend Hold Harmless BRU: Permanent Fund Dividend Division
 Component: Permanent Fund Dividend Division
 Sponsor: Senators Phillips, Taylor
 Requestor: Senate Finance COMPONENT SERIAL NO. 981

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ()						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY96) cost \$ 0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

(See Attachments)

Prepared by: Nanci A. Jones, Director *[Signature]* Phone: 465-2323
 Division: Permanent Fund Dividend Division *[Signature]* Date: February 26, 1996
 Approved by Commissioner: Wilson L. Condon, Commissioner *[Signature]* Date: February 26, 1996
 Agency: Department of Revenue

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ALASKA DEPARTMENT OF REVENUE
 PERMANENT FUND DIVIDEND DIVISION
HOLD HARMLESS PROGRAM DEDUCTIONS FROM 1985-1995 DIVIDENDS
 As of February 26, 1996

The legislature first funded the Hold Harmless program from the Dividend Fund in FY86. Prior to that time, the program was funded by the General Fund. The following table reflects the amounts appropriated and the corresponding reduction to each eligible applicant's dividend that resulted from the use of Dividend Fund monies for this program.

<u>Fiscal Year</u>	<u>Dividend Fund Hold Harmless Appropriations</u>	<u>Dividend Year</u>	<u>Reductions To Each Dividend</u>	<u>Reductions Reported</u>
1986	\$3,644,300	1985	\$6.94 (a)	
1987	4,211,700	1986	7.75 (a)	
1988	8,581,200	1987	16.05	\$16.05
1989	9,850,700	1988	18.61	18.61
1990	11,305,100	1989	22.72	22.72
1991	12,217,300	1990	24.12 (b)	24.12
1992	14,704,500	1991	28.63	28.63
1992	1,494,700	1992	2.89 (c)	
1993	18,540,900	1992	35.85	38.74
1994	19,252,100	1993	36.45	36.45
1994	244,400	1994	0.46 (d)	
1995	21,955,000	1994	40.99	41.45
1996	<u>21,887,100</u>	1995	<u>40.36</u>	<u>40.36</u>
Total	<u>\$147,889,000</u>		<u>\$281.82</u>	<u>\$267.13</u>

Notes

(a) These amounts were not reported on the 1985 or 1986 dividend check stubs. The Department first reported the effect of this appropriation on the dividend amount on the 1987 dividend check stub. In 1990 the legislature passed AS 43.23.028 requiring the reporting of all deductions from dividends.

(b) In FY91, there was a General Fund supplemental of \$1,092,200 to the Hold Harmless program bringing the total FY91 Hold Harmless program appropriations to \$13,309,500. Since the supplemental appropriation was from the General Fund, it did not reduce the amount of the 1991 dividend.

(c) This FY92 supplemental appropriation brought the total FY92 Hold Harmless program appropriation to \$16,199,200. Since the supplemental appropriation was made after the calculation of the 1991 dividend, its effect was to reduce the 1992 dividend. The total 1992 dividend reduction as reported on the check stub was \$38.74.

(d) This FY94 supplemental appropriation brought the total FY94 Hold Harmless program appropriation to \$19,496,500. Since the supplemental appropriation was made after the calculation of the 1993 dividend, its effect was to reduce the 1994 dividend. The total 1994 dividend reduction as reported on the check stub was \$41.45.

ALASKA DEPARTMENT OF REVENUE
PERMANENT FUND DIVIDEND DIVISION

SB 37 ANALYSIS

As of February 26, 1996

Section 3 of this bill repeals AS 43.23.075(b) and (c), the sections of the Alaska Statutes that require the state to hold public and medical assistance recipients harmless from the effects that receipt of a Permanent Fund Dividend (PFD) would have on their federal benefits. However, AS 43.23.075(a) and AS 43.23.085 still require the Department of Health & Social Services and other state and municipal agencies to *not* consider a PFD as income or resources for benefit program purposes unless required to do so by federal law or regulation. In addition, Sections 1 and 2 of this bill remove references to the hold harmless program cost reductions from the dividend calculation formula and the disclosure requirements.

The amended language does not preclude the legislature from appropriating dividend fund monies for state hold harmless costs. However, the legislation implies that any such future program costs will not be taken from the dividend fund. As a result, the deduction from each Alaskan's dividend would be eliminated. See the attached table entitled *Hold Harmless Program Deductions From 1985-1995 Dividends*, as of February 26, 1996.

Attachment

FISCAL NOTES ACCOMPANYING SB 37

CS(SA) - not to
CS(FIN) ✓

	<u>1995</u>		<u>1996</u>	
	<u>Cost</u>	<u>Savings</u>	<u>Cost</u>	<u>Savings</u>
1. DH&SS, Med. Asst. Hold Harmless		(1,100.0)		(1,100.0)
2. DH&SS, Med. Asst. Medicaid Fac.	488.4			
3. DH&SS, Med. Asst. Medicaid Non-Fac.	171.6		660.0 (#2&3 Combined)	
4. DH&SS, Pub. Asst. Eligibility	86.0		120.7	
5. DH&SS, PFD Hold Harmless		(22,316.1)		(21,738.6)
6. DH&SS, Adult Pub. Assist.		(2,562.1)		(2,644.0)
7. DH&SS, General Relief	1,052.8		1,026.7	
8. DH&SS, AFDC		(12,875.5)		(12,100.0)
9. DOR	0			
	<hr/>	<hr/>	<hr/>	<hr/>
	1,798.8	(38,853.7)	1,807.4	(37,582.6)

Prepared by SFC staff
2/23/96

FISCAL NOTE

#8

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. CSSB 37 (STA)

Revision Date: _____	Dept. Affected: <u>Health and Social Services</u>
Title: <u>An act relating to treatment of permanent fund dividends for purposes of determining eligibility.</u>	BRU: <u>Public Assistance</u>
Sponsor: <u>Phillips</u>	Component: <u>AFDC</u>
Requestor: <u>Senate Finance</u>	COMPONENT SERIAL NO. <u>220</u>
	See also (SN#): _____

Expenditures/Revenues:	(Thousands of Dollars)					
OPERATING EXPENDITURES	FY97	FY98	FY99	FY00	FY01	FY02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	(12,100.0)	(12,100.0)	(12,100.0)	(12,100.0)	(12,100.0)	(12,100.0)
MISCELLANEOUS						
TOTAL OPERATING	(12,100.0)	(12,100.0)	(12,100.0)	(12,100.0)	(12,100.0)	(12,100.0)

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGES IN REVENUES ()						
-------------------------	--	--	--	--	--	--

FUND SOURCE	(Thousands of Dollars)					
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other 1007 I/A Rcpts	(12,100.0)	(12,100.0)	(12,100.0)	(12,100.0)	(12,100.0)	(12,100.0)
TOTAL	(12,100.0)	(12,100.0)	(12,100.0)	(12,100.0)	(12,100.0)	(12,100.0)

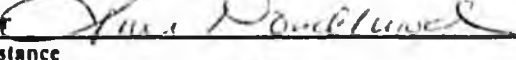
Estimate of any current year (FY96) cost: \$0.0

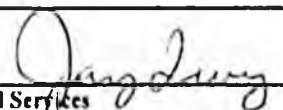
POSITIONS:						
FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

This legislation repeals the Permanent Fund Dividend Hold Harmless (PFD-HH) program.

Current federal AFDC law requires that Permanent Fund dividends be treated as income for AFDC purposes. Dividend money retained beyond the month it is received must be treated as a resource. The dividend payments are unearned income, generally result in a family becoming ineligible for AFDC for one month each year. Families which retain dividend money lose AFDC eligibility if their total resources exceed \$1000.

Prepared by: Jim Nordlund, Director 
 Division: Division of Public Assistance

Approved by Com: Karen Perdue, Commissioner 
 Agency: Department of Health & Social Services

Phone: 465-2680
 Date: 01/23/96

Date: 1-25-96

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ANALYSIS (cont.):**Assumptions**

Section 4 of the bill sets an effective date of July 1, 1995. For this analysis, we assume an effective date of July 1, 1996.

We assume for purposes of this analysis that a stable economy and the Department's current welfare reform efforts will hold the caseload constant for the next six years. We also assume that AFDC Benefit levels will remain constant.

We further assume that current federal law, which requires that dividends be treated as income for AFDC purposes, remains in force. The result will be that most AFDC cases become ineligible for one month each year, and no PFD hold harmless benefits are issued to replace the lost AFDC benefits. Recipients who retain enough PFD money to cause their countable assets to exceed the \$1000 AFDC limit will be ineligible for more than one month.

Discussion/Impacts

The AFDC budget component includes PFD-HH funds transferred as Interagency Receipts to make payments to replace federally-matched AFDC benefits which would otherwise not be paid because of dividend receipt. The benefits replaced include AFDC grants which would be denied because of the dividend payments themselves as well as grants that would be reduced because federal AFDC policy requires that cash PFD-HH payments made in lieu of food stamps be treated as income for AFDC purposes.

The FY97 Governor's budget plans \$12,100,000.00 in PFD-HH expenditures to replace the AFDC benefits of 11,911 families including 35,500 individuals.

FISCAL NOTE

27

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. CSSB 37 (STA)

Revision Date: _____	Dept. Affected: <u>Health and Social Services</u>
Title: <u>An act relating to treatment of permanent</u>	BRU: <u>Public Assistance</u>
<u>fund dividends for purposes of determining eligibility</u>	Component: <u>General Relief Assistance</u>
Sponsor: <u>Phillips</u>	COMPONENT SERIAL NO. <u>221</u>
Requestor: <u>Senate Finance</u>	See also (SN#): _____

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING EXPENDITURES	FY97	FY98	FY99	FY00	FY01	FY02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	1,026.7	1,078.0	1,131.9	1,188.5	1,247.9	1,310.3
MISCELLANEOUS						
TOTAL OPERATING	1,026.7	1,078.0	1,131.9	1,188.5	1,247.9	1,310.3

CAPITAL EXPENDITURES						
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CHANGES IN REVENUES ()						
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FUND SOURCE

(Thousands of Dollars)

FUND SOURCE	FY97	FY98	FY99	FY00	FY01	FY02
1002 Federal Receipts						
1003 GF Match						
1004 GF	1,026.7	1,078.0	1,131.9	1,188.5	1,247.9	1,310.3
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (please specify)						
TOTAL	1,026.7	1,078.0	1,131.9	1,188.5	1,247.9	1,310.3

Estimate of any current year (FY98) cost: \$0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

This legislation repeals the Permanent Fund Dividend Hold Harmless (PFD-HH) program. Without the protection of the PFD-HH program, most households receiving AFDC, Food Stamp, and Adult Public Assistance (APA) program benefits will become ineligible for assistance for one month each year. Because of the retrospective budgeting methodology in place for the AFDC, Food Stamp, and APA programs, the month of ineligibility will usually occur two months after the month the dividend is received. For example, if a family on public assistance gets its PFD checks in October, they will be ineligible for AFDC and food stamps in December.

Prepared by: Jim Nordlund, Director
Division: Division of Public Assistance

Phone: 465-2680
Date: 01/23/96

Approved by Com: Karen Perdue, Commissioner
Agency: Department of Health & Social Services

Date: 1-25-96

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ANALYSIS (cont.):

The General Relief Assistance (GRA) program provides vendor payments of up to \$120 per person per month for emergency needs such as food, clothing, and shelter when no other resource is available to pay for them. AFDC and APA recipients are not generally eligible for GRA services because their cash grant meets their basic needs. Food Stamp recipients are not eligible for GRA for food purchases because their needs have already been covered.

The repeal of PFD-Hold Harmless imposed by this legislation will substantially increase the number of people who are eligible for GRA. Recipients who do not conserve enough of their dividend money to meet their needs two months later when they lose their public assistance can be expected to apply for General Relief when they are confronted with eviction, lack of food, lack of heating fuel, or lack of adequate winter clothing.

Under this legislation, the following unduplicated numbers of individuals and cases are expected to be denied at least one month's benefits in FY97 as a result of receiving dividend payments:

<u>Program</u>	<u>Households</u>	<u>Persons Impacted</u>
AFDC	11,911	35,500
FSP*	4,012	10,030
APA	8,263	8,263
Total	24,186	53,793

* About 66 percent of the Food Stamp caseload also receives AFDC and APA benefits. This unduplicated count represents 34 percent of the Food Stamp PFD-HH caseload.

Assumptions

We estimate that 15 percent of the affected cases, with an average household size of 2.6 persons, will be eligible to GRA benefits for one month as a result of the repeal of PFD Hold Harmless coverage imposed by this legislation.

Calculation

$24,186 \text{ cases} \times 15\% = 3628 \times \$ 283 \text{ average payment} = \1026.7

The result will be an increase of 1026.7 in need for FY 97 General Fund appropriations to pay General Relief benefits for emergency food, shelter, and clothing costs.

We assume a 5 percent annual rate of growth in need for FY 98 through FY 02.

FISCAL NOTE

#6

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. CSSB 37 (STA)

Revision Date: _____	Dept. Affected: <u>Health and Social Services</u>
Title: <u>An act relating to treatment of permanent</u>	BRU: <u>Public Assistance</u>
<u>fund dividends for purposes of determining eligibility</u>	Component: <u>Adult Public Assistance</u>
Sponsor: <u>Phillips</u>	COMPONENT SERIAL NO. <u>222</u>
Requestor: <u>Senate Finance</u>	See also (SN#): _____

Expenditures/Revenues:	(Thousands of Dollars)					
OPERATING EXPENDITURES	FY97	FY98	FY99	FY00	FY01	FY02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	(2,644.0)	(2,776.2)	(2,915.0)	(3,060.8)	(3,213.8)	(3,374.5)
MISCELLANEOUS						
TOTAL OPERATING	(2,644.0)	(2,776.2)	(2,915.0)	(3,060.8)	(3,213.8)	(3,374.5)

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						
1037 GF/Mental Health						
Other 1007 I/A Rcpts	(2,644.0)	(2,776.2)	(2,915.0)	(3,060.8)	(3,213.8)	(3,374.5)
TOTAL	(2,644.0)	(2,776.2)	(2,915.0)	(3,060.8)	(3,213.8)	(3,374.5)

Estimate of any current year (FY98) cost: \$0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

This legislation repeals the Permanent Fund Dividend Hold Harmless (PFD-HH) program.

Dividend payments must be treated as unearned income for Adult Public Assistance (APA) purposes because the APA program operates as the state supplement to the federal Supplemental Security Income (SSI) program and the SSI program treats dividends as income. Medicaid services are available to APA recipients only if the APA program follows SSI income-counting rules for dividends. PFD-HH funds for the replacement of APA benefits are transferred as Interagency Receipts from the PFD hold harmless component to the Adult Public Assistance component.

Prepared by: Jim Nordlund, Director
 Division: Division of Public Assistance

Approved by Com: Karen Perdue, Commissioner
 Agency: Department of Health & Social Services

Phone: 465-2680
 Date: 01/22/96

Date: 1-25-96

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ANALYSIS (cont.):**Assumptions**

This legislation provides for an effective date of July 1, 1995. In this analysis, we assume an effective date of July 1, 1996.

Discussion

The FY 97 Governor's budget plans for expenditure of \$ 2,644.0 in PFD-HH funds to replace APA benefits which would otherwise be denied to 8,263 individuals. The cost of PFD-HH benefits in future years is projected to grow at 5 percent per year, based on anticipated annual caseload growth of 5 percent. This fiscal note assumes the APA maximum payment levels will not change.

The typical FY97 PFD-HH payment to an APA recipient is expected to be \$320 to replace one month's benefit.

PFD-Hold Harmless benefits will not be paid to recipients if this legislation becomes law. In most APA cases, recipients who receive dividends will become ineligible for benefits for one month, usually falling two months after the month they receive their dividend payments. Recipients who retain enough dividend money in the month after they receive it to exceed the APA asset limit of \$2000 (\$3000 for a couple) will remain ineligible until they have spent the money.

About 5,900 Adult Public Assistance Recipients who also receive federal SSI benefits will also lose eligibility for SSI benefits for one month each year as a result of this legislation. The lost SSI benefit is expected to average about \$305 per individual in FY 97.

FISCAL NOTE

#5

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. CSSB 37 (STA)

Revision Date: _____	Dept. Affected: <u>Health and Social Services</u>
Title: <u>An act relating to treatment of permanent</u>	BRU: <u>Public Assistance</u>
<u>fund dividends for purposes of determining eligibility</u>	Component: <u>PFD Hold Harmless</u>
Sponsor: <u>Phillips</u>	COMPONENT SERIAL NO. <u>225</u>
Requestor: <u>Senate Finance</u>	Sec also (SN#): _____

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY97	FY98	FY99	FY00	FY01	FY02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	(480.5)	(494.9)	(509.8)	(525.1)	(540.8)	(557.0)
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	(21,258.1)	(21,661.0)	(22,084.1)	(22,528.4)	(22,994.8)	(23,484.6)
MISCELLANEOUS						
TOTAL OPERATING	(21,738.6)	(22,155.9)	(22,593.9)	(23,053.5)	(23,535.6)	(24,041.6)

CAPITAL EXPENDITURES						
CHANGES IN REVENUES ()						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other 1050 PFD Fund	(21,738.6)	(22,155.9)	(22,593.9)	(23,053.5)	(23,535.6)	(24,041.6)
TOTAL	(21,738.6)	(22,155.9)	(22,593.9)	(23,053.5)	(23,535.6)	(24,041.6)

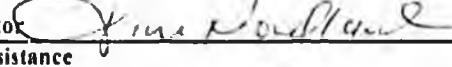
Estimate of any current year (FY96) cost: \$0.0

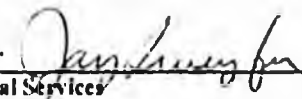
POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

This legislation repeals the Permanent Fund Dividend Hold Harmless (PFD-HH) program. The PFD-HH program replaces the public assistance benefits of individuals who are denied benefits because federal law or regulation requires that their Permanent Fund dividend payments be treated as income or a resource (asset) in determining their eligibility for public assistance benefits. AS 43.23.075 holds public assistance benefits harmless for up to four months each year from the effects of receiving dividend payments.

Prepared by: Jim Nordlund, Director 
 Division: Division of Public Assistance

Approved by Com: Karen Perdue, Commissioner 
 Agency: Department of Health & Social Services

Phone: 465-2680
 Date: 01/22/96

Date: 1-25-96

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ANALYSIS (cont.):**Assumptions**

This legislation provides for an effective date of July 1, 1995. In this analysis, we assume an effective date of July 1, 1996.

Calculations

The FY97 Governor's budget plans expenditures to replace benefits with PFD-HH funds according to the following schedule:

<u>Program</u>	<u>Cases</u>	<u>Persons Impacted</u>	<u>Budget Formula</u>
AFDC	11,911	35,500	12,100.0
FSP	11,800	37,760	3,624.1
Medicaid	NA	2,000	1,100.0
APA	8,263	8,263	2,644.0
SSI	5,966	5,966	<u>1,790.0</u>
		Total FY97 Grants	21,258.1

Impacts

This legislation results in elimination of 21,258.1 in FY 97 operating expenditures in the PFD hold harmless component. It eliminates PFD Hold Harmless expenditures as a source of Interagency Receipts for the AFDC, Adult Public Assistance, and Medicaid programs. PFD-HH benefits paid directly to recipients to replace food stamps and SSI benefits are also eliminated.

The Governor's Budget also plans for FY 97 expenditures of 480.5 contractual for the administration of PFD Hold Harmless. This legislation eliminates that contractual expenditure and removes PFD Hold Harmless as a source of Interagency Receipts in the Public Assistance Eligibility Determination Component.

**FISCAL NOTE SUMMARY AND DISCUSSION
CSSB 37(STA)**

Prepared by the Alaska Department of Health and Social Services
Division of Public Assistance
January 23, 1996

CSSB 37(STA) repeals the Permanent Fund Dividend Hold Harmless (PFD-HH) program. The PFD-HH program replaces the public assistance and Medicaid benefits of individuals who are ineligible because federal law or regulation requires that their Permanent Fund dividend payments be treated as income or a resource (asset) in determining their eligibility. AS 43.23.075 holds public assistance and Medicaid benefits harmless for up to four months each year from the effects of receiving dividend payments.

Background - The PFD Hold Harmless Program

The PFD Hold Harmless program was established at the same time as the original, \$1000 PFD distribution in 1982. The legislature established the program to assure that low-income Alaskans could enjoy the benefit of the dividend program on the same basis as other Alaskans, without losing their eligibility for needs-based assistance.

Repeal of the PFD Hold Harmless program will impact both the amount of assistance paid to individuals and families and the administrative effort required for the Division of Public Assistance to process case changes when public assistance recipients receive their dividend checks.

Under current federal law, receipt of the annual Permanent Fund dividend check causes AFDC families and elderly, blind, or disabled recipients of Adult Public Assistance and federal Supplemental Security Income to be ineligible for benefits for one month. Most households that receive food stamps also lose a month of eligibility, and a small number of Medicaid recipients are similarly effected. Recipients who retain enough of their dividend payments to exceed the asset limits for the various programs remain ineligible until their assets are spent down. The PFD Hold Harmless program replaces these lost benefits for up to four months each year.

PFD Hold Harmless, Welfare Reform, and Federal Block Grants

Throughout this fiscal note package, we assume the continuation of current federal law provisions that require that dividends be treated as income and assets for public assistance purposes.

If federal legislation converts the AFDC program into a block grant program to the states, the states are likely to have broad discretion in how they treat various sources of income in their new family assistance programs. Under such a change in federal policy, the dividend payments would be treated as exempt income and assets for AFDC purposes under AS 43.23.075(a), which provides that dividends cannot be counted as income or assets for public assistance purposes unless federal law so requires. This legislation leaves AS 43.23.075(a) in force.

It is important to understand that even if such a change in federal law results in the treatment of dividends as exempt income under a new, block-granted AFDC replacement program, the elimination of the contribution to the overall AFDC budget of the PFD Hold Harmless program would under any

circumstance result in an overall reduction of ten percent in AFDC benefits, because the PFD Hold Harmless program has historically been a funding source for AFDC benefits.

The current direction in federal welfare reform would not change the Food Stamp, Medicaid, Adult Public Assistance and SSI program policies regarding the treatment of dividend payments.

Eliminating the PFD Hold Harmless program effectively amounts to a substantial cut in the benefit package available to individuals in all of these program.

Sectional Analysis

Sections 1 and 2 of the bill repeal the express authority at AS 43.23.025(a)(1)(E) and AS 43.23.028(a)(3) to fund the PFD-HH program with appropriations from the dividend fund.

Section 3 of the bill repeals the language at AS 43.23.075(b) and (c) that established the PFD-HH program in 1982. Section 3 retains the language at AS 43.23.075(a), which prohibits the treatment of dividend payments as income or resources for public assistance purposes unless federal law or regulation so requires.

Section 4 establishes an effective date of July 1, 1995. This analysis, however, assumes an effective date of July 1, 1996.

Program Impacts

PFD-HH is paid to replace public assistance benefits in the following programs:

- Aid to Families with Dependent Children (AFDC)
- Food Stamp Program (FSP)
- Medicaid
- Adult Public Assistance (APA)
- Supplemental Security Income (SSI)

The FY 97 Governor's budget plans expenditures to replace benefits with PFD-HH funds according to the following schedule:

<u>Program</u>	<u>Cases</u>	<u>Persons Impacted*</u>	<u>Formula Budget</u>
AFDC	11,911	35,500	12,100.0
FSP	11,800	37,760	3,624.1
Medicaid	NA	2,000	1,100.0
APA	8,263	8,263	2,644.0
SSI	5,966	5,966	1,790.0
		Total FY 97 Grants	21,258.1

* Individuals receiving benefits in more than one program appear in each program count

PFD-HH funds for replacement of **Food Stamp benefits** are paid directly to recipients as cash in lieu of food coupons. In FY 97, a typical Food Stamp household is expected to receive one \$330 PFD-HH payment to replace a month's worth of food coupons.

PFD-HH funds for replacement of **AFDC benefits** are transferred as Interagency Receipts to the AFDC component of the Public Assistance BRU. The benefits replaced include AFDC grants which would be denied because of the dividend payments themselves as well as grants that would be reduced because federal AFDC policy requires that cash PFD-HH payments made in lieu of food stamps be treated as income for AFDC purposes. A typical AFDC family is expected to receive \$804 in PFD-HH during FY 97 to replace one month's AFDC grant, and an additional \$272 in PFD-HH to restore AFDC grant reductions that result from receiving cash in lieu of food coupons.

Under an interagency operating agreement with the federal Department of Health and Human Services, claims for AFDC federal matching funds are reduced to reflect the amount of benefits which would be paid if AFDC grants were denied because of dividend and food stamp hold harmless payments. This agreement saves substantial administrative effort because individual AFDC cases do not have to be suspended during the dividend season.

PFD-HH funds for replacement of **Medicaid benefits** are transferred as Interagency Receipts to the Medicaid PFD Hold Harmless component of the Medical Assistance BRU. Most Medicaid PFD Hold Harmless benefits are paid on behalf of individuals who retain dividend money beyond the month they receive it, causing their household's resources to exceed program limits.

PFD-HH funds for replacement of **APA benefits** are transferred as Interagency Receipts to the Adult Public Assistance component of the Assistance Payments BRU. The typical PFD-HH benefit to an APA recipient is \$320 to replace one month's benefit.

PFD-HH funds for replacement of **SSI benefits** are paid under an interagency agreement to the federal Social Security Administration, which applies them as reimbursement for the cost of SSI benefits paid to individuals who receive dividends. PFD-HH benefits to replace SSI are expected to average \$305 per person in FY 97.

PFD-Hold Harmless benefits will not be paid to recipients if this bill becomes law. In most AFDC, Food Stamp, APA, and SSI cases, recipients who receive dividends will become ineligible for benefits for one month, usually falling two months after the month they receive their dividend payments.

Administrative Impacts

The administrative cost of the PFD Hold Harmless program is based on estimates of the proportion of time used by Eligibility Determination staff to process case actions related to dividend payments and PFD-HH benefits. In FY 97, 480.5 in PFD-HH Contractual funds is planned to be transferred as Interagency Receipts to the Eligibility Determination component of the Public Assistance BRU.

The Department of Health and Social Services has established PFD Hold Harmless processing agreements with the federal AFDC and SSI agencies; these agreements, which substantially reduce the amount of case processing required when recipients receive dividends, would be nullified by this legislation.

The time required to process Food Stamp cases would decrease under this legislation because it would no longer be necessary to convert assistance to cash in lieu of food coupons and back again. The time to process AFDC, APA, and Medicaid cases in the absence of the PFD-HH program would increase substantially: under the Hold Harmless program, benefit authorization for these programs consists of the one-time entry of a few special computer codes.

Without the PFD-HH program, action will have to be taken to suspend the benefits of each affected AFDC, APA, and Medicaid case, and to reinstate benefits after the month of suspension. The reduction in the administrative effort to process PFD Hold Harmless benefits would be more than supplanted by the additional effort required to process case changes in the absence of a federal AFDC/ PFD Hold harmless operating agreement.

The need for staff is also expected to increase because of a substantial increase in General Relief applications from recipients who are unable to pay for rent or food when they lose their cash and food benefits two months after they receive their dividend checks. The Division of Public Assistance would make every effort to apprise recipients in advance that they will be retrospectively ineligible, but some recipients would inevitably fail to conserve enough dividend money to meet their future needs.

The offsetting administrative impacts of this legislation produce a need for two Eligibility Technicians in addition to the ten full-time equivalents currently required for PFD processing and funded by PFD Hold Harmless. In the absence of PFD Hold Harmless funding, all of the cost of processing PFD-related case changes is shifted to the General Fund.

FISCAL NOTE

#4

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. CSSB 37 (STA)

Revision Date: _____	Dept. Affected: <u>Health and Social Services</u>
Title: <u>An act relating to treatment of permanent</u>	BRU: <u>Public Assistance</u>
<u>fund dividends for purposes of determining eligibility</u>	Component: <u>Eligibility Determination</u>
Sponsor: <u>Phillips</u>	COMPONENT SERIAL NO. <u>236</u>
Requestor: <u>Senate Finance</u>	See also (SN#): _____

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING EXPENDITURES	FY97	FY98	FY99	FY00	FY01	FY02
PERSONAL SERVICES	94.4	94.4	94.4	94.4	94.4	94.4
TRAVEL						
CONTRACTUAL	5.0	5.0	5.0	5.0	5.0	5.0
SUPPLIES	1.3	1.3	1.3	1.3	1.3	1.3
EQUIPMENT	20.0					
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	120.7	100.7	100.7	100.7	100.7	100.7

CAPITAL EXPENDITURES						
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CHANGES IN REVENUES ()						
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts	60.3	50.3	50.3	50.3	50.3	50.3
1003 GF Match	60.4	50.4	50.4	50.4	50.4	50.4
1004 GF	480.5	494.9	509.8	525.1	540.8	557.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other 1007 I/A Rcpts	(480.5)	(494.9)	(509.8)	(525.1)	(540.8)	(557.0)
TOTAL	120.7	100.7	100.7	100.7	100.7	100.7

Estimate of any current year (FY98) cost: \$0.0

POSITIONS:

FULL-TIME	2	2	2	2	2	2
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

This legislation repeals the Permanent Fund Dividend Hold Harmless (PFD-HH) program. Repeal of the PFD Hold Harmless program will impact the administrative effort required for the Division of Public Assistance to provide timely, accurate delivery of benefits. The Department of Health and Social Services has established PFD hold harmless processing agreements with the federal agencies responsible for the AFDC and SSI programs. These agreements, which reduce the amount of case processing required when recipients receive dividends, would be nullified by this legislation. The administrative effort to process PFD Hold Harmless benefits would be more than supplanted by the additional case processing effort required to suspend public assistance benefits when dividend payments are distributed.

Prepared by: Jim Nordlund, Director
 Division: Division of Public Assistance

Phone: 465-2680
 Date: 01/23/96

Approved by Com: Karen Perdue, Commissioner
 Agency: Department of Health & Social Services

Date: 1-25-96

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ANALYSIS (cont.):**Administrative Impacts/Assumptions**

The legislation provides for an effective date of July 1, 1995. For this analysis, we assume an effective date of July 1, 1996.

The administrative cost of the PFD Hold Harmless program is based on estimates of the proportion of time used by Eligibility Determination staff to process case actions related to dividend payments and PFD-HH benefits. In FY 97 480.5 in PFD-HH Contractual funds is planned to be transferred as Interagency Receipts to the Eligibility Determination component of the Public Assistance BRU.

The time required to process Food Stamp cases would decrease because it would no longer be necessary to convert assistance to cash in lieu of food coupons and back again. The time to process AFDC, APA, and Medicaid cases in the absence of the PFD-HH program would increase substantially: under the Hold Harmless program, benefit authorization for these programs consists of the one-time entry of a few special computer codes. Without the PFD-HH program, action will have to be taken to suspend the benefits of each affected AFDC, APA, and Medicaid case, and to reinstate benefits after the month of suspension. The need for staff is also expected to increase because of a substantial increase in General Relief applications from recipients who are unable to pay for rent or food when they lose their cash and food benefits two months after they receive their dividend checks.

This analysis presumes that the intent of this legislation is to preclude the appropriation of money from the Dividend Fund to administer public assistance. The existing cost of processing case changes resulting from the receipt of dividends is, therefore, shifted to General Fund.

The administration of the PFD-HH program and the processing of case changes related to the receipt of dividend payments require the equivalent of 10 permanent, full-time positions. The repeal of the PFD-HH program proposed in this bill results in an increase in the amount of administrative effort to take the dividend payments into account and process changes in the affected public assistance cases. We estimate that 11.8 permanent full-time equivalent positions would be needed to process dividend-related work if the hold harmless provision is repealed.

The offsetting effects of this legislation result in a net increase in staffing needs of 2 Eligibility Technician II positions in the Eligibility Determination Component.

Calculations

Additional staff: 2 Eligibility Technician II - PFT - Anchorage

	FY97	FY98	FY99	FY00	FY01	FY02
Salary	66.6	66.6	66.6	66.6	66.6	66.6
Benefits	27.8	27.8	27.8	27.8	27.8	27.8
Contractual	5.0	5.0	5.0	5.0	5.0	5.0
Supplies	1.3	1.3	1.3	1.3	1.3	1.3
Equipment	20.0	0.0	0.0	0.0	0.0	0.0
Total Oper.	120.7	100.7	100.7	100.7	100.7	100.7

Fund Source Shift - PFD related case processing

	FY97	FY98	FY99	FY00	FY01	FY02
IA Receipts (PFD Fund)	(480.5)	(494.9)	(509.8)	(525.1)	(540.8)	(557.0)
GF	480.5	494.9	509.8	525.1	540.8	557.0

Position Title Eligibility Technician II			No. of Positions 2	Range/Step R14B	Bargaining Unit GGU
Time Status FT	Staff Months 12.0		Location Anchorage		Election District
TYPE of EXPENDITURE			AMOUNT		
Salary			66.6		
Benefits			27.8		
Premium Pay					
Other					
Total Personal Services			94.4		
Travel					
Contractual			5.0		
Commodities			1.3		
Equipment			20.0		
Other					
Total Cost			120.7		
FUNDING SOURCE for TOTAL COST					
1002	Federal Receipts		60.3		
1003	GF Match		60.4		
1004	General Fund				
1005	GF/Program Receipts				
1007	I/A Receipts				
1037	GF/MH				
1061	CIP Receipts				
Other	()				
<p>Justification</p> <p>CSSB 37 repeals the PFD Hold Harmless program and requires that individual AFDC, Food Stamp, Adult Public Assistance, and Medicaid cases be suspended for at least one month when dividends are received. The reduction in administrative need that results from the repeal of the PFD Hold Harmless program is more than offset by the increased time needed to process dividend payments as individual case changes and to handle an increased number of General Relief Assistance cases.</p> <p>Two additional Eligibility Technician case worker positions are needed to administer this additional workload.</p>					

**REQUEST for
NEW POSITION**

AGENCY: **Health and Social Services**

BRU: **Public Assistance**

COMPONENT: **Eligibility Determination**

FY97

Page: 1 of 1

Revised Date:

FISCAL NOTE

2 + 3
Combined

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. CS SB 37 (ST/)

Revision Date:	Dept. Affected: <u>Health and Social Services</u>
Title: <u>An act relating to treatment of permanent fund dividends for purposes of determining eligibility..</u>	BRU: <u>Medical Assistance</u>
Sponsor: <u>Phillips</u>	Component: <u>Medicaid Services</u>
Requestor: <u>Sen Finance</u>	COMPONENT SERIAL NO. <u>2077</u>
	See also (SN#): <u>966</u>

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING EXPENDITURES	FY97	FY98	FY99	FY00	FY01	FY02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	660.0	660.0	660.0	660.0	660.0	660.0
MISCELLANEOUS						
TOTAL OPERATING	660.0	660.0	660.0	660.0	660.0	660.0

CAPITAL EXPENDITURES						
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CHANGES IN REVENUES ()						
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FUND SOURCE

(Thousands of Dollars)

FUND SOURCE	FY97	FY98	FY99	FY00	FY01	FY02
1002 Federal Receipts	330.0	330.0	330.0	330.0	330.0	330.0
1003 GF Match	330.0	330.0	330.0	330.0	330.0	330.0
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (please specify)						
TOTAL	660.0	660.0	660.0	660.0	660.0	660.0

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

POSITIONS:

POSITIONS	FY97	FY98	FY99	FY00	FY01	FY02
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Committee Substitute for Senate Bill 37 repeals the Permanent Fund Dividend Hold Harmless (PFD-HH) program. The PFD-HH program replaces the Medicaid benefits of individuals who are denied benefits because federal law or regulation requires that their PFD payment be treated as income or a resource (asset) in determining their eligibility for medical assistance benefits. The legislature established the program in 1981 to assure that low-income Alaskans could receive their PFD on an equal basis with all other Alaskans, without the loss of eligibility for needs-based medical assistance.

The PFD-HH program allows Medicaid recipients to receive and retain PFD money for up to four months and still receive Medicaid services.

(see attached page)

Prepared by: Jon Sherwood *Jon Sherwood* *BS*
 Division: Medical Assistance
 Approved by Com: Karen Perdue, Commissioner *Karen Perdue*
 Agency: Department of Health & Social Services

Phone: 465-3355
 Date: 01/18/96
 Date: 1-25-96

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ANALYSIS (cont.):

If the PFD-HH program is eliminated, most Medicaid recipients will continue to remain eligible in the month they receive the check. They could become ineligible for Medicaid if they chose to retain their PFD check and it puts them over the Medicaid resource limit in the following month.

Many individuals, however, will elect to spend their PFD check in the month of receipt to prevent that money from being considered a resource. These individuals will retain Medicaid eligibility. In absence of PFD-HH funds, regular Medicaid funding will be necessary to cover these individuals. We anticipate that those individuals who receive Medicaid services in an amount equal to or greater than the amount of a permanent fund dividend are the individuals who will dispose of their PFD check and remain Medicaid eligible. About 60% of annual Medicaid expenditures are for recipients who receive \$967 or more in Medicaid benefits each month.

We anticipate the regular Medicaid budget will see a commensurate increase equal to 60% of the amount currently budgeted for the PFD-HH program (1.1 million). This fiscal note shows the increase of the FY 97 budget request of \$660,000. No growth is assumed as expenditures in the PFD Hold Harmless program have been stable over the last few years.

See the companion fiscal note for PFD Hold Harmless to show the decrease in that component.

FISCAL NOTE

#1

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. CS SB 37 (STA)

Revision Date: _____	Dept. Affected: <u>Health and Social Services</u>
Title: <u>An act relating to treatment of permanent</u>	BRU: <u>Medical Assistance</u>
<u>fund dividends for purposes of determining eligibility..</u>	Component: <u>Medicaid PFD Hold Harmless</u>
Sponsor: <u>Phillips</u>	COMPONENT SERIAL NO. <u>966</u>
Requestor: <u>Sen Finance</u>	See also (SN#): <u>2077</u>

Expenditures/Revenues:	(Thousands of Dollars)					
OPERATING EXPENDITURES	FY97	FY98	FY99	FY00	FY01	FY02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)
MISCELLANEOUS						
TOTAL OPERATING	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)

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						
1037 GF/Mental Health						
Other (please specify) I/A Receipts	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)
TOTAL	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)

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

POSITIONS:	FY97	FY98	FY99	FY00	FY01	FY02
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Committee Substitute for Senate Bill 37 repeals the Permanent Fund Dividend Hold Harmless (PFD-HH) program. The PFD-HH program replaces the Medicaid benefits of individuals who are denied benefits because federal law or regulation requires that their PFD payment be treated as income or a resource (asset) in determining their eligibility for medical assistance benefits. The legislature established the program in 1981 to assure that low-income Alaskans could receive their PFD on an equal basis with all other Alaskans, without the loss of eligibility for needs-based medical assistance.

The PFD-HH program allows Medicaid recipients to receive and retain PFD money for up to four months and still receive Medicaid services.

(see attached page)

Prepared by: Jon Sherwood *Jon Sherwood*
 Division: Medical Assistance

Approved by Com: Karen Perdue, Commissioner *Karen Perdue*
 Agency: Department of Health & Social Services

Phone: 465-3355
 Date: 01/18/96

Date: 1-25-96

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ANALYSIS (cont.):

If the PFD-HH program is eliminated, most Medicaid recipients will continue to remain eligible in the month they receive the check. They could become ineligible for Medicaid if they chose to retain their PFD check and it puts them over the Medicaid resource limit in the following month.

Many individuals, however, will elect to spend their PFD check in the month of receipt to prevent that money from being considered a resource. These individuals will retain Medicaid eligibility. In absence of PFD-HH funds, regular Medicaid funding will be necessary to cover these individuals. We anticipate that those individuals who receive Medicaid services in an amount equal to or greater than the amount of a permanent fund dividend are the individuals who will dispose of their PFD check and remain Medicaid eligible. About 60% of annual Medicaid expenditures are for recipients who receive on \$967 or more in Medicaid benefits each month. We anticipate the regular Medicaid budget will see a commensurate increase equal to 60% of the amount currently budgeted for the PFD-HH program (1.1 million). See the companion fiscal note for Medicaid Services to show this increase.

This fiscal note shows the elimination of the FY 97 budget request of 1.1 million. No growth in the PFD Hold Harmless program is assumed as expenditures have been stable over the last few years.

FISCAL NOTE

No. 7
 Bill Version: SB 37
 BILL NO. § (S) Publish Date: 2/3/95

STATE OF ALASKA
 1995 LEGISLATIVE SESSION

Revision Date: _____ Dept. Affected: Department of Revenue
 Title: End Permanent Fund Dividend Hold Harmless BRU: Permanent Fund Dividend Division
 Component: Permanent Fund Dividend Division
 Sponsor: Senators PHILLIPS, Taylor
 Requester: Senate State Affairs COMPONENT SERIAL NO. 981

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF-Program Receipts						
1006 GF-MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY95) cost: \$ 0.0

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

See Page 2.

Prepared by: Thomas C. Williams, Director Phone: 465-2323
 Division: Permanent Fund Dividend Division Date: 1/25/95
 Approved by Commissioner: [Signature] Date: 1/25/95
 Agency: Department of Revenue

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ALASKA DEPARTMENT OF REVENUE
PERMANENT FUND DIVIDEND DIVISION

SB 37 ANALYSIS

As of January 25, 1995

Section 3 of this bill repeals AS 43.23.075(b) and (c), the sections of the Alaska Statutes that require the state to hold public and medical assistance recipients harmless from the effects that receipt of a Permanent Fund Dividend (PFD) would have on their federal benefits. However, AS 43.23.075(a) and AS 43.23.085 still require the Department of Health & Social Services and other state and municipal agencies to *not* consider a PFD as income or resources for benefit program purposes unless required to do so by federal law or regulation. In addition, Sections 1 and 2 of this bill remove references to the hold harmless program cost reductions from the dividend calculation formula and the disclosure requirements.

The amended language does not preclude the legislature from appropriating dividend fund monies for state hold harmless costs. However, the legislation implies that any such future program costs will not be taken from the dividend fund. As a result, the deduction from each Alaskan's dividend would be eliminated. See the attached table entitled **Hold Harmless Program Deductions From 1985-1994 Dividends**, as of September 29, 1994.

Attachment

ALASKA DEPARTMENT OF REVENUE
PERMANENT FUND DIVIDEND DIVISION
HOLD HARMLESS PROGRAM DEDUCTIONS FROM 1985-1994 DIVIDENDS

As of September 29, 1994

The legislature first funded the Hold Harmless program from the Dividend Fund in FY86. Prior to that time, the program was funded by the General Fund. The following table reflects the amounts appropriated and the corresponding reduction to each eligible applicant's dividend that resulted from the use of Dividend Fund monies for this program.

<u>Fiscal Year</u>	<u>Dividend Fund Hold Harmless Appropriations</u>	<u>Dividend Year</u>	<u>Reductions To Each Dividend</u>	<u>Reductions Reported</u>
1986	\$3,644,300	1985	\$6.94 (a)	
1987	4,211,700	1986	7.75 (a)	
1988	8,581,200	1987	16.05	\$16.05
1989	9,850,700	1988	18.61	18.61
1990	11,305,100	1989	22.72	22.72
1991	12,217,300	1990	24.12 (b)	24.12
1992	14,704,500	1991	28.63	28.63
1992	1,494,700	1992	2.89 (c)	
1993	18,540,900	1992	35.85	38.74
1994	19,252,100	1993	36.45	36.45
1994	244,400	1994	0.46 (d)	
1995	<u>21,955,000</u>	1994	<u>40.99</u>	<u>41.45</u>
Total	<u>\$126,001,900</u>		<u>\$241.46</u>	<u>\$226.77</u>

Notes

(a) These amounts were not reported on the 1985 or 1986 dividend check stubs. The Department first reported the effect of this appropriation on the dividend amount on the 1987 dividend check stub. In 1990 the legislature passed AS 43.23.028 requiring the reporting of all deductions from dividends.

(b) In FY91, there was a General Fund supplemental of \$1,092,200 to the Hold Harmless program bringing the total FY91 Hold Harmless program appropriations to \$13,309,500. Since the supplemental appropriation was from the General Fund, it did not reduce the amount of the 1991 dividend.

(c) This FY92 supplemental appropriation brought the total FY92 Hold Harmless program appropriation to \$16,199,200. Since the supplemental appropriation was made after the calculation of the 1991 dividend, its effect was to reduce the 1992 dividend. The total 1992 dividend reduction as reported on the check stub was \$38.74.

(d) This FY94 supplemental appropriation brought the total FY94 Hold Harmless program appropriation to \$19,496,500. Since the supplemental appropriation was made after the calculation of the 1993 dividend, its effect was to reduce the 1994 dividend. The total 1994 dividend reduction as reported on the check stub was \$41.45.

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL #

Bill Version: SB 37

(S) Publish Date: 2/3/95

Revision Date: _____ Dept. Affected: Health and Social Services
 Title: An Act relating to permanent fund dividends BRU: Assistance Payments
 Component: AFDC
 Sponsor: Phillips
 Requestor: Senate STA COMPONENT SERIAL NO. 220

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY96	FY97	FY98	FY99	FY00	FY01
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	(12,875.5)	(13,519.3)	(14,195.3)	(14,905.1)	(15,650.4)	(16,432.9)
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	(12,875.5)	(13,519.3)	(14,195.3)	(14,905.1)	(15,650.4)	(16,432.9)

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGES IN REVENUES	0	0	0	0	0	0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other 1007 I/A Receipts	(12,875.5)	(13,519.3)	(14,195.3)	(14,905.1)	(15,650.4)	(16,432.9)
TOTAL	(12,875.5)	(13,519.3)	(14,195.3)	(14,905.1)	(15,650.4)	(16,432.9)

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 any current year (FY95) cost: \$ NONE

ANALYSIS: (Attach a separate page if necessary)

SB 37 repeals the Permanent Fund Dividend Hold Harmless (PFD-HH) program. The PFD-HH program replaces the public assistance benefits of individuals who are denied benefits because federal law or regulation requires that their Permanent Fund dividend payments be treated as income or a resource (asset) in determining their eligibility for public assistance benefits. AS 43.23.075 holds public assistance benefits harmless for up to four months each year from the effects of receiving dividend payments.

Prepared by: Jim Dalman, Acting Director
 Division: Division of Public Assistance
 Approved by Com: Karen Perdue
 Agency: Department of Health & Social Services

Phone: 465-2680
 Date: 1/30/95
 Date: 1/30/95

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ANALYSIS (cont.):

The PFD Hold Harmless program was established at the same time as the original, \$1000 PFD distribution in 1982. The legislature established the program to assure that low-income Alaskans could enjoy the benefit of the dividend program on the same basis as other Alaskans, without losing their eligibility for needs-based assistance.

Federal AFDC law requires that Permanent Fund dividends be treated as income for AFDC purposes. Dividend money retained beyond the month it is received must be treated as a resource. The dividend payments are unearned income, which reduces AFDC benefits by about 92 cents for each dollar of income. Families which retain dividend money lose AFDC eligibility if their total resources exceed \$1000.

The AFDC budget component includes PFD-HH funds transferred as Interagency Receipts to make payments to replace federally-matched AFDC benefits which would otherwise not be paid because of dividend receipt. The benefits replaced include AFDC grants which would be denied because of the dividend payments themselves as well as grants that would be reduced because federal AFDC policy requires that cash PFD-HH payments made in lieu of food stamps be treated as income for AFDC purposes.

The FY96 Governor's budget plans \$12,875,500.00 in PFD-HH expenditures to replace the AFDC benefits of 12,987 families including 39,639 individuals. The cost of PFD-HH benefits to replace AFDC in future years is projected to grow at 5 percent per year, based on anticipated annual caseload growth of 5 percent. The legislature has set maximum payment levels in the AFDC program. This fiscal note assumes the AFDC maximum payment levels will not change.

Under current law, a typical AFDC family is expected to receive \$780 in PFD-HH during FY 96 to replace one month's AFDC grant, and an additional \$272 in PFD-HH to restore AFDC grant reductions that result from receiving cash in lieu of food coupons. PFD-Hold Harmless benefits will not be paid to recipients if SB 37 becomes law. In most AFDC cases, recipients who receive dividends will become ineligible for benefits for one month, usually falling two months after the month they receive their dividend payments. Recipients who save enough of their dividend money to place them over the \$1000 resource limit will be ineligible until they have spent the money.

STATE OF ALASKA
1995 LEGISLATIVE SESSION

FISCAL NOTE

No. 7
Bill Version: SB 37
(S) Publish Date: 2/3/95

Revision Date _____ Dept. Affected: Health and Social Services
Title: As Act relating to permanent fund dividends BRU Assistance Payments
Sponsor: Phillips Component: General Relief Assistance
Requester: Senate STA COMPONENT SERIAL NO. 221

Expenditures/Revenues:		(Thousands of Dollars)					
OPERATING	FY96	FY97	FY98	FY99	FY00	FY01	
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0	
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0	
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0	
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0	
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0	
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0	
GRANTS CLAIMS	1,052.8	1,105.4	1,160.7	1,218.7	1,279.7	1,343.7	
MISCELLANEOUS							
TOTAL OPERATING	1,052.8	1,105.4	1,160.7	1,218.7	1,279.7	1,343.7	
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0	
CHANGES IN REVENUES	0	0	0	0	0	0	

FUND SOURCE		(Thousands of Dollars)					
1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0	
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0	
1004 GF	1,052.8	1,105.4	1,160.7	1,218.7	1,279.7	1,343.7	
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0	
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0	
Other	0.0	0.0	0.0	0.0	0.0	0.0	
TOTAL	1,052.8	1,105.4	1,160.7	1,218.7	1,279.7	1,343.7	

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 any current year (FY95) cost: \$ NONE

ANALYSIS: (Attach a separate page if necessary)

SB 37 repeals the Permanent Fund Dividend Hold Harmless (PFD-HH) program. Without the protection of the PFD-HH program, most households receiving AFDC, Food Stamp, and Adult Public Assistance (APA) program benefits will become ineligible for assistance for one month each year. Because of the retrospective budgeting methodology in place for the AFDC, Food Stamp, and APA programs, the month of ineligibility will usually occur two months after the month the dividend is received. For example, if a family on public assistance gets its PFD checks in October, they will be ineligible for AFDC and food stamps in December.

Prepared by Jim Dalman, Acting Director Phone: 465-2680
Division: Division of Public Assistance Date: 1/30/95
Approved by Com Karen Perdue Date: 1/30/95
Agency: Department of Health & Social Services

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ANALYSIS (cont.):

The General Relief Assistance (GRA) program provides vendor payments of up to \$120 per person per month for emergency needs such as food, clothing, and shelter when no other resource is available to pay for them. AFDC and APA recipients are not generally eligible for GRA services because their cash grant meets their basic needs. Food Stamp recipients are not eligible for GRA for food purchases because their needs have already been covered.

The repeal of PFD-Hold Harmless imposed by SB 37 will substantially increase the number of people who are entitled to GRA. Recipients who do not conserve enough of their dividend money to meet their needs two months later when they lose their public assistance can be expected to apply for General Relief when they are confronted with eviction, lack of food, lack of heating fuel, or lack of adequate winter clothing.

Under SB 37, the following unduplicated numbers of individuals and cases are expected to be denied at least one month's benefits in FY96 as a result of receiving dividend payments:

<u>Program</u>	<u>Households</u>	<u>Persons Impacted</u>
AFDC	12987	39639
FSP*	3867	9668
APA	<u>7932</u>	<u>7932</u>
Total	24786	57236

* 66 percent of the Food Stamp caseload also receives AFDC and APA benefits. This unduplicated count represents 34 percent of the Food Stamp PFD-HH caseload.

We estimate that 15 percent of the affected cases, with an average household size of 2.6 persons, will be entitled to GRA benefits for one month as a result of the repeal of PFD Hold Harmless coverage imposed by SB 37.

$24786 \text{ cases} \times 15\% = 3720 \times \$ 283 \text{ average payment} = 1052.8$

The result will be an increase of 1052.8 in need for FY 96 General Fund appropriations to pay General Relief benefits for food, shelter, and clothing costs.

We assume a 5 percent annual rate of caseload growth for FY 97 through FY 01.

STATE OF ALASKA
1995 LEGISLATIVE SESSION

FISCAL NOTE

No. 6
Bill Version: SB 37
BILL N (S) Publish Date: 2/3/95

Revision Date: _____ Dept. Affected: Health and Social Services
Title: An Act relating to permanent fund dividends SRU: Assistance Payments
Component: Adult Public Assistance
Sponsor: Phillips
Requestor: Senate STA COMPONENT SERIAL NO. 222

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY96	FY97	FY98	FY99	FY00	FY01
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	(2,562.1)	(2,690.2)	(2,824.7)	(2,965.9)	(3,114.2)	(3,269.9)
MISCELLANEOUS						
TOTAL OPERATING	(2,562.1)	(2,690.2)	(2,824.7)	(2,965.9)	(3,114.2)	(3,269.9)

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGES IN REVENUES	0	0	0	0	0	0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other 1007 I/A Receipts	(2,562.1)	(2,690.2)	(2,824.7)	(2,965.9)	(3,114.2)	(3,269.9)
TOTAL	(2,562.1)	(2,690.2)	(2,824.7)	(2,965.9)	(3,114.2)	(3,269.9)

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 any current year (FY95) cost: NONE

ANALYSIS: (Attach a separate page if necessary)

SB 37 repeals the Permanent Fund Dividend Hold Harmless (PFD-HH) program. The PFD-HH program replaces the public assistance benefits of individuals who are denied benefits because federal law or regulation requires that their Permanent Fund dividend payments be treated as income or a resource (asset) in determining their eligibility for public assistance benefits. AS 43.23.075 holds public assistance benefits harmless for up to four months each year from the effects of receiving dividend payments.

Prepared by: Jim Dalman, Acting Director Phone: 465-2680
Division: Division of Public Assistance Date: 1/20/95
Approved by Com: Karen Perdue Date: 1/30/95
Agency: Department of Health & Social Services

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ANALYSIS (cont.):

The PFD Hold Harmless program was established at the same time as the original, \$1000 PFD distribution in 1982. The legislature established the program to assure that low-income Alaskans could enjoy the benefit of the dividend program on the same basis as other Alaskans, without losing their eligibility for needs-based assistance.

Dividend payments must be treated as unearned income for Adult Public Assistance (APA) purposes because the APA program operates as the state supplement to the federal Supplemental Security Income (SSI) program and the SSI program treats dividends as income. Medicaid services are available to APA recipients only if the APA program follows SSI income-counting rules. PFD-HH funds for the replacement of APA benefits are transferred as Interagency Receipts to the Adult Public Assistance component.

The FY 96 Governor's budget plans for expenditure of \$ 2,562,100 in PFD-HH funds to replace APA benefits which would otherwise be denied to 7,932 individuals. The cost of PFD-HH benefits in future years is projected to grow at 5 percent per year, based on anticipated annual caseload growth of 5 percent. The legislature has set maximum payment levels in the APA program. This fiscal note assumes the APA maximum payment levels will not change.

The typical FY96 PFD-HH payment to an APA recipient is expected to be \$323 to replace one month's benefit.

PFD-Hold Harmless benefits will not be paid to recipients if SB 37 becomes law. In most APA cases, recipients who receive dividends will become ineligible for benefits for one month, usually falling two months after the month they receive their dividend payments. Recipients who retain enough dividend money in the month after they receive it to exceed the APA program limit of \$2000 (\$3000 for a couple) will remain ineligible until they have spent the money.

STATE OF ALASKA
1995 LEGISLATIVE SESSION

FISCAL NOTE

No. 5

Bill Version: SB 37

BILL # (S) Publish Date: 2/3/95

Revision Date: _____ Dept. Affected: Health and Social Services
 Title: An Act relating to permanent fund dividends BRU: PPD Hold Harmless
 Component: PPD Hold Harmless
 Sponsor: Phillips
 Requestor: Senate STA COMPONENT SERIAL NO. 225

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY96	FY97	FY98	FY99	FY00	FY01
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	(472.7)	(486.9)	(501.5)	(516.5)	(532.0)	(548.0)
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	(21,843.4)	(22,935.6)	(24,082.4)	(25,286.5)	(26,550.8)	(27,878.3)
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	(22,316.1)	(23,422.5)	(24,583.9)	(25,803.0)	(27,082.8)	(28,426.3)

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGES IN REVENUES	0	0	0	0	0	0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other 1050 PFD Fund	(22,316.1)	(23,422.5)	(24,583.9)	(25,803.0)	(27,082.8)	(28,426.3)
TOTAL	(22,316.1)	(23,422.5)	(24,583.9)	(25,803.0)	(27,082.8)	(28,426.3)

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 any current year (FY95) cost: \$ NONE

ANALYSIS: (Attach a separate page if necessary)

Senate Bill No. 37 repeals the Permanent Fund Dividend Hold Harmless (PFD-HH) program. The PFD-HH program replaces the public assistance benefits of individuals who are denied benefits because federal law or regulation requires that their Permanent Fund dividend payments be treated as income or a resource (asset) in determining their eligibility for public assistance benefits. AS 43.23.075 holds public assistance benefits harmless for up to four months each year from the effects of receiving dividend payments.

The PFD Hold Harmless program was established at the same time as the original, \$1000 PFD distribution in 1982. The legislature established the program to assure that low-income Alaskans could enjoy the benefit of the dividend program on the same basis as other Alaskans, without losing their eligibility for needs-based assistance.

Prepared by: Jim Dalton, Acting Director
 Division: Division of Public Assistance

Approved by Com: Karen Perdue
 Agency: Department of Health & Social Services

Phone: 465-2680
 Date: 1/29/95

Date: 1/30/95

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ANALYSIS (cont.):

Repeal of the PFD Hold Harmless program will impact both the amount of assistance paid to individuals and families and the administrative effort required for the Division of Public Assistance to provide timely, accurate delivery of benefits. The Department of Health and Social Services has established interagency agreements with the federal agencies responsible for the AFDC and SSI programs. These agreements, which substantially reduce the amount of case processing required when recipients receive dividends, would be nullified by SB 37. The administrative effort to process PFD Hold Harmless entitlements would be supplanted by the additional case processing effort required to suspend public assistance entitlements when dividend payments are distributed.

Technical Analysis

Sections 1 and 2 of the bill repeal the express authority at AS 43.23.025(a)(1)(E) and AS 43.23.028(a)(3) to fund the PFD-HH program with appropriations from the dividend fund.

Section 3 of the bill repeals the language at AS 43.23.075(b) and (c) that established the PFD-HH program in 1982. Section 3 retains the language at AS 43.23.075(a), which prohibits the treatment of dividend payments as income or resources for public assistance purposes unless federal law or regulation so requires.

Section 4 establishes an effective date of January 1, 1996. The Department of Health and Social Services contacted the sponsor's office to ascertain the sponsor's intent regarding the effect of this legislation on the calendar year 1995 dividend distribution. The sponsor's staff indicated that the intent is to end the PFD Hold Harmless program prior to the 1995 dividend season. This analysis therefore assumes an effective date of July 1, 1995.

Program Impacts

PFD-HH is paid to replace public assistance benefits in the following programs:

Aid to Families with Dependent Children (AFDC)

Food Stamp Program (FSP)

Medicaid

Adult Public Assistance (APA)

Supplemental Security Income (SSI)

ANALYSIS (cont.):

The FY 96 Governor's budget plans expenditures to replace benefits with PFD-HH funds according to the following schedule:

<u>Program</u>	<u>Cases</u>	<u>Persons Impacted</u>	<u>Formula Budget</u>
AFDC	12987	39639	12875.5
FSP	11373	36384	3688.1
Medicaid	NA	2000	1100.0
APA	7932	7932	2562.1
SSI	5630	5630	1617.7
		Total FY 96 Grants	21843.4

PFD-HH funds for replacement of Food Stamp benefits are paid directly to recipients as cash in lieu of food coupons. In FY 96, a typical Food Stamp household is expected to receive one \$324 PFD-HH payment to replace a month's worth of food coupons.

PFD-HH funds for replacement of AFDC benefits are transferred as Interagency Receipts to the AFDC component of the Assistance Payments BRU.

In the AFDC program, PFD-HH benefits replace federally-matched AFDC payments which would otherwise not be paid because of dividend receipt. The benefits replaced include AFDC grants which would be denied because of the dividend payments themselves as well as grants that would be reduced because federal AFDC policy requires that cash PFD-HH payments made in lieu of food stamps be treated as income for AFDC purposes. A typical AFDC family is expected to receive \$780 in PFD-HH during FY 96 to replace one month's AFDC grant, and an additional \$272 in PFD-HH to restore AFDC grant reductions that result from receiving cash in lieu of food coupons.

Under an interagency operating agreement with the federal Department of Health and Human Services, claims for AFDC federal matching funds are reduced to reflect the amount of benefits which would be paid if AFDC grants were denied because of dividend and food stamp hold harmless payments. This agreement saves substantial administrative effort because individual AFDC cases do not have to be suspended during the dividend season.

ANALYSIS (cont.):

PFD-HH funds for replacement of Medicaid benefits are transferred as Interagency Receipts to the Medicaid PFD Hold Harmless component of the Medical Assistance BRU. Most Medicaid PFD Hold Harmless benefits are paid on behalf of individuals who retain dividend money beyond the month they receive it, causing their household's resources to exceed program limits.

PFD-HH funds for replacement of APA benefits are transferred as Interagency Receipts to the Adult Public Assistance component of the Assistance Payments BRU. The typical PFD-HH benefit to an APA recipient is \$323 to replace one month's benefit.

PFD-HH funds for replacement of SSI benefits are paid under an interagency agreement to the federal Social Security Administration, which applies them as reimbursement for the cost of SSI benefits paid to individuals who receive dividends. PFD-HH benefits to replace SSI are expected to average \$287 per person in FY 96.

PFD-Hold Harmless benefits will not be paid to recipients if SB 37 becomes law. In most AFDC, Food Stamp, APA, and SSI cases, recipients who receive dividends will become ineligible for benefits for one month, usually falling two months after the month they receive their dividend payments.

The cost of PFD-HH benefits in future years is projected to grow at 5 percent per year, based on anticipated annual caseload growth of 5 percent. The legislature has set maximum payment levels in the AFDC and APA programs. This fiscal note assumes the AFDC and APA maximum payment levels will not change.

Administrative Impacts

The administrative cost of the PFD Hold Harmless program is based on estimates of the proportion of time used by Eligibility Determination staff to process case actions related to dividend payments and PFD-HH benefits. In FY 96, 472.7 in PFD-HH Contractual funds is planned to be transferred as Interagency Receipts to the Eligibility Determination component of the Public Assistance Administration BRU.

This analysis presumes that the intent of SB 37 is to preclude the appropriation of money from the Dividend Fund to administer public assistance. The cost of processing case changes resulting from the receipt of dividends is, therefore, shifted to General Fund.

ANALYSIS (cont.):

The administration of the PFD-HH program and the processing of case changes related to the receipt of dividend payments is funded through the transfer of 472.7 in PFD-HH Contractual funds as Interagency Receipts to the Eligibility Determination component. The repeal of the PFD-HH program proposed in SB 37 results in a small increase in the administrative effort required to take the dividend payments into account and process changes in the affected public assistance cases. The cost of processing is shifted to General Fund.

The time required to process Food Stamp cases would decrease because it would no longer be necessary to convert assistance to cash in lieu of food coupons and back again. The time to process AFDC, APA, and Medicaid cases in the absence of the PFD-HH program would increase substantially: under the Hold Harmless program, benefit authorization for these programs consists of the one-time entry of a few special computer codes. Without the PFD-HH program, action will have to be taken to suspend the benefits of each affected AFDC, APA, and Medicaid case, and to reinstate benefits after the month of suspension.

The need for staff is also expected to increase because of a substantial increase in General Relief applications from recipients who are unable to pay for rent or food when they lose their cash and food benefits two months after they receive their dividend checks. The Division of Public Assistance would make every effort to apprise recipients in advance that they will be retrospectively ineligible, but some recipients would inevitably fail to conserve enough dividend money to meet their future needs.

The offsetting effects of SB 37 result in a small increase in staffing needs in the Eligibility Determination component.

STATE OF ALASKA
1995 LEGISLATIVE SESSION

FISCAL NOTE

No. 7

Bill Version: SB 37

BILL No (S) Publish Date: 2/3/95

Revision Date: _____ Dept. Affected: Health and Social Services
 Title: A. Act relating to permanent fund dividends BRU: Public Assistance Administration
 Component: Eligibility Determination
 Sponsor: Phillips
 Requestor: Senate STA COMPONENT SERIAL NO. 236

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY96	FY97	FY98	FY99	FY00	FY01
PERSONAL SERVICES	86.0	88.6	91.2	94.0	96.8	99.8
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	86.0	88.6	91.2	94.0	96.8	99.8
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGES IN REVENUES	0	0	0	0	0	0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	43.0	44.3	45.6	47.0	48.4	49.9
1003 GF Match	43.0	44.3	45.6	47.0	48.4	49.9
1004 GF	472.7	488.9	501.5	518.5	532.0	548.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other 1007 I/A Receipts	(472.7)	(488.9)	(501.5)	(518.5)	(532.0)	(548.0)
TOTAL	86.0	88.6	91.2	94.0	96.8	99.8

POSITIONS:

FULL-TIME	2	2	2	2	2	2
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of any current year (FY95) cost: \$ NONE

ANALYSIS: (Attach a separate page if necessary)

SB 37 repeals the Permanent Fund Dividend Hold Harmless (PFD-HH) program. The PFD-HH program replaces the public assistance benefits of individuals who are denied benefits because federal law or regulation requires that their Permanent Fund dividend payments be treated as income or a resource (asset) in determining their eligibility for public assistance benefits. AS 43.23.075 holds public assistance benefits harmless for up to four months each year from the effects of receiving dividend payments.

Prepared by: Jim Dalman, Acting Director Phone: 465-2680
 Division: Division of Public Assistance Date: 1/20/95
 Approved by Com: Karen Petdue Date: 1/30/95
 Agency: Department of Health & Social Services

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ANALYSIS (cont.):

The PFD Hold Harmless program was established at the same time as the original, \$1000 PFD distribution in 1982. The legislature established the program to assure that low-income Alaskans could enjoy the benefit of the dividend program on the same basis as other Alaskans, without losing their eligibility for needs-based assistance.

Repeal of the PFD Hold Harmless program will impact both the amount of assistance paid to individuals and families and the administrative effort required for the Division of Public Assistance to provide timely, accurate delivery of benefits. The Department of Health and Social Services has established interagency agreements with the federal agencies responsible for the AFDC and SSI programs. These agreements, which reduce the amount of case processing required when recipients receive dividends, would be nullified by SB 37. The administrative effort to process PFD Hold Harmless entitlements would be supplanted by the additional case processing effort required to suspend public assistance entitlements when dividend payments are distributed.

Administrative Impacts

The administrative cost of the PFD Hold Harmless program is based on estimates of the proportion of time used by Eligibility Determination staff to process case actions related to dividend payments and PFD-HH benefits. In FY 93 472.7 in PFD-HH Contractual funds is planned to be transferred as Interagency Receipts to the Eligibility Determination component of the Public Assistance Administration BRU.

This analysis presumes that the intent of SB 37 is to preclude the appropriation of money from the Dividend Fund to administer public assistance. The cost of processing case changes resulting from the receipt of dividends is, therefore, shifted to General Fund.

The administration of the PFD-HH program and the processing of case changes related to the receipt of dividend payments require the equivalent of 10 permanent, full-time positions. The repeal of the PFD-HH program proposed in SB 37 results in an increase in the amount of administrative effort to take the dividend payments into account and process changes in the affected public assistance cases. We estimate that 11.8 permanent full-time equivalent positions would be needed to process dividend-related work.

The time required to process Food Stamp cases would decrease because it would no longer be necessary to convert assistance to cash in lieu of food coupons and back again. The time to process AFDC, APA, and Medicaid cases in the absence of the PFD-HH program would increase substantially: under the Hold Harmless program, benefit authorization for these programs consists of the one-time entry of a few special computer codes. Without the PFD-HH program, action will have to be taken to suspend the benefits of each affected AFDC, APA, and Medicaid case, and to reinstate benefits after the month of suspension. The need for staff is also expected to increase because of a substantial increase in General Relief applications from recipients who are unable to pay for rent or food when they lose their cash and food benefits two months after they receive their dividend checks.

The offsetting effects of SB 37 result in a small increase in staffing needs in the Eligibility Determination Component.

Position Title Eligibility Technician II		No. of Positions 2	Range/Step R14B	Bargaining Unit GGU
Time Status FT	Staff Months 12	Location Anchorage		Election District
TYPE of EXPENDITURE		AMOUNT		
Salary		60.4		
Benefits		25.6		
Premium Pay				
Other				
Total Personal Services		86.0		
Travel				
Contractual				
Commodities				
Equipment				
Other				
Total Cost		86.0		
FUNDING SOURCE for TOTAL COST				
1002	Federal Receipts	43.0		
1003	GF Match	43.0		
1004	General Fund			
1005	GF/Program Receipts			
1006	GF/Mental Health Trust			
1007	I/A Receipts			
1061	CIP Receipts			
Other				

Justification
SB 37 repeals the PFD Hold Harmless program and requires that individual AFDC, Food Stamp, Adult Public Assistance, and Medicaid cases be suspended for at least one month when dividends are received. The reduction in administrative need that results from the repeal of the PFD Hold Harmless program is more than offset by the increased time needed to process dividend payments as individual case changes and to handle an increased number of General Relief Assistance cases.

Two additional Eligibility Technician case worker positions are needed to administer this additional workload.

3/3

**REQUEST for
NEW POSITION**

AGENCY: Health and Social Services
 BRU: Public Assistance Administration
 COMPONENT: Eligibility Determination (0236)

FY96

Page 1 of 1
 Revised Date:

ANALYSIS (cont.):

The PFD-HH program allows Medicaid recipients to receive and retain PFD money for up to four months and still receive Medicaid services.

If the PFD-HH program is eliminated, most Medicaid recipients will continue to remain eligible in the month they receive the check. They could become ineligible for Medicaid if they chose to retain their PFD check and it puts them over the Medicaid resource limit in the following month.

Many individuals, however, will elect to spend their PFD check in the month of receipt to prevent that money from being considered a resource, these individuals will retain Medicaid eligibility. In absence of PFD-HH funds, the regular Medicaid funding will be necessary to cover these individuals, both in Medicaid Facilities and Nonfacilities. We anticipate that those individuals who receive Medicaid services in an amount equal to or greater than the amount of a permanent fund dividend are the individuals who will dispose of their PFD check and remain Medicaid eligible. Currently, 80% of annual Medicaid expenditures are for recipients who receive on average \$967 or more in Medicaid benefits each month. We anticipate the regular Medicaid budget will see a commensurate increase equal to 80% of the amount currently budgeted for the PFD-HH program (1.1 million) See companion fiscal note for Medicaid Facility to show related increase.

The Medicaid expenditures shown reflect what would be a 10% growth (inflation and client growth) in future years in the cost of benefits.

MEDICAID NON-FACILITY CALCULATION

Current FY 95 PFD-HH funding:	\$1,100,000
% of PFD-HH costs shifted to Medicaid	<u>60%</u>
Medicaid cost of those retaining Medicaid	\$660,000
Less Medicaid Facility share of cost (74%)	<u>\$488,400</u>
Medicaid Non-facility expenditures born by Medicaid	\$171,800

FISCAL NOTE

**STATE OF ALASKA
1995 LEGISLATIVE SESSION**

No.
Bill Version: SB 37
BILL (S) Publish Date: 2/3/95

Revision Date: _____ Dept. Affected Health and Social Services
Title: Repeal PFD Hold-Harmless BRU: Medical Assistance
Sponsor: Sen. Phillips Component: Medicaid Facility
Requestor: Senate State Affairs COMPONENT SERIAL NO. 230

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	488.4	527.5	569.7	615.2	664.5	717.6
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	488.4	527.5	569.7	615.2	664.5	717.6
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGES IN REVENUES	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	244.2	263.8	284.9	307.6	332.3	358.8
1003 GF Match	244.2	263.7	284.8	307.6	332.2	358.8
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other (Interagency Receipt)	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	488.4	527.5	569.7	615.2	664.5	717.6

Estimate of current year (FY95) impact: 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

ANALYSIS (attach a separate page in necessary)

Senate Bill 37 repeals the Permanent Fund Dividend Hold Harmless (PFD-HH) program. The PFD-HH program replaces the Medicaid benefits of individuals who are denied benefits because federal law or regulation requires that their PFD payment be treated as income or a resource (asset) in determining their eligibility for medical assistance benefits. The legislature established the program in 1981 to assure that low-income Alaskans could receive their PFD on an equal basis with all other Alaskans, without the loss of eligibility for needs-based medical assistance.

Prepared by: Jon Sherwood, MAA IV
Division: Medical Assistance
Approved by: [Signature]
Commissioner: Karen Perdue
Agency: Department of Health and Social Services

Phone: 465-3355
Date: 1/30/95

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ANALYSIS (cont.):

The PFD-HH program allows Medicaid recipients to receive and retain PFD money for up to four months and still receive Medicaid services.

If the PFD-HH program is eliminated, most Medicaid recipients will continue to remain eligible in the month they receive the check. They could become ineligible for Medicaid if they chose to retain their PFD check and it puts them over the Medicaid resource limit in the following month.

Many individuals, however, will elect to spend their PFD check in the month of receipt to prevent that money from being considered a resource, these individuals will retain Medicaid eligibility. In absence of PFD-HH funds, the regular Medicaid funding will be necessary to cover these individuals, both in Medicaid Facilities and Nonfacilities. We anticipate that those individuals who receive Medicaid services in an amount equal to or greater than the amount of a permanent fund dividend are the individuals who will dispose of their PFD check and remain Medicaid eligible. Currently, 60% of annual Medicaid expenditures are for recipients who receive on average \$967 or more in Medicaid benefits each month. We anticipate the regular Medicaid budget will see a commensurate increase equal to 60% of the amount currently budgeted for the PFD-HH program (1.1 million) See companion fiscal note for Medicaid Non-facility to show related increase.

The Medicaid expenditures shown reflect what would be a 10% growth (inflation and client growth) in future years in the cost of benefits.

MEDICAID FACILITY CALCULATION

Current FY 95 PFD-HH funding:	\$1,100,000
% of PFD-HH costs shifted to Medicaid	<u>60%</u>
Medicaid cost of those retaining Medicaid	<u>\$660,000</u>
Less Medicaid Non-facility share of cost (26%)	<u>\$171,600</u>
Medicaid Facility expenditures born by Medicaid	<u>\$488,400</u>

FISCAL NOTE

Bill Version: SB 37

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL (S) Publish Date: 2/3/95

Revision Date: _____ Dept. Affected: Health and Social Services
 Title: Repeal PFD Hold-Harmless BRU: Medical Assistance
 Sponsor: Sen. Phillips Component: Permanent Fund Hold-Harmless
 Requestor: Senate State Affairs COMPONENT SERIAL NO. 966

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	(1,100.0)	(1,210.0)	(1,331.0)	(1,464.1)	(1,610.5)	(1,771.6)
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	(1,100.0)	(1,210.0)	(1,331.0)	(1,464.1)	(1,610.5)	(1,771.6)

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGES IN REVENUES	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other (Interagency Receipt)	(1,100.0)	(1,210.0)	(1,331.0)	(1,464.1)	(1,610.5)	(1,771.6)
TOTAL	(1,100.0)	(1,210.0)	(1,331.0)	(1,464.1)	(1,610.5)	(1,771.6)

Estimate of current year (FY95) impact: 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

ANALYSIS (attach a separate page in necessary)

Senate Bill 37 repeals the Permanent Fund Dividend Hold Harmless (PFD-HH) program. The PFD-HH program replaces the Medicaid benefits of individuals who are denied benefits because federal law or regulation requires that their PFD payment be treated as income or a resource (asset) in determining their eligibility for medical assistance benefits. The legislature established the program in 1981 to assure that low-income Alaskans could receive their PFD on an equal basis with all other Alaskans, without the loss of eligibility for needs-based medical assistance.

Prepared by: Jon Sherwood, MAA IV
 Division: Medical Assistance
 Approved by: [Signature]
 Commissioner: Karen Perdue
 Agency: Department of Health and Social Services

Phone: 485-3355
 Date: 1/30/95

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ANALYSIS (cont.):

The PFD-HH program allows Medicaid recipients to receive and retain PFD money for up to four months and still receive Medicaid services.

If the PFD-HH program is eliminated, most Medicaid recipients will continue to remain eligible in the month they receive the check. They could become ineligible for Medicaid if they chose to retain their PFD check and it puts them over the Medicaid resource limit in the following month.

Many individuals, however, will elect to spend their PFD check in the month of receipt to prevent that money from being considered a resource, these individuals will retain Medicaid eligibility. In absence of PFD-HH funds, the regular Medicaid funding will be necessary to cover these individuals, both in Medicaid Facilities; and Nonfacilities. We anticipate that those individuals who receive Medicaid services in an amount equal to or greater than the amount of a permanent fund dividend are the individuals who will dispose of their PFD check and remain Medicaid eligible. Currently, 60% of annual Medicaid expenditures are for recipients who receive on average \$967 or more in Medicaid benefits each month. We anticipate the regular Medicaid budget will see a commensurate increase equal to 60% of the amount currently budgeted for the PFD-HH program (1.1 million) See companion fiscal notes for Medicaid Facility and Medicaid Non-facility to show this increase.

This fiscal note shows the elimination of the FY 95 budget request of 1.1 million. The reduction in expenditures shown reflects what would be an 10% growth (inflation and client growth) in future years in the cost of PFD-HH benefits to replace Medicaid funds.

FISCAL NOTE

No. 9

Bill Version: SB 37

BILL NO. § (S) Publish Date: 2/3/95

STATE OF ALASKA
1995 LEGISLATIVE SESSION

Revision Date: _____ Dept. Affected: Department of Revenue
 Title: End Permanent Fund Dividend Hold Harmless BRU: Permanent Fund Dividend Division
 Component: Permanent Fund Dividend Division
 Sponsor: Senators PHILLIPS, Taylor
 Requester: Senate State Affairs COMPONENT SERIAL NO. 981

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF:Program Receipts						
1006 GF:MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY95) cost: \$ 0.0

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

See Page 2.

Prepared by: Thomas C. Williams, Director *Thomas Williams* Phone: 465-2323
 Division: Permanent Fund Dividend Division Date: 1/25/95
 Approved by Commissioner: [Signature] Date: 1/25/95
 Agency: Department of Revenue

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ALASKA DEPARTMENT OF REVENUE
PERMANENT FUND DIVIDEND DIVISION

SB 37 ANALYSIS

As of January 25, 1995

Section 3 of this bill repeals AS 43.23.075(b) and (c), the sections of the Alaska Statutes that require the state to hold public and medical assistance recipients harmless from the effects that receipt of a Permanent Fund Dividend (PFD) would have on their federal benefits. However, AS 43.23.075(a) and AS 43.23.085 still require the Department of Health & Social Services and other state and municipal agencies to **not** consider a PFD as income or resources for benefit program purposes unless required to do so by federal law or regulation. In addition, Sections 1 and 2 of this bill remove references to the hold harmless program cost reductions from the dividend calculation formula and the disclosure requirements.

The amended language does not preclude the legislature from appropriating dividend fund monies for state hold harmless costs. However, the legislation implies that any such future program costs will not be taken from the dividend fund. As a result, the deduction from each Alaskan's dividend would be eliminated. See the attached table entitled **Hold Harmless Program Deductions From 1985-1994 Dividends**, as of September 29, 1994.

Attachment

ALASKA DEPARTMENT OF REVENUE
 PERMANENT FUND DIVIDEND DIVISION
HOLD HARMLESS PROGRAM DEDUCTIONS FROM 1985-1994 DIVIDENDS
 As of September 29, 1994

The legislature first funded the Hold Harmless program from the Dividend Fund in FY86. Prior to that time, the program was funded by the General Fund. The following table reflects the amounts appropriated and the corresponding reduction to each eligible applicant's dividend that resulted from the use of Dividend Fund monies for this program.

<u>Fiscal Year</u>	<u>Dividend Fund Hold Harmless Appropriations</u>	<u>Dividend Year</u>	<u>Reductions To Each Dividend</u>	<u>Reductions Reported</u>
1986	\$3,644,300	1985	\$6.94 (a)	
1987	4,211,700	1986	7.75 (a)	
1988	8,581,200	1987	16.05	\$16.05
1989	9,850,700	1988	18.61	18.61
1990	11,305,100	1989	22.72	22.72
1991	12,217,300	1990	24.12 (b)	24.12
1992	14,704,500	1991	28.63	28.63
1992	1,494,700	1992	2.89 (c)	
1993	18,540,900	1992	35.85	38.74
1994	19,252,100	1993	36.45	36.45
1994	244,400	1994	0.46 (d)	
1995	<u>21,955,000</u>	1994	<u>40.99</u>	<u>41.45</u>
Total	<u>\$126,001,900</u>		<u>\$241.46</u>	<u>\$226.77</u>

Notes

(a) These amounts were not reported on the 1985 or 1986 dividend check stubs. The Department first reported the effect of this appropriation on the dividend amount on the 1987 dividend check stub. In 1990 the legislature passed AS 43.23.028 requiring the reporting of all deductions from dividends.

(b) In FY91, there was a General Fund supplemental of \$1,092,200 to the Hold Harmless program bringing the total FY91 Hold Harmless program appropriations to \$13,309,500. Since the supplemental appropriation was from the General Fund, it did not reduce the amount of the 1991 dividend.

(c) This FY92 supplemental appropriation brought the total FY92 Hold Harmless program appropriation to \$16,199,200. Since the supplemental appropriation was made after the calculation of the 1991 dividend, its effect was to reduce the 1992 dividend. The total 1992 dividend reduction as reported on the check stub was \$38.74.

(d) This FY94 supplemental appropriation brought the total FY94 Hold Harmless program appropriation to \$19,496,500. Since the supplemental appropriation was made after the calculation of the 1993 dividend, its effect was to reduce the 1994 dividend. The total 1994 dividend reduction as reported on the check stub was \$41.45.

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

Bill No. 8
Bill Version: SB 37
Bill (S) Publish Date: 2/3/95

Revision Date: _____ Dept. Affected: Health and Social Services
Title: An Act relating to permanent fund dividends BRU: Assistance Payments
Component: AFDC
Sponsor: Phillips
Requestor: Senate STA COMPONENT SERIAL NO. 220

Expenditures/Revenues:		(Thousands of Dollars)					
OPERATING	FY96	FY97	FY98	FY99	FY00	FY01	
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0	
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0	
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0	
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0	
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0	
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0	
GRANTS, CLAIMS	(12,875.5)	(13,519.3)	(14,195.3)	(14,905.1)	(15,650.4)	(16,432.9)	
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0	
TOTAL OPERATING	(12,875.5)	(13,519.3)	(14,195.3)	(14,905.1)	(15,650.4)	(16,432.9)	

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGES IN REVENUES	0	0	0	0	0	0
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FUND SOURCE		(Thousands of Dollars)					
1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0	
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0	
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0	
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0	
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0	
Other 1007 I/A Receipts	(12,875.5)	(13,519.3)	(14,195.3)	(14,905.1)	(15,650.4)	(16,432.9)	
TOTAL	(12,875.5)	(13,519.3)	(14,195.3)	(14,905.1)	(15,650.4)	(16,432.9)	

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 any current year (1995) cost: \$ NONE

ANALYSIS: (Attach a separate page if necessary)

SB 37 repeals the Permanent Fund Dividend Hold Harmless (PFD-HH) program. The PFD-HH program replaces the public assistance benefits of individuals who are denied benefits because federal law or regulation requires that their Permanent Fund dividend payments be treated as income or a resource (asset) in determining their eligibility for public assistance benefits. AS 43.23.075 holds public assistance benefits harmless for up to four months each year from the effects of receiving dividend payments.

Prepared by: Jim Dalman, Acting Director
Division: Division of Public Assistance
Approved by Com: Karen Perdue
Agency: Department of Health & Social Services

Phone: 465-2680
Date: 1/30/95
Date: 1/30/95

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ANALYSIS (cont.):

The PFD Hold Harmless program was established at the same time as the original, \$1000 PFD distribution in 1982. The legislature established the program to assure that low-income Alaskans could enjoy the benefit of the dividend program on the same basis as other Alaskans, without losing their eligibility for needs-based assistance.

Federal AFDC law requires that Permanent Fund dividends be treated as income for AFDC purposes. Dividend money retained beyond the month it is received must be treated as a resource. The dividend payments are unearned income, which reduces AFDC benefits by about 92 cents for each dollar of income. Families which retain dividend money lose AFDC eligibility if their total resources exceed \$1000.

The AFDC budget component includes PFD-HH funds transferred as Interagency Receipts to make payments to replace federally-matched AFDC benefits which would otherwise not be paid because of dividend receipt. The benefits replaced include AFDC grants which would be denied because of the dividend payments themselves as well as grants that would be reduced because federal AFDC policy requires that cash PFD-HH payments made in lieu of food stamps be treated as income for AFDC purposes.

The FY96 Governor's budget plans \$12,875,500.00 in PFD-HH expenditures to replace the AFDC benefits of 12,987 families including 39,639 individuals. The cost of PFD-HH benefits to replace AFDC in future years is projected to grow at 5 percent per year, based on anticipated annual caseload growth of 5 percent. The legislature has set maximum payment levels in the AFDC program. This fiscal note assumes the AFDC maximum payment levels will not change.

Under current law, a typical AFDC family is expected to receive \$780 in PFD-HH during FY 96 to replace one month's AFDC grant, and an additional \$272 in PFD-HH to restore AFDC grant reductions that result from receiving cash in lieu of food coupons. PFD-Hold Harmless benefits will not be paid to recipients if SB 37 becomes law. In most AFDC cases, recipients who receive dividends will become ineligible for benefits for one month, usually falling two months after the month they receive their dividend payments. Recipients who save enough of their dividend money to place them over the \$1000 resource limit will be ineligible until they have spent the money.

STATE OF ALASKA
1995 LEGISLATIVE SESSION

FISCAL NOTE

No. 7
Bill Version: SB 37
BILLEN
(S) Publish Date: 2/3/95

Revision Date: _____ Dept. Affected: Health and Social Services
Title: An Act relating to permanent fund dividends BRU: Assistance Payments
Sponsor: Phillips Component: General Relief Assistance
Requestor: Senate STA COMPONENT SERIAL NO. 221

Expenditures/Revenues:		(Thousands of Dollars)				
OPERATING	FY96	FY97	FY98	FY99	FY00	FY01
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS CLAIMS	1,052.8	1,105.4	1,160.7	1,218.7	1,279.7	1,343.7
MISCELLANEOUS						
TOTAL OPERATING	1,052.8	1,105.4	1,160.7	1,218.7	1,279.7	1,343.7
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGES IN REVENUES	0	0	0	0	0	0

FUND SOURCE		(Thousands of Dollars)				
1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	1,052.8	1,105.4	1,160.7	1,218.7	1,279.7	1,343.7
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	1,052.8	1,105.4	1,160.7	1,218.7	1,279.7	1,343.7

POSITIONS:						
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPCRARY	0	0	0	0	0	0

Estimate of any current year (FY95) cost: \$ NONE

ANALYSIS: (Attach a separate page if necessary)

SB 37 repeals the Permanent Fund Dividend Hold Harmless (PFD-HH) program. Without the protection of the PFD-HH program, most households receiving AFDC, Food Stamp, and Adult Public Assistance (APA) program benefits will become ineligible for assistance for one month each year. Because of the retrospective budgeting methodology in place for the AFDC, Food Stamp, and APA programs, the month of ineligibility will usually occur two months after the month the dividend is received. For example, if a family on public assistance gets its PFD checks in October, they will be ineligible for AFDC and food stamps in December.

Prepared by: Jim Dalman, Acting Director Phone: 465-2689
 Division: Division of Public Assistance Date: 1/30/95
 Approved by Com: Karen Perdue Date: 1/30/95
 Agency: Department of Health & Social Services

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ANALYSIS (cont.):

The General Relief Assistance (GRA) program provides vendor payments of up to \$120 per person per month for emergency needs such as food, clothing, and shelter when no other resource is available to pay for them. AFDC and APA recipients are not generally eligible for GRA services because their cash grant meets their basic needs. Food Stamp recipients are not eligible for GRA for food purchases because their needs have already been covered.

The repeal of PFD-Hold Harmless imposed by SB 37 will substantially increase the number of people who are entitled to GRA. Recipients who do not conserve enough of their dividend money to meet their needs two months later when they lose their public assistance can be expected to apply for General Relief when they are confronted with eviction, lack of food, lack of heating fuel, or lack of adequate winter clothing.

Under SB 37, the following unduplicated numbers of individuals and cases are expected to be denied at least one month's benefits in FY 96 as a result of receiving dividend payments:

<u>Program</u>	<u>Households</u>	<u>Persons Impacted</u>
AFDC	12987	39639
FSP*	3867	9668
APA	<u>7932</u>	<u>7932</u>
Total	24786	57239

* 66 percent of the Food Stamp caseload also receives AFDC and APA benefits. This unduplicated count represents 34 percent of the Food Stamp PFD-HH caseload.

We estimate that 15 percent of the affected cases, with an average household size of 2.6 persons, will be entitled to GRA benefits for one month as a result of the repeal of PFD Hold Harmless coverage imposed by SB 37.

$$24786 \text{ cases} \times 15\% = 3720 \times \$ 283 \text{ average payment} = 1052.8$$

The result will be an increase of 1052.8 in need for FY 96 General Fund appropriations to pay General Relief benefits for food, shelter, and clothing costs.

We assume a 5 percent annual rate of caseload growth for FY 97 through FY 01.

STATE OF ALASKA
1995 LEGISLATIVE SESSION

FISCAL NOTE

No. 6
Bill Version: SB 37
BILL N (S) Publish Date: 2/3/95

Revision Date: _____ Dept. Affected: Health and Social Services
Title: An Act relating to permanent fund dividends BRU: Assistance Payments
Sponsor: Phillips Component: Adult Public Assistance
Requestor: Senate STA COMPONENT SERIAL NO. 222

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY96	FY97	FY98	FY99	FY00	FY01
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	(2,562.1)	(2,690.2)	(2,824.7)	(2,965.9)	(3,114.2)	(3,269.9)
MISCELLANEOUS						
TOTAL OPERATING	(2,562.1)	(2,690.2)	(2,824.7)	(2,965.9)	(3,114.2)	(3,269.9)
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGES IN REVENUES	0	0	0	0	0	0

FUND SOURCE (Thousands of Dollars)

	FY96	FY97	FY98	FY99	FY00	FY01
1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other 1007 I/A Receipts	(2,562.1)	(2,690.2)	(2,824.7)	(2,965.9)	(3,114.2)	(3,269.9)
TOTAL	(2,562.1)	(2,690.2)	(2,824.7)	(2,965.9)	(3,114.2)	(3,269.9)

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 any current year (FY95) cost: \$ NONE

ANALYSIS: (Attach a separate page if necessary)

SB 37 repeals the Permanent Fund Dividend Hold Harmless (PFD-HH) program. The PFD-HH program replaces the public assistance benefits of individuals who are denied benefits because federal law or regulation requires that their Permanent Fund dividend payments be treated as income or a resource (asset) in determining their eligibility for public assistance benefits. AS 43.23.075 holds public assistance benefits harmless for up to four months each year from the effects of receiving dividend payments.

Prepared by: Jim Dalman, Acting Director
Division: Division of Public Assistance
Approved by Com: Karen Perdue
Agency: Department of Health & Social Services

Phone: 465-2680
Date: 1/29/95
Date: 1/30/95

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ANALYSIS (cont.):

The PFD Hold Harmless program was established at the same time as the original, \$1000 PFD distribution in 1982. The legislature established the program to assure that low-income Alaskans could enjoy the benefit of the dividend program on the same basis as other Alaskans, without losing their eligibility for needs-based assistance.

Dividend payments must be treated as unearned income for Adult Public Assistance (APA) purposes because the APA program operates as the state supplement to the federal Supplemental Security Income (SSI) program and the SSI program treats dividends as income. Medicaid services are available to APA recipients only if the APA program follows SSI income-counting rules. PFD-HH funds for the replacement of APA benefits are transferred as Interagency Receipts to the Adult Public Assistance component.

The FY 96 Governor's budget plans for expenditure of \$ 2,562,100 in PFD-HH funds to replace APA benefits which would otherwise be denied to 7,932 individuals. The cost of PFD-HH benefits in future years is projected to grow at 5 percent per year, based on anticipated annual caseload growth of 5 percent. The legislature has set maximum payment levels in the APA program. This fiscal note assumes the APA maximum payment levels will not change.

The typical FY96 PFD-HH payment to an APA recipient is expected to be \$323 to replace one month's benefit.

PFD-Hold Harmless benefits will not be paid to recipients if SB 37 becomes law. In most APA cases, recipients who receive dividends will become ineligible for benefits for one month, usually falling two months after the month they receive their dividend payments. Recipients who retain enough dividend money in the month after they receive it to exceed the APA program limit of \$2000 (\$3000 for a couple) will remain ineligible until they have spent the money.

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

Revision Date: _____ Dept. Affected: Health and Social Services
 Title: An Act relating to permanent fund dividends BRU: PPD Hold Harmless
 Component: PPD Hold Harmless
 Sponsor: Phillips
 Requestor: Senate STA COMPONENT SERIAL NO. 225

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY96	FY97	FY98	FY99	FY00	FY01
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	(472.7)	(486.9)	(501.5)	(516.5)	(532.0)	(548.0)
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	(21,843.4)	(22,935.6)	(24,082.4)	(25,286.5)	(26,550.8)	(27,878.3)
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	(22,316.1)	(23,422.5)	(24,583.9)	(25,803.0)	(27,082.8)	(28,426.3)

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGES IN REVENUES	0	0	0	0	0	0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
*005 GF:Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1008 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other 1050 PFD Fund	(22,316.1)	(23,422.5)	(24,583.9)	(25,803.0)	(27,082.8)	(28,426.3)
TOTAL	(22,316.1)	(23,422.5)	(24,583.9)	(25,803.0)	(27,082.8)	(28,426.3)

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 any current year (FY95) cost: \$ NONE

ANALYSIS: (Attach a separate page if necessary)

Senate Bill No. 37 repeals the Permanent Fund Dividend Hold Harmless (PPD-HH) program. The PPD-HH program replaces the public assistance benefits of individuals who are denied benefits because federal law or regulation requires that their Permanent Fund dividend payments be treated as income or a resource (asset) in determining their eligibility for public assistance benefits. AS 43.23.075 holds public assistance benefits harmless for up to four months each year from the effects of receiving dividend payments.

The PPD Hold Harmless program was established at the same time as the original, \$1000 PFD distribution in 1982. The legislature established the program to assure that low-income Alaskans could enjoy the benefit of the dividend program on the same basis as other Alaskans, without losing their eligibility for needs-based assistance.

Prepared by: Jim Dalman, Acting Director
 Division: Division of Public Assistance
 Approved by Com: Karen Perdue
 Agency: Department of Health & Social Services

Phone: 465-2680
 Date: 1/30/95
 Date: 1/30/95

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ANALYSIS (cont.):

Repeal of the PFD Hold Harmless program will impact both the amount of assistance paid to individuals and families and the administrative effort required for the Division of Public Assistance to provide timely, accurate delivery of benefits. The Department of Health and Social Services has established interagency agreements with the federal agencies responsible for the AFDC and SSI programs. These agreements, which substantially reduce the amount of case processing required when recipients receive dividends, would be nullified by SB 37. The administrative effort to process PFD Hold Harmless entitlements would be supplanted by the additional case processing effort required to suspend public assistance entitlements when dividend payments are distributed.

Technical Analysis

Sections 1 and 2 of the bill repeal the express authority at AS 43.23.025(a)(1)(E) and AS 43.23.028(a)(3) to fund the PFD-HH program with appropriations from the dividend fund.

Section 3 of the bill repeals the language at AS 43.23.075(b) and (c) that established the PFD-HH program in 1982. Section 3 retains the language at AS 43.23.075(a), which prohibits the treatment of dividend payments as income or resources for public assistance purposes unless federal law or regulation so requires.

Section 4 establishes an effective date of January 1, 1996. The Department of Health and Social Services contacted the sponsor's office to ascertain the sponsor's intent regarding the effect of this legislation on the calendar year 1995 dividend distribution. The sponsor's staff indicated that the intent is to end the PFD Hold Harmless program prior to the 1995 dividend season. This analysis therefore assumes an effective date of July 1, 1995.

Program Impacts

PFD-HH is paid to replace public assistance benefits in the following programs:

Aid to Families with Dependent Children (AFDC)

Food Stamp Program (FSP)

Medicaid

Adult Public Assistance (APA)

Supplemental Security Income (SSI)

ANALYSIS (cont.):

The FY 96 Governor's budget plans expenditures to replace benefits with PFD-HH funds according to the following schedule:

<u>Program</u>	<u>Cases</u>	<u>Persons Impacted</u>	<u>Formula Budget</u>
AFDC	12987	39639	12875.5
FSP	11373	36384	3688.1
Medicaid	NA	2000	1100.0
APA	7932	7932	2562.1
SSI	5630	5630	1617.7
Total FY 96 Grants			21843.4

PFD-HH funds for replacement of Food Stamp benefits are paid directly to recipients as cash in lieu of food coupons. In FY 96, a typical Food Stamp household is expected to receive one \$324 PFD-HH payment to replace a month's worth of food coupons.

PFD-HH funds for replacement of AFDC benefits are transferred as Interagency Receipts to the AFDC component of the Assistance Payments BRU.

In the AFDC program, PFD-HH benefits replace federally-matched AFDC payments which would otherwise not be paid because of dividend receipt. The benefits replaced include AFDC grants which would be denied because of the dividend payments themselves as well as grants that would be reduced because federal AFDC policy requires that cash PFD-HH payments made in lieu of food stamps be treated as income for AFDC purposes. A typical AFDC family is expected to receive \$780 in PFD-HH during FY 96 to replace one month's AFDC grant, and an additional \$272 in PFD-HH to restore AFDC grant reductions that result from receiving cash in lieu of food coupons.

Under an interagency operating agreement with the federal Department of Health and Human Services, claims for AFDC federal matching funds are reduced to reflect the amount of benefits which would be paid if AFDC grants were denied because of dividend and food stamp hold harmless payments. This agreement saves substantial administrative effort because individual AFDC cases do not have to be suspended during the dividend season.

ANALYSIS (cont.):

PFD-HH funds for replacement of Medicaid benefits are transferred as Interagency Receipts to the Medicaid PFD Hold Harmless component of the Medical Assistance BRU. Most Medicaid PFD Hold Harmless benefits are paid on behalf of individuals who retain dividend money beyond the month they receive it, causing their household's resources to exceed program limits.

PFD-HH funds for replacement of APA benefits are transferred as Interagency Receipts to the Adult Public Assistance component of the Assistance Payments BRU. The typical PFD-HH benefit to an APA recipient is \$323 to replace one month's benefit.

PFD-HH funds for replacement of SSI benefits are paid under an interagency agreement to the federal Social Security Administration, which applies them as reimbursement for the cost of SSI benefits paid to individuals who receive dividends. PFD-HH benefits to replace SSI are expected to average \$287 per person in FY 96.

PFD-Hold Harmless benefits will not be paid to recipients if SB 37 becomes law. In most AFDC, Food Stamp, APA, and SSI cases, recipients who receive dividends will become ineligible for benefits for one month, usually falling two months after the month they receive their dividend payments.

The cost of PFD-HH benefits in future years is projected to grow at 5 percent per year, based on anticipated annual caseload growth of 5 percent. The legislature has set maximum payment levels in the AFDC and APA programs. This fiscal note assumes the AFDC and APA maximum payment levels will not change.

Administrative Impacts

The administrative cost of the PFD Hold Harmless program is based on estimates of the proportion of time used by Eligibility Determination staff to process case actions related to dividend payments and PFD-HH benefits. In FY 96, 472.7 in PFD-HH Contractual funds is planned to be transferred as Interagency Receipts to the Eligibility Determination component of the Public Assistance Administration BRU.

This analysis presumes that the intent of SB 37 is to preclude the appropriation of money from the Dividend Fund to administer public assistance. The cost of processing case changes resulting from the receipt of dividends is, therefore, shifted to General Fund.

ANALYSIS (cont.):

The administration of the PFD-HH program and the processing of case changes related to the receipt of dividend payments is funded through the transfer of 472.7 in PFD-HH Contractual funds as Interagency Receipts to the Eligibility Determination component. The repeal of the PFD-HH program proposed in SB 37 results in a small increase in the administrative effort required to take the dividend payments into account and process changes in the affected public assistance cases. The cost of processing is shifted to General Fund.

The time required to process Food Stamp cases would decrease because it would no longer be necessary to convert assistance to cash in lieu of food coupons and back again. The time to process AFDC, APA, and Medicaid cases in the absence of the PFD-HH program would increase substantially: under the Hold Harmless program, benefit authorization for these programs consists of the one-time entry of a few special computer codes. Without the PFD-HH program, action will have to be taken to suspend the benefits of each affected AFDC, APA, and Medicaid case, and to reinstate benefits after the month of suspension.

The need for staff is also expected to increase because of a substantial increase in General Relief applications from recipients who are unable to pay for rent or food when they lose their cash and food benefits two months **after** they receive their dividend checks. The Division of Public Assistance would make every effort to apprise recipients in advance that they will be retrospectively ineligible, but some recipients would inevitably fail to conserve enough dividend money to meet their future needs.

The offsetting effects of SB 37 result in a small increase in staffing needs in the Eligibility Determination component.

STATE OF ALASKA
1995 LEGISLATIVE SESSION

FISCAL NOTE

No. 7

Bill Version: SB 37

BILL No (S) Publish Date: 2/3/95

Revision Date: _____ Dept. Affected: Health and Social Services
 Title: An Act relating to permanent fund dividends BRU: Public Assistance Administration
 Component: Eligibility Determination
 Sponsor: Phillips
 Requestor: Senate STA COMPONENT SERIAL NO. 236

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY96	FY97	FY98	FY99	FY00	FY01
PERSONAL SERVICES	86.0	88.6	91.2	94.0	96.8	99.8
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	86.0	88.6	91.2	94.0	96.8	99.8
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGES IN REVENUES	0	0	0	0	0	0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	43.0	44.3	45.6	47.0	48.4	49.9
1003 GF Match	43.0	44.3	45.6	47.0	48.4	49.9
1004 GF	472.7	486.9	501.5	516.5	532.0	548.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other 1007 I/A Receipts	(472.7)	(486.9)	(501.5)	(516.5)	(532.0)	(548.0)
TOTAL	86.0	88.6	91.2	94.0	96.8	99.8

POSITIONS:

FULL-TIME	2	2	2	2	2	2
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of any current year (FY95) cost: \$ NONE

ANALYSIS: (Attach a separate page if necessary)

SB 37 repeals the Permanent Fund Dividend Hold Harmless (PFD-HH) program. The PFD-HH program replaces the public assistance benefits of individuals who are denied benefits because federal law or regulation requires that their Permanent Fund dividend payments be treated as income or a resource (asset) in determining their eligibility for public assistance benefits. AS 43.23.075 holds public assistance benefits harmless for up to four months each year from the effects of receiving dividend payments.

Prepared by: Jim Dalman, Acting Director Phone: 465-2680
 Division: Division of Public Assistance Date: 1/30/95
 Approved by Com: Karen Perdue Date: 1/30/95
 Agency: Department of Health & Social Services

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ANALYSIS (cont.):

The PFD Hold Harmless program was established at the same time as the original, \$1000 PFD distribution in 1982. The legislature established the program to assure that low-income Alaskans could enjoy the benefit of the dividend program on the same basis as other Alaskans, without losing their eligibility for needs-based assistance.

Repeal of the PFD Hold Harmless program will impact both the amount of assistance paid to individuals and families and the administrative effort required for the Division of Public Assistance to provide timely, accurate delivery of benefits. The Department of Health and Social Services has established interagency agreements with the federal agencies responsible for the AFDC and SSI programs. These agreements, which reduce the amount of case processing required when recipients receive dividends, would be nullified by SB 37. The administrative effort to process PFD Hold Harmless entitlements would be supplanted by the additional case processing effort required to suspend public assistance entitlements when dividend payments are distributed.

Administrative Impacts

The administrative cost of the PFD Hold Harmless program is based on estimates of the proportion of time used by Eligibility Determination staff to process case actions related to dividend payments and PFD-HH benefits. In FY 96 472.7 in PFD-HH Contractual funds is planned to be transferred as Interagency Receipts to the Eligibility Determination component of the Public Assistance Administration BRU.

This analysis presumes that the intent of SB 37 is to preclude the appropriation of money from the Dividend Fund to administer public assistance. The cost of processing case changes resulting from the receipt of dividends is, therefore, shifted to General Fund.

The administration of the PFD-HH program and the processing of case changes related to the receipt of dividend payments require the equivalent of 10 permanent, full-time positions. The repeal of the PFD-HH program proposed in SB 37 results in an increase in the amount of administrative effort to take the dividend payments into account and process changes in the affected public assistance cases. We estimate that 11.8 permanent full-time equivalent positions would be needed to process dividend-related work.

The time required to process Food Stamp cases would decrease because it would no longer be necessary to convert assistance to cash in lieu of food coupons and back again. The time to process AFDC, APA, and Medicaid cases in the absence of the PFD-HH program would increase substantially: under the Hold Harmless program, benefit authorization for these programs consists of the one-time entry of a few special computer codes. Without the PFD-HH program, action will have to be taken to suspend the benefits of each affected AFDC, APA, and Medicaid case, and to reinstate benefits after the month of suspension. The need for staff is also expected to increase because of a substantial increase in General Relief applications from recipients who are unable to pay for rent or food when they lose their cash and food benefits two months after they receive their dividend checks.

The offsetting effects of SB 37 result in a small increase in staffing needs in the Eligibility Determination Component.

Position Title Eligibility Technician II		No. of Positions 2	Range/Step R14B	Bargaining Unit GGU
Time Status FT	Staff Months 12	Location Anchorage		Election District
TYPE of EXPENDITURE		AMOUNT		
Salary		60.4		
Benefits		25.6		
Premium Pay				
Other				
Total Personal Services		86.0		
Travel				
Contractual				
Commodities				
Equipment				
Other				
Total Cost		86.0		
FUNDING SOURCE for TOTAL COST				
1002	Federal Receipts	43.0		
1003	GF Match	43.0		
1004	General Fund			
1005	GF/Program Receipts			
1006	GF/Mental Health Trust			
1007	I/A Receipts			
1061	CIP Receipts			
Other				

Justification
SB 37 repeals the PFD Hold Harmless program and requires that individual AFDC, Food Stamp, Adult Public Assistance, and Medicaid cases be suspended for at least one month when dividends are received. The reduction in administrative need that results from the repeal of the PFD Hold Harmless program is more than offset by the increased time needed to process dividend payments as individual case changes and to handle an increased number of General Relief Assistance cases.

Two additional Eligibility Technician case worker positions are needed to administer this additional workload.

3/3

**REQUEST for
NEW POSITION**

AGENCY: **Health and Social Services**
 BRU: **Public Assistance Administration**
 COMPONENT: **Eligibility Determination (0236)**

Page 1 of 1
 Revised Date:

FY96

FISCAL NOTE

No. 2
 Bill Version: SB 37

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL (S) Publish Date: 2/3/95

Revision Date: _____
 Title: Repeal PFD Hold-Harmless
 Sponsor: Sen. Phillips
 Requestor: Senate State Affairs

Dept. Affected Health and Social Services
 BRU: Medical Assistance
 Component: Medicaid Non-facility
 COMPONENT SERIAL NO. 229

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	171.6	188.8	207.6	228.4	251.2	276.4
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	171.6	188.8	207.6	228.4	251.2	276.4

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGES IN REVENUES	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts	85.8	94.4	103.8	114.2	125.6	138.2
1003 GF Match	85.8	94.4	103.8	114.2	125.6	138.2
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other (Interagency Receipt)	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	171.6	188.8	207.6	228.4	251.2	276.4

Estimate of current year (FY95) impact: 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

ANALYSIS (attach a separate page in necessary)

Senate Bill 37 repeals the Permanent Fund Dividend Hold Harmless (PFD-HH) program. The PFD-HH program replaces the Medicaid benefits of individuals who are denied benefits because federal law or regulation requires that their PFD payment be treated as income or a resource (asset) in determining their eligibility for medical assistance benefits. The legislature established the program in 1981 to assure that low-income Alaskans could receive their PFD on an equal basis with all other Alaskans, without the loss of eligibility for needs-based medical assistance.

Prepared by: Jon Sherwood, MAA IV
 Division: Medical Assistance
 Approved by: [Signature]
 Commissioner: Karen Perdue
 Agency: Department of Health and Social Services

Phone: 465-3355
 Date: 1/30/95
 Date: 2/3/95

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ANALYSIS (cont.):

The PFD-HH program allows Medicaid recipients to receive and retain PFD money for up to four months and still receive Medicaid services.

If the PFD-HH program is eliminated, most Medicaid recipients will continue to remain eligible in the month they receive the check. They could become ineligible for Medicaid if they chose to retain their PFD check and it puts them over the Medicaid resource limit in the following month.

Many individuals, however, will elect to spend their PFD check in the month of receipt to prevent that money from being considered a resource, these individuals will retain Medicaid eligibility. In absence of PFD-HH funds, the regular Medicaid funding will be necessary to cover these individuals, both in Medicaid Facilities and Nonfacilities. We anticipate that those individuals who receive Medicaid services in an amount equal to or greater than the amount of a permanent fund dividend are the individuals who will dispose of their PFD check and remain Medicaid eligible. Currently, 60% of annual Medicaid expenditures are for recipients who receive on average \$967 or more in Medicaid benefits each month. We anticipate the regular Medicaid budget will see a commensurate increase equal to 60% of the amount currently budgeted for the PFD-HH program (1.1 million) See companion fiscal note for Medicaid Facility to show related increase.

The Medicaid expenditures shown reflect what would be a 10% growth (inflation and client growth) in future years in the cost of benefits.

MEDICAID NON-FACILITY CALCULATION

Current FY 95 PFD-HH funding:	\$1,100,000
% of PFD-HH costs shifted to Medicaid	60%
Medicaid cost of those retaining Medicaid	<u>\$660,000</u>
Less Medicaid Facility share of cost (74%)	<u>\$488,400</u>
Medicaid Non-facility expenditures born by Medicaid	<u>\$171,600</u>

FISCAL NOTE

No. 2

Bill Version: SB 37

EILL (S) Publish Date: 2/3/95

STATE OF ALASKA
1995 LEGISLATIVE SESSION

Revision Date: _____
Title: Repeal PFD Hold-Harmless
Sponsor: Sen. Phillips
Requestor: Senate State Affairs

Dept. Affected Health and Social Services
BRU: Medical Assistance
Component: Medicaid Facility
COMPONENT SERIAL NO. 230

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	488.4	527.5	569.7	615.2	664.5	717.6
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	488.4	527.5	569.7	615.2	664.5	717.6

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGES IN REVENUES	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts	244.2	263.8	284.9	307.6	332.3	358.8
1003 GF Match	244.2	263.7	284.8	307.6	332.2	358.8
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other (Interagency Receipt)	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	488.4	527.5	569.7	615.2	664.5	717.6

Estimate of current year (FY95) impact: 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

ANALYSIS (attach a separate page in necessary)

Senate Bill 37 repeals the Permanent Fund Dividend Hold Harmless (PFD-HH) program. The PFD-HH program replaces the Medicaid benefits of individuals who are denied benefits because federal law or regulation requires that their PFD payment be treated as income or a resource (asset) in determining their eligibility for medical assistance benefits. The legislature established the program in 1981 to assure that low-income Alaskans could receive their PFD on an equal basis with all other Alaskans, without the loss of eligibility for needs-based medical assistance.

Prepared by: Jon Sherwood, MAA IV
Division: Medical Assistance
Approved by: [Signature]
Commissioner: Karen Perdue
Agency: Department of Health and Social Services

Phone: 465-3355
Date: 1/30/95

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ANALYSIS (cont.):

The PFD-HH program allows Medicaid recipients to receive and retain PFD money for up to four months and still receive Medicaid services.

If the PFD-HH program is eliminated, most Medicaid recipients will continue to remain eligible in the month they receive the check. They could become ineligible for Medicaid if they chose to retain their PFD check and it puts them over the Medicaid resource limit in the following month.

Many individuals, however, will elect to spend their PFD check in the month of receipt to prevent that money from being considered a resource, these individuals will retain Medicaid eligibility. In absence of PFD-HH funds, the regular Medicaid funding will be necessary to cover these individuals, both in Medicaid Facilities and Nonfacilities. We anticipate that those individuals who receive Medicaid services in an amount equal to or greater than the amount of a permanent fund dividend are the individuals who will dispose of their PFD check and remain Medicaid eligible. Currently, 60% of annual Medicaid expenditures are for recipients who receive on average \$967 or more in Medicaid benefits each month. We anticipate the regular Medicaid budget will see a commensurate increase equal to 60% of the amount currently budgeted for the PFD-HH program (1.1 million) See companion fiscal note for Medicaid Non-facility to show related increase.

The Medicaid expenditures shown reflect what would be a 10% growth (inflation and client growth) in future years in the cost of benefits.

MEDICAID FACILITY CALCULATION

Current FY 95 PFD-HH funding:	\$1,100,000
% of PFD-HH costs shifted to Medicaid	60%
Medicaid cost of those retaining Medicaid	<u>\$660,000</u>
Less Medicaid Non-facility share of cost (26%)	<u>\$171,600</u>
Medicaid Facility expenditures born by Medicaid	\$488,400

FISCAL NOTE

NO. 1

Bill Version: SB 37

BILL (5) Publish Date: 2/3/95

**STATE OF ALASKA
1995 LEGISLATIVE SESSION**

Revision Date: _____
 Title: Repeal PFD Hold-Harmless
 Sponsor: Sen. Phillips
 Requestor: Senate State Affairs

Dept. Affected Health and Social Services
 BRU: Medical Assistance
 Component: Permanent Fund Hold-Harmless
 COMPONENT SERIAL NO. 966

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	(1,100.0)	(1,210.0)	(1,331.0)	(1,464.1)	(1,610.5)	(1,771.6)
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	(1,100.0)	(1,210.0)	(1,331.0)	(1,464.1)	(1,610.5)	(1,771.6)
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGES IN REVENUES	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

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1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
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TOTAL	(1,100.0)	(1,210.0)	(1,331.0)	(1,464.1)	(1,610.5)	(1,771.6)

Estimate of current year (FY95) impact: 0.0

POSITIONS:

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Prepared by: Jon Sherwood, MAA IV
 Division: Medical Assistance
 Approved by: Karen Perdue
 Commissioner: Karen Perdue
 Agency: Department of Health and Social Services

Phone: 465-3355
 Date: 1/30/95

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This fiscal note shows the elimination of the FY 95 budget request of 1.1 million. The reduction in expenditures shown reflects what would be an 10% growth (inflation and client growth) in future years in the cost of PFD-HH benefits to replace Medicaid funds.

SENATE COMMITTEE REPORT

First Committee of Refer.

gmk

DATE: 1/19/95

FURTHER: Finance

Date of 5-Day Notice: 1/26/95
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 2-3-95

State Affairs Committee considered SB 37

Relating to treatment of permanent fund dividends for purposes of determining eligibility for certain benefits; efd.

PHS & FNS

and recommends: ✓

- be replaced with CS SB 37 (STA)
- adopt previous CS _____
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

Senate Bill: same title
 new title
House Bill: technical change
 new: SCR# _____

SIGNING WITH RECOMMENDATIONS:	DP	DNP	NR	AM
<i>Row D. Leman</i>	✓			
<i>Bill E. [unclear]</i>	✓			

CHAIR: <i>[Signature]</i>	✓			

NEW FISCAL NOTE(S): *fy 96*

Department	Date	Zero	Fiscal
DEPT OF REV.	1/26/95	✓	
DHSS/AFOC	1/30		(12875.5)
DHSS/GRA	1/30		1052.8
DHSS/APA	1/30		(2562.1)
DHSS/PFO HOLD H.	1/30		(22316.1)
DHSS/ELIG. DET	1/30		86.0

NEW FISCAL NOTE(S):* CONT'D

Department	Date	Zero	Fiscal
DHSS/MEDICAID N.F.	1/30		171.6
DHSS/MEDICAID FAC.	1/30		488.4
DHSS/M.A - PFO HOLD	1/30		1100.0

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill