

HB

515

Alaska State Legislature

Committees
House Resources
Co-Chairman
Wild, Trade &
State Federal Relations
Transportation
Rules
Oil & Gas

During Session
State Capitol
Juneau, AK 99801-1182
(907) 465-1424
Fax (907) 465-3791

In Ketchikan
152 Front Street
Ketchikan, AK 99901
(907) 247-4672
Fax (907) 225-8546

Representative William K. Williams

MEMORANDUM

To: Senator Lyda Green
Chair, Senate HESS Committee

From: Representative Bill Williams *Bill*

Date: April 19, 1996

Re: HB 515 (am)

House Bill 515 (am), "An act repealing a restriction on the use of youth residential services grants that prohibit use of the grants for capital assets; and providing for an effective date.", has been referred to the Senate HESS committee. I would appreciate a hearing on the earliest possible date.

If you have any questions please contact Kyle Johansen, of my staff, at 3424.

Thank you.

Alaska State Legislature



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Sponsor Statement

House Bill 515

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

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

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

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

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

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SPONSOR STATEMENT

ALASKA ASSOCIATION OF HOMES FOR CHILDREN

February 21, 1996

The Bethel Group Home
Bethel, Alaska

Ketchikan Children's Home
Ketchikan, Alaska

Presbyterian Hospitality House
Fairbanks, Alaska

The Salvation Army
Booth Memorial Home
Anchorage, Alaska

Sitka Youth Home
Sitka, Alaska

Manilaq Association Group Home
Kotzebue, Alaska

Alaska Youth & Parent Foundation
Anchorage, Alaska

Nome Receiving Home
Nome, Alaska

Kodiak Baptist Mission
Kodiak, Alaska

Council of President's
Receiving Home
Bethel, Alaska

Kenai Peninsula Community
Care Center
Kenai, Alaska

North Star Home
Dot Lake, Alaska

Juneau Youth Services
Juneau, Alaska

Alaska Children's Services
Anchorage, Alaska

Life Quest
Wauila, Alaska

Harrow Children's Home
Harrow, Alaska

Alaska Baptist Family Services
Anchorage, Alaska

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

RE: HB 515

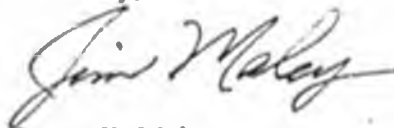
Dear Representative Williams:

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

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

Again, our sincere thanks and support for your efforts.

Sincerely,



James E. Maley,
President

FROM: JACK DUCKWORTH
DIRECTOR FOR RESIDENTIAL YOUTH CARE INC.
2514 st Ave.,
Ketchikan, Alaska 99901
(907) 225-4664

TO: Senator Lyda Green

SUBJECT: HOUSE BILL 515

Dear Senator Lyda Green:

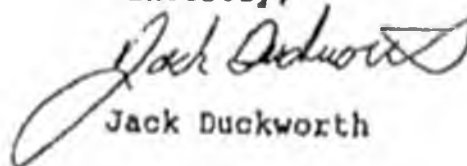
I am writing this letter to urge you to consider HB 515 as part of the solution to the state's financial crisis. We will not receive an increase in our yearly budget despite the increase in cost to provide services. Because of a Statute (that states non-profits cannot use grant monies to purchase a building) we are in a predicament that seems to benefit no one. Residential Youth Care, Inc. (RYC) is a non-profit organization that receives grant money to provide residential treatment in a Long Term Group Home and in an Emergency Shelter. RYC will spend \$45,000 on rent in this fiscal year and has spent over \$200,000 in the past 6 years. Ketchikan Children's Home, Inc. spent over \$1,000,000 for lease payment over its 20 year life span. The program has nothing to show for all this money that has been spent. After paying out \$1,245,000 of state money we could literally be homeless tomorrow. This is just one program in the state. By purchasing the building the monthly mortgage payments would be \$400.00 less than the current monthly lease payments. We have raised enough non grant money for the down payment. Not only would we save money monthly but we would build equity. We would own the building in fifteen years and save \$25,000 a year at one house and \$20,000 a year at the other house. This would give us some room for growth in a state economy that is dwindling.

Everyone that I have discussed this matter agrees that this statute is not beneficial to the state or youth programs. I have discussed this with DPYS personnel (Jackie Damon) and a State Auditor (Bob Wright). They are not sure why this statute exists but have encourage attempts to change it.

I personally do not see how changing the Statute could be detrimental. Even if an organization would go out of business the state would not be liable. The building would go to another non profit or be sold. In fact the state would be eligible to receive money from the dissolution of the corporation. in the home.

I appreciate everyone taking time to help in this matter.

Sincerely,



Jack Duckworth

FROM: JACK DUCKWORTH
DIRECTOR FOR RESIDENTIAL YOUTH CARE INC.

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DIVISION OF FAMILY AND YOUTH SERVICES

GRANT PROGRAM: Residential Child Care

AUTHORITY:

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

APPROPRIATIONS:

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

PRIORITIES:

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

*1st agency
in 1995*

TARGET GROUP/GEOGRAPHICAL AREA SERVED:

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

RESOURCE ALLOCATIONS:

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

Northern	29%
Southcentral	51%
Southeastern	20%.

CRITERIA:

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

RESIDENTIAL CHILD CARE

BRU: PURCHASED SERVICES

COMPONENT: RESIDENTIAL CHILD CARE

DIVISION OF FAMILY AND YOUTH SERVICES

GRANTEE	LOCATION	ELECT. DIST.	NEW/ CONT.	FY88 AMT. AWARDED	SERVICE	FTE STAFF	AMT. PERS. SERVICES	FUND SOURCE	FY 88 AMT. AWARDED
ALASKA BAPTIST FAMILY SERVICES	ANCHORAGE	10-25	CONT	\$487,172	SPECIALIZED RESIDENTIAL CARE.	12.48	\$400,882	GF	\$558,260
ALASKA CHILDREN'S SERVICES, INC.	ANCHORAGE	10-25	CONT	\$753,025	RESIDENTIAL PSYCHIATRIC TREATMENT.	7.10	\$148,015	GF	\$753,025
ALASKA YOUTH & PARENT FOUNDATION	ANCHORAGE	10-25	CONT	\$762,425	EMERGENCY SHELTER CARE.	19.12	\$582,923	GF	\$874,800
ASSOCIATION OF VILLAGE COUNCIL PRESIDENTS	BETHEL	39	CONT	\$289,080	EMERGENCY SHELTER CARE.	4.82	\$213,392	GF	\$289,080
BETHEL GROUP HOME	BETHEL	39	CONT	\$443,197	RESIDENTIAL CARE.	5.11	\$299,431	GF	\$373,814
JUNEAU YOUTH SERVICES	JUNEAU	03-04	CONT	\$268,900	RESIDENTIAL CARE, SEX OFFENDERS.	8.00	\$216,300	GF	\$268,275
JUNEAU YOUTH SERVICES	JUNEAU	03-04	CONT	\$167,900	EMERGENCY CARE, TRANSITIONAL CARE.	2.00	\$122,250	GF	\$167,900
JUNEAU YOUTH SERVICES	JUNEAU	03-04	CONT	\$532,900	RESIDENTIAL CARE, INTENSIVE TREATMENT.	11.50	\$378,324	GF	\$532,900
KENAI PENINSULA COMMUNITY CARE CENTER	KENAI	09	CONT	\$878,900	RESIDENTIAL CARE, EMERGENCY CARE (TEACHING FAMILY HOME).	13.00	\$498,579	GF	\$878,900
KIDS ARE PEOPLE	WASILLA	26-28	NEW	\$0	RESIDENTIAL CARE.	2.80	\$87,600	GF	\$87,600
KODIAK BAPTIST	KODIAK	08	CONT	\$451,085	RESIDENTIAL CARE (TEACHING FAMILY HOME).	7.00	\$269,600	GF	\$410,077
MAT-SU COMMUNITY COUNSELING CENTER	WASILLA	26-28	CONT	\$219,000	RESIDENTIAL CARE AND EMERGENCY SHELTER.	5.11	\$178,907	GF	\$219,000

RESIDENTIAL CHILD CARE

BRU: PURCHASED SERVICES

COMPONENT: RESIDENTIAL CHILD CARE

DIVISION OF FAMILY AND YOUTH SERVICES

GRANTEE	LOCATION	ELECT. DIST.	NEW/ CONT.	FY88 AMT. AWARDED	SERVICE	FTE STAFF	AMT. PERS. SERVICES	FUND SOURCE	FY 88 AMT. AWARDED
NOME RECEIVING HOME	NOME	38	CONT	\$375,445	RESIDENTIAL CARE AND EMERGENCY SHELTER.	7.52	\$115,772	GF	\$145,912
NORTH SLOPE BOROUGH RECEIVING HOME	BARROW	37	CONT	\$582,175	RESIDENTIAL CHILD CARE AND EMERGENCY SHELTER.	15.00	\$443,298	GF	\$582,175
NORTH STAR HOME, INC.	DOT LAKE	38	CONT	\$335,800	RESIDENTIAL CARE (TEACHING FAMILY HOME).	3.13	\$189,404	GF	\$335,800
PRESBYTERIAN HOSPITALITY HOUSE	FAIRBANKS	29-34	CONT	\$629,625	RESIDENTIAL CARE (TEACHING FAMILY HOME)	11.70	\$300,303	GF	\$629,625
RESIDENTIAL YOUTH CARE, INC.	KETCHIKAN	01	CONT	\$278,130	RESIDENTIAL CARE.	2.72	\$194,955	GF	\$304,130
RESIDENTIAL YOUTH CARE, INC.	KETCHIKAN	01	CONT	\$219,000	RESIDENTIAL EMERGENCY SHELTER.	1.80	\$158,221	GF	\$219,000
SALVATION ARMY - BOOTH MEMORIAL	ANCHORAGE	10-25	CONT	\$735,475	RESIDENTIAL CARE, INTENSIVE TREATMENT, FEMALE.	2.72	\$518,743	GF	\$791,475
SALVATION ARMY - BOOTH MEMORIAL	ANCHORAGE	10-25	CONT	\$232,050	DAY TREATMENT.	4.80	\$179,154	GF	\$232,050
YOUTH ADVOCATES OF SITKA	SITKA	02	CONT	\$278,130	RESIDENTIAL CARE AND EMERGENCY SHELTER.	8.85	\$222,928	GF	\$278,130
TOTALS FOR RESIDENTIAL CHILD CARE						164.38	16,808,221		\$11,528,728

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

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

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

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

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

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

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. HB 515

Revision Date: _____
Title: Grants for Residential Services

Dept. Affected: Health and Social Services
BRU: Administrative Services

Sponsor: Williams
Requestor: House HESS

Component: Commissioner's Office
COMPONENT SERIAL NO. 317
See also (SN#): _____

Expenditures/Revenues:

(Thousands of Dollars)

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

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						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1008 GF/MHTIA						
Other (please specify)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

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

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

ANALYSIS: (Attach a separate page if necessary)

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

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

Prepared by: Janet Clarke
Division: Administrative Services

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

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

Date: 2/26/96

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