

SEB

182

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: April 9, 2001

MAR 20 2002
SENATE FINANCE
COMMITTEE

FURTHER:

Date of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED IN TO OFFICE: 20 March 2002

Finance Committee considered SENATE BILL NO. 182

PRO RATA REDUCTIONS IN BENEFIT PROGRAMS

"An Act requiring reductions in payments to individuals under certain benefit programs if appropriations are not sufficient to fully fund the statutorily established levels of payments."

and recommends:

- be replaced with CS SB 182 (FIN)
- adopt previous CS _____ ()
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

- Senate Bill:**
 same title
 new title
- House Bill:**
 same title
 technical title
 new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
forthcoming fin's Admin.				

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
attached				

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>	✓			
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>			✓	

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

MAR 20 2002
 SENATE FLOOR

Fiscal Note Number: _____
 Bill Version: CS SB 182(FIN)
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Administration
 Title: "An Act requiring reductions in pay- BRU: Longevity Bonus
ments to individuals..." Component: Longevity Bonus Grants
 Sponsor: Senate Finance
 Requester: Senate Finance Component No.: 26

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	*	*	*	*	*	*

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						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	*	*	*	*	*	*

Estimate of any current year (FY2002) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The following FY 2003 Longevity Bonus recipients could be affected by the proration provisions in SB 182:

\$250 per month	12,710	Average Monthly Recipients		
200 per month	1,777	"	"	"
150 per month	1,935	"	"	"
100 per month	<u>2,215</u>	"	"	"
Total	18,637	Average Monthly Recipients		

Prepared by: James L. Kohn, Director Phone 465-2159
 Division: Alaska Longevity Programs Date/Time 3/21/02 10:28 AM
 Approved by: Jim Duncan, Commissioner Date 3/21/2002
 Agency: Department of Administration

MAR 20 2002

SENATE FINANCE
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SB 182
() Publish Date: _____

Revision Date/Time (Note if correction): 02/28/2002 10:58 Dept. Affected: All
Title An Act relating to payments to individuals BRU _____
Component _____
Sponsor Senate Finance Committee
Requester Senate Finance Committee Component No. _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	***	***	***	***	***	***

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						
1037 GF/Mental Health						
Other (Specify Type-Do not abbreviate)						
TOTAL	***	***	***	***	***	***

Estimate of any current year (FY2002) cost: 0.0
Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill would require state agencies to prorate payments to individuals receiving state benefits if an appropriation is not sufficient to fully fund the program.

For most individual benefits, such as the Longevity Bonus, program costs are based on projections updated in the spring before the beginning of the fiscal year. It is not possible to know with certainty at that time whether appropriated funds are sufficient to fully fund the program. Significant reductions may have to be made in the final months of the fiscal year to remain within the appropriation amount. This could amount to significant policy changes without any public discussion or comment on the underlying issues.

Prepared by: Jack Kreinheder, Senior Policy Analyst Phone 465-4676
Division Office of Management and Budget Date/Time 2/28/02 10:58 AM
Approved by: Annalee McConnell, Director Date 02/28/2002
Agency Office of Management and Budget

FISCAL NOTE

REPORTED OUT
MAR 20 2002
SENATE FINANCE
COMMITTEE

**STATE OF ALASKA
2002 LEGISLATIVE SESSION**

Fiscal Note Number: _____
 Bill Version: SB 182
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Health & Social Services
 Title: REQUIRING PRO-RATA REDUCTIONS IN PROGRAMS WHEN BRU: Public Assistance
APPROPRIATIONS INSUFFICIENT Component: ATAP
 Sponsor: SENATE (FIN)
 Requestor: SENATE (FIN) Component Number: 220

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims
Miscellaneous						
TOTAL OPERATING

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (0)						
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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 (Specify Type--do not abbreviate)						
TOTAL

Estimate of any current year (FY2002) cost: _____

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The focus of the Alaska Temporary Assistance Program (ATAP) is to provide temporary financial assistance to poor families and help those families work their way out of poverty and into self-sufficiency through employment. Assistance payments are intended to help these families with their basic living expenses while they take steps to move off of assistance. In FY03, ATAP will provide monthly payments to 5,820 families across Alaska.

Such reductions could not be from general funds because this would put the state out of compliance with federal "maintenance of effort" (MOE) requirements. Under the federal Temporary Assistance for Needy Families program, states are required to contribute at least 80% of their historic expenditures. Alaska is already at its MOE "floor" and a reduction in payments would result in severe penalties. No

Prepared by: Jim Nordlund Phone 465-5835
 Division: Public Assistance Date/Time 02/27/2002
 Approved by: Elmer A. Lindstrom, Deputy Commissioner Date 02/28/2002
 Agency: Department of Health & Social Services

For distribution information, call the Governor's Legislative Office

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. SB 182

ANALYSIS CONTINUATION

state has violated its MOE. Alaska is already at its MOE "floor" and a reduction in payments would result in severe penalties.

Our only option would be to apply the reduction against the federal portion of the ATAP benefits. This would not result in any general funds savings to the program, and might adversely impact other state programs that currently use federal TANF funds to replace general funds in their programs.

If the ATAP program is forced to make pro-rated reductions in individual benefits, families will have a much harder time meeting basic needs (rent, utilities, transportation, etc.) This in turn, will cripple some families' ability to hold down jobs or take other steps toward self-sufficiency -- and ultimately lead to more people on welfare.

ATAP PRO-RATA REDUCTION ANALYSIS:

Currently ATAP is funded in full in the Governor's FY03 Budget request based on the latest projections and if the legislature approves the Governor's FY03 Budget Request SB 182 would have no impact. However we are providing a fiscal analysis to show what would occur if ATAP faced a shortfall of 5% and 10% in FY03.

Assumptions:

ATAP is underfunded by 5%, or \$2,357.1 below projected need.

ATAP is underfunded by 10%, or \$4,714.2 below projected need.

Should SB 182 become law, with a 5% reduction each ATAP family would lose, on average, about \$405 in benefits for basic needs in FY03. With a 10% reduction, they would lose about \$810 in benefits for basic needs in FY03. Subsequent reductions would depend on Legislative appropriation for the program.

Since it was implemented, welfare reform has saved over \$55.7 million in state and federal benefit payments. Many more recipients are now working, and the average payment has declined 15% -- from \$794 in FY97 to an \$675 in FY01.

MAR 20 2002

SENATE FINANCE
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SB 182
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Health & Social Services
Title: REQUIRING PRO-RATA REDUCTIONS IN PROGRAMS WHEN BRU: Public Assistance
APPROPRIATIONS INSUFFICIENT Component: General Relief Assistance
Sponsor: SENATE (FIN)
Requestor: SENATE (FIN) Component Number: 221

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	*	*	*	*	*	*
Miscellaneous						
TOTAL OPERATING	*	*	*	*	*	*

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (0)						
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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 (Specify Type--do not abbreviate)						
TOTAL	*	*	*	*	*	*

Estimate of any current year (FY2002) cost: _____

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Alaska's General Relief Assistance (GRA) program pays for 450 indigent burials and emergency assistance to prevent evictions for 1380 families per year. This program has existed in Alaska since territorial days.

Governments have long had a history of paying for burials for the poor. A fair and reasonable reimbursement for this service to Funeral homes insures a sense of dignity for those poor individuals and their families who cannot afford to bury their deceased loved ones. It would not be reasonable to reduce payments in this area; there are no other entities available to pick up expenses for these costs.

The burial portion of the program consumes 75% of the funds. The remainder is used to assist poor

Prepared by: Jim Nordlund Phone 465-5835
Division: Public Assistance Date/Time 02/28/2002
Approved by: Elmer A. Lindstrom, Deputy Commissioner Date 02/28/2002
Agency: Department of Health & Social Services

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FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. SB 182

ANALYSIS CONTINUATION

families who are facing eviction, with payments made to vendors.

Currently, the GRA program is funded in full in the Governor's FY03 Budget Request based on the latest projections and if the Legislature approves the Governor's FY03 Budget Request SB 182 would have no impact. However, we are providing a fiscal analysis to show what would occur if the GRA program faced a shortfall of 5% and 10% in FY03.

Assumptions:

The GRA program is underfunded by 5%, or \$53.1 below projected need.

The GRA program is underfunded by 10%, or \$106.2 below projected need.

Indigent Burials. The average payment made to funeral providers for each indigent burials is about \$1,760. Should SB 182 become law, with a 5% reduction these payments would be reduced to \$1,672. With a 10% reduction, the payments would be reduced to \$1,584.

Evictions. The average monthly payment made to landlords to prevent evictions is approximately \$160 per household. Should SB 182 become law, with a 5% reduction these vendor payments would be reduced to \$152. With a 10% reduction, these payments would be reduced to \$144.

The GRA program serves as a last resort safety net for some of Alaska's most impoverished citizens. The GRA benefit already represents the minimum payment for services that most vendors will tolerate. A pro rata reduction in benefits would further discourage participation by vendors and make it difficult, if not impossible, for the program to meet emergent needs of applicants.

MAR 20 2002

SENATE FINANCE
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SB 182
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Health & Social Services
Title: REQUIRING PRO-RATA REDUCTIONS IN PROGRAMS WHEN BRU: Public Assistance
APPROPRIATIONS INSUFFICIENT Component: Adult Public Assistance
Sponsor: SENATE (FIN) Component Number: 222
Requestor: SENATE (FIN)

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	*	*	*	*	*	*
Miscellaneous						
TOTAL OPERATING	*	*	*	*	*	*

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (0)						
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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 (Specify Type—do not abbreviate)						
TOTAL	*	*	*	*	*	*

Estimate of any current year (FY2002) cost: _____

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The Adult Public Assistance (APA) program provides a \$308.50 per month supplement for poor blind, disabled, and elderly clients. Payments are made to 15,156 people per month (10,232 disabled and 4,924 elderly). This monthly payment allows these very disadvantaged individuals to live with dignity and independence, primarily in their own homes. Without this support many of our most vulnerable adults would have to be placed in institutions, nursing homes or made homeless because they do not have the financial ability to live an independent life without this help.

Many of the individuals who rely on this monthly cash assistance lead very frugal lives and have limited resources, reductions in any amount will leave these clients with having to choose between such things as paying the electric bill or buying food. APA payments have been held steady since 1993 without

Prepared by: Jim Nordlund Phone 465-5835
Division: Public Assistance Date/Time 02/27/2002
Approved by: Elmer A. Lindstrom, Deputy Commissioner Date 02/28/2002
Agency: Department of Health & Social Services

For distribution information, call the Governor's Legislative Office

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. SB 182

ANALYSIS CONTINUATION

cost of living adjustments. These blind, disabled and elderly clients have already had to cut costs just because of the higher cost of living in the last 10 years. Any across the board reductions in the benefit level on top of having to absorb cost of living increases will force many clients from independent living.

APA PRO-RATA REDUCTION ANALYSIS:

Currently, the APA program is funded in full in the Governor's FY03 Budget Request based on the latest projections. If the Legislature approves the Governor's FY03 Budget Request, SB 182 would have no impact. However, we are providing a fiscal analysis to show what would occur if the APA program faced a shortfall of 5% and 10% in FY03.

Assumptions:

The APA program is underfunded by 5%, or \$2,805.4 below projected need.

The APA program is underfunded by 10%, or \$5,610.8 below projected need.

Should SB 182 become law, with a 5% reduction each of these individuals would lose, on average, about \$185 in basic life supporting benefits in FY03. With a 10% reduction, they would lose about \$370 in basic life supporting benefits in FY03. Subsequent benefit reductions would depend on Legislative appropriation for the program.

An important fact to note: State spending on Adult Public Assistance has exceeded the Legislature's appropriation in 11 of the last 13 years, often with the assurance that the need for supplemental funding would be acted on during the next legislative session. SB 182 removes this assurance and increases the risk for this already at risk population.

MAR 20 2002

SENATE FISCAL
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SB 182
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Health & Social Services
Title: REQUIRING PRO-RATA REDUCTIONS IN PROGRAMS WHEN BRU: Purchased Services
APPROPRIATIONS INSUFFICIENT Component: Foster Care Base Rate
Sponsor: SENATE (FIN) Component Number: 2236
Requestor: SENATE (FIN)

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	*	*	*	*	*	*
Miscellaneous						
TOTAL OPERATING	*	*	*	*	*	*

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

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mer.tal Health						
Other (Specify Type--do not abbreviate)						
TOTAL	*	*	*	*	*	*

Estimate of any current year (FY2002) cost: _____

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The Foster Care program exists to provide the State of Alaska with safe homes for over 1,100 children per month who have been abused or neglected to live on a temporary basis. Foster Parents in Alaska have not had a raise since 1997 and the payment rate has been eroded due to increases in inflation. The average daily rate of \$22.34 per day is intended to reimburse foster parents for the basic costs of raising a child. With the current rates inadequate any pro-rata reduction in rates further erodes the amount paid to foster parents.

The state of Alaska recognizes the valuable work foster parents do on our behalf for vulnerable children. If reductions are made to an already low daily rate this will have the effect of devaluing the work that foster parents do. The State will also face increasing problems in attracting and retaining foster parents

Prepared by: Theresa Tanoury, Director Phone 465-3151
Division: Family & Youth Services Date/Time 02/27/2002
Approved by: Elmer A. Lindstrom, Deputy Commissioner Date 02/28/2002
Agency: Department of Health & Social Services

For distribution information, call the Governor's Legislative Office

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. SB 182

ANALYSIS CONTINUATION

ANALYSIS CONTINUED:

and could disrupt placements. If foster parents are not available to do this valuable work, DFYS could have to turn to residential care to make sure abused children are in safe places at almost 10 times the cost. A payment reduction of even \$2.00 per day could make a big difference in the lives of foster families in Alaska.

Further, the State has an obligation to reimburse Foster Care Providers for the cost of care for children in their custody. If the State fails to meet its obligation, Foster Care providers will have no legal obligation to continue to provide care for the children. This could result in Foster Care Providers returning children to the Division of Family and Youth Services. This situation would seriously undermine the State's child welfare system and would negatively impact the children that the State is responsible for protecting.

PRO-RATA REDUCTION:

Currently the Foster Care Base Rate program is funded in full in the Governor's FY03 Budget request based on the latest projections and if the Legislature approves the Governor's FY03 Budget Request SB 182 would have no impact. However, we are providing a fiscal analysis to show what would occur if the Foster Care Base Rate program faced a shortfall of 5% and 10% in FY03.

Assumptions:

- The Foster Care Base Rate program is fully funded in FY03 at \$11,269.6.
- A 5% reduction in funding will decrease component funding by \$563.5.
- A 10% reduction in funding will decrease component funding by \$1,127.0.

FOSTER CARE REDUCTION ANALYSIS:

The current Foster Care Base Rate of \$22.34 is based on the federal poverty guidelines of 1993, and does not reflect overall cost of living increases that have occurred since that time. A 5% reduction of benefits will decrease the daily rate from \$22.34 to \$21.22, a decrease of \$1.12 per day. A 10% decrease in benefits will reduce the daily rate from \$22.34 to \$20.11, a decrease in reimbursement to foster care providers of \$2.23 per day.

Trained, experienced foster families are a valuable resource and provide an essential service. There is already a shortage of foster parents. An inability to reimburse foster care providers for services rendered will seriously erode any success that the Department has made during the last two years to recruit and retain foster parents. Foster parents rely on the State being able to reimburse them for their costs of care. Any reduction in payments may disrupt placements and result in the Department not having enough foster parents to care for the children committed to State custody. This may result in other placements for children such as Residential Care Facilities, at a daily cost that ranges from \$168 to \$272.

MAR 20 2002

SENATE OFFICE
COMMITTEE

FISCAL NOTE

**STATE OF ALASKA
2002 LEGISLATIVE SESSION**

Fiscal Note Number: _____
 Bill Version: SB 182
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Health & Social Services
 Title: REQUIRING PRO-RATA REDUCTIONS IN PROGRAMS WHEN BRU: Purchased Services
APPROPRIATIONS INSUFFICIENT Component: Foster Care Augmented Rate
 Sponsor: SENATE (FIN)
 Requestor: SENATE (FIN) Component Number: 2237

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	*	*	*	*	*	*
Miscellaneous						
TOTAL OPERATING	*	*	*	*	*	*

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (0)						
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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 (Specify Type--do not abbreviate)						
TOTAL	*	*	*	*	*	*

Estimate of any current year (FY2002) cost: _____

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The Augmented Foster Care program, or difficulty of care program, reimburses foster care providers for extraordinary costs and for higher levels of supervision not otherwise covered by the Foster Care Base Rate program. When children enter foster care with a higher level of disturbance, foster parents are required to access a higher level of services to meet their needs (i.e., physical and/or psychological therapy, supervised visits with family members, individual education plans, tutoring).

This program serves the most difficult to care for children in the Child Protection system. Making reductions in augmented care rates to implement this bill will make it more difficult for foster parents to provide a safe environment for these disadvantaged children. The Department anticipates that 30.6% of the 1,100 children per month will receive an augmentation of \$20.15 to their base rate in FY2003.

Prepared by: Theresa Tanoury, Director Phone 465-3191
 Division: Family & Youth Services Date/Time 02/27/2002
 Approved by: Elmer A. Lindstrom, Deputy Commissioner Date 02/28/2002
 Agency: Department of Health & Social Services

For distribution information, call the Governor's Legislative Office

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. SB 182

ANALYSIS CONTINUATION

ANALYSIS CONTINUED:

The state of Alaska recognizes the valuable work foster parents do for abused and neglected children. If reductions are made to augmented rates, the state will not be reimbursing foster parents for the cost of care. The State will face increasing problems in attracting and retaining foster parents.

PRO-RATA REDUCTION:

Currently the Foster Care Augmented program is funded in full in the Governor's FY03 Budget request based on the latest projections and if the Legislature approves the Governor's FY03 Budget Request SB 182 would have no impact. However, we are providing a fiscal analysis to show what would occur if the Foster Care Base Rate program faced a shortfall of 5% and 10% in FY03.

Assumptions:

- The Foster Care Augmented program is fully funded in FY03 at \$3,748.5.
- A 5% reduction in funding will decrease component funding by \$187.4.
- A 10% reduction in funding will decrease component funding by \$374.9.

FOSTER CARE AUGMENTED RATES PRO-RATA REDUCTION:

AS 47.14.100 mandates the Department to provide for the care of every child committed to its custody by placing the child in a foster home or in the care of an agency or institution providing care for children inside or outside the state. To meet this mandate, the Department provides foster care programs - Foster Care Base Rate, Foster Care Augmented, and Foster Care Special Needs. These programs provide for children that have been removed from situations of abuse or neglect and that are at risk for further abuse and neglect.

A 5% reduction in the augmented benefit will reduce reimbursement to foster parents from \$20.15 to \$19.14 per day, a reduction of \$1.01 per day. A 10% decrease in benefits will reduce the augmentation from \$20.15 to \$18.13, a reduction of \$2.02 per day.

MAR 20 2002

SENATE FINANCE
COMMISSION

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SB 182
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Health & Social Services
Title: REQUIRING PRO-RATA REDUCTIONS IN PROGRAMS WHEN BRU: Purchased Services
APPROPRIATIONS INSUFFICIENT Component: Foster Care Special Need
Sponsor: SENATE (FIN) Component Number: 2238
Requestor: SENATE (FIN)

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	*	*	*	*	*	*
Miscellaneous						
TOTAL OPERATING	*	*	*	*	*	*

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (0)						
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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 (Specify Type--do not abbreviate)						
TOTAL	*	*	*	*	*	*

Estimate of any current year (FY2002) cost: _____

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Children who have experienced abuse or neglect often present unique challenges to families, and foster parents are frequently required to access a higher level of service, such as special medical or therapeutic care, to meet the needs of the child. The Foster Care Special Needs program reimburses foster care providers for these pre-approved "one-time" goods or services that are not covered by the Foster Care Base Rate program and that are consistent with the child's case plan.

Special needs children often require one-time items that assist them in leading normal lives. Any reductions to this program will reduce the number of special needs children that get served.

Currently the Foster Care Special Needs program is funded in full in the Governor's FY03 Budget

Prepared by: Theresa Tanoury, Director Phone 465-3191
Division: Family & Youth Services Date/Time 02/27/2002
Approved by: Elmer A. Lindstrom, Deputy Commissioner Date 02/28/2002
Agency: Department of Health & Social Services

For distribution information, call the Governor's Legislative Office

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. SB 182

ANALYSIS CONTINUATION

ANALYSIS CONTINUED:

request based on the latest projections and if the Legislature approves the Governor's FY03 Budget Request SB 182 would have no impact. However, we are providing a fiscal analysis to show what would occur if the Foster Care Base Rate program faced a shortfall of 5% and 10% in FY03.

Assumptions:

- The Foster Care Special Needs program is fully funded in FY03 at 4,294.5; with almost \$3 million allocated to special needs payments.
- A 5% reduction will decrease component funding by \$214.7.
- A 10% reduction will decrease component funding by \$429.5.

There are only two choices for reductions in the special needs program; either a cap will have to be placed on how much each child can receive as a one-time payment or DFYS will have to decide that some children will not receive special needs payments.

REPORTED OUT
 MAR 20 2002
 SENATE FINANCE
 COMMITTEE

FISCAL NOTE

STATE OF ALASKA
 2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB 182
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Health & Social Services
 Title: REQUIRING PRO-RATA REDUCTIONS IN PROGRAMS WHEN BRU: Public Assistance
APPROPRIATIONS INSUFFICIENT Component: Tribal Assistance
 Sponsor: SENATE (FIN)
 Requestor: SENATE (FIN) Component Number: 2336

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	*	*	*	*	*	*
Miscellaneous						
TOTAL OPERATING	*	*	*	*	*	*

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

CHANGE IN REVENUES (0)						
---------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--do not abbreviate)						
TOTAL	*	*	*	*	*	*

Estimate of any current year (FY2002) cost: _____
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
 Through Alaska Native Family Assistance Grants, the department currently provides a fair and equitable proportion of state appropriations to support the operation of Native Family Assistance Programs. If this legislation passes and there is a reduction in the ATAP component, it may impact the amount of state funding available for Alaska Native Family Assistance Grants. Currently, there are three Native organizations that operate Native Family Assistance Programs and provide temporary assistance benefits to approximately 1,400 Native families.

Prepared by: Jim Nordlund Phone 465-5835
 Division: Public Assistance Date/Time 02/28/2002
 Approved by: Elmer A. Lindstrom, Deputy Commissioner Date 02/28/2002
 Agency: Department of Health & Social Services

For distribution information, call the Governor's Legislative Office

*Note
Amend #1
not correct
on this
final*

CS FOR SENATE BILL NO. 182(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act requiring reductions in payments to individuals under certain benefit
2 programs if appropriations are not sufficient to fully fund the statutorily established
3 levels of payments."

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

5 * Section 1. AS 37.07.080 is amended by adding new subsections to read:

6 (i) If an appropriation made for a benefit program is not sufficient to fully
7 fund all statutorily established levels of payments to individuals under that program, a
8 state agency

9 (1) shall reduce the amount of payments to eligible individuals on a
10 pro rata basis; and

11 (2) may not delay the reductions required under (1) of this subsection
12 based on the possibility that a supplemental appropriation for that program will be
13 enacted if the appropriation act that originally funded the program states that payments
14 are to be reduced should the funding provided in the act not be sufficient to fully fund

1 the program.

2 (j) The provisions of (i) of this section do not apply to payment under
3 AS 23.20 (Workers' Compensation Act), AS 23.35.060 - 23.35.100, AS 25.23.190 -
4 25.23.240, loan programs, state employee retirement benefit programs, or benefit
5 programs for which other provisions of law address underfunding.

6 * **Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to
7 read:

8 SEVERABILITY. Under AS 01.10.030, if any provision of this Act or the application
9 of it to any person or circumstance is held invalid, the remainder of this Act and the
10 application to other persons or circumstances are not affected.

#1
Not
Correct
will
be
Correct
in
Rules
Committee

SENATE FINANCE
COMMITTEE

Adopted

Amendment Number: #1

Bill Number: SB 182

Sponsor: Donley Date: 3/20/02

Logged In By: J Mindy

22-LS0675U.1

Cook

3/20/02

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR DONLEY

TO: CSSB 182(FIN), Draft Version "J"

- 1 Page 2, line 2, following "under":
- 2 Insert "AS 23.30 (Workers' Compensation Act), AS 23.35.060 - 23.35.100,"

WORK DRAFT

WORK DRAFT

WORK DRAFT

22-LS0675J
Cook
2/21/02

CS FOR SENATE BILL NO. 182(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

**Offered:
Referred:**

Sponsor(s): SENATE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

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12 based on the possibility that a supplemental appropriation for that program will be
13 enacted if the appropriation act that originally funded the program states that payments
14 are to be reduced should the funding provided in the act not be sufficient to fully fund

1 the program.

2 (j) The provisions of (i) of this section do not apply to payment under
3 AS 25.23.190 - 25.23.240, loan programs, state employee retirement benefit programs,
4 or benefit programs for which other provisions of law address underfunding.

5 * Sec. 2. The uncodified law of the State of Alaska is amended by adding a new section to
6 read:

7 SEVERABILITY. Under AS 01.10.030, if any provision of this Act or the application
8 of it to any person or circumstance is held invalid, the remainder of this Act and the
9 application to other persons or circumstances are not affected.



SENATOR DAVE DONLEY

ALASKA STATE LEGISLATURE

MEMORANDUM

To: Senate Finance Committee Members

Fr: Senator Dave Donley, Co-Chair ^{DB}
Senate Finance Committee

Re: SJR 43 "Requesting U.S. Congress to grant a two-year moratorium on requirements for certain payments under federal programs"

Date: March 19, 2002

Included in your packets for Senate Bill 182 (Pro Rata) is a copy of Senate Joint Resolution 43, requesting the United States Congress to grant a two-year moratorium on state maintenance of effort requirements for federally funded programs.

This resolution, if granted, would give Alaska more flexibility for addressing priorities and reacting to fiscal situations.

Attachment

DD/mjw

Co-Chair: Senate Finance Committee

Vice-Chair: Senate Judiciary Committee

Member: Legislative Budget and Audit Committee • Legislative Council

SENATE JOINT RESOLUTION NO. 43
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Introduced: 3/18/02

Referred: State Affairs, Finance

A RESOLUTION

1 **Requesting the United States Congress to grant a two-year moratorium on requirements**
2 **for certain state payments under federal programs.**

3 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 **WHEREAS** the economic effects of the terrorists attack on our country on
5 September 11, 2001, have contributed to major shortfalls in state revenues and increases in
6 state expenditures; and

7 **WHEREAS** Medicare and Medicaid costs have risen causing states serious budgeting
8 problems; and

9 **WHEREAS** states are striving to reallocate available funds to address this economic
10 situation; and

11 **WHEREAS** the requirements for maintenance of state effort under certain federal
12 programs denies states the opportunity to reduce or reallocate a large share of state
13 expenditures; and

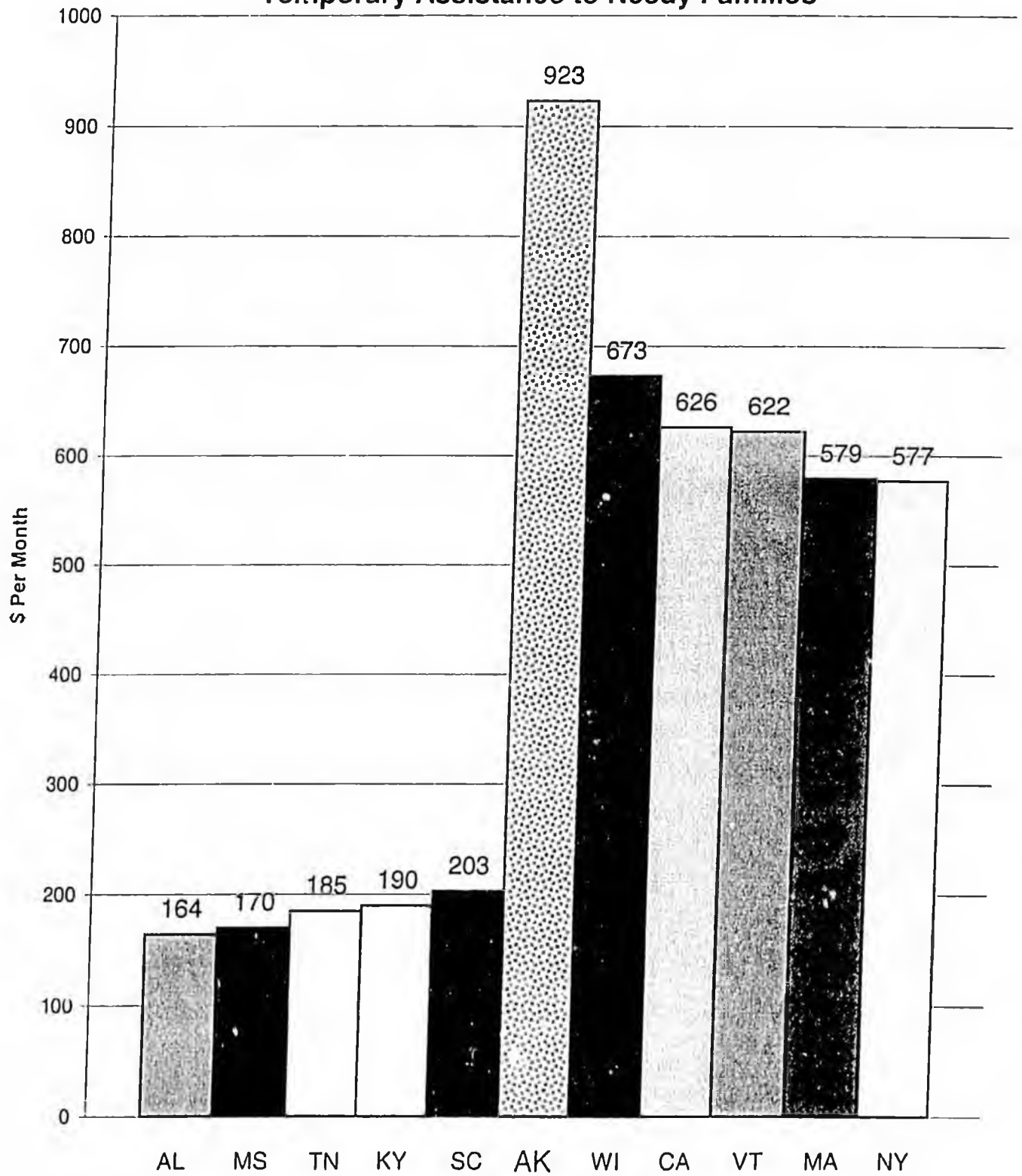
14 **WHEREAS** states must have this flexibility to develop budgets that truly address and
15 meet important state needs;

1 **BE IT RESOLVED** that the Alaska State Legislature respectfully requests the United
2 States Congress to grant a two-year moratorium on state maintenance of effort requirements
3 for federally funded programs so that states may have more flexibility to address priorities
4 and to react to the fiscal situation.

5 **COPIES** of this resolution shall be sent to the Honorable Thomas Daschle, Majority
6 Leader of the U.S. Senate; the Honorable Trent Lott, Minority Leader of the U.S. Senate; the
7 Honorable J. Dennis Hastert, Speaker of the U.S. House of Representatives; the Honorable
8 Richard A. Gephardt, Minority Leader of the U.S. House of Representatives; the Honorable
9 Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and the Honorable Don
10 Young, U.S. Representative, members of the Alaska delegation in Congress;

TANF Maximum Monthly Benefits For a Family of Three As Of January 2000 Alaska, The Five Lowest States and The Next Five Highest States

Temporary Assistance to Needy Families



State of Alaska
 Department of Health and Social Services
 Division of Public Assistance

TEMPORARY ASSISTANCE MAXIMUM PAYMENT STANDARDS

	1/1/02
FAMILY SIZE	MAX PYMT

¹⁾ **ADULT INCLUDED** (The Adult Included standards also apply to two-parent families in which both parents are able to work. In such cases, do not include the second parent in the family size.

2	821
3	923
4	1025
5	1127
6	1229
7	1331
Ea. Additional	102



TWO-PARENT FAMILY (With one parent physically or mentally unable to work full time)

3	923
4	1025
5	1127
6	1229
7	1331
8	1433
Ea. Additional	102



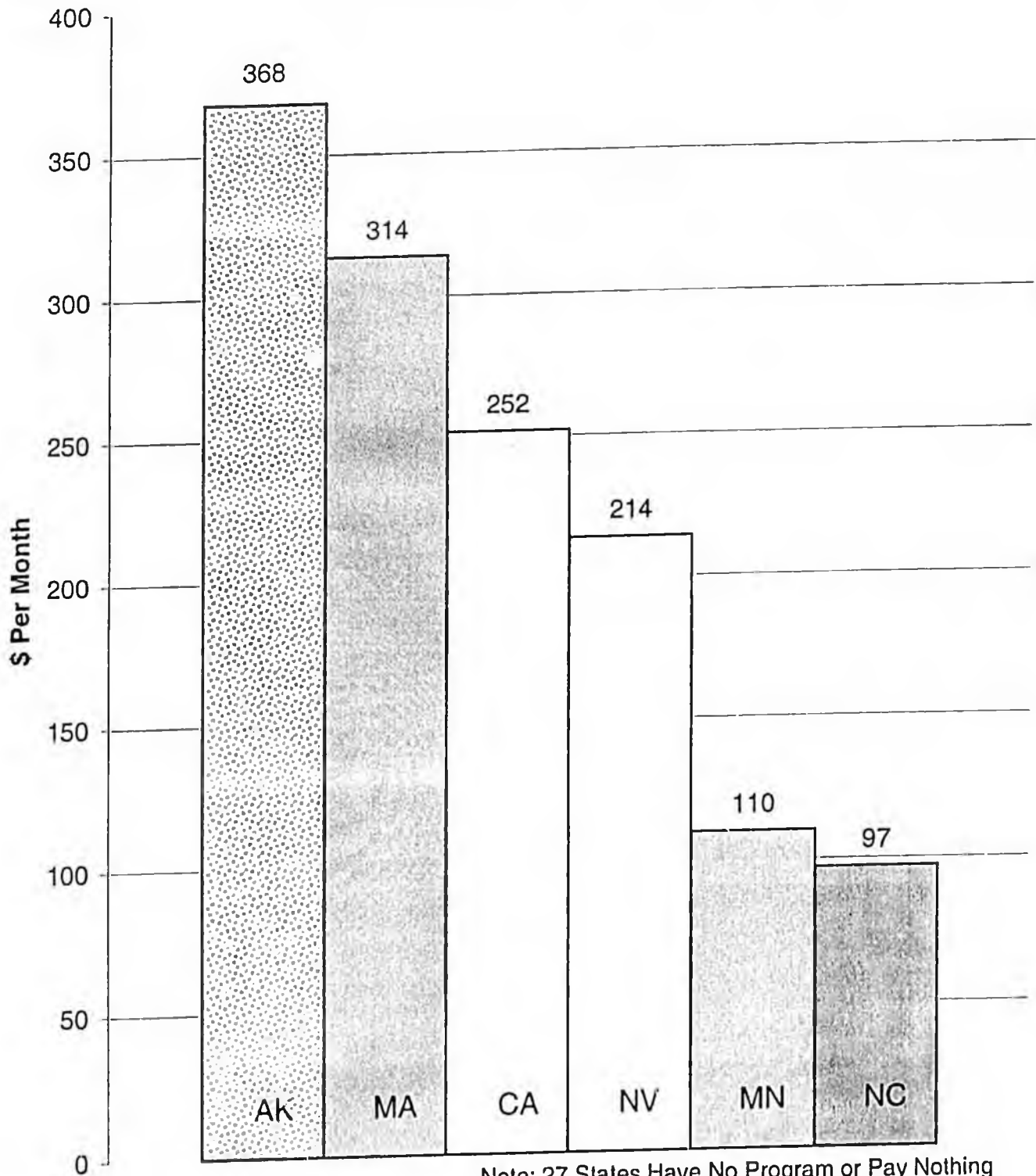
CHILD ONLY

1	452
2	554
3	656
4	758
5	860
6	962
7	1064
Ea. Additional	102

PREGNANT WOMAN

1	514
---	-----

Alaska and the Five Highest 1999 SSI State Supplemental Program
Monthly Payments For
Individuals Living In Another Household
Adult Public Assistance



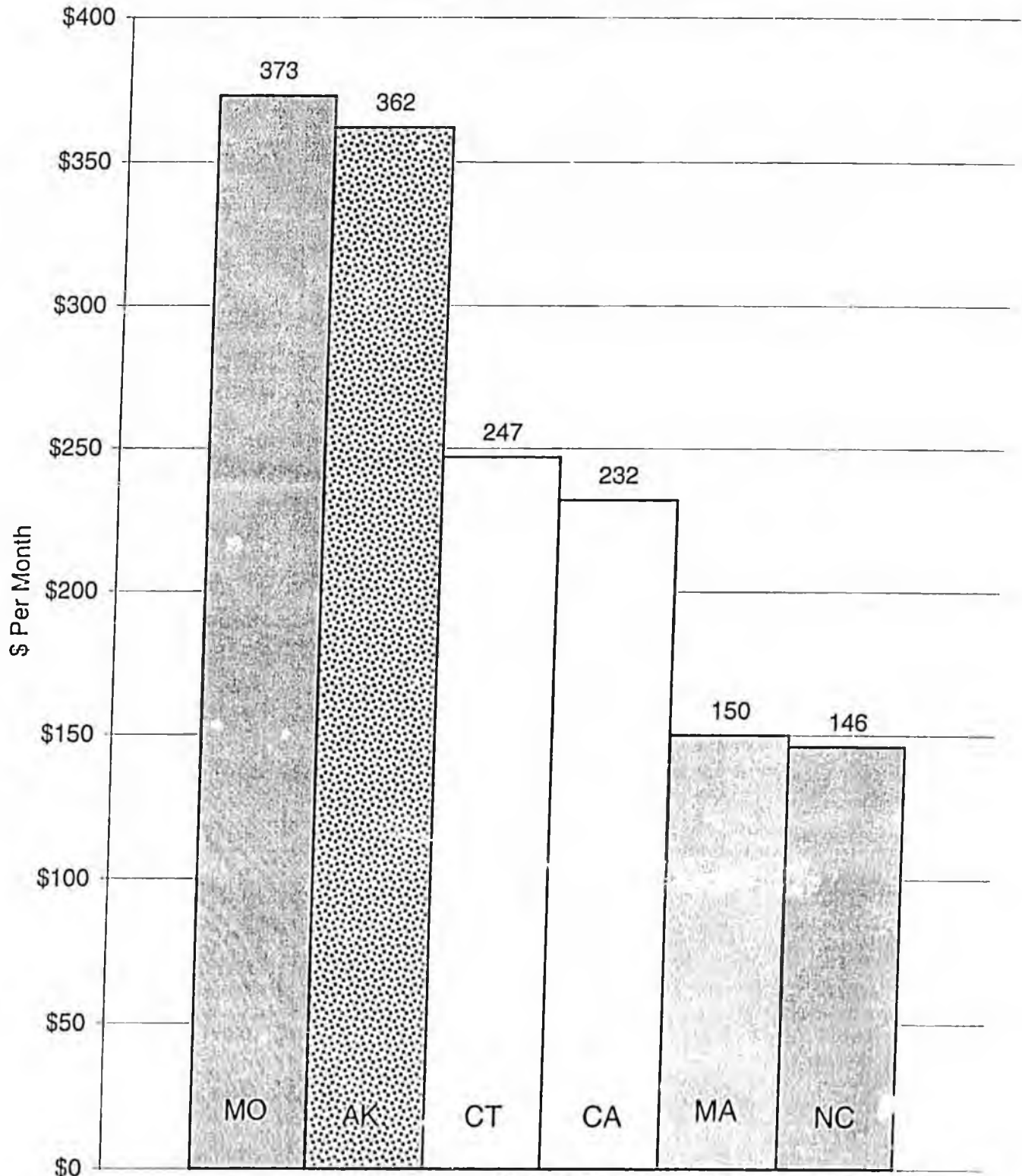
Note: 27 States Have No Program or Pay Nothing

Some states have multiple levels of benefits. The amounts shown are the highest level.

Prepared by Senator Donley

Alaska and the Five Highest 1999 SSI State Supplemental Program
Monthly Payments For Individuals Living Independently

Adult Public Assistance



Note: 22 States Have No Program or Pay Nothing

Some states have multiple levels of benefits. The amounts shown are the highest level.



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

Sectional Analysis

Committee Substitute for Senate Bill 182

Section 1. Requires a state agency to reduce payments on a pro rata basis if an appropriation for a benefit program is not sufficient to fund payments to individuals under that program at the statutorily suggested level.

Requires pro ration without regard to the possibility of a supplemental appropriation when so directed by legislative intent in the budget.

Does not require reductions for the program that provides subsidies for hard-to-place children in foster homes, for loan programs, for state employee retirement benefit programs, or for programs for which other provisions of law address under funding.

Section 2. Adds a severability clause that reads: Under AS 01.10.030, if any provision of this Act or the application of it to any person or circumstance is held invalid, the remainder of the Act and the application to other persons or circumstances are not affected.

DD/mjw

Distributed by
Senator Donley

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HEADLINE

Locke cuts back welfare programs

Demand outstrips money available; subsidized child care takes a hit

Friday, February 15, 2002

By **ANGELA GALLOWAY**
SEATTLE POST-INTELLIGENCER REPORTER

OLYMPIA -- Gov. Gary Locke is eliminating nearly \$60 million in welfare reform programs -- partly by cutting 1,000 working poor families off subsidized child care -- to fill a new deficit in welfare money.

For years, Washington state enjoyed surpluses of \$200 million a year in its \$900 million annual budget for welfare reform, thanks to a drop in caseloads of more than 40 percent.

And the Legislature and Locke diverted much of the state's share of the surpluses into social and other programs. About \$200 million went to education, officials said.

But, in recent months, demand for the WorkFirst reform program has outstripped what's left of the money. For example, the state underestimated demand for child care assistance -- today the largest program within welfare, even surpassing cash grants -- by \$35 million over the next 18 months. In August, 43,000 families received such subsidies -- 2,000 more than anticipated.

In addition, demand in the last two months for public assistance has grown because of the recession. In December and January alone, 2,800 new families qualified for Temporary Assistance for Needy Families (TANF).

"We told them this would happen...that when the economy went down there would be more people in there," said Sen. Darlene Fairley, D-Lake Forest Park.

Yakima Republican Sen. Alex Deccio added that the state should have waited to see how the first five years of welfare reform went before raiding the surpluses.

The federally mandated program aims to move people off public assistance rolls and into jobs through training, child care and other help. About 60 percent of the money comes from the federal government and the rest is from the state.

No one will lose those TANF grants in Locke's cuts, officials said. The cuts to child care subsidies amount to \$22.6 million from an annual

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budget of \$300 million.

But some politicians and social service advocates say the cuts could have been prevented -- particularly cuts Locke made to child care and education programs.

"This does have grave implications -- there's no doubt," Rep. Kip Tokuda, D-Seattle, said of the cuts.

And some lawmakers say it's time to rein in the sole discretion they granted the governor in how to spend surpluses in 1997. "It's a consideration -- which I wasn't willing to say several months ago," Tokuda said.

Locke's cuts include:

Reducing income eligibility for subsidized child care from 225 percent of the federal poverty level to 200 percent, saving \$3 million. For a family of three, the top allowed income drops from nearly \$33,000 a year to \$29,260.

Increasing co-payments for child care by \$5 a month, up to between \$15 and about \$300 a month, to raise \$13.5 million.

\$7.5 million for Families That Work, which helped parents with literacy, parenting and basic job skills. Ken Miller, Locke's welfare adviser, said the program hasn't failed, but its benefits aren't enough to justify its cost in the current budget climate.

\$5.4 million for the Job Success Coach program, designed to keep people in jobs.

\$3 million for a practice job program that placed welfare reform participants in unpaid work so they could learn job skills. The program hasn't worked, Miller said.

\$3.1 million for new pilot projects. The welfare reform program was constantly trying new ways to move people from public assistance to the work force, Miller said, but can't afford to experiment now.

In addition to diverting hundreds of millions of welfare surplus dollars into the general fund, the state used them to create other programs for the poor. That's in part because federal officials warned states to spend down surpluses because they wouldn't look good in welfare reform budget talks in Congress this year, said Marty Brown, Locke's budget director.

Miller said, "There are a lot of things to use the money for and we think they were used wisely."

For example, \$24 million a year went to tuition and child care assistance for vocational students of community colleges, he said. Another \$2.4

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million went to legal aid for the poor. Locke cut the legal aid yesterday.

"I can't disagree with how the state spent (that) money," said Jean Colman, director of the Welfare Rights Organizing Coalition. "I do argue with the state putting TANF dollars into some (other welfare) programs and moving those dollars into state general fund programs."

"Making it harder for families to receive assistance in a recession is just really mean-spirited."

P-I reporter Angela Galloway can be reached at 360-943-3990 or angelagalloway@seattlepi.com

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Alaska State Senate

Senate Finance Committee

Sponsor Statement

Mail Stop 3100
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Committee Substitute for Senate Bill 182

“Reducing certain payments to ensure continued payments for an entire fiscal year when funding at the statutory designated level is not appropriated”

Committee Substitute for Senate Bill 182 provides a valuable budgeting tool to executive branch program managers by allowing them to reduce payments on a pro rata basis when necessary. Currently, most statutes require that payments be made at a prescribed level without reference to funding actually available in the budget for that year. If a program does not receive funding at the statutorily suggested level, the only current option is to request a supplemental appropriation or shut a program down in the later months of the fiscal year.

Committee Substitute for Senate Bill 182 recognizes the reality that funds may not always be available to fund individual benefit payments at the statutorily suggested level. If this occurred, individuals who rely on these programs may receive benefits only until the available money runs out for that fiscal year. This legislation provides a contingency in the event that a funding shortage occurs in the future.

Committee Substitute for Senate Bill 182 would allow program directors to reduce benefit payments on a pro rata basis should funding for that program be insufficient. This legislation would **require** pro ration when so directed by legislative intent in the budget.

While this would reduce each payment, it would extend payments over the full 12-month period, thus allowing the Legislature and Administration to respond to reductions in revenue and increases in program recipients in a simple and practical manner. This bill specifically excludes loan programs, subsidies for hard-to-place children, retirement programs and programs for which other provisions of law address underfunding.

This legislation will encourage greater accuracy and accountability in state budgeting and also encourage accountability on the part of program directors for the efficient management of their program. The mechanism is similar to other state programs that provide benefits based on funds available.

Committee Substitute for Senate Bill 182 provides a reasonable budgetary tool for the administration and legislature and a valuable mechanism that may be needed to help deal with future fiscal challenges.

DD/mjw



Official Business

Alaska State Senate

Senate Finance Committee

Talking Points

Mail Stop 3100
State Capitol
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Committee Substitute for Senate Bill 182

“Reducing certain payments to ensure continued payments for an entire fiscal year when funding at the statutory designated level is not appropriated”

- This legislation will encourage greater accountability and accuracy in state budgeting.
- It will also increase accountability of program directors and encourage efficient management of programs.
- Currently, most statutes require that payments be made at a prescribed level without reference to funding actually available by appropriation. This reduces options the executive branch has to manage budget shortfalls and forces supplemental spending.
- This proposed bill recognizes the realities that funds may not always be available to fund individual benefit payments at the statutorily prescribed level.
- If this were to occur, people who rely on these programs would receive benefits only until the available money runs out for that fiscal year.
- This proposed bill would allow program directors to reduce payments on a pro rata basis should funding for that program be insufficient.
- It would require pro ration when so directed by legislative intent in the budget.
- This would allow the Legislature and Administration to respond to reductions in revenue and increases in program recipients in a simple and practical manner.
- This Senate Bill specifically excludes loan programs, subsidies for hard-to-place children, retirement programs and programs for which other provisions of law address underfunding.

DD/mjw



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

Sponsor Statement

Senate Bill 182

“Reducing certain payments to ensure continued payments for an entire fiscal year when funding at the statutory designated level is not appropriated”

SB 182 recognizes the realities that funds may not always be available to fund individual benefit payments at the statutorily suggested level. If this were to occur, people who rely on these programs may receive benefits only until the available money runs out for that fiscal year. This situation would be unacceptable. SB 182 provides a contingency in the event that a funding shortage occurs in the future.

Currently, most statutes require that payments be made at a prescribed level without reference to funding actually available in the budget for that year. If a program does not receive funding at the statutorily suggested level, the only current option is to request a supplemental appropriation or shut a program down in the later months of the fiscal year. Senate Bill 182 would require program directors to prorate benefit payments over the entire fiscal year based on the available level of funding that a program receives. While this would reduce each payment, it would extend the payments over the full 12-month period, thus allowing the Legislature and Administration to respond to reductions in revenue and increases in program recipients in a simple and practical manner. This mechanism is no different than other state programs that provide benefits based on funds available.

This legislation will encourage greater accuracy and accountability in state budgeting. It will also encourage accountability on the part of program directors for the efficient management of their program.

This Senate bill specifically excludes loan programs, subsidies for hard-to-place children, retirement programs and programs for which other provisions of law address underfunding.

SB 182 provides a reasonable budgetary tool for the administration and legislature. It will provide a mechanism that may be needed to help deal with future fiscal challenges.

DD/bc



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

Sectional Analysis

SB 182

Section 1. Requires a state agency to reduce payments on a pro rata basis if an appropriation for a benefit program is not sufficient to fund payments to individuals under that program at the statutorily suggested level.

Prevents the agency from considering potential supplemental appropriations for the program in making reductions until the supplemental appropriation is enacted.

Does not require reductions for the program that provides subsidies for hard-to-place children in foster homes, for loan programs, for state employee retirement benefit programs, or for programs for which other provisions of law address under funding.

DD/bc



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

Talking Points

SB 182

“Reducing certain payments to ensure continued payments for an entire fiscal year when funding at the statutory designated level is not appropriated”

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- Will increase accountability of program directors and encourage efficient management of programs.
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- This would allow the Legislature and Administration to respond to reductions in revenue and increases in program recipients in a simple and practical manner.
- This Senate Bill specifically excludes loan programs, subsidies for hard-to-place children, retirement programs and programs for which other provisions of law address underfunding.

DD/bc

Additional Information on SB 182

“Reducing certain payments to ensure continued payments for an entire fiscal year when funding at the statutory designated level is not appropriated”

Statutes creating programs that are exempt from proration under this proposed legislation

AS 25.23.190. Subsidy For Hard-to-Place Child.

A hard-to-place child in the permanent custody of the department in a foster home for not less than one year may not be denied the opportunity for a permanent home if the achievement of this depends on continued subsidy by the state.

AS 25.23.200. Investigation of Home For Subsidized Hard-to-Place Child.

Persons who are caring for a hard-to-place child on a foster parent basis and who have applied to adopt the hard-to-place child and to receive payments for the care and support of the hard-to-place child shall be evaluated as to their suitability as adoptive parents by means of an adoptive home study. Persons who are caring for a hard-to-place child in the state's custody and who wish to be appointed legal guardians of the child under AS 13.26.045, and to receive payments for the care and support of the child, shall be evaluated as to their suitability as guardians by means of a guardianship study. A home study or guardianship study shall be made by the commissioner's adoption staff or on the commissioner's behalf by an authorized agency or individual that provides adoption services.

AS 25.23.210. Amount and Duration of Subsidy Payments.

The monthly payment and the length of time for which a subsidy for a hard-to-place child is granted are left to the discretion of the commissioner and may vary from a small monthly sum to an amount not exceeding the existing rate for foster care until the child reaches the age of majority, if the need continues to exist. Subsidies shall be paid from the same public funds and in the same manner as foster care payments.

AS 25.23.220. Annual Reevaluation of Subsidy.

After an adoption with subsidy is final or a guardianship with subsidy has been ordered by the court and the court has released the child from the state's legal custody, the family is independent of the department except for an annual evaluation by the department of the need for continued subsidy and the amount of the subsidy.

AS 25.23.230. Regulations.

The department shall adopt regulations necessary to implement the provisions of AS 25.23.185 - 25.23.240

AS 25.23.240. Definitions.

In this chapter, unless the context otherwise requires,

- (1) "adult" means an individual who has reached the age of majority;
- (2) "agency" means any person certified, licensed, or otherwise specially empowered by law or regulation to place minors for adoption;
- (3) "child" means a son or daughter, whether by birth or by adoption;
- (4) "commissioner" means the commissioner of health and social services;
- (5) "court" means the superior court of this state, and, when the context requires, the court of another state empowered to grant petitions for adoption or guardianship or to terminate parental rights;
- (6) "department" means the Department of Health and Social Services;
- (7) "hard-to-place child" means a minor who is not likely to be adopted or to obtain a guardian by reason of physical or mental disability, emotional disturbance, recognized high risk of physical or mental disease, age, membership in a sibling group, racial or ethnic factors, or any combination of these conditions;
- (8) "minor" means a person who has not reached the age of majority;
- (9) "sexual abuse of a minor" means a sexual offense defined in AS 11.41.434, 11.41.436, 11.41.438, or 11.41.440;
- (10) "sexual assault" means a sexual offense defined in AS 11.41.410 or 11.41.420;
- (11) "stepparent" means the spouse of a natural parent of the child residing in the same household.

STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES

DIVISION OF ADMINISTRATIVE SERVICES

TONY KNOWLES, GOVERNOR

P.O. BOX 110650
JUNEAU, ALASKA 99811-0650
PHONE: (907) 465-3082
FAX: (907) 465-2499

February 22, 2002

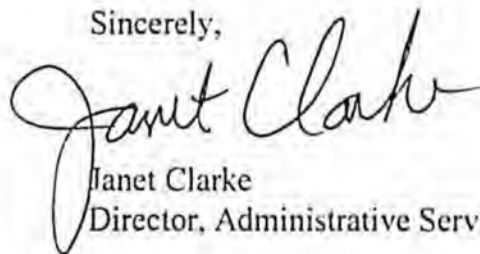
The Honorable Dave Donley, Co-Chair
The Honorable Pete Kelly, Co-Chair
The Honorable Jerry Ward, Vice-Chair
Senate Finance Committee
State Capitol, Room 506, 518 and 423
Juneau, AK 99801-1182

Dear Senators Donley, Kelly and Ward:

In response to Senator Kelly's request for copies of analyses prepared on legislative proposals pertaining to prorating of benefits, I am providing you with the information we prepared in response to House Bill 161 from the 1999 Legislative Session and Senate Bill 182 from the 2001 Legislative Session.

Please contact me if you have any questions or would like to discuss this information.

Sincerely,



Janet Clarke
Director, Administrative Services

Attachments

cc: Senator Alan Austerman, Capitol Building, Room 417
Senator Lyda Green, Capitol Building, Room 125
Senator Lyman Hoffman, Capitol Building, Room 7
Senator Loren Leman, Capitol Building, Room 516
Senator Donald Olson, Capitol Building, Room 510
Senator Gary Wilken, Capitol Building, Room 514
Jay Livey, Commissioner
Elmer Lindstrom, Deputy Commissioner
Laura Baker, Chief Budget Analyst, Administrative Services

HOUSE BILL NO. 161

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Introduced: 3/25/99
Referred: Finance

A BILL.

FOR AN ACT ENTITLED

1 "An Act relating to reduction in payments to individuals under certain benefit
2 programs; and providing for an effective date."

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

4 * Section 1. AS 37.07.080(d) is amended to read:

5 (d) A state agency

6 (1) shall, if an appropriation made for a benefit program is not
7 sufficient to fully fund all payments to individuals under that program,
8 notwithstanding other provisions of law, reduce the amount of payments to
9 eligible individuals on a pro rata basis; and

10 (2) may not increase the salaries of its employees, employ additional
11 employees, or expend money or incur obligations except in accordance with law and
12 properly approved operations plan.

13 * Sec. 2. This Act takes effect July 1, 1999.

TONY KNOWLES, GOVERNOR

PLEASE REPLY TO

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

April 13, 1999

1031 WEST 47TH AVENUE SUITE 200
ANCHORAGE, ALASKA 99501-1021
PHONE (907)265-5100
FAX (907)276-3657

KEY BANK BUILDING
100 CUSHMAN ST SUITE 200
FAIRBANKS ALASKA 99701-4679
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P.O. BOX 110300-DIMOND COURT HO.
JUNEAU, ALASKA 99811-0300
PHONE (907)465-3600
FAX (907)465-6700 2520

Hon. Eldon Mulder, Co-Chair
Hon. Gene Therriault, Co-Chair
House Finance Committee
House of Representatives
State Capitol
Juneau, Alaska 99801

Re: CSHB 161(FIN) - Proration of benefits;
legal issues encountered

Dear Representatives Mulder and Therriault:

This letter is intended to give you fair notice of some of the issues and problems that the Department of Law encountered in our review of CSHB 161(FIN) which was recently reported out of the House Finance Committee. It did not appear that the Finance Committee would take testimony on the committee substitute at that time so this letter is written to provide a record of some the points the House of Representative should consider when it deliberates on passage of this bill.

The most serious legal defect with the bill is the vagueness of its terms and the resulting potential for liability exposure of the state treasury. A striking deficiency in the bill is the lack of a definition of the term "benefit program." We understand that, at a minimum, the bill is intended to include most of the so-called "formula or entitlement programs." For reasons explained below, it would be highly desirable to add a definition of this term that would clearly identify the programs that it is intended to affect in order to remedy the vagueness of the bill.

Under entitlement benefit programs, if the legislature makes an appropriation to finance benefits, the recipient gains a right to payment of the benefit to the full extent provided by law. This right is considered vested and can be taken away only through a procedure that accords due process of law. Under the provisions of CSHB 161, the ability to prorate benefit payments is invoked when an appropriation is "not sufficient to fully fund all payments to individuals under that program." During the final committee hearing on the bill, the co-chairs of the committee stated for the record that, on a case-by-case basis, the legislature may indicate that a "not sufficiently funded benefit program" may nonetheless make grants at statutorily mandated

Hon. Eldon Mulder
Hon. Gene Therriault
Re: HB 161

April 13, 1999
Page 2

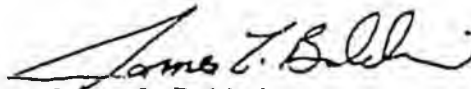
amounts if there is a sufficient expression of legislative intent to permit it. However, the bill does not contain an express provision to allow such an exception. Even if it did, the process described can be characterized as arbitrary and may be vulnerable to attack as not being sufficient to extinguish a vested right otherwise vested by law.

CSHB 161 does not appear to repeal or amend the entitlement to a benefit set out elsewhere in existing law. If that is the intent, the method used in this bill to establish such a result may well be defective because the bill purports to impliedly repeal a host of other enabling statutes for benefit programs. Implied repeals are not favored by the courts who can be expected to apply interpretations that give effect to all applicable statutes. In other words, CSHB 161 may have the effect of limiting the power of a grantor agency to pay but not the right of the beneficiary to ultimately receive the benefit accorded by law. This means that the class of beneficiaries of benefit programs may have a valid claim to any unpaid benefit plus costs and attorney fees incurred in recovering those benefits. This could expose the state treasury to substantial liability for the payment of judgments and claims.

We hope these comments will cause you to reconsider the policies set out in CSHB 161 and, if you are so inclined, undertake a different and more legally defensible approach to accomplishing your goals.

Sincerely,

BRUCE M. BOTELHO
ATTORNEY GENERAL



By: James L. Baldwin
Assistant Attorney General

JLB:jn

STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES

OFFICE OF THE COMMISSIONER

TONY KNOWLES, GOVERNOR

P.O. BOX 110601
JUNEAU, ALASKA 99811-0601
PHONE: (907) 465-3030
FAX: (907) 465-3056

April 5, 1999

The Honorable Sean Parnell
The Honorable John Torgerson
Senate Finance Committee, Co-Chair
State Capitol, Room 518 and 516
Juneau, AK 99801-1182

Dear Senators Parnell and Torgerson:

The Senate Finance Committee will soon be considering SB 126. This bill has the potential to seriously effect the continuity and amount of benefits paid to a large number of people. I am providing you with a summary of its potential impacts and some of the difficulties that the Department will face if it were to become law.

Because the language in SB 126 does not specify which programs and individuals it is intended to effect, we can only assume application of its provisions to all of the benefit programs administered by Health and Social Services with the exception of those which are fully federally funded. Therefore, the following analysis includes the:

- Alaska Temporary Assistance Program (ATAP)
- Adult Public Assistance (APA)
- General Relief Assistance (GRA)
- Medicaid
- Chronic Acute Medical Assistance (CAMA)
- Foster Care—including the Foster Care Base Rate, Foster Care Special Needs, and Foster Care Augmentation components
- Subsidized Adoption and Guardianship.

Alaska Temporary Assistance Program (ATAP)

The Alaska Temporary Assistance Program was established by statute in 1997 (AS 47.27.005). The focus of the Alaska Temporary Assistance Program is to provide temporary financial assistance to poor families and to help those families off assistance, out of poverty and toward self-sufficiency through employment. Assistance payments are intended to help poor families with their basic living expenses (such as rent, and self-sufficiency services) while they take steps to move off assistance.

Maximum payments for recipients are specified in AS.47.27.025(B); for example, the maximum payment for a family of three is \$923 a month, a pregnant woman receives \$514 per month, and a child in relative care receives \$452 per month. A typical Temporary Assistance family consists of

a single mother with two children, and little or no other source of monthly income. In the past, we have been advised by the Department of Law that a reduction in these benefits would require a change in the ATAP statute.

In FY 00, we project an average of 9,300 families will need Temporary Assistance each month. Of these, approximately 6,975 will be single parent families, 1,395 will be two parent families, and 930 children in relative care.

Should the Division of Public Assistance be required to prorate Temporary Assistance payments if the program were under funded, the consequences would be as follows:

- When families are unable to meet their basic needs (rent, utilities, transportation), it greatly decreases their chances of succeeding in employment or taking other steps toward self-sufficiency.
- Reducing benefits could reduce the number of hours we can legally assign individuals to community service work activities. This could adversely affect our ability to meet federal work participation rates.
- Our TANF Block Grant requires that we maintain state expenditures at 80% of our 1994 level (MOE). The Governor's FY2000 budget for ATAP includes only the amount of General Funds necessary to meet the MOE requirement. Any reduction to the General Fund amount in this program will result in significant penalties.

Adult Public Assistance (APA)

The Adult Public Assistance Program (APA) was established by statute in 1982 (AS 47.25.30 – 47.25.615) with the purpose of furnishing financial assistance to needy aged, blind and disabled persons to cover basic living expenses such as shelter, clothing and food. People who receive APA financial assistance have severe and long-term physical and mental disabilities that impose limitations on their day-to day functioning.

In FY 00, we project the APA program will serve 13,097 individuals with an average monthly benefit of \$316. This amount along with the monthly Social Security benefit maintains the individual at the poverty level.

Should the Division of Public Assistance be required to prorate APA payments if the program were under funded, the unintended consequences would be as follows:

- About 4,420 elderly, 130 blind, and 8,450 disabled poor – the state's most vulnerable citizens - could suddenly lose a significant portion of income. With few options to improve or even maintain their quality of life, these citizens tend to be heavily dependent upon state assistance

to provide basic necessities. Any reduction in the APA benefit takes away from the income around which these Alaskans have structured their lives.

- A reduction in APA benefits could destabilize the living arrangements of a poor disabled or elderly person who is living independently, forcing them into institutional care at greater public expense, or into homelessness.

General Relief Assistance (GRA)

The General Relief Assistance program offers two types of assistance: General Relief cash assistance (GRA), and General Relief Burials. Both are emergency assistance programs designed to meet the immediate and basic needs of Alaskans experiencing extreme financial problems. These basic needs include shelter, utilities, food, and clothing. In addition, limited funds for cremation or a burial of a needy person may be provided.

The GRA program is 100 percent state funded, and because funds are limited, the program is to be used as a last resort in providing basic needs to an individual or household. GRA can only be authorized when the household cannot qualify for other assistance programs. Applicants must reapply during each month of urgent need to be considered to receive assistance.

AS 47.25.130 specifies that the amount of GRA payments shall be determined by the department and may not exceed \$120 a person per calendar month. Payments are made to vendors on behalf of needy clients. The average monthly payment made to vendors for GRA related services are approximately \$350.

The General Relief Burial program provides burial assistance for indigent persons. Assistance is granted only if the family has no other resource to pay the burial costs. The maximum payment for burial expenses under GRA cannot exceed \$1,250, plus the cost of a burial plot, opening and closing of the grave, or cremation. The average monthly payment for burial services is \$1,500.

Approximately 200 GRA cases are approved each month. Over 75% of these cases receive rental assistance.

The GRA program serves as the last safety net for some of Alaska's most impoverished citizens. GRA benefits already represent the minimum payment for services that most vendors will tolerate. A pro rata reduction in benefits would further discourage participation by vendors and make it difficult, if not impossible for the program to meet the emergent needs of applicants.

Medicaid

The Medicaid Program serves approximately 90,000 low income Alaskans by reimbursing health care providers for the health care services they receive. This entitlement program is a joint federal-state partnership, in that the program is operated by states under federal rules and financed by both. The federal government pays for roughly 60 percent of the cost of the program, which totals about \$400 million in FY 99. Certain groups of people, and certain

medical services are required to be covered under federal law in order to participate in the Medicaid Program; other services and groups of people are optional and may be covered at state election.

Children represent over half of all Medicaid recipients, and about 29 percent of expenditures; the elderly represent 6 percent of eligibles and 12 percent of expenditures; the disabled represent 10 percent of the recipient population and 28 percent of the expenditures; home and community based waiver clients represent one percent of recipients and 12 percent of expenditures. Other adults, including parents of children and pregnant women account for the remaining expenditures.

About 6,000 medical providers are enrolled in Medicaid. Payments for services are received in the following proportions: 25 percent by hospitals, 15 percent by physicians, 11 percent by nursing homes, 10 percent by psychiatric hospitals, 9 percent by mental health clinics, 8 percent by pharmacies, and 3 percent by transportation providers. The remainder of expenditures are received by all other provider types including dentists, medical equipment suppliers, personal care attendants, laboratories and drug abuse treatment centers.

Federal rules require reimbursement of providers to be adequate enough to attract sufficient numbers of providers to secure access to health care services for program recipients. State law, regarding facility reimbursement under AS 47.07.070, requires a fair rate of compensation for reasonable costs incurred by a facility. Reimbursement for health care services is complicated, and for facilities, has significant case law history related to legal actions against the department. All reimbursement changes are done by regulation and could not be accomplished quickly without legislative authority to employ emergency regulations. Any reductions intended to be implemented through pro-rata payment reductions would be multiplied in their effect due to the length of the regulatory process; therefore significant decreases in payment has the potential to endanger meeting federal requirements for adequate reimbursement to guarantee access to care.

It is not clear how the Legislature intends SB 126 to apply to the Medicaid Program, as Medicaid is an individual entitlement to health care services; payments are not made to individuals but to health care providers who have rendered services to individuals. The only payments made that directly benefit recipients financially are for Medicare premiums, which payment is required under federal law. The division is currently purchasing premiums for more than 8,000 Alaskans; the cost for FY 99 was over \$6.2 million dollars, and because the senior population is experiencing rapid growth, premium costs are likewise increasing. State law, at AS 47.07.035, already directs the department in how to manage the program should funding be insufficient to cover program costs; this law lists optional services and groups of people to be eliminated from the program in a priority order. How this statute would inter-relate to the provisions of SB 126 is ambiguous, as AS 47.07.035 and SB 126 give conflicting direction (eliminating services and eligible groups vs. reducing payments).

Chronic Acute Medical Assistance (CAMA)

The CAMA program covers between 800 and 900 extremely poor and sick Alaskans each year; in order to qualify for coverage, a person must have income under \$300 per month, resources of less than \$500, and experience a significant chronic or acute illness such as cancer, a seizure disorder, diabetes, or other terminal condition. Recipients must apply monthly for eligibility, and the covered services are extremely limited. CAMA reimbursement generally follows Medicaid provider reimbursement rules, except that hospitals are already reimbursed at 28 percent of the Medicaid rate due to limited funding. Even though the CAMA program is totally general fund dollars, savings would be limited by any payment reductions due to the small size of the budget. Payment reductions for CAMA providers could effect the availability of care for program recipients, as it could for Medicaid.

Foster Care

As of this month, the children in foster care—for whom this care is required—number nearly 1,200 full time equivalents. The Department is required by statute to take care of these children in its custody:

AS 47.14.100. Powers and duties of department over care of a child. (a) Subject to (e), (f), (I), and (j) of this section, the department shall arrange for the care of every child committed to its custody by placing the child in a foster home or in the care of an agency or institution providing care for children inside or outside the state.

When a child who has been physically abused, neglected, or sexual abused cannot be maintained safely in the child's own home and must be placed in out-of-home care, placement in a foster home is always the first preference. The foster care base rate component provides payments to foster parents on behalf of these children. The rate paid is established by the regulations necessary for the implementation of state law. Consistency in the amount paid for the care of a child is an essential factor in ensuring the availability of foster homes, particularly at a time when the number of children in state custody is growing. In order to maintain a consistent level of support for foster children, the standard daily rate is specified in 7 AAC 53.030. SB 126 would, if passed into law, supercede this regulation and undoubtedly result in rate reductions. (A provision of the regulation already allows for this given a funding shortage, but it does not require it.)

The ultimate result of a rate reduction in foster care payments would be counter to that intended by SB 126. Because fewer foster homes would be available for the children who will still be taken into state custody, more children will be placed in much more expensive institutional care. Therefore, state expenditures would actually rise. The only alternative would be for the Department to leave children in unsafe situations—a predicament that no one desires, and one we have been working very hard to avoid.

Subsidized Adoption and Guardianship

The adoption and guardianship program serves children in the custody of the Department who cannot return to their biological parents by providing permanent parents through adoption or guardianship. Adoptions and legal guardianships can be subsidized for special needs children who could not be adopted without assistance to meet the child's special needs.

The increase of children entering the child protection system has a direct impact on the number of children ultimately requiring alternate permanent homes because they are not able to return to their families. Not only are the number of children in need of adoption increasing, but the number of children with emotional disorders and the severity of the disorders is also increasing, resulting in an increase in the need to provide adoption or guardianship subsidies. Families are not able to assume the responsibility of providing complete and permanent care for these disturbed children without financial support. The number of children receiving adoption subsidies is projected to be 1,252 by June of this year.

Our adoption subsidy program has federal requirements that 1) there won't be a means test, 2) that subsidy amounts will be determined on both child's and family's needs, and 3) that no change in subsidy may occur without concurrence of the adoptive parent with whom the agreement has been negotiated.

In order to receive federal funds under Parts IV-B and IV-E of the Social Security Act (currently in excess of \$12 M), the department must meet the requirements of those sections of that Act:

42 USCS 671 Requisite features of State plan. (a) In order for a State to be eligible for payments under this part, it shall have a plan approved by the Secretary which----
(1) provides for foster care maintenance payments in accordance with 42 USCS 672 and for adoption assistance in accordance with 42 USCS 673.

42 USCS 673. Adoption assistance program (a)(1)(A) Each State having a plan approved under this part shall enter into adoption assistance agreements with the adoptive parents of children with special needs.

(B) Under any adoption assistance agreement entered into by a State with parents who adopt a child with special needs, the state—

(1) shall make payments of nonrecurring adoption expenses incurred by or on behalf of such parents in connection with the adoption of such child...

(3) The amount of the payments to be made in any case...shall be determined through the agreement between the adoptive parents and the State or local agency administering the program under this section, which shall take into consideration the circumstances of the adopting parents and the needs of the child being adopted, and may be readjusted periodically, with the concurrence of the adopting parents, depending upon changes in such circumstances. However, in no case may the amount of the adoption assistance payment...exceed the foster care maintenance payment which would have been paid

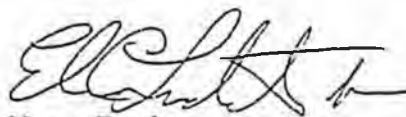
during the period if the child with respect to whom the adoption assistance payment is made had been in a foster family home.

Ultimately, the passage of SB 126 into law would place us in the position of incurring additional expenditures for the care of foster children, greater difficulty in recruiting adoptive parents, degradation in the quality of care provided to children in state custody because of disruptions, and a potential loss of \$12,000.0 in federal revenue.

In summary, we oppose this bill for many reasons. It could have very real and devastating impact on Alaskans who depend on these payments. Its passage would result in a complicated process of changing regulations for all of the major programs that we administer—perhaps several times during a year—a costly and disruptive situation for all concerned. It would place us in the position of losing substantial federal revenue because of our inability to meet federal requirements. The irregularity of payments throughout the year and among individuals with like eligibility and like needs would result in legal challenges on behalf of those individuals and a variety of groups.

If you have questions or require additional clarification regarding this information, please contact Janet Clarke at 465-1630. Thank you for your attention.

Sincerely,



Karen Perdue
Commissioner

cc: Senator Dave Donley, Capitol Building, Room 508
Senator Randy Phillips, Capitol Building, Room 103
Senator Pete Kelly, Capitol Building, Room 510
Senator Lyda Green, Capitol Building, Room 125
Senator Gary Wilken, Capitol Building, Room 514
Senator Loren Leman, Capitol Building, Room 115
Senator Al Adams, Capitol Building, Room 417
Laura Glaiser, Staff, Senator P. Kelly, Capitol Building, Room 510
Elmer Lindstrom, Special Assistant
Janet Clarke, Director, Administrative Services
Russ Webb, Deputy Commissioner
Lisa Emerson, Budget Analyst, Administrative Services
Jim Nordlund/Randy Moore, Public Assistance
Tom Cherian, Administrative Manager, Family and Youth Services
Bob Labbe/Randy Super, Medical Assistance

STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES

OFFICE OF THE COMMISSIONER

TONY KNOWLES, GOVERNOR

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JUNEAU, ALASKA 99811-0501
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March 31, 1999

The Honorable Eldon Mulder
The Honorable Gene Therriault
House Finance Committee, Co-Chair
State Capitol, Room 507 and 511
Juneau, AK 99801-1182

Dear Representatives Mulder and Therriault:

The House Finance Committee will be considering HB 161 this afternoon. This bill has the potential to seriously effect the continuity and amount of benefits paid to a large number of people. I am providing you with a summary of its potential impacts and some of the difficulties that the Department will face if it were to become law.

Because the language in HB 161 does not specify which programs and individuals it is intended to effect, we can only assume application of its provisions to all of the benefit programs administered by Health and Social Services with the exception of those which are fully federally funded. Therefore, the following analysis includes the:

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- Adult Public Assistance (APA)
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Maximum payments for recipients are specified in AS.47.27.025(B); for example, the maximum payment for a family of three is \$923 a month, a pregnant woman receives \$514 per month, and a child in relative care receives \$452 per month. A typical Temporary Assistance family consists of a single mother with two children, and little or no other source of monthly income. In the past, we have been advised by the Department of Law that a reduction in these benefits would require a change in the ATAP statute.

In FY 00, we project an average of 9,300 families will need Temporary Assistance each month. Of these, approximately 6,975 will be single parent families, 1,395 will be two parent families, and 930 children in relative care.

Should the Division of Public Assistance be required to prorate Temporary Assistance payments if the program were under funded, the consequences would be as follows:

- When families are unable to meet their basic needs (rent, utilities, transportation), it greatly decreases their chances of succeeding in employment or taking other steps toward self-sufficiency.
- Reducing benefits could reduce the number of hours we can legally assign individuals to community service work activities. This could adversely affect our ability to meet federal work participation rates.
- Our TANF Block Grant requires that we maintain state expenditures at 80% of our 1994 level (MOE). The Governor's FY2000 budget for ATAP includes only the amount of General Funds necessary to meet the MOE requirement. Any reduction to the General Fund amount in this program will result in significant penalties.

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In FY 00, we project the APA program will serve 13,097 individuals with an average monthly benefit of \$316. This amount along with the monthly Social Security benefit maintains the individual at the poverty level.

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(GRA), and General Relief Burials. Both are emergency assistance programs designed to meet the immediate and basic needs of Alaskans experiencing extreme financial problems. These basic needs include shelter, utilities, food, and clothing. In addition, limited funds for cremation or a burial of a needy person may be provided.

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Approximately 200 GRA cases are approved each month. Over 75% of these cases receive rental assistance.

The GRA program serves as the last safety net for some of Alaska's most impoverished citizens. GRA benefits already represent the minimum payment for services that most vendors will tolerate. A pro rata reduction in benefits would further discourage participation by vendors and make it difficult, if not impossible for the program to meet the emergent needs of applicants.

Medicaid

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Children represent over half of all Medicaid recipients, and about 29 percent of expenditures; the elderly represent 6 percent of eligibles and 12 percent of expenditures; the disabled represent 10 percent of the recipient population and 28 percent of the expenditures; home and community based waiver clients represent one percent of recipients and 12 percent of expenditures. Other adults, including parents of children and pregnant women account for the remaining expenditures.

About 6,000 medical providers are enrolled in Medicaid. Payments for services are received in the following proportions: 25 percent by hospitals, 15 percent by physicians, 11 percent by nursing homes.

10 percent by psychiatric hospitals, 9 percent by mental health clinics, 8 percent by pharmacies, and 3 percent by transportation providers. The remainder of expenditures are received by all other provider types including dentists, medical equipment suppliers, personal care attendants, laboratories and drug abuse treatment centers.

Federal rules require reimbursement of providers to be adequate enough to attract sufficient numbers of providers to secure access to health care services for program recipients. State law, regarding facility reimbursement under AS 47.07.070, requires a fair rate of compensation for reasonable costs incurred by a facility. Reimbursement for health care services is complicated, and for facilities, has significant case law history related to legal actions against the department. All reimbursement changes are done by regulation and could not be accomplished quickly without legislative authority to employ emergency regulations. Any reductions intended to be implemented through pro-rata payment reductions would be multiplied in their effect due to the length of the regulatory process; therefore significant decreases in payment has the potential to endanger meeting federal requirements for adequate reimbursement to guarantee access to care.

It is not clear how the Legislature intends HB 161 to apply to the Medicaid Program, as Medicaid is an individual entitlement to health care services; payments are not made to individuals but to health care providers who have rendered services to individuals. The only payments made that directly benefit recipients financially are for Medicare premiums, which payment is required under federal law. The division is currently purchasing premiums for more than 8,000 Alaskans; the cost for FY 99 was over \$6.2 million dollars, and because the senior population is experiencing rapid growth, premium costs are likewise increasing. State law, at AS 47.07.035, already directs the department in how to manage the program should funding be insufficient to cover program costs; this law lists optional services and groups of people to be eliminated from the program in a priority order. How this statute would inter-relate to the provisions of HB 161 is ambiguous, as AS 47.07.035 and HB 161 give conflicting direction (eliminating services and eligible groups vs. reducing payments).

Chronic Acute Medical Assistance (CAMA)

The CAMA program covers between 800 and 900 extremely poor and sick Alaskans each year; in order to qualify for coverage, a person must have income under \$300 per month, resources of less than \$500, and experience a significant chronic or acute illness such as cancer, a seizure disorder, diabetes, or other terminal condition. Recipients must apply monthly for eligibility, and the covered services are extremely limited. CAMA reimbursement generally follows Medicaid provider reimbursement rules, except that hospitals are already reimbursed at 28 percent of the Medicaid rate due to limited funding. Even though the CAMA program is totally general fund dollars, savings would be limited by any payment reductions due to the small size of the budget. Payment reductions for CAMA providers could effect the availability of care for program recipients, as it could for Medicaid.

Foster Care

As of this month, the children in foster care—for whom this care is required—number nearly 1,200 full time equivalents. The Department is required by statute to take care of these children in its custody:

AS 47.14.100. Powers and duties of department over care of a child. (a) Subject to (e), (f), (I), and (j) of this section, the department shall arrange for the care of every child committed to

its custody by placing the child in a foster home or in the care of an agency or institution providing care for children inside or outside the state.

When a child who has been physically abused, neglected, or sexual abused cannot be maintained safely in the child's own home and must be placed in out-of-home care, placement in a foster home is always the first preference. The foster care base rate component provides payments to foster parents on behalf of these children. The rate paid is established by the regulations necessary for the implementation of state law. Consistency in the amount paid for the care of a child is an essential factor in ensuring the availability of foster homes, particularly at a time when the number of children in state custody is growing. In order to maintain a consistent level of support for foster children, the standard daily rate is specified in 7 AAC 53.030. HB 161 would, if passed into law, supercede this regulation and undoubtedly result in rate reductions. (A provision of the regulation already allows for this given a funding shortage, but it does not require it.)

The ultimate result of a rate reduction in foster care payments would be counter to that intended by HB161. Because fewer foster homes would be available for the children who will still be taken into state custody, more children will be placed in much more expensive institutional care. Therefore, state expenditures would actually rise. The only alternative would be for the Department to leave children in unsafe situations—a predicament that no one desires, and one we have been working very hard to avoid.

Subsidized Adoption and Guardianship

The adoption and guardianship program serves children in the custody of the Department who cannot return to their biological parents by providing permanent parents through adoption or guardianship. Adoptions and legal guardianships can be subsidized for special needs children who could not be adopted without assistance to meet the child's special needs.

The increase of children entering the child protection system has a direct impact on the number of children ultimately requiring alternate permanent homes because they are not able to return to their families. Not only are the number of children in need of adoption increasing, but the number of children with emotional disorders and the severity of the disorders is also increasing, resulting in an increase in the need to provide adoption or guardianship subsidies. Families are not able to assume the responsibility of providing complete and permanent care for these disturbed children without financial support. The number of children receiving adoption subsidies is projected to be 1,252 by June of this year.

Our adoption subsidy program has federal requirements that 1) there won't be a means test, 2) that subsidy amounts will be determined on both child's and family's needs, and 3) that no change in subsidy may occur without concurrence of the adoptive parent with whom the agreement has been negotiated. In order to receive federal funds under Parts IV-B and IV-E of the Social Security Act (currently in excess of \$12 M), the department must meet the requirements of those sections of that Act:

- 42 USCS 671 Requisite features of State plan. (a) In order for a State to be eligible for payments under this part, it shall have a plan approved by the Secretary which----
- (1) provides for foster care maintenance payments in accordance with 42 USCS 672 and for adoption assistance in accordance with 42 USCS 673.

42 USCS 673. Adoption assistance program (a)(1)(A) Each State having a plan approved under this part shall enter into adoption assistance agreements with the adoptive parents of children with special needs.

(B) Under any adoption assistance agreement entered into by a State with parents who adopt a child with special needs, the state—

(1) shall make payments of nonrecurring adoption expenses incurred by or on behalf of such parents in connection with the adoption of such child.....

(3) The amount of the payments to be made in any case.....shall be determined through the agreement between the adoptive parents and the State or local agency administering the program under this section, which shall take into consideration the circumstances of the adopting parents and the needs of the child being adopted, and may be readjusted periodically, with the concurrence of the adopting parents, depending upon changes in such circumstances. However, in no case may the amount of the adoption assistance payment.....exceed the foster care maintenance payment which would have been paid during the period if the child with respect to whom the adoption assistance payment is made had been in a foster family home.

Ultimately, the passage of HB161 into law would place us in the position of incurring additional expenditures for the care of foster children, greater difficulty in recruiting adoptive parents, degradation in the quality of care provided to children in state custody because of disruptions, and a potential loss of \$12,000.0 in federal revenue.

In summary, we oppose this bill for many reasons. It could have very real and devastating impact on Alaskans who depend on these payments. Its passage would result in a complicated process of changing regulations for all of the major programs that we administer—perhaps several times during a year—a costly and disruptive situation for all concerned. It would place us in the position of losing substantial federal revenue because of our inability to meet federal requirements. The irregularity of payments throughout the year and among individuals with like eligibility and like needs would result in legal challenges on behalf of those individuals and a variety of groups.

Thank you for your attention.

Sincerely,



Karen Perdue
Commissioner

cc: Representative Con Bunde, Capitol Building, Room 501
Representative Gary Davis, Capitol Building, Room 513
Representative Alan Austerman, Capitol Building, Room 434
Representative Richard Foster, Capitol Building, Room 410
Representative Ben Grussendorf, Capitol Building, Room 415

Representative Vic Kohring, Capitol Building, Room 421
Representative Bill Williams, Capitol Building, Room 502
Representative John Davies, Capitol Building, Room 422
Representative Carl Moses, Capitol Building, Room 500
Bryan Butcher, Staff, Representative Therriault, Capitol Building, Room 511
Elmer Lindstrom, Special Assistant
Janet Clarke, Director, Administrative Services
Lisa Emerson, Budget Analyst, Administrative Services

SENATE BILL NO. 182

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SECOND LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Introduced: 4/9/01

Referred:

A BILL

FOR AN ACT ENTITLED

1 "An Act requiring reductions in payments to individuals under certain benefit
2 programs if appropriations are not sufficient to fully fund the statutorily established
3 levels of payments."

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

5 * Section 1. AS 37.07.080(d) is amended to read:

6 (d) A state agency

7 (1) shall, if an appropriation made for a benefit program is not
8 sufficient to fully fund all statutorily established levels of payments to individuals
9 under that program, reduce the amount of payments to eligible individuals on a
10 pro rata basis; in making the pro rata reductions required by this paragraph, the
11 agency may not consider any potential supplemental appropriation for that
12 program until the appropriation has been enacted; this paragraph does not apply
13 to payments under AS 25.23.190 - ^{Subsidized Adoptions} 25.23.240, loan programs, state employee
14 retirement benefit programs, or programs for which other provisions of law

1 address underfunding: and

2 (2) may not increase the salaries of its employees, employ additional
3 employees, or expend money or incur obligations except in accordance with law and
4 properly approved operations plan.

STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES

OFFICE OF THE COMMISSIONER

April 19, 2001

TONY KNOWLES, GOVERNOR

P.O. BOX 110601
JUNEAU, ALASKA 99811-0601
PHONE: (907) 465-3030
FAX: (907) 465-3068

The Honorable Dave Donley, Co-Chair
The Honorable Pete Kelly, Co-Chair
The Honorable Jerry Ward, Vice-Chair
Senate Finance Committee
State Capitol, Room 508, 518 and 423
Juneau, AK 99801-1182

Dear Senators Donley, Kelly and Ward:

The Senate Finance Committee has introduced Senate Bill 182. This bill would require the State to make pro rata reductions in "benefit program" payments to individuals when a program faces a shortfall – including shortfalls caused by legislative underfunding, increased benefit rolls, or unforeseen circumstances. For instance, if a program is hit with an unexpectedly high caseload during a fiscal year, under SB 182 the State would be required to reduce payments to all beneficiaries.

This bill has the potential to reduce the benefits that vulnerable Alaskans rely on to meet basic needs, work toward self-sufficiency, and continue to live in dignity in our communities. I am writing to summarize the bill's potential effects:

- Reducing benefits to which Alaskans are entitled;
- Creating implementation problems;
- Providing competing statutory guidance;
- Delegating legislative authority;
- Destabilizing benefit programs.

SB 182 could have very real and devastating impact on Alaskans who depend on benefit programs. The body of this letter explains these potential effects in more detail, for your consideration.

Reducing Benefits to which Alaskans are Entitled

The most troubling aspect of this bill is that it threatens the income of people who have few or no resources to draw on except for the benefit programs that the bill attacks. SB 182 could result in fluctuating benefit levels in programs serving thousands of people who because of age or disability are unable to support themselves through full-time paid work. About 5000 of these Alaskans are elderly homemakers who did not work outside the home, or seniors who worked in our resource economy and retired without a pension. Others (9,700) are disabled Alaskans, who are so disabled that they cannot earn enough money to support themselves. Under a pro rata system, they wouldn't know from month to month what the amount of their benefits would be. These are people who by definition cannot compensate for fluctuating benefit levels by going out and getting a job. SB 182 destabilizes the support that these people must count on in order to be able to live with dignity.

SB 182 also threatens to reduce payments to foster parents who care for children who have been physically abused, neglected, or sexually abused and cannot be safely maintained in their own homes. Unlike the elderly poor and the disabled, foster parents can compensate for the damage caused by SB 182 -- by leaving the foster care program. This would reduce the number of safe homes we have available to care for kids who need help.

Creating Implementation Problems

If SB 182 becomes law, it will destabilize the department's process for setting benefit levels. Benefit levels that are not set or changed in statute must be set or changed through regulation. This process would continue under SB 182. In fact, under SB 182, if a program is underfunded, the frequency of changes to regulations would greatly increase.

The attached documents (a timeline and chart, both describing the same scenario) show the regulatory confusion that would ensue should this bill become law. This scenario assumes that DHSS requests funding for Adult Public Assistance at the amount needed to serve all beneficiaries at the levels to which they are entitled by statute, but the program is funded at 5 percent less than requested. DHSS would immediately begin the normal regulation-writing process, as the shortfall would not fit the criteria to justify emergency regulations. The regulation-writing process could be anticipated to end in August, with regulations taking effect in September. The actual pro rata cut to benefits would be 6 percent rather than 5 percent, because the shortfall would have to be made up over the eight months remaining in the fiscal year, rather than over twelve months.

At this point, assume that in December the caseload unexpectedly increases by 3 percent. Caseloads are almost impossible to accurately predict at the beginning of a fiscal year, so this assumption is reasonable. To compensate for the increased caseload, DHSS would have to begin writing another set of regulations. As the regulations moved through the process, the Governor would be likely to request supplemental funding for Adult Public Assistance to make up the budget shortfall. Both the regulations, and the supplemental funding, would move through their respective processes. The regulations would be filed in March and take effect in April, reducing the benefit by 13 percent as compared to the prior fiscal year. In the meantime, if supplemental funding were approved late in the legislative session, it would have no effect on benefits. This is true because the regulatory process needed to pro rate benefits for a third time in the fiscal year could not be completed in time to spend the supplemental funding before the fiscal year ended.

This reasonable scenario shows that the regulatory process needed to support a pro rata system would be administratively burdensome and expensive, and could result in confusing and fluctuating benefit levels. This explains why the current system of setting benefit levels through statute rather than through the budget process is far preferable to the pro rata system proposed in SB 182.

Providing Competing Statutory Guidance

SB 182 enacts a general pro rata system for reducing benefit levels in benefit programs in times of budget shortfall. Benefit levels are currently set out in specific statutes for each benefit program. SB 182 and existing statutes provide competing guidance about how the Department should respond when a program's budget is not sufficient to pay benefits at a level to which beneficiaries are entitled by law. Under existing statutes and regulations, when a benefit program's budget falls short, the Department

would request supplemental funding while benefit levels remain stable. Under SB 182, the Department would be required to pro rate benefits without counting on supplemental funding. These are competing responses to the same situation. Does SB 182 repeal existing statute by implication?

Delegating Legislative Authority

We would point out that SB 182 may have the unintended affect of delegating to the Executive Branch authority that currently rests with the Legislature -- the authority to set benefit levels through statute. Under a pro rata system, state departments such as ours would set benefit levels, based on our calculations of a program's budget and caseload.

We would also point out that SB 182 has the effect of delegating to a legislative budget subcommittee the authority that currently rests with various committees of the legislature with oversight responsibilities for benefit programs. The Health and Social Services committees would normally be the ones to consider statutory revisions to benefit levels. Under a pro rata system, benefit levels would de facto be set by a budget subcommittee.

Destabilizing Benefit Programs

The language in Senate Bill 182 does not specify which programs and individuals it is intended to affect except for providing an exemption to the Subsidized Adoption and Guardianship program (AS 25.23.190-25.23.240). The bill's vagueness makes it difficult to determine if a specific program would be affected. We assume the legislation definitely applies to the following programs:

- Alaska Temporary Assistance Program (ATAP)
- Adult Public Assistance (APA)
- Foster Care—including the Foster Care Base Rate, Foster Care Special Needs, and Foster Care Augmentation components

Because SB 182 does not provide clear guidance about which programs it is intended to affect, at this time we are unclear about whether and how a pro rata system would apply to:

- Medicaid
- General Relief Assistance (GRA)
- Chronic Acute Medical Assistance (CAMA)

It is important to note that impacts to benefit programs would be cumulative over time. For example, assume that in the first year a particular program is funded by 5 percent less than the amount needed to serve all beneficiaries at the levels to which they are entitled by statute. This cut would be passed to beneficiaries through the pro rata system imposed by SB 182. In the second year, it is reasonable to assume that either program funding would remain stable compared to year one (thereby institutionalizing the 5 percent reduction), or another cut would be proposed (on top of the previous 5 percent reduction). To do otherwise -- for two -- to fully fund the program at the amount needed to serve all beneficiaries at the levels to which they are entitled by statute -- would look like a budget increase compared to year one.

Thus, the pro rata system allows cumulative reduction of benefits over time, disguised as level funding or fiscal belt-tightening. It does so without changing the statutes that give beneficiaries a vested right to receive payment to the full extent provided by law.

Compensating for a budget shortfall on a pro rata basis, rather than through supplemental funding, will negatively affect the lives of people who receive support through the programs described in the following sections.

Alaska Temporary Assistance Program (ATAP)

The Alaska Temporary Assistance Program was established by statute in 1997 (AS 47.27.005). The focus of the Alaska Temporary Assistance Program is to provide temporary financial assistance to poor families and to help those families off assistance, out of poverty and toward self-sufficiency through employment. Assistance payments are intended to help poor families with their basic living expenses (such as rent, and self-sufficiency services) while they take steps to move off assistance.

Payments for recipients are specified in AS.47.27.025(B); for example, the payment for a family of three is \$923 a month, a pregnant woman receives \$514 per month, and a child in a relative's care receives \$452 per month. A typical Temporary Assistance family consists of a single mother with two children, and little or no other source of monthly income. In the past, we have been advised by the Department of Law that a reduction in these benefits would require a change in the ATAP statute.

In FY 02, we project an average of 7,400 families will need Temporary Assistance each month. Of these, approximately 5,550 will be single parent families, 1,110 will be two parent families, and 740 will be children in a relative's care.

Should the Division of Public Assistance be required to prorate Temporary Assistance payments if the program were underfunded, the consequences would be as follows:

- When families are unable to meet their basic needs (rent, utilities, transportation), it greatly decreases their chances of succeeding in employment or taking other steps toward self-sufficiency.
- Reducing benefits could reduce the number of hours we can legally assign individuals to community service work activities. This could adversely affect our ability to meet federal work participation rates.
- Our TANF Block Grant requires that we maintain State expenditures at 80 percent of our 1994 level (MOE). The Governor's FY 02 budget for ATAP includes only the amount of General Funds necessary to meet the MOE requirement. Any reduction to the General Fund amount in this program will result in significant financial penalties.

Adult Public Assistance (APA)

The Adult Public Assistance Program (APA) was established by statute in 1982 (AS 47.25.30 – 47.25.615) with the purpose of furnishing financial assistance to needy aged, blind and disabled persons to cover basic living expenses such as shelter, clothing and food. People who receive APA financial assistance have severe and long-term physical and mental disabilities that prohibit them from working to earn a living.

In FY 02, we project the APA program will serve 14,617 individuals with an average monthly benefit of \$316. This amount (along with the monthly Social Security benefit) adds up to \$892 per month, which maintains the individual at just below the federal poverty level guideline.

Should the Division of Public Assistance be required to prorate APA payments if the program were underfunded, the unintended consequences would be as follows:

- About 4,872 elderly and 9,745 disabled poor – the State's most vulnerable citizens - could suddenly lose a significant portion of income. With few options to improve or even maintain their quality of life, these citizens tend to depend heavily upon State assistance to provide basic necessities. Any reduction in the APA benefit takes away from the income around which these Alaskans have structured their lives.
- A reduction in APA benefits could destabilize the living arrangements of a poor disabled or elderly person who is living independently, forcing them into institutional care at greater public expense, or into homelessness. Individual APA benefits have been frozen -- program budget increases have occurred because new eligibles have entered the system -- not because APA payments to individuals have increased.

Foster Care

There are currently over 1,100 full time equivalents in foster care. The department is required by State law to take care of these children in its custody. AS 47.14.100, "Powers and duties of department over care of child," stipulates that:

(a) Subject to (e), (f), (i), and (j) of this section, the department shall arrange for the care of every child committed to its custody by placing the child in a foster home or in the care of an agency or institution providing care for children inside or outside the state.

When a child who has been physically abused, neglected, or sexually abused cannot be safely maintained in the child's own home and must be placed in out-of-home care, placement in a foster home is always the first preference. The foster care base rate component provides payments to foster parents on behalf of these children. The rate paid is established by the regulations necessary for the implementation of this State law. Consistency in the amount paid for the care of a child is an essential factor in ensuring the availability of foster homes. In order to maintain a consistent level of support for foster children, the standard daily rate is specified in 7 AAC 53.030. A provision of this regulation allows, but does not require, a pro-rated reduction of foster care benefits given a funding shortage.

7 AAC 53.030 (e) Standard Rates and Rate Adjustments, provides that

If appropriations are insufficient, if the number of children needing foster care increases, or if appropriations are withdrawn, reduced, or limited in any way for payment of standard rates for foster care under the formula described in (b) of this section, the division will, in its discretion, reduce rates on a pro rata basis. If a reduction becomes necessary, the division will notify foster parents, in advance and in writing, of the amount of the reduction.

The ultimate result of a rate reduction in foster care payments could actually be cost increases to the State, rather than savings. Because fewer foster homes would be available for the children who will still be taken into State custody, more children will be placed in much more expensive institutional care.

Medicaid

The Medicaid Program serves approximately 92,000 low income Alaskans by reimbursing health care providers for the cost of medical care received. Medicaid is a federal and State jointly-funded entitlement program operated by the State under federal rules and financed by both. In FY 00, the federal government contributed about 65 percent of the total cost of the program, or \$307.5 million. Entitlement is determined by a combination of federally mandated requirements and optional requirements chosen by the State.

Children account for over one-half of Medicaid recipients but only 34 percent of the expenditures; the elderly represent 6 percent of the eligibles and 16 percent of the expenditures; the disabled account for 10 percent of the Medicaid population and 35 percent of the cost; home and community based waivers represents 1 percent of the population and 9 percent of the cost. Other adults, including parents of children and pregnant women account for the remaining expenditures.

More than 7,000 medical providers are enrolled in Medicaid. Payments for services are received by participating providers in the following proportions: 21 percent by hospitals, 16 percent by physicians, 9 percent by nursing homes, 5 percent by psychiatric hospitals and residential treatment centers, 10 percent by pharmacies, and 3 percent by transportation providers. The remainder of the expenditures are received by all other provider types including dentists, medical equipment suppliers, personal care attendants, laboratories and drug abuse treatment centers.

Federal law requires reimbursement to providers to be adequate to secure access to health services for all program recipients. AS 47.07.070 requires a fair rate of compensation for reasonable costs incurred by a facility. Reimbursement for health care services is complicated, and for facilities, has a significant case law history with the department. All reimbursement changes must be accomplished by regulation and cannot be completed quickly without legislative authority for emergency regulations. Any reimbursement reduction intended to be implemented through pro-rata payment reductions would be enlarged in their effect due to the length of the regulatory process. Significant decreases may place federal funding for the Medicaid program at risk.

It is not clear how, or if, the Legislature intends SB 182 to apply to the Medicaid program. The amendment is specific in its requirement to "reduce the amount of payments to eligible individuals...". Medicaid does not make payments to eligible individuals but to providers who have rendered services to eligible individuals. Medicare premium payments, required by federal law, are the only payments that benefit individuals directly. The cost of Medicare premiums in FY 2000 was about \$7.5 million.

SB 182 also specifically states, "this paragraph does not apply to payments under AS 25.23.190 – 25.23.240, loan programs, State employee retirement benefit programs, or programs for which other provisions of law address underfunding." The Medicaid program is directed by State law (AS 47.07.035) as to how program funding is to be managed in the event funding is insufficient to cover program costs. This law lists optional services and groups of people to be eliminated from the program in a priority order. How this statute would interrelate with the provisions of SB 182 is not clear. By statute, funds are to be managed by the elimination of services and eligible groups, whereas, SB 182 requires funds be managed by reducing payments to individuals.

General Relief Assistance (GRA)

The General Relief Assistance program offers two types of assistance: General Relief cash assistance (GRA), and General Relief Burials. Both are emergency assistance programs designed to meet the

immediate and basic needs of Alaskans experiencing extreme financial problems. These basic needs include shelter, utilities, food, and clothing. In addition, GRA may provide limited funds for cremation or a burial of a needy person. Approximately 200 GRA cases are approved each month. Over 75 percent of these cases receive rental assistance.

The GRA program is 100 percent State funded, and because funds are limited, the program is to be used as a last resort in providing basic needs to an individual or household. GRA can only be authorized when the household cannot qualify for other assistance programs. Applicants must reapply during each month of urgent need to be considered to receive assistance.

AS 47.25.130 specifies that the amount of GRA payments shall be determined by the department and may not exceed \$120 a person per calendar month.

The General Relief Burial program provides burial assistance for indigent persons. Assistance is granted only if the family has no other resource to pay the burial costs. The maximum payment for burial expenses under GA cannot exceed \$1,250, plus the cost of a burial plot, opening and closing of the grave, or cremation. The average monthly payment for burial services is \$1,500.

The GRA program serves as the last safety net for some of Alaska's most impoverished citizens. GRA benefits already represent the minimum payment for services that most vendors will tolerate. A pro rata reduction in benefits would further discourage participation by vendors and make it difficult, if not impossible, for the program to meet the emergency needs of applicants.

Chronic and Acute Medical Assistance (CAMA)

The CAMA program covers over 1,100 extremely poor and sick Alaskans each year who are not eligible for Medicaid. In order to qualify for coverage, a person must have income under \$300 per month, resources of less than \$500, and experience a significant chronic or acute illness such as cancer, a seizure disorder, diabetes, or other terminal condition. Recipients must apply monthly for eligibility, and the covered services are extremely limited.

CAMA reimbursement generally follows Medicaid provider reimbursement rules, except that hospitals are presently reimbursed at 28.7 percent of their Medicaid rate due to limited funding. Even though the CAMA program is totally general fund dollars, any savings realized by pro rating benefits would be limited, due to the small size of the program's budget. Payment reductions for CAMA providers could affect the availability of care for program participants, as it could for Medicaid.

The amendment proposed in SB 182 specifically states: "this paragraph does not apply to payments under AS 25.23.190 – 25.23.240, loan programs, State employee retirement benefit programs, or programs for which other provisions of law address underfunding." Under AS 47.08.150 "if the Department of Health and Social Services finds that the cost of assistance for all persons eligible under this section will exceed the amount allocated for assistance during the fiscal year, the Department of Health and Social Services may limit coverage for certain medical services by regulation in order to provide the most critical care within the available appropriations." SB 182 is not clear as to the statutory requirement of limiting coverage by regulation vs. reducing payments to individuals.

Summary

In summary, the department opposes this bill for many reasons. SB 182 could have very real and

devastating impact on Alaskans who depend on these benefit payments. It represents a potentially unconstitutional delegation of legislative authority without proper guidance for implementation. The bill's passage would result in a complicated process of changing regulations for all of the major programs that we administer—perhaps several times during a year—a costly and disruptive situation for all concerned. It would place us in the position of losing substantial federal revenue because of our inability to meet federal requirements. The irregularity of payments throughout the year and among individuals with like eligibility and like needs would result in legal challenges on behalf of those individuals and a variety of groups.

We encourage you to reconsider this legislation.

Sincerely,



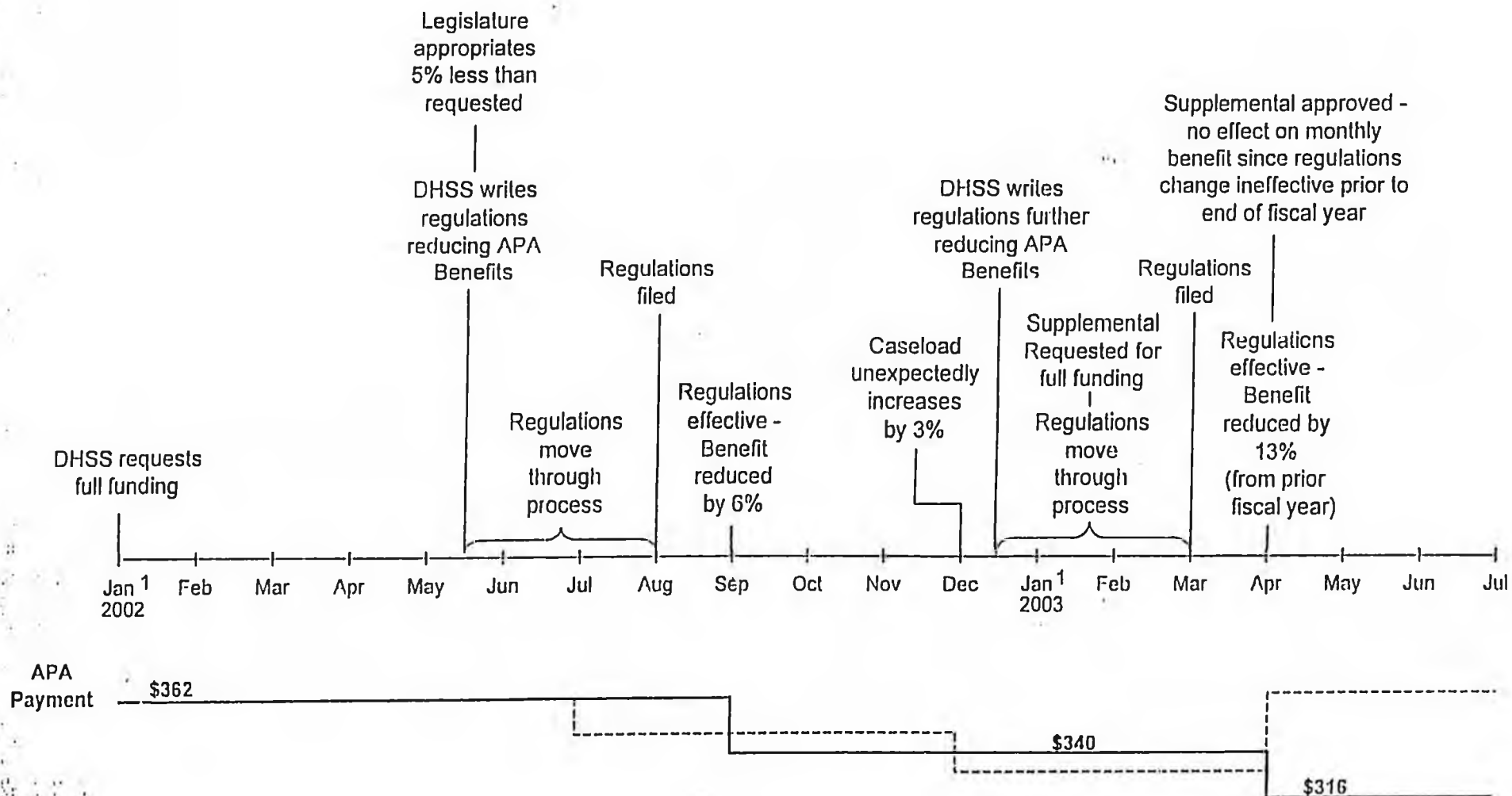
Karen Perdue
Commissioner

cc: Senator Alan Austerman, Capitol Building, Room 417
Senator Lyda Green, Capitol Building, Room 125
Senator Lyman Hoffman, Capitol Building, Room 7
Senator Loren Leman, Capitol Building, Room 516
Senator Donald Olson, Capitol Building, Room 510
Senator Gary Wilken, Capitol Building, Room 514
Elmer Lindstrom, Special Assistant
Janet Clarke, Director, DAS
Bob Labbe, Director, DMA
Jim Nordlund, Director, DPA
Theresa Tanoury, Director, DFYS
Laura Baker, Chief Budget Analyst, DAS

Scenario – Adult Public Assistance Prorated Reduction due to SB 182

Month	Action	Monthly APA Payment
January	DHSS requests full funding	\$362
May	Legislature appropriates 5% less than requested	
May	DHSS writes regulations reducing APA Benefits	
June	Regulations move through process	
July		
August	Regulations filed	
September	Regulations effective – Benefit reduced by 6%	\$340
December	Caseload unexpectedly increases by 3% DHSS writes regulations further reducing APA benefits	
January	Regulations move through process	
February	Supplemental requested	
March	Regulations Filed	
April	Regulations effective – Benefit reduced by 13% (from prior fiscal year)	\$316
	Supplemental approved – no effect on monthly benefit as cannot affect a regulations change prior to end of fiscal year	

Scenario - Adult Public Assistance Prorated Reduction due to SB 182



Attachment 1 -- Supplemental Information

In coming years, SB 182 will reduce benefits to Alaskans. Here are a few specific examples of the potential impacts that might result if SB 182 becomes law:

Alaska Temporary Assistance Program

The Alaska Temporary Assistance Program (formerly AFDC) provides temporary financial assistance to poor families and helps those families work their way out of poverty and into self-sufficiency. During the coming fiscal year, the state expects that an average of 7,400 families will need temporary assistance each month.

- Since it was implemented, welfare reform has saved \$51 million in state and federal benefit payments. Many more recipients are now working, and the average monthly benefit payment has declined 16 percent – from \$794 in FY 97 to an estimated \$667 in FY00.
- If the ATAP program is forced to make pro-rated reductions in individual benefits, families will have a much harder time meeting basic needs (rent, utilities, transportation, etc.). This, in turn, will cripple some families' ability to hold down jobs or take other steps toward self-sufficiency – and ultimately lead to more people on welfare.
- Such reductions would put the state out of compliance with federal "maintenance of effort" (MOE) requirements. Under the federal Temporary Assistance for Needy Families program, states are required to contribute at least 80 percent of their historic expenditures. Alaska is already at its MOE "floor" and a reduction in payments would result penalties. No state has violated its MOE.

Adult Public Assistance

The Adult Public Assistance (APA) program, in existence since 1982, helps needy blind, disabled and elderly people cover basic living expenses such as food, clothing and shelter (see the attached APA Fact Sheet). The program helps the elderly and people with disabilities live with dignity in the community.

The state projects this program will provide monthly benefits averaging \$312 to almost 14,000 individuals (4,682 elderly, 9,207 are disabled) during the coming fiscal year. Pro-rated reductions over the coming years, as envisioned under SB 182, would mean that an individual elderly or disabled person currently receiving supports that maintained them at 99.7% of the federal poverty guideline could expect to see their benefits erode to just 87.8% of the federal poverty guideline in the next five years. This erosion of benefits could force some elderly or disabled people who are currently able to live on their own into more expensive institutional care, or even homelessness.

An important fact to note: state spending on Adult Public Assistance has exceeded the Legislature's appropriation in 11 of the last 12 years. In other words, had SB 182 been in place, thousands of vested beneficiaries would have received reduced payments.

SB 182 would directly jeopardize the safety of Alaska's most vulnerable and at-risk adults who are under the oversight of Adult Protective Services. If the General Relief Program administered by Senior Services and Adult Public Assistance benefits were prorated, Adult Protective Services would be unable to meet the payment levels for assisted living care for these needy Alaskans as implemented with the passage of SB 73 last session. This would create a crisis in care for these Alaskans (most of whom experience high medical needs and also are older) and for their assisted living providers.

Foster Care

Alaska currently has more than 2,000 children in out-of-home care – children who could not remain in their own home, typically because they have been abused or neglected by a family member. That number is expected to keep climbing as the state continues to bolster its child protection system.

The state uses a foster care "base rate" to calculate its reimbursements to individual foster parents. That rate is established in regulation. SB 182, however, would supercede that regulation and force the state to reduce payments to foster parents. Such a rate reduction could severely hamper the state's effort to recruit additional foster homes and would likely prompt some foster parents to quit.

The ultimate result of SB 182 would be fewer foster homes. In some instances, the bill could have the opposite of its intended effect – forcing the state to place children in more expensive institutional care due to a lack of available foster care beds.

Longevity Bonus

If the Legislature fails to provide full funding for the state's Longevity Bonus program, the Department of Administration would be forced under SB 182 to reduce payments to all recipients. Accurately forecasting Longevity Bonus projections is difficult. Benefits could be reduced if the estimates for program funding are not accurate.

ATTACHMENT 2 – ADULT PUBLIC ASSISTANCE FACT SHEET

Eligibility:

- Disabled or blind individuals at least age 18; elderly individuals at least age 65.
- Income of less than \$984 per month, and assets of no more than \$2000 for an individual, \$3000 for a couple.

Benefit:

- The maximum benefit for most individuals is \$362 per month; average payment is \$312. Combined with social security benefits, an individual's maximum countable monthly income is \$892 per month.

Number of recipients:

- 13,889 Total -- 9207 are disabled or blind; 4682 are elderly.

Service Area	Number	Percent Caseload
Nome	290	2.1%
Bethel	1023	7.4%
Kenai	1161	8.4%
Kotzebue	192	1.4%
Kodiak	210	1.5%
Aleutians	47	0.3%
Bristol Bay	231	1.7%
Valdez-Cordova	158	1.1%
Inter Southeast	267	1.9%
Juneau	580	4.2%
Sitka	145	1.0%
Ketchikan	351	2.5%
Prince of Wales	102	0.7%
Metlakatla	41	0.3%
Northern	584	4.2%
Fairbanks NSB	1379	9.9%
Anchorage	5799	41.8%
Mat-Su	1329	9.6%
Total	13,889	
Age Range		
18 – 25	712	5.4%
26 – 35	1,477	11.2%
36 – 45	2,400	18.2%
46 – 55	2,044	15.5%
56 – 65	1,991	15.1%
66 – 75	2,769	21.0%
76 – 85	1,424	10.8%
86 – 95	343	2.6%
96+	26	0.2%
Major Disability Diagnosis (disabled recipients only)		
Mental disorder	3,007	33%
Developmental disability	1,367	15%
Musculoskeletal system	1,002	11%
Nervous system & sense organs	820	9%
Injury	365	4%

SB 182 Benefit Reduction Scenarios

Total Income (SSI and APA) \$892

Estimated Expenses:

Rent	\$300
Food	\$160
Utilities	\$150
Basic living needs (clothing, personal care, transportation)	<u>\$125</u>
TOTAL	\$735

Amount left for other expenses – uncovered medical services and supplies, eyeglasses, dental, over-the-counter drugs, emergencies, etc. \$127

The effect of SB 182 on APA recipients:

5% Reduction

Current amount available for other expenses	\$127
less 5% reduction	<u>- 16</u>
New amount available for other expenses	\$111

10% Reduction

Current amount available for other expenses	\$127
Less 10% reduction	<u>- 32</u>
New amount available for other expenses	\$95

27.5% Reduction (1983 benefit level)

Current amount available for other expenses	\$127
Less 27.5% reduction	<u>- 87</u>
New amount available for other expenses	\$40



Alaska Commission on Aging

Resolution 2002-07

Relating to SB182
In opposition to pro-rating Basic Supports

Whereas, basic supports are forms of financial and medical assistance that are provided to Alaskans who apply for and meet specific qualifying criteria and include programs such as, Longevity Bonus, Alaska Temporary Assistance Program (ATAP), Adult Public Assistance (APA), Foster Care and General Relief, and

Whereas, the primary role of basic supports for many Alaskans is to provide a consistent means to meet fundamental living expenses such as food, shelter, clothing, medical care and transportation, whether long term or transitional in nature, and

Whereas, basic supports allow Alaskans to live as independently as possible and with dignity in the communities of their choice, and

Whereas, basic supports also serve our communities by helping many Alaskans avert problems such as homelessness and also minimize higher costs and needs for more restrictive settings, including hospitalization, nursing home placement and incarceration, and

Whereas, the Commission wishes to renew its opposition to this bill,

Now, therefore be it resolved, that the Alaska Commission on Aging expresses its support for the continuity of Alaska's Basic Supports and opposes efforts to pro-rate these essential programs.

Adopted this 5th day of March, 2002

A handwritten signature in cursive script that reads "Marjorie J. Flays".

Marjorie J. Flays, Chair

SB 182-PRO RATA REDUCTIONS IN BENEFIT PROGRAMS
SENATE FINANCE COMMITTEE

SIGN-IN

✓ NAME: ~~Alison M. Flager~~ Subject/Bill No: SB 182
Co./Dept./Title: DoA Phone: 465-2200
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: ~~Marie Harlin~~ Subject/Bill No: SB 182
Co./Dept./Title: AARP Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

✓ NAME: Paul Grossi Subject/Bill No: SB 182
Co./Dept./Title: DOI W Comp Director Phone: 465-2790
Address: Dept of Labor Zip: _____
Do you wish to testify? Yes No Respond To Questions

✓ NAME: ~~Elmer Hundstrom~~ Subject/Bill No: SB 182
Co./Dept./Title: DHSS Deputy Comm. Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

[Handwritten signature]

NAME: William Rain Subject/Bill No: 182
Co./Dept./Title: _____ Phone: 767-5917
Address: 413 Degroot St. Zip: 99835
Do you wish to testify? Yes No Respond To Questions

NAME: Robert W. Kelly Sr. Subject/Bill No: SB 182
Co./Dept./Title: ANB & Land (AM) R-H Phone: 586-2062
Address: PO Box 21713, Juneau Zip: 99802
Do you wish to testify? Yes No Respond To Questions

Mr Edwards

1734

NAME: Frank P. Thibault Sr. Subject/Bill No: SB 182
Co./Dept./Title: ANB Corp H-2 Phone: 586-0147
Address: PO Box 21713 Juneau Zip: 99802
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

SITE: FAIRBANKS LIO

COMMITTEE: (S) FINANCE

DATE: 03/01/02

SUBJECT OF MEETING:

SB 182

UPDATE #: 3



P R I N T YOUR NAME

DO YOU WANT

ADDRESS (MAILING & ZIP)

REPRESENTING

TO TESTIFY?

Y or N

P R I N T YOUR NAME	DO YOU WANT ADDRESS (MAILING & ZIP)	REPRESENTING	TO TESTIFY? Y or N
✓ Pam Karalunas Email address:		Arctic Alliance	Y
✓ Taber Rehbaum Email address:		Arctic Alliance	Y
✓ Jeannette Grasto Email address:		Arctic Alliance	Y
 Email address:			
 Email address:			
 Email address:			
 Email address:			
 Email address:			

SITE: ANCHORAGE LIO

COMMITTEE:

Senate Finance

DATE: 3-1-02

SUBJECT OF MEETING:

SB 182

UPDATE #: 2



DO YOU WANT

PRINT YOUR NAME

ADDRESS (MAILING & ZIP)

REPRESENTING

TO TESTIFY?

Y or N

✓ Lynne Koral		AK Independ. Blind	Y-SB 182
Email address:			
✓ Lael Venta		People First	Y-SB 182
Email address:			
✓ Catherine Burgess		Parents, Inc.	Y-SB 182
Email address:			
→ Phyllis Hart		Parents, Inc.	Y-SB 182
Email address:			
Email address:			
Email address:			

