

LEG. FINANCE - BILLS 1979 - 1980 1201

CSHB 962 cont. , thru HB 968 • 1201

Cook Inlet Aquaculture Assn. B

P. O. Box 850 — Soldotna, Alaska 99669
262-4441 Ext. 257

APR 24 1980

April 21, 1980

Senator John C. Sackett
Pouch V
Juneau, Alaska 99811

all in H FIN

Dear Senator Sackett:

Please work on passage of H.B. 969, H.B. 970, H.B. 971. Specifically, there is need to provide a 2% tax provision for Cook Inlet as that was the original vote. Secondly, when commercial fishermen vote to terminate the tax and no indebtedness exists, it should be that the Commissioner shall stop the taxing rather than may.

You have received letters and/or phone calls, requesting that no more grants or funds be given CIAA.

The goal of CIAA is to produce more salmon in Cook Inlet by means of hatcheries and other rehabilitation and enhancement techniques.

In 1977 and 1978 ADF&G, Sport Division, conducted the Statewide Harvest Survey on sport fishing. One question asked the sport fishing public was: What would you like to see done to improve sport fishing in Alaska? The most frequent response was, STOCK MORE; the fifth most frequent response was: BUILD MORE HATCHERIES and the twelfth was: REHABILITATE-ENHANCE MORE. (See attached summary from the report.)

At a House Resources Committee hearing on H.R. 50, Mr. Steve Penoyer Acting Commercial Fish Division Director, indicated there are no management problems with a hatchery at Eklutna to which there are not solutions. When the facility in the Knik Arm produces kings and cohos as well as pinks and/or chums it will benefit every salmon harvester and many others as well. This will be done with small amounts of public aid compared with the benefits or volunteer time and taxes by some harvestors.

Thank you for your efforts on this.

Sincerely,

Floyd E. Heinbuch

Floyd E. Heinbuch
Executive Director

FEH:sa
enclosure

ALASKA SEAFOOD FOUNDATION

1980 IMPLEMENTATION PLAN

113
462

ORGANIZATIONAL ACTIVITIES

The Alaska Seafood Foundation (ASF) implementation plan for 1980 will draw upon the experience of existing seafood promotion efforts and the momentum generated at the Alaska Seafood Promotion Conference. This opportunity to utilize existing resources in an expanded format should provide for the most effective and timely realization of ASF goals and objectives.

The initial task of the ASF organizing board will be to establish procedures for selection of the initial seventeen member board of directors. Upon completion of this task, the board can hire an executive staff and begin the everyday functions of the foundation. The board will also begin the process of review and selection of national public relations and advertising firms to carry out the generic marketing programs of ASF.

The board of directors, in conjunction with the executive staff, will appoint the various promotion and technical committees on a species-by-species basis. The board will direct these committees to develop guidelines for specific promotional and technical programs to be undertaken in 1980. Due to the imminence of this year's salmon season,

every effort will be made to expedite the work of the salmon promotion and technical committees.

LONG-TERM PROMOTIONAL OBJECTIVES

The long-term objective of the ASF promotional program is to increase market demand for all species of Alaska seafoods, both nationally and internationally, through generic promotion, emphasizing the variety and superior quality of Alaska products. An important aspect of this program will be to position Alaska seafoods favorably in relation to seafoods from other producing areas. For instance, a positive image will be developed for Alaska salmon versus Canadian salmon and Alaska whitefish versus North Atlantic whitefish.

The programs which would accomplish this long-term objective are many-faceted, encompassing a broad range of market development techniques. First, detailed market research is necessary both in the U.S. and abroad to determine which domestic and foreign markets have the greatest potential for expansion. The next step would be the development of specific product forms and recipes determined through market research to be most acceptable to consumers. At this point, a public relations and advertising campaign can be specifically designed for each species to introduce products to the target market areas. Particular promotional techniques may include advertising in food service periodicals, national television advertising, participation in international trade shows, sponsoring an Alaska tour for food editors of magazines and

newspapers, and developing retail promotion material such as point-of-sale recipes.

Another important facet of the ASF promotion program will be cooperative advertising with other trade associations such as the Alaska Visitors Association. Such cooperative advertising programs have been well developed in other industries and have proved to be a very effective manner of obtaining multiple benefits from advertising expenditures.

1980 PROMOTIONAL OBJECTIVES

The initial promotional efforts of the ASF will focus on those species currently faced with depressed markets, including salmon, snow crab and sablefish. The ASF will draw upon the experience and expertise of existing groups such as the Canned Salmon Institute and King Crab Marketing and Quality Control Board. These programs, though currently limited in scope, will serve as the foundation for the broader programs of ASF. In this manner the best elements of existing generic promotion efforts will be retained and new programs developed around this base.

In particular, the 1980 ASF promotional campaign will begin with an initial emphasis on both canned and frozen salmon. This special salmon program is due to the large anticipated production in 1980 and cur-

rent weak markets for fresh/frozen sockeye. Such a program will include a dual approach:

- (1) A portion of ASF funding will be used to expand existing canned salmon generic marketing programs. Though the current market for canned salmon is strong, the 1980 production is projected to be large enough that a marketing program will be required to maintain current price levels.

- (2) Due to the fact that there is no existing generic promotion program for frozen salmon, ASF will begin a market research and product development program immediately, targeted on this year's large anticipated production. Since the consumption of frozen salmon in the U.S. is currently very low, due in part to its high retail price, the 1980 campaign may emphasize that large volumes of product will be available this year to retail buyers.

In addition to development of the programs mentioned above, ASF will work in conjunction with the governor's staff towards the implementation of a National Salmon Week. This special promotion will most likely fall in the month of August, when the first stocks of Bristol Bay salmon products become available for distribution to U.S. markets.

Other products for which marketing programs will be developed and/or expanded upon in 1980 are snow crab and sablefish. Currently, these products are marketed primarily in Japan and U.S. consumers are

relatively unfamiliar with the product forms or methods of preparation. Materials emphasizing the high quality and economical value of these products will be developed and disseminated to members of the food service industry as part of the ASF promotion program.

All 1980 promotional efforts of ASF will also contain a special emphasis on October as Fish and Seafood Month. This existing promotion, sponsored by the National Marine Fisheries Service and the National Fisheries Institute (NFI), has proven very effective in the past. Through a cooperative effort with the NFI, ASF can maximize the effectiveness of its advertising expenditures on this fall promotion campaign.

1980 QUALITY ASSURANCE PROGRAM

The quality of seafood products marketed by ASF members must remain high if existing markets are to be maintained or new markets successfully developed. In this regard, the ASF 1980 program may include working with the legislative committee on salmon quality to identify those areas in which the most significant quality improvements can be made by both fishermen and processors. It is anticipated that the results of this year's program in Prince William Sound will be closely monitored by the ASF board as the initial step in designing ASF quality assurance guidelines.

FUNDING REQUIREMENTS FOR 1980

In order to accomplish the objectives outlined above, the ASF promotion campaign must be carefully designed and implemented by professionals with experience in market research, public relations and advertising. ASF plans to contract with a national public relations and advertising firm with extensive expertise in consumer and institutional food promotion and advertising. The minimum annual level of funding necessary to conduct this comprehensive campaign is approximately \$3 million. Since revenue derived from the proposed tax credit legislation will not be available until April 1981, a direct appropriation is necessary to fund the 1980 programs of ASF. It is estimated that a total appropriation of \$3.5 million is required to establish the ASF and to design and implement a 1980 campaign which addresses the current short-term problems of the industry, yet provides a foundation for developing future long-term programs.

ALASKA SEAFOOD FOUNDATION

Estimated Budget Requirements, May 1, 1980 through April 30, 1981.

<u>PROGRAM ELEMENT</u>	<u>COST</u>
I. ORGANIZATION	
A. Establish office, appoint promotion and technical committees, select public relations and advertising contractors, conduct membership drive, hold annual meeting	\$200,000.00
II. 1980 SPECIAL PROGRAMS	
A. Salmon: Public relations/advertising/product development/market research	
1. Canned	
a. Foodservice	200,000.00
b. Consumer	500,000.00
2. Fresh/Frozen	
a. Foodservice	400,000.00
b. Consumer	200,000.00
B. Salmon: Technical/Quality Assurance	
1. Monitor Prince William Sound vessel inspection program; develop statewide recommendations for vessels; develop in-plant quality improvement recommendations; develop transportation, storage, and distribution quality improvement recommendations; design guidelines for ASF member participation	200,000.00
III. DEVELOPMENT OF CONTINUING PROGRAMS	
A. Consumer market survey to determine desired product forms, in U.S. and European markets for salmon, crab, shrimp, halibut; sablefish and bottomfish	150,000.00
B. Shellfish: Public relations/advertising/product development	
1. King crab	100,000.00*
2. Snow crab	300,000.00
3. Other shellfish	100,000.00
C. Other Finfish	
1. Sablefish	300,000.00
2. Halibut	50,000.00
3. Bottomfish	300,000.00
D. Reserve Fund	<u>500,000.00</u>
TOTAL ESTIMATED BUDGET	\$3,500,000.00

* The King crab budget is low due to the continued existence in 1980 of the Alaska King Crab Marketing and Quality Control Board.

ALASKA SEAFOOD FOUNDATION

1980 Promotional Program

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Organization	↓ Select initial board	↓ Appoint promotional and technical committees	↓ Select advertising and public relations firm	↓ Hire executive staff			▽ General membership meeting						1980 tax credit revenue
Market Research		Salmon		King Crab	Other Shellfish								salmon shellfish other finfish
Product Development (Long-Term)		Other Finfish											salmon shellfish other finfish
Program Design				Salmon	Other Finfish		King Crab	Other Shellfish					salmon shellfish other finfish
Program Implementation					National Salmon Week	National Fish & Seafood Month			Salmon			Lent Shellfish	salmon shellfish other finfish
Alaska Seafood Production			Salmon		Other Finfish	King Crab					Tanner Crab		other finfish
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CS for House Bill No. 962 (Finance)
 Title An Act allowing credits against fisheries taxes.
 Requested by House Resources & Finance Committees Date 4/29/80

II. FISCAL DETAIL

Agency Affected _____ Revenue _____
 Program Category Affected _____ Fiscal Services _____
 BRU, Program, or Subprogram(s) Affected _____ Audit Division _____

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES		37.5	37.5	37.5	37.5	37.5
200 TRAVEL		5.5	5.5	5.5	5.5	5.5
300 CONTRACTUAL		3.1	3.1	3.1	3.1	3.1
400 COMMODITIES		.5	.5	.5	.5	.5
500 EQUIPMENT		1.2	1.2	1.2	1.2	1.2
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		47.8	47.8	47.8	47.8	47.8

FUNDING (Thousands of Dollars)

GENERAL FUND		47.8	47.8	47.8	47.8	47.8
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME		1	1	1	1	1
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

See attached memorandum to R. D. Stevenson dated 4/30/80

IV. DATE April 30, 1980

PREPARED BY *Gay Berlin*
 AGENCY Department of Revenue, Audit Division
 PHONE 465-2320

Original: Legislative Finance
 cc: Budget and Management
Prime Sponsor (First Legislator Named)

MEMORANDUM

State of Alaska

TO: R. D. Stevenson
Special Assistant
Department of Revenue

April 30, 1980

FROM: Gary L. Jenkins
Director
Audit Division

TELEPHONE NO:

SUBJECT: CS House Bill No. 962 (Finance)

This bill provides for the establishment of fisheries industry trade associations which would be funded by the State of Alaska through the form of a special tax credit given to fish processors on their fish processing tax returns. Each processor would be allowed a credit on a dollar for dollar basis for contributions to the fisheries association in an amount up to 15 percent of the fish processors' tax due.

Inasmuch as every processor doing business in the State of Alaska could form a seafood association as defined in the proposed law, we are requesting one permanent full time Auditor position to handle the auditing functions provided for in the proposed Section 43.75.035(b)(8).

1	POSITION TITLE Revenue Auditor III			RANGE/STEP 18 A	BARG. UNIT. G	LOCATION Juneau	APPROV.	DIS.
2	TYPE OF POSITION PFT	STAFF MONTHS 12	RP No.	PCN No.	PRIORITY	FORM 12 PAGE/LINE	LEG.	

3	TYPE OF EXPENDITURE	AMOUNT
	1	2
4	PERSONAL SERVICES: SALARY	29,580
5	BENEFITS	4,399
6	FICA	1,967
7	HEALTH INS.	1,524
8	TOTAL PERSONAL SERVICES	37,470
9	TRAVEL	5,500
10	CONTRACTUAL	3,160
11	COMMODITIES	450
12	EQUIPMENT	1,200
13	OTHER	
14	TOTAL COST	47,780

JUSTIFICATION:

Inasmuch as every fish processor doing business in the State of Alaska could form a seafood association as defined in the proposed law, we are requesting one permanent full time Auditor position to handle the auditing functions provided for in the proposed Section 43.75.035(b) (8).

	CODE	FUNDING SOURCE
15		FED RCPTS.
16		GF MATCH.
17		GEN. FUND
18		I-A RCPTS.
19		PGM RCPTS
20		OTHER

21	CONTINUATION	
22	ADDITION	X

FOR BBA USE ONLY

KEY NUMBER _____ COLUMN NO. _____

AGENCY Department of Revenue PROGRAM AREA Revenue Collection and Management

BRU Audit Division

FY 81

13 REQUEST FOR NEW POSITION.

COMPONENT _____

Page 1 of 1

REVISED DATE _____

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CS for House Bill No. 962 (Finance)
 Title An Act allowing credits against Fisheries Taxes
 Requested by House Rules Committee Date May 6, 1980

II. FISCAL DETAIL

Agency Affected Revenue
 Program Category Affected Fiscal Services
 BRU, Program, or Subprogram(s) Affected _____
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars)
 Millions

GENERAL FUND	-----	(1.2)	-----	unknown	-----
FEDERAL FUNDS					
OTHER (Specify Fund Source)					

POSITIONS

FULL TIME					
PART TIME					
TEMPORARY					

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

The aforementioned figure assumes that 25% of the taxpayment credits are actually taken. The basis for the FY 81 data is the forecast in the Revenue Source Book which incorporates catch and price projections.

The cost to the general fund in subsequent years is indeterminate but dependent on varying credits, harvests, and prices. It is likely that there will be a slight increase over time in credits taken.

The effect of the provision that up to 15% of taxes paid by a person in tax year 1979 be allocated to corporations, if so requested in writing to the Commissioner of Revenue, is not determinate at this time.

IV. DATE May 6, 1980 PREPARED BY Vincent D. Wright
 AGENCY Revenue
 PHONE 2391
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CS for House Bill No. 962 Page 1 of 2
 Title An Act allowing credits against fisheries taxes.
 Requested by House Resources & Finance Committees Date 3/26/80

II. FISCAL DETAIL

Agency Affected _____ Revenue _____
 Program Category Affected _____ Fiscal Services _____
 BRU, Program, or Subprogram(s) Affected _____ Audit Division _____

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES		37.5	37.5	37.5	37.5	37.5
200 TRAVEL		5.5	5.5	5.5	5.5	5.5
300 CONTRACTUAL		3.1	3.1	3.1	3.1	3.1
400 COMMODITIES		.5	.5	.5	.5	.5
500 EQUIPMENT		1.2	1.2	1.2	1.2	1.2
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		47.8	47.8	47.8	47.8	47.8

FUNDING (Thousands of Dollars)

GENERAL FUND		47.8	47.8	47.8	47.8	47.8
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME		1	1	1	1	1
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

See memorandum to R. D. Stevenson dated 3/24/80.
 attached to Fiscal Note for HOUSE BILL NO. 962.

IV. DATE March 26, 1980

PREPARED BY *Stanley*
 AGENCY Department of Revenue, Audit Division
 PHONE 465-2320

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CS H B 962
 Title An act allowing credits against Fisheries Taxes
 Requested by _____ Date 3-26-80

II. FISCAL DETAIL

Agency Affected _____
 Program Category Affected _____
 BRU, Program, or Subprogram(s) Affected _____
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						

TOTAL

FUNDING (Millions of Dollars)

GENERAL FUND		(2.0)			unknown	
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

If the proposed bill H B 962 were made retroactive to December 31, 1978 instead of December 31, 1979, as it reads on March 17, 1980 the loss to the general fund would amount to an extra \$ 750,000. If this were to be paid in FY 81 the total reduction in FY 81 would amount to approximately two million dollars

IV. DATE 3/26/80

PREPARED BY Harold S. Wright
 AGENCY Revenue
 PHONE 2391

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

CATEGORY: GENERAL GOVERNMENT

AGENCY: REVENUE

PROGRAM: REVENUE COLLECTION AND MANAGEMENT

BRU(s): AUDIT; PETROLEUM REVENUE; ENFORCEMENT; TREASURY MANAGEMENT; ADMINISTRATION AND SUPPORT

All Department of Revenue BRU's in the Revenue Collection and Management cover program are included herein. A major emphasis on identifying the "invisible taxpayer" is planned in the FY 81 budget, primarily in the BRUs of Audit, Enforcement, and Administration and Support.

The goals of the Audit BRU are to achieve effective compliance by taxpayers with the tax laws of Alaska, and to raise revenues through an effective audit program. The Revenue Audit staff concentrates on corporate and individual income tax, estate taxes, excise taxes, business license tax, fisheries tax, mining license tax, and the issuance of permits for games or skill or chance.

The goals of the Petroleum Revenue BRU are to administer state taxes on oil and gas production, which includes the State oil and gas property tax, oil and gas production tax and the oil and gas corporate income tax, and also to coordinate with local governments also taxing that property. The Division of Petroleum Revenue also generates revenue estimates for the State of projected oil and gas related revenues.

The goal of the Enforcement BRU is to enforce the collection of taxes from all taxpayers in a fair and equitable manner. The Division is responsible for billing and collecting all delinquent tax accounts.

The goals of the Treasury Management BRU are to manage available funds for a maximum return consistent with statutory limitations; to place general bonded debt as needed for capital projects at minimum cost to the State; and to report the management of funds in accordance with current reporting standards. The Treasury Management Division works closely with the State Bond Committee in performing these functions. Fund management is centralized for the Public Employees Retirement Fund, the Teachers Retirement Fund, and the General Fund, as well as other special funds.

The Administration and Support BRU includes the Office of the Commissioner, Administrative Services, and Fish and Game Licensing. The Commissioner's Office oversees all functions of the Department of Revenue. The Research Section, under the Office of the Commissioner, performs special studies in analyzing and developing revenue sources, as well as projecting State cash flow through revenue estimating models and information provided by State agencies. The Administrative Services component provides centralized general services for the Department of Revenue, including personnel, budget, payroll, purchasing, mail, etc. This section also provides certain technical services such as administering business licenses, processing tax and license remittances, and initial processing of tax returns. The Fish and Game Licensing component is being transferred to this BRU from the Natural Resources category for FY 01. This component processes revenues received from the sales of Fish and Game licenses statewide. Most of the licenses are sold by contract vendors such as sporting goods stores.

COMPONENT DESCRIPTION	79 AUTH	79 FINAL	79 ACT	80 AUTH	80 SUPL	80 RP	GOVERNOR
AUDIT	2461.5	2530.6	2513.1	2691.6			3223.6
PETROLEUM REVENUE	1279.6	1240.1	1187.3	1435.0			1447.2
ENFORCEMENT	1196.5	1335.4	1324.7	1217.0			1366.3
TREASURY MANAGEMENT	1232.3	1227.9	1120.3	1357.1			1436.9
OFFICE OF THE COMMISSIONER	877.3	1077.4	1054.4	757.6			964.5
ADMINISTRATIVE SERVICES	1630.0	1783.7	1746.5	1773.6			2361.4
FISH AND GAME LICENSING	572.1	580.6	531.6	259.0			298.0
XX TOTAL	9249.3	9775.7	9477.9	9490.9			11097.9
XX CHANGE VERSUS 80 AUTH							16.9%
OBJECT DESCRIPTION							
PERS. SERV.	6294.0	6685.5	6654.2	6784.4			7519.5
TRAVEL	336.8	333.8	316.3	315.7			419.6
CONTRACTUAL	2218.2	2320.1	2075.1	2031.5			2728.1
COMMODITIES	68.5	69.3	59.0	58.2			80.9
EQUIPMENT	23.5	58.7	65.3				37.0
LANDS/BLDG5	308.3	308.3	308.0	301.1			312.8
FUNDING SOURCE							
GENERAL FUND	8446.3	9040.7	8835.4	8956.9			10520.7
PGM RECEIPTS	308.0	240.0	217.5				
OTHER FUNDS	495.0	495.0	425.0	534.0			577.2
XX GENERAL FUND CHANGE VS. 80 AUTH							17.4%
POSITIONS							
FULL-TIME	220.0	220.0	220.0	224.0			237.0
PART-TIME	8.0	8.0	8.0	8.0			21.0
TEMPORARY	14.0	14.0	14.0	13.0			
STAFF MONTHS	2715.1	2715.1	2715.1	2784.0			2944.2

CSHB 962

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. House Bill No. 962 Page 1 of 4
 Title An Act allowing credits against fisheries taxes.
 Requested by House Resources & Finance Committees Date 3/24/80

II. FISCAL DETAIL
 Agency Affected _____ Revenue
 Program Category Affected Fiscal Services
 BRU, Program, or Subprogram(s) Affected Audit Division
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
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600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
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FUNDING (Thousands of Dollars)

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FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME		1	1	1	1	1
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

See attached memorandum to R. D. Stevenson dated 3/24/80.

IV. DATE March 24, 1980

PREPARED BY [Signature]
 AGENCY Department of Revenue, Audit Division
 PHONE 465-2320

Original: Legislative Finance
 cc: Budget and Management

STATE
of ALASKA

MEMORANDUM

TO: R. D. Stevenson
Special Assistant
Department of Revenue

DATE: March 24, 1980

FILE NO.

TELEPHONE NO.

FROM: Gary L. Jenkins
Director
Audit Division

SUBJECT: House Bill No. 962

This bill provides for the establishment of fisheries industry trade associations which would be funded by the State of Alaska through the form of a special tax credit given to fish processors on their fish processing tax returns. Each processor would be allowed a credit on a dollar for dollar basis for contributions to the fishery association in an amount up to 15 percent of the fish processors' tax due.

There would appear to be a legitimate question regarding whether there is a clear need for the State of Alaska to directly fund trade associations for the fishing industry, an industry which, incidentally, is largely dominated by Japanese interests. The fishing industry is already provided income tax incentives to improve their processing facilities in the form of the investment credit, both at the federal and state levels. It should also be noted that any expenditures made by a processor which are in any way a business expense related to processing or marketing of fish products, are tax deductible under the corporate income tax. Further, it would seem logical that all processors would be putting forth maximum effort to produce a product which has the best possible appeal in the market place.

With regard to enhancing the quality of the product itself, the State of Alaska already has inspectors from the Department of Health and Social Services and the Department of Natural Resources working with processors in an effort to ensure proper quality of the product produced.

Inasmuch as every processor doing business in the State of Alaska could form a seafood association as defined in the proposed law, we are requesting one permanent full time Auditor position to handle the auditing functions provided for in the proposed Section 43.75.035(b)(8).

1	POSITION TITLE Revenue Auditor III			RANGE/STEP 19 A	BARG. UNIT. G	LOCATION Juneau	APPROV.	DISAP
2	TYPE OF POSITION PFT	STAFF MONTHS 12	RP No.	PCN No.	PRIORITY	FORM 12 PAGE/LINE	LEG.	
3	TYPE OF EXPENDITURE			AMOUNT		JUSTIFICATION:		
	1	2	3					
4	PERSONAL SERVICES: SALARY		29,580					
5	BENEFITS		4,399					
6	FICA		1,967					
7	HEALTH INS.		1,524					
8	TOTAL PERSONAL SERVICES			37,470				
9	TRAVEL			5,500				
10	CONTRACTUAL			3,160				
11	COMMODITIES			450				
12	EQUIPMENT			1,200				
13	OTHER							
14	TOTAL COST			47,780				
	CODE	FUNDING SOURCE						
15		FED RCPTS.						
16		GF MATCH.						
17		GEN. FUND		47,780				
18		I-A RCPTS.						
19		PGM RCPTS.						
20		OTHER						
21	CONTINUATION							
22	ADDITION		X	FOR DEPT USE ONLY				
KEY NUMBER _____ COLUMN NO. _____								

Inasmuch as every fish processor doing business in the State of Alaska could form a seafood association as defined in the proposed law, we are requesting one permanent full time Auditor position to handle the auditing functions provided for in the proposed Section 43.75.035(b)(8).

AGENCY Department of Revenue PROGRAM AREA Revenue Collection and Management

ORU Audit Division

FY 81

13 REQUEST FOR NEW POSITION

COMPONENT _____

Page _____ of _____

REVISED DATE _____

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. II B 962
 Title An act allowing credits against Fisheries Taxes
 Requested by _____ Date 3-24-80

II. FISCAL DETAIL
 Agency Affected _____
 Program Category Affected _____
 BRU, Program, or Subprogram(s) Affected _____
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)
EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Millions of Dollars)

GENERAL FUND	-----	(1.2)	-----	-----	unknown-----
FEDERAL FUNDS					
OTHER (Specify Fund Source)					

POSITIONS

FULL TIME					
PART TIME					
TEMPORARY					

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

The above mentioned assumes that 25% of the taxpayer credits are actually taken. The basis for the FY 81 data is the forecast in the Revenue Source book which incorporates catch and price projections.

The cost to the general fund in subsequent fiscal years is indeterminate but dependant on varying credits, harvests and prices. It is likely that there will be a slight increase over time in credits taken.

IV. DATE 3/24/80 PREPARED BY [Signature]
 AGENCY Revenue
 PHONE 2371
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. H B 962
 Title An act allowing credits against Fisheries Taxes
 Requested by _____ Date 3-24-80

II. FISCAL DETAIL

Agency Affected _____
 Program Category Affected _____
 BRU, Program, or Subprogram(s) Affected _____
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Millions of Dollars)

GENERAL FUND		(1.2)			unknown	
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

The above mentioned assumes that 25% of the taxpayer credits are actually taken. The basis for the FY 81 data is the forecast in the Revenue Source book which incorporates catch and price projections.

The cost to the general fund in subsequent fiscal years is indeterminate but dependant on varying credits, harvests and prices. It is likely that there will be a slight increase over time in credits taken.

IV. DATE 3/24/80 PREPARED BY [Signature]
 AGENCY Revenue
 PHONE 2391
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

796 462

Introduced: 3/17/80
Referred: Resources and Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE
BY REQUEST

2 HOUSE BILL NO. 962

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act allowing credits against fisheries taxes; and
7 providing for an effective date."

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

9 * Section 1. AS 43.75 is amended by adding a new section to read:

10 Sec. 43.75.035. SEAFOOD ASSOCIATION CREDIT. (a) A person is
11 allowed as a credit against the tax levied under AS 43.75.015 or 43.-
12 75.100 an amount equal to the amount that person donated during the tax
13 year to a corporation described in (b) of this section and included on
14 the list prepared under (d) of this section. The credit allowed by this
15 section may not exceed 15 percent of the total tax liability under
16 AS 43.75.015 or 43.75.100 as computed without the credit allowed in this
17 section.

18 (b) A person is entitled to a credit under this section for the
19 amount he donated during the tax year to a nonprofit corporation orga-
20 nized under AS 10.20 which

21 (1) is organized for the purposes of

22 (A) assisting the Alaska seafood industry to improve the
23 quality and purity of seafood produced in Alaska; and

24 (B) assisting in the development and maintenance of
25 markets for seafood produced in Alaska;

26 (2) represents commercial fishermen and fish processors in
27 each of the administrative areas established by the Alaska Commercial
28 Fisheries Entry Commission under AS 16.43.100(a)(3);

29 (3) provides services for fishermen and processors of all

1 species of fish and their by-products which are harvested in Alaska and
2 processed for human consumption;

3 (4) includes on its board of directors representatives of
4 commercial fishermen and of fish processors;

5 (5) establishes quality control programs for the seafood
6 harvested and processed in Alaska by the members of the corporation;

7 (6) prepares an annual market research and product develop-
8 ment plan for the promotion of all species of fish and their by-products
9 which are harvested in Alaska and processed for human consumption;

10 (7) submits an annual report to the governor and the legisla-
11 ture describing its activities; and

12 (8) permits the commissioner of revenue or his designee to
13 inspect its offices and its accounts to determine whether it meets the
14 criteria described in (1) - (7) of this subsection.

15 (c) A donation to a corporation that has as its main purpose the
16 promotion of or the development and maintenance of markets for a speci-
17 fic brand of Alaska seafood may not be allowed as a credit under this
18 section.

19 (d) By January 1 of each year the Department of Revenue shall
20 prepare and make available to the public a list of corporations which
21 meet the criteria established in (b) of this section.

22 * Sec. 2. This Act is retroactive to January 1, 1980, and applies to tax
23 years beginning after December 31, 1979.

24 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
25 070(c).



RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith
Signature of Camera Operator

3/20/90
Date

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reported

out.

Introduced: 3/21/80
Referred: Health, Education &
Social Services and Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 968

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act adding a cost-of-living adjustment to maximum
7 benefits paid as Aid to Families with Dependent
8 Children; and providing for an effective date."

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

10 * Section 1. AS 47.25.320(c) is repealed and re-enacted to read:

11 (c) If benefits under Title XVI of the Social Security Act
12 (42 USC 1381 et seq.) are increased because of an increase in the cost
13 of living, the department shall increase the monetary maximums in (a)
14 of this section by a percentage equal to the percentage increase in
15 benefits under Title XVI.

16 * Sec. 2. This Act takes effect July 1, 1980.

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. HB 968
 Title Annual Cost of Living Increase, Aid to Families with Dependent Children Program
 Requested by House Rules Committee, by request Date March 18, 1980

II. FISCAL DETAIL
 Agency Affected Department of Health and Social Services
 Program Category Affected Social & Economic Assistance for General Population
 BRU, Program, or Subprogram(s) Affected Assistance Payments (AFDC)
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		4047.3				
TOTAL		4047.3				

FUNDING (Thousands of Dollars)

GENERAL FUND		2023.6			
FEDERAL FUNDS		2023.7			
OTHER (Specify Fund Source)					

POSITIONS

FULL TIME		None			
PART TIME					
TEMPORARY					

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

I. The FY 81 Aid to Families with Dependent Children (AFDC) budget anticipates that a monthly average of 7,564 recipient families will each receive an average monthly grant of \$343.00 for a total expected AFDC expenditure of 31,133.1 (7,564 x \$343.00 x 12 months).

Title XVI annual percentage increases are determined by the percentage increase in the national cost of living index. At this time, the Social Security Administration estimates this percentage increase for the coming year will be 13.0%. The effect of this proposed legislation would be to increase the average monthly payment to each AFDC family by 13.0%, or \$44.59, beginning July 1, 1980. The maximum monthly payment for the average AFDC family would increase from \$343.00 to \$387.59 (\$343 x 1.13 = \$387.59).

Continued

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named) Department of Health & Social Services

Prepared by: Gordon Landes Date: March 18, 1980
 Division/Office: Public Assistance PH: 465-3347

III. ANALYSIS---Continued

Thus the impact of this legislation on the anticipated AFDC expenditures would be an increase of 4,047.3 (7,564 x \$44.59 x 12 months). 50% of this increase, 2023.7 would be federal matching funds.

- II. In the AFDC program the statutory maximum payment levels are also the qualifying standards for entry into the program. This proposal would increase these standards. For example, the maximum countable income an applicant with one child can have and still qualify for AFDC assistance is currently \$350. (This would also be the recipients's AFDC payment if he or she had no other countable income.) A 13.0% increase in the standard would establish a new qualifying limit of \$388.00 for this size family.

It is reasonable to assume that there are Alaskan families who have countable incomes over the current standards but under the higher proposed standards, and to assume that some of these families would choose to apply and would meet all other eligibility factors.

Therefore it is reasonable to assume that the legislation would add new recipients to the anticipated FY 81 caseload. However, there are no factual grounds upon which this assumption can be based. In fact, there is evidence demonstrating that these newly-eligible families are not likely to affect anticipated expenditures:

- (a) Effective July 1, 1978, a statutory amendment increased maximum payment levels and qualifying standards for 75% of AFDC applicants and recipients by \$50.00 per family. There was no sudden increase in the total number of recipients, and the rate of growth in the number of recipients in the twelve months after this change was not significantly changed from the rate of increase in the twelve months preceding this change.
- (b) An annual Social Security cost of living percentage increase has applied to the Adult Public Assistance programs for several years. Each July, the increase in standards and payments has not produced significant changes in the recipient growth rate in those programs.

The Department has no data proving that this legislation will not increase the total number of AFDC recipients, but the recent history of assistance programs does indicate that an increase is unlikely to happen. We are therefore not projecting any additional growth in caseload in AFDC solely as the result of this legislation, nor are we projecting any related increase in expenditures in the Medicaid and Eligibility Determination BRUs.



DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

REGION X

ARCADE PLAZA BUILDING
1321 SECOND AVENUE
SEATTLE, WASHINGTON 98101

MAY 15 1980

SOCIAL SECURITY ADMINISTRATION
OFFICE OF THE REGIONAL
COMMISSIONER

Refer to



Dr. Helen D. Beirne
Commissioner
Department of Health & Social Services
Pouch H-01
Juneau, Alaska 99811

Dear Dr. Beirne:

We have analyzed Alaska House Bill 968, dated May 1, 1980 and wish to comment on certain of its provisions which, if enacted, would raise compliance issues with respect to Federal regulations.

Alaska House Bill 968 provides an Aid for Dependent Children (AFDC) benefit payment increase of \$100 for a family household consisting of a caretaker parent and one child under age eighteen. If enacted, this legislation would increase the current payment provided under AS 47.25.320(a)(2)(A) from \$350 to \$450. The Bill would also provide a benefit payment increase of \$25 for each additional child in the home (after the second child) under the age of eighteen. This would increase the current payment provided to those children, under AS 47.25.320(a)(2)(C) from \$50 to \$75.

The increases provided under House Bill 968 do not appear to apply to the category of children living with non-needy, non-legally responsible relatives. This category is described under AS 47.25.320(a)(1). The omission of provision of these benefit increases to the category of recipient children living with non-needy relatives, while provided for the category of recipient children living with needy parents, appears to be based on the assumptions that:

- (1) children who live with non-needy, non-legally responsible relatives are less needy than children who live with needy relatives; and,
- (2) non-legally responsible, non-needy relatives automatically provide some support for the child's(ren) needs; and,
- (3) such child's(ren) needs are reduced by shared costs.

These assumptions are in direct conflict with Federal Regulations:

- (a) To treat groups of children differently because of living arrangement based on legal responsibility or not of non-needy caretaker relatives distinguishes the groups on an arbitrary basis thereby creating an unreasonable classification which is expressly prohibited at 45 CFR 233.10(a)(1) which states:
- (a) State plan requirements. A State plan under title I, IV-A, X, XIV, or XVI, of the Social Security Act must:
- (1) Specify the groups of individuals based on reasonable classifications, that will be included in the program, and all the conditions of eligibility that must be met by the individuals in the groups. The groups selected for inclusion in the plan and the eligibility conditions imposed must not exclude individuals or groups on an arbitrary or unreasonable basis, and must not result in inequitable treatment of individuals or groups in the light of the provisions and purposes of the public assistance titles of the Social Security Act.
- (b) The assumption that non-legally responsible caretaker relatives automatically provide some support for the dependent child(ren) and a grant reduction based on that assumption (in this instance, a different and reduced standard as compared to needy children in other circumstances) is expressly prohibited at 45 CFR 233.20(a)(2)(viii) which states:

". . . Provided that the money amount of any need item included in the standard will not be prorated or otherwise reduced solely because of the presence in the household of a non-legally responsible individual; and the agency will not assume any contribution from such individual for the support of the assistance unit."

- (c) The assumption that a child's(ren) needs are reduced by shared costs and a grant reduction based on that assumption clearly constitutes proration which is expressly prohibited at 45 CFR 233.90(a) which states in part:

" . . . nor may the State agency prorate or otherwise reduce the money amount for any need item included in the standard on the basis of assumed contributions from non-legally responsible individuals living in the household."

Further, the Supreme Court case of Van Lare v. Hurley (1975) prohibits assumption of income for AFDC children in a household with non-needy individuals. A State may not have a separate and reduced standard of living for a child with non-needy, non-legally liable caretaker relatives than with needy caretakers. A State is required to have a single statewide standard, expressed in money amounts, to be used in determining on an objective and equitable basis the needs of applicants and recipients and the amount of the assistance payment (45 CFR 233.20(a)(1) and (2)). To assign two different values to the same item or items of need (such items collectively constitute the standard) for a child based solely on whether or not the child lives with a non-needy, non-legally liable caretaker relative is arbitrary, bearing no relationship to the needs of the child who is receiving the lesser payment.

A State standard may have different dollar amounts for food or clothing for different reasonably defined age groups since older individuals may generally have more costly needs than younger individuals. Differing shelter amounts may result from a State's election to have shelter differentials but this is permitted only when there is objective evidence that there are actual differences in shelter costs between geographic areas and such differences are appreciable. However, such differences appear reasonably based. But this bears no relation to an assumption of income on the unsubstantiated basis that a non-needy, non-legally liable caretaker relative is contributing income towards the support of the needy child in his care and custody.

These rules prohibiting the assumption of income apply to non-legally liable relatives, and to legally liable relatives

other than spouse for spouse or parent for minor child as specified above. Thus, except for spouse for spouse or parent for minor child, a State may not assume that the income of other legally responsible relatives under State law is available to the child.

Notwithstanding, a grant reduction (not a standard reduction), is permitted in these instances where a documented voluntary contribution is made by the non-needy, non-legally responsible caretaker relative.

The following table illustrates the effect of H.B. 968 without the cost-of-living adjustment on State AFDC standards:

Family Size	Children with Needy Relatives		Children with Non-Needy, Non-Legally Responsible Relatives	
	Current Standard	Proposed Standard Under H.B. 968	Current Standard	Proposed Standard Under H.B. 968
1			\$150	\$150
2	\$350	\$450	\$300	\$300
3	\$400	\$525	\$350	\$350
4	\$450	\$600	\$400	\$400
	Plus \$50/month for each additional child under 18	Plus \$75/month for each additional child under 18	Plus \$50/month for each additional child under 18	Plus \$50/month for each additional child under 18

Note that for the category of children living with needy relatives, there is no identification of the amount of the standard that is attributable to the adult caretaker relative. It merely says that for family size of two, a grant of \$350 is made. For two children living with non-needy, non-legally responsible relatives, a grant of \$300 is made. It may be reckoned that the additional \$50 (\$350-50) provided to the needy relative situation is reasonable due to increased costs of shared standard items for adults (this would not hold true for shelter). This was the rationale for Federal approval of the current standard.

Under the proposed H.B. 968 standard, no standard increment is provided to the category of children with non-needy, non-legally responsible caretaker relatives. A difference of \$150 between the two categories

Dr. Helen D. Beirne - page 5

of recipients is too great to account for an addition based on shared costs that would require an amount of that magnitude for the adult. The Bill did not even address the non-needy, non-legally responsible caretaker relative category. It would appear clear that legislative intent was to increase the needy caretaker relative group, per se.

It must, therefore, be concluded that the new standard results in pro-ration and assumes the availability of income for the non-needy, non-legally responsible caretaker relative category. In no event may income be assumed or shelter costs be prorated.

In summary, should Alaska House Bill 968 be enacted, the State agency, upon implementation, would be out of compliance with Federal regulations as cited herein. In addition, a new or revised State plan submitted to implement such legislation would be unapprovable.

We would be pleased to offer technical assistance including testifying before the legislature on this Bill if so desired.

Sincerely,



Donald C. Sutcliffe
Regional Commissioner

Enclosures

cc:
Rod Betit

§ 47.25.310 WELFARE, SOCIAL SERVICES AND INSTITUTIONS § 47.25.320

Article 3. Aid to Families with Dependent Children Act.

Section	Section
310. Eligibility for assistance	380. Reconsideration and alteration of assistance
320. Amount of assistance	390. [Repealed]
330. Duties of department	395. Alienation and attachment
340. Application for assistance	400. Purpose
350. Investigation of application	402. Reporting change of status
360. Granting of assistance	405. Obtaining assistance by fraud
365. Retraining of parent or family member	410. Definitions
370. Appeal	420. Short title

Sec. 47.25.310. Eligibility for assistance. The department shall grant assistance to the family of each dependent child it determines is eligible for assistance under AS 47.25.310 — 47.25.320, or to employers under a work incentive program established by AS 23.15.650, and by § 433(e) (1) of the Federal Social Security Act (42 USC 601 et seq.), as amended. (§ 51-2-32 ACLA 1949; am § 2 ch 57 SLA 1949; am § 1 ch 73 SLA 1963; am § 2 ch 134 SLA 1968)

Editor's note. — The federal provision referred to in this section was added by § 204 of the Social Security Amendments of 1967 (PL 90-248; 81 Stat. §21).

A statutory prohibition of welfare benefits to residents of less than a year creates a classification which constitutes an invidious discrimination denying such

residents equal protection of the laws. Shapiro v. Thompson, 394 U.S. 618, 89 S. Ct. 1322, 22 L. Ed. 2d 600 (1969).

Cited in Public Defender Agency v. Superior Court, Third Judicial Dist., Sup. Ct. Op. No. 1140 (File No. 2071), 534 P.2d 917 (1975).

Sec. 47.25.320. Amount of assistance. (a) The department shall determine the amount of assistance for a dependent child and the relative with whom the dependent child is living, with regard to the resources and necessary expenditures of the family and the condition existing in each case. Assistance is sufficient if, when added to all other income and support available to the child, the child and relative have reasonable subsistence compatible with decency and health. However, the amount of assistance may not exceed the following:

(1) dependent child living with nonneedy relative: for a child under age 18 who is living in the home of a nonneedy relative, \$450, plus an additional \$150 for the second child, and \$80 a child for the third and each additional child; 175 75

(2) dependent child living with parent:

(A) for a parent and one child under 18, a maximum of \$350;

(B) (repealed)

(C) for each additional child under age 18, \$50 a month per child.

(b) The monetary maximums in (a) of this section do not apply to payments made under this program for the care of a dependent child in a foster family home. The payment shall conform to foster care rates as provided by the department.

Original sponsor: Rules/Governor

Offered: 5/1/80
Referred: Finance

1 IN THE HOUSE

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

2 CS FOR HOUSE BILL NO. 968

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to maximum benefits paid as aid to
7 families with dependent children; and providing for an
8 effective date."

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

10 * Section 1. AS 47.25.320(a)(2)(A) is amended to read:

11 (A) for a parent and one child under 18, a maximum of
12 \$450 [\$350];

13 * Sec. 2. AS 47.25.320(a)(2)(C) is amended to read:

14 (C) for each additional child under age 18, \$75 [\$50] a
15 month per child.

16 * Sec. 3. AS 47.25.320 is amended by adding a new subsection to read:

17 (d) If benefits under Title XVI of the Social Security Act (42
18 U.S.C. 1381 - 1385) are increased because of an increase in the cost of
19 living, the department shall increase the monetary maximums in (a) of
20 this section by a percentage equal to the percentage increase in bene-
21 fits under Title XVI.

22 * Sec. 4. AS 47.25.320(c) is repealed.

23 * Sec. 5. This Act takes effect July 1, 1980.

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AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC)

PROGRAM PURPOSE:

AFDC is a nationwide state/federal financial aid program that helps needy children who are deprived because at least one parent is absent, disabled, or deceased. The amount of assistance is intended to be adequate to provide the basic necessities for the children, thereby enabling them to remain within the family unit.

ELIGIBILITY CRITERIA:

Eligible families include children who are:

1. Under 18 years of age (*unborn children are not eligible).
2. Living with a relative as specified in federal regulations.
3. Deprived of the support and care of one or both natural or adoptive parents as a result of death, continued absence, or physical or mental incapacity.
4. Without adequate income or resources available to meet their basic needs.
5. In possession of a social security number, or who have made application for a number.

Relatives who apply for assistance for themselves as well as the children in their care, must meet the following additional criteria:

1. They must assign to the State all their rights to child support or other similar support for the children, such as military allotments.
2. They must register for the Work Incentive Program (WIN) when appropriate.
3. They must have or apply for a social security number
4. They must cooperate in verifying their income, resources, living arrangement and the children's parental deprivation. Also, they will be asked to cooperate in identifying and locating the absent parent(s) of the children for whom assistance is requested.

Original sponsor: Rules/Governor

Offered: 5/1/80
Referred: Finance

1 IN THE HOUSE

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

2 CS FOR HOUSE BILL NO. 968

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to maximum benefits paid as aid to
7 families with dependent children; and providing for an
8 effective date."

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

10 * Section 1. AS 47.25.320(a)(2)(A) is amended to read:

11 (A) for a parent and one child under 18, a maximum of
12 \$450 [\$350];

13 * Sec. 2. AS 47.25.320(a)(2)(C) is amended to read:

14 (C) for each additional child under age 18, \$75 [\$50] a
15 month per child.

16 * Sec. 3. AS 47.25.320 is amended by adding a new subsection to read:

17 (d) If benefits under Title XVI of the Social Security Act (42
18 U.S.C. 1381 - 1385) are increased because of an increase in the cost of
19 living, the department shall increase the monetary maximums in (a) of
20 this section by a percentage equal to the percentage increase in bene-
21 fits under Title XVI.

22 * Sec. 4. AS 47.25.320(c) is repealed.

23 * Sec. 5. This Act takes effect July 1, 1980.

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POSITION PAPER
ON
CSHB 968

"An Act relating to maximum benefits as aid to families with dependent children; and providing for an effective date."

This proposed legislation would amend AS 47.25.320 to increase the maximum Aid to Families with Dependent Children (AFDC) payment to a family consisting of a parent and one child from \$350 to \$450. It would also increase the increment for each additional child from \$50 to \$75. In addition, it would provide for an automatic annual increase in the maximum payment levels; the amount of that increase would be the same percentage as is granted as a cost-of-living (COLA) increase to Social Security and Supplemental Security Income (SSI) recipients nationwide. For FY 81, this COLA increase is 14.3%.

The effect of these three separate increases on an AFDC family of a parent and two children would be to increase its monthly maximum payment from \$400 to \$600 effective July 1, 1980. In its annual report to the Legislature on the adequacy of AFDC payment levels, the Department has stated it does not believe the current maximums are adequate. By the comparative measurements in this report, the increases proposed by CSHB 968 would undoubtedly make AFDC payments adequate to meet the basic needs of recipients and achieve the purposes for which the AFDC program was intended.

HB 968, introduced by the House Rules Committee at request of the Governor, provided for only the annual cost-of-living adjustment. This measure would have increased the maximum payment for a family of three from \$400 to \$457.

There is no doubt that the larger increases proposed by CSHB 968 would better insure adequate payment levels. However, there are two major problems with CSHB 968: (1) possible non-compliance with federal regulations, and (2) high costs:

- (1) The U.S. Department of Health and Human Services, Office of Family Assistance, Region X, has reviewed all the provisions of CSHB 968, and they have found that they could not approve the application of the \$75 per child increment if it were restricted only to families with a needy relative. Allowing \$75 per child to those children while additional children in families with a non-needy relative receive only \$50 per child amounts to assuming that the non-needy relative's income is at least partially available to the child. This assumption is prohibited by federal AFDC regulations (45 CFR 233.20(a)(2)(viii)).

This is a serious objection, for it could threaten the entire AFDC federal matching funds. This objection could be removed by providing all children with the \$75 increment, which would reduce the increase in costs.

(2) The costs of HB 968 for FY 81 are estimated to be \$4452.2 (2226.1 federal, 2226.1 state funds), whereas the costs of CSHB 968 are estimated to be 15,616.7 (7790.8 federal funds, 7825.9 state funds). This represents approximately a 50% increase in total AFDC expenditures. It is a long-range commitment from which the state could not even partially withdraw in the future without doing grievous harm to many needy families. The Department supports the concept of achieving fully adequate AFDC maximum payment levels, but within the limitations of the Governor's Budget, it cannot support the much larger increase in expenditures required by CSHB 968.

Recommended by:

Rod Betit
Rod Betit, Director
Division of Public Assistance

Date:

May 16, 1980

Approved by:

Helen D. Béirne
Helen D. Béirne, Commissioner
Department of Health and Social Services

Date:

5/22/80

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. Committee Substitute for House Bill 968
 Title Cost of Living Increase, Aid to Families with Dependent Children Program
 Requested by House Rules Committee, by request Date April 29, 1980

II. FISCAL DETAIL

Agency Affected Department of Health and Social Services
 Program Category Affected Social & Economic Assistance for General Population; Health;
 BRU, Program, or Subprogram(s) Affected Assistance Payments (AFDC), Medicaid, Elig. Deter.
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES		155.0				
200 TRAVEL		3.0				
300 CONTRACTUAL		6.0				
400 COMMODITIES		.6				
500 EQUIPMENT		3.0				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		15449.1				
TOTAL		15616.7				

FUNDING (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
GENERAL FUND		7825.9				
FEDERAL FUNDS		7790.8				
OTHER (Specify Fund Source)						

POSITIONS

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
FULL TIME		6				
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

III. ANALYSIS

The FY 81 Aid to Families with Dependent Children (AFDC) budget anticipates that a monthly average of 7564 families will each receive an average monthly grant of \$343.00, for a total anticipated AFDC expenditure of 31,133.1 (7564 x \$343.00 x 12 months).

(1) Assistance Payments BRU, AFDC Program:

- (a) Adult Not Included (ANI) Cases: For FY 81, 24.8%, or 1876 of the anticipated 7564 AFDC cases, will consist of children living in the home of non-needy relatives. CSHB 968 calls for granting these cases an automatic annual percentage increase equal to the annual percentage benefits increase in the Social Security and Supplemental Security Income programs. For FY 81, this increase has been established at 14.3%.

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

Prepared by: Gordon Landes Date: April 29, 1980
 Division/Office: Public Assistance PH: 465-3347
 Department of Health & Social Services

III: ANALYSIS

This COLA would increase the average payment for Adult Not Included AFDC cases by \$33.21 per case per month, raising their anticipated average payment from \$232.21 to \$265.42 per month.

The cost of the COLA addition to ANI cases would be 747.6.
 (\$33.21 increase per month x 1876 cases x 12 months = 747.6.)

(b) Adult Included (AI) Cases: CSHB 968 calls for AFDC children living with a needy relative to experience three increases: (1) an increase in basic maximum payment of \$100 per month (from \$350 maximum to \$450 maximum for a household with a parent and one child); (2) an increase in the additional amount for additional children from \$50 to \$75 each; and (3) adding the Social Security annual cost-of-living percentage of 14.3% to all AI cases.

(1) \$100 Maximum Payment Increase: For FY 81, 5688 cases per month will receive an average monthly payment of \$371.47. CSHB 968 would increase the average payment by \$100 per family. The cost of this provision would be 6825.6 (\$100 increase per month x 5688 cases x 12 months = 6825.6).

(2) \$75 Child Increment: CSHB would increase the additional maximum payment for second, third, and additional children by \$25, from \$50 to \$75 for each child. The "average" AFDC-AI case consists of 2.81 persons--a mother and 1.81 children. The first child is included in the base payment. Thus the cost of this provision would be 1382.2 (.81 children x \$25.00 increase x 5688 cases x 12 months).

(3) 14.3% COLA Adjustment: CSHB 968 would add the national cost of living percentage increase of 14.3% after the increased base payment and the child increment increase. The cost of this provision would be 4799.8 (\$371.47 FY 81 average payment + \$100 base increase + \$20.25 child increment increase = \$491.72 average payment x 14.3% x 5688 cases per month x 12 months).

(c) New Cases: In the AFDC program the statutory maximum payment levels are also the qualifying standards for entry into the program. CSHB 968 would increase these standards. For example, the maximum countable income a needy applicant with two children can have and still qualify for AFDC assistance is currently \$400. (This would also be the recipient's AFDC payment if he or she had no other countable income. The provisions of CSHB 968 would establish the new qualifying limit of \$600.00 for this 3-person family.

It is reasonable to assume that there are Alaskan families who have countable incomes over the current standards but under the higher proposed standards, and to assume that some of these families would choose to apply and would meet all other eligibility factors. However, there is no data, either within the past ten years of AFDC program utilization or from any other source that indicates whether new families would enter the program, or if they would, in what numbers.

Nevertheless, the Department believes a growth in families served will occur. Though it is nothing but an unsubstantiated guess, we believe the large increase in standards would attract an additional 800 families in FY 81. These new families are most likely to have an average countable non-AFDC income mid-way between the current and the proposed standards and thus qualify for an average monthly AFDC payment of \$92.13 (2.81 persons per household: \$350 + (.81 x \$50) = \$390.50 current, versus \$514 + (.81 x \$75) = \$574.75. 1/2 of \$574.75 - \$390.50 = \$92.13). This would produce an increased AFDC cost of 884.5 (\$92.13 average payment x 800 cases per month x 12 months).

(d) AFDC BRU Summary

700 Grants:	ANI COLA Increase	=	747.6	
	AI \$100 Base Increase	=	6,825.6	
	AI \$25 Child Increase	=	1,382.2	
	AI COLA Increase	=	4,799.8	
	AI New Cases	=	884.5	
	TOTAL		14,639.7	
			7,319.9	Federal
			7,319.8	State GF Match

(2) Medicaid BRU

If 800 new families enter the AFDC program, they will be automatically eligible for Medicaid services. Approximately 60%, or 1349, of these 2248 persons (2.81 persons/family x 800 families) will use Medicaid services. Each of these 1349 persons will average \$600 in services in FY 81. Total cost to the Medicaid BRU will be 809.4 (1349 x \$600); 404.7 federal funds, 404.7 state general fund match; 700, Grants and Claims.

(3) Eligibility Determination BRU

The addition of 800 new AFDC and Medicaid cases will require additional eligibility staff and services. Additional staff required will be four Eligibility Worker IIs, one Eligibility Worker III supervisor, and one Clerk Typist III. The cost to the Eligibility Determination BRU will be:

100	Personal Services	155.0	
200	Travel	3.0	
300	Contractual	6.0	
400	Commodities	.6	
500	Equipment	<u>3.0</u>	
	TOTAL	167.6	66.2 Federal Match
			66.2 General Fund Match
			35.2 General Fund

S. J. De

Original sponsor: Rules/Governor

Offered: 5/1/80
Referred: Finance

1 IN THE HOUSE

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

2 CS FOR HOUSE BILL NO. 968

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to maximum benefits paid as aid to
7 families with dependent children; and providing for an
8 effective date."

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

10 * Section 1. AS 47.25.320(a)(2)(A) is amended to read:

11 (A) for a parent and one child under 18, a maximum of
12 \$450 [\$350];

13 * Sec. 2. AS 47.25.320(a)(2)(C) is amended to read:

14 (C) for each additional child under age 18, \$75 [\$50] a
15 month per child.

16 * Sec. 3. AS 47.25.320 is amended by adding a new subsection to read:

17 (d) If benefits under Title XVI of the Social Security Act (42
18 U.S.C. 1381 - 1385) are increased because of an increase in the cost of
19 living, the department shall increase the monetary maximums in (a) of
20 this section by a percentage equal to the percentage increase in bene-
21 fits under Title XVI.

22 * Sec. 4. AS 47.25.320(c) is repealed.

23 * Sec. 5. This Act takes effect July 1, 1980.

JAY S. HAMMOND
GOVERNOR



PHONE
(907) 276-3003

STATE OF ALASKA
OFFICE OF THE GOVERNOR

ALASKA COMMISSION ON THE STATUS OF WOMEN
338 DENALI STREET, SUITE 850
ANCHORAGE, ALASKA 99501

May 21, 1980

Representative Russ Meekins Jr.
Chairman, House Finance Committee
Alaska House of Representatives
Pouch V
Juneau, Alaska 99811

Dear Representative Meekins:

The Alaska Commission on the Status of Women supports CS for HB No. 968, relating to maximum benefits paid as aid to families with dependent children. As the enclosed work-paper shows, welfare has a particular impact on women.

During public hearings held in October, 1979, the Women's Commission heard considerable testimony regarding problems faced by persons receiving aid to families with dependent children. Women reported that the present basic rate for AFDC recipients is insufficient and should be raised immediately. Other public assistance programs in Alaska for adults pay a maximum of \$377 per individual as opposed to the maximum grant of \$350 for two people on AFDC, a parent and one child.

Furthermore, the AFDC statute needs to be amended to provide for an automatic cost of living escalator. Adult Public Assistance grants include an automatic cost of living escalator adjustment in the statute, while the AFDC statute does not. We find this to have a serious economic impact on women, since women are the primary recipients of AFDC grants.

We strongly support CS for HB No. 968 and urge its passage this year. If we can be of further assistance, please feel free to contact us.

Sincerely,


Lynne Woods
Executive Director

enclosure
LW/pl

JAY S. HAMMOND
GOVERNOR



PHONE
(907) 276-3003

STATE OF ALASKA
OFFICE OF THE GOVERNOR

ALASKA COMMISSION ON THE STATUS OF WOMEN
338 DENALI STREET, SUITE 850
ANCHORAGE, ALASKA 99501

SUBJECT: COMMISSION WORKPAPER AND RECOMMENDATIONS ON WELFARE
FROM: DOROTHY JONES, ACSW SUBCOMMITTEE ON WELFARE
DATE: JANUARY 25, 1980

Welfare is a women's issue. Because of women's status, dependency in marriage, limited earning power in the job market, and responsibilities to minor children, large numbers of women alone or women and their children live in poverty. Women, their children, and the elderly (most of whom are female) constitute the majority of the 24.3 million Americans--one in five persons in our population--officially classified as poor in 1975.

The number of female heads of household has risen rapidly in recent years. As of October 1978, one out of every three single female parent households lives in poverty. Both the low wages of women and the lack of enforcement of child support awards tend to reinforce the poverty status of female headed families in Alaska.

Fifty percent of all welfare mother's work part time, or part year, outside the home. Low income people, including welfare recipients, want to work, and when feasible, do work. Eighty percent of AFDC mothers want to work outside the home, but full-time jobs that will enable them to support their families are not available. One-fourth of all American women who work do so in industries and jobs not even covered by the federal minimum wage. And current training programs steer women into undervalued, low-paying, deadend jobs.

Both women who testified at the Commission public hearing on Welfare (October 6, 1979) and women interviewed for the Commission study on Women and Economics (in progress) have raised these issues. They have reported:

- .The welfare system is inefficient and degrading, and very difficult to escape.
- .The welfare grant is not enough to cover the necessary expenses of food, rent, and utilities.
- .Dental coverage is needed under medical assistance programs.
- .There is no incentive under the current system to get off of welfare. Training programs and work income are not coordinated well with welfare assistance; women are often actually penalized for going to school or for working.
- .Day care and transportation create large obstacles for women in work and training.
- .Child support is often impossible to collect.
- .Jobs offer little or no more pay than the assistance grant after expenses of day care, etc.

.Women on welfare have a difficult time keeping up their self-image especially because of treatment by the public assistance programs.

Testimony for the Welfare and Violence Against Women hearings sometimes overlapped. Women spoke to the need for immediate financial assistance to seek shelter and to begin independent households. (This was also reported as a major need of battered women in the 1977 Report on the Status of Women.)

The Aid to Families with Dependent Children (AFDC) program was the subject of much testimony, perhaps due to the fact that 93% of all AFDC recipients are women. A representative from the National Association of Social Workers (NASW), also the head of the Social Work Unit, University of Alaska-Anchorage, testified that the grant amount for AFDC families is inadequate and that the program is unfair and falls far short of its goal, which is to keep families together and to support dependent children.

A representative from the Division of Public Assistance, Juneau, testified that "AFDC is an archaic and miserable program and it is obviously discriminatory; the benefits levels are totally inadequate...Anchorage is the most dehumanizing office and we know it... A negative tax system approach...would dispense with the complicated middle-man machinery that we have now. All the AFDC program does is subsidize landlords and grocery stores."

The Commissioner of Health and Social Services also states in a report to the legislature (1979) that "the department believes that the AFDC payment level is inadequate to meet most recipients' basic subsistence needs."

Other concerns reported included the need for more relevant assistance and training programs for rural areas and more realistic grant levels for parts of the state with varying costs of living.

In the subcommittee study and consideration of the welfare issues, the following resources were utilized:

- ACSW Public Hearings on Welfare (October 6, 1979) and Violence Against Women (October 5, 1979), Anchorage and Statewide Teleconference.
- ACSW Study on Women and Economics (in Progress)
- Coalition for Economic Justice "Urban Citizen Participation Conference Report," (1979, Anchorage, Homer, Juneau, Kenai, and Wasilla).
- National Organization for Women, "Women, Welfare, and Poverty: Factsheet," with data from the U.S. Department of Labor's review of research on the work force participation of welfare recipients, and from the U.S. Commission on Civil Rights.
- Research done on welfare by subcommittee member, Dr. Dorothy Jones, including the 1977 Preliminary Report on the Status of Women and report entitled "The Urban Native Encounters the Social Service System in Anchorage." (ISER: 1974)
- Consultation with experts in the field including Pudge Kleinkauf, head of the Social Work Unit, University of Alaska-Anchorage; Nate Perry, rural social worker; Sharon Walleen, Board Member of the Alaska Plan; Gordon Landes, Public Assistance Program Officer, Division of Public Assistance, Juneau.

THE WELFARE SUBCOMMITTEE RECOMMENDS THAT:

1. The Division of Public Assistance provide emergency (same day) assistance for women and children whose safety is threatened in the home, to enable them to leave home immediately.
2. The basic AFDC grant be increased by at least \$50 a month.
3. An annual cost-of-living increase provision be added to the AFDC maximum benefits statute.
4. A meaningful training and employment program be established for AFDC recipients to lift them out of poverty.
5. Social services be restored to AFDC recipients.
6. Senate Bill 214, providing emergency dental services for needy people, be passed.
7. The State legislature establish a task force on rural welfare services, with the membership to include some rural residents and recipients, in order to formulate recommendations for effective and appropriate rural welfare services.
8. House Joint Resolution 29, proposing workfare programs for all able-bodied AFDC recipients, be defeated.
9. Senate Bill 124, which provides that general relief be furnished only to needy people unable to work, be defeated.
10. The Alaska Congressional delegation support a replacement of the public assistance program with some form of a guaranteed annual income, such as a negative income tax.

REPLY MEMO

State of Alaska

MESSAGE

REPLY

TO Rep Perkins DATE 5/20

TO _____ DATE _____

2. Mr. Deborah Behl (465-3030)Special AssistantD455

Attached please find
the following letter on
HB 968 - AFDC Cola.

If you have questions on
this matter, please do not
hesitate to contact me at
465-3030.

1. KEEP YELLOW COPY. 2. SEND WHITE AND PINK COPIES WITH CARBON INTACT.

1. WRITE REPLY. 2. DETACH STUB, KEEP PINK COPY. RETURN WHITE COPY TO SENDER.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
REGION X
ARCADE PLAZA BUILDING
1321 SECOND AVENUE
SEATTLE, WASHINGTON 98101

MAY 15 1980

SOCIAL SECURITY ADMINISTRATION
OFFICE OF THE REGIONAL
COMMISSIONER

Refer to



Dr. Helen D. Beirne
Commissioner
Department of Health & Social Services
Rouch E-01
Juneau, Alaska 99811

Dear Dr. Beirne:

We have analyzed Alaska House Bill 968, dated May 1, 1980 and wish to comment on certain of its provisions which, if enacted, would raise compliance issues with respect to Federal regulations.

Alaska House Bill 968 provides an Aid for Dependent Children (AFDC) benefit payment increase of \$100 for a family household consisting of a caretaker parent and one child under age eighteen. If enacted, this legislation would increase the current payment provided under AS 47.25.320(a)(2)(A) from \$350 to \$450. The Bill would also provide a benefit payment increase of \$25 for each additional child in the home (after the second child) under the age of eighteen. This would increase the current payment provided to those children, under AS 47.25.320(a)(2)(C) from \$50 to \$75.

The increases provided under House Bill 968 do not appear to apply to the category of children living with non-needy, non-legally responsible relatives. This category is described under AS 47.25.320(a)(1). The omission of provision of these benefit increases to the category of recipient children living with non-needy relatives, while provided for the category of recipient children living with needy parents, appears to be based on the assumptions that:

- (1) children who live with non-needy, non-legally responsible relatives are less needy than children who live with needy relatives; and,
- (2) non-legally responsible, non-needy relatives automatically provide some support for the child's(ren) needs; and,
- (3) such child's(ren) needs are reduced by shared costs.

These assumptions are in direct conflict with Federal Regulations:

- (a) To treat groups of children differently because of living arrangement based on legal responsibility or not of non-needy caretaker relatives distinguishes the groups on an arbitrary basis thereby creating an unreasonable classification which is expressly prohibited at 45 CFR 233.10(a)(1) which states:

(a) State plan requirements. A State plan under title I, IV-A, X, XIV, or XVI, of the Social Security Act must:

(1) Specify the groups of individuals based on reasonable classifications, that will be included in the program, and all the conditions of eligibility that must be met by the individuals in the groups. The groups selected for inclusion in the plan and the eligibility conditions imposed must not exclude individuals or groups on an arbitrary or unreasonable basis, and must not result in inequitable treatment of individuals or groups in the light of the provisions and purposes of the public assistance titles of the Social Security Act.

- (b) The assumption that non-legally responsible caretaker relatives automatically provide some support for the dependent child(ren) and a grant reduction based on that assumption (in this instance, a different and reduced standard as compared to needy children in other circumstances) is expressly prohibited at 45 CFR 233.20(a)(2)(viii) which states:

". . . Provided that the money amount of any need item included in the standard will not be prorated or otherwise reduced solely because of the presence in the household of a non-legally responsible individual; and the agency will not assume any contribution from such individual for the support of the assistance unit."

- (c) The assumption that a child's(ren) needs are reduced by shared costs and a grant reduction based on that assumption clearly constitutes proration which is expressly prohibited at 45 CFR 233.90(a) which states in part:

" . . . nor may the State agency prorate or otherwise reduce the money amount for any need item included in the standard on the basis of assumed contributions from non-legally responsible individuals living in the household."

Further, the Supreme Court case of Van Lare v. Hurley (1975) prohibits assumption of income for AFDC children in a household with non-needy individuals. A State may not have a separate and reduced standard of living for a child with non-needy, non-legally liable caretaker relatives than with needy caretakers. A State is required to have a single statewide standard, expressed in money amounts, to be used in determining on an objective and equitable basis the needs of applicants and recipients and the amount of the assistance payment (45 CFR 233.20(a)(1) and (2)). To assign two different values to the same item or items of need (such items collectively constitute the standard) for a child based solely on whether or not the child lives with a non-needy, non-legally liable caretaker relative is arbitrary, bearing no relationship to the needs of the child who is receiving the lesser payment.

A State standard may have different dollar amounts for food or clothing for different reasonably defined age groups since older individuals may generally have more costly needs than younger individuals. Differing shelter amounts may result from a State's election to have shelter differentials but this is permitted only when there is objective evidence that there are actual differences in shelter costs between geographic areas and such differences are appreciable. However, such differences appear reasonably based. But this bears no relation to an assumption of income on the unsubstantiated basis that a non-needy, non-legally liable caretaker relative is contributing income towards the support of the needy child in his care and custody.

These rules prohibiting the assumption of income apply to non-legally liable relatives, and to legally liable relatives

other than spouse for spouse or parent for minor child as specified above. Thus, except for spouse for spouse or parent for minor child, a State may not assume that the income of other legally responsible relatives under State law is available to the child.

Notwithstanding, a grant reduction (not a standard reduction), is permitted in these instances where a documented voluntary contribution is made by the non-needy, non-legally responsible caretaker relative.

The following table illustrates the effect of H.B. 968 without the cost-of-living adjustment on State AFDC standards:

Family Size	Children with Needy Relatives		Children with Non-Needy, Non-Legally Responsible Relatives	
	Current Standard	Proposed Standard Under H.B. 968	Current Standard	Proposed Standard Under H.B. 968
1			\$150	\$150
2	\$350	\$450	\$300	\$300
3	\$400	\$525	\$350	\$350
4	\$450	\$600	\$400	\$400
	Plus \$50/month for each additional child under 18	Plus \$75/month for each additional child under 18	Plus \$50/month for each additional child under 18	Plus \$50/month for each additional child under 18

Note that for the category of children living with needy relatives, there is no identification of the amount of the standard that is attributable to the adult caretaker relative. It merely says that for family size of two, a grant of \$350 is made. For two children living with non-needy, non-legally responsible relatives, a grant of \$300 is made. It may be reckoned that the additional \$50 (\$350-50) provided to the needy relative situation is reasonable due to increased costs of shared standard items for adults (this would not hold true for shelter). This was the rationale for Federal approval of the current standard.

Under the proposed H.B. 968 standard, no standard increment is provided to the category of children with non-needy, non-legally responsible caretaker relatives. A difference of \$150 between the two categories

Dr. Helen D. Beirne - page 5

of recipients is too great to account for an addition based on shared costs that would require an amount of that magnitude for the adult. The Bill did not even address the non-needy, non-legally responsible caretaker relative category. It would appear clear that legislative intent was to increase the needy caretaker relative group, per se.

It must, therefore, be concluded that the new standard results in pro-
-ration and assumes the availability of income for the non-needy, non-
-legally responsible caretaker relative category. In no event may income
be assumed or shelter costs be prorated.

In summary, should Alaska House Bill 968 be enacted, the State agency,
upon implementation, would be out of compliance with Federal regulations
as cited herein. In addition, a new or revised State plan submitted to
implement such legislation would be unapprovable.

We would be pleased to offer technical assistance including testifying
before the legislature on this Bill if so desired.

Sincerely,



Donald C. Sutcliffe
Regional Commissioner

Enclosures

cc:
Rod Betit

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§ 47.25.310 WELFARE, SOCIAL SERVICES AND INSTITUTIONS § 47.25.320

Article 3. Aid to Families with Dependent Children Act.

Section	Section
310. Eligibility for assistance	380. Reconsideration and alteration of assistance
320. Amount of assistance	390. [Repealed]
330. Duties of department	395. Alienation and attachment
340. Application for assistance	400. Purpose
350. Investigation of application	403. Reporting change of status
360. Granting of assistance	405. Obtaining assistance by fraud
365. Retraiding of parent or family member	410. Definitions
370. Appeal	420. Short title

Sec. 47.25.310. Eligibility for assistance. The department shall grant assistance to the family of each dependent child it determines is eligible for assistance under AS 47.25.310 — 47.25.420, or to employers under a work incentive program established by AS 23.15.650, and by § 433(e) (1) of the Federal Social Security Act (42 USC 601 et seq.), as amended. (§ 51-2-32 ACLA 1949; am § 2 ch 57 SLA 1949; am § 1 ch 73 SLA 1963; am § 2 ch 134 SLA 1968)

Editor's note. — The federal provision referred to in this section was added by § 201 of the Social Security Amendments of 1967 (PL 90 248; 81 Stat. 821).

A statutory prohibition of welfare benefits to residents of less than a year creates a classification which constitutes an invidious discrimination denying such

residents equal protection of the laws. *Shapiro v. Thompson*, 394 U.S. 618, 89 S. Ct. 1322, 22 L. Ed. 2d 600 (1969).

Cited in *Public Defender Agency v. Superior Court*, Third Judicial Dist., Sup. Ct. Op. No. 1140 (File No. 2071), 534 P.2d 917 (1975).

Sec. 47.25.320. Amount of assistance. (a) The department shall determine the amount of assistance for a dependent child and the relative with whom the dependent child is living, with regard to the resources and necessary expenditures of the family and the condition existing in each case. Assistance is sufficient if, when added to all other income and support available to the child, the child and relative have reasonable subsistence compatible with decency and health. However, the amount of assistance may not exceed the following:

- (1) dependent child living with nonneedy relative: for a child under age 18 who is living in the home of a nonneedy relative, \$150, plus an additional \$150 for the second child, and \$50 a child for the third and each additional child;
- (2) dependent child living with parent:
 - (A) for a parent and one child under 18, a maximum of \$350;
 - (B) (repealed)
 - (C) for each additional child under age 18, \$50 a month per child.

(b) The monetary maximums in (a) of this section do not apply to payments made under this program for the care of a dependent child in a foster family home. The payment shall conform to foster care rates as provided by the department.

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COST OF COLA INCREASE ONLY: HB 968

Estimate #1:

AFDC-ANI (33.21 x 1876 x 12 = 747.6)	\$	747,600
AFDC-AI (53.12 x 5688 x 12 = 3625.8)	\$	3,625,800
		\$ 4,373,400
 Total cost of COLA increase	 \$	 4,373,400
Federal contribution	\$	2,186,700
State GF Match	\$	2,186,700
COST TO STATE	\$	2,186,700

Estimate #2:

All AFDC cases (49 x 7564 x 12 = 4447.6)	\$	4,447,632
 Total cost of COLA increase	 \$	 4,447,632
Federal contribution	\$	2,223,816
State GF Match	\$	2,223,816
COST TO STATE	\$	2,223,816

Explanation

Estimate #1 breaks down the cost of the COLA increase by separating the increase for ANI (Adult Not Included) cases from AI (Adult Included) ones. \$33.21 is the cost of the 14.3% increase in the average payment (\$232.21) to an ANI case. Likewise, \$53.12 is the cost of the 14.3% increase in the average payment (\$371.47) to an AI case.

Estimate #2 represents the cost of the 14.3% increase to the average AFDC payment (\$343.00) without separating the cost of ANI from AI cases. The cost of the average payment would increase to \$392 (\$343 + \$49 (14.3% increase) = \$392).

Both estimates are provided since the final figures differ slightly.

III. ANALYSIS---Continued

Thus the impact of this legislation on the anticipated AFDC expenditures would be an increase of 4,047.3 ($7,564 \times \$44.50 \times 12$ months). 50% of this increase, 2023.7 would be federal matching funds.

- II. In the AFDC program the statutory maximum payment levels are also the qualifying standards for entry into the program. This proposal would increase these standards. For example, the maximum countable income an applicant with one child can have and still qualify for AFDC assistance is currently \$350. (This would also be the recipients' AFDC payment if he or she had no other countable income.) A ~~19.3%~~ increase in the standard would establish a new qualifying limit of ~~\$400.00~~ for this size family.

It is reasonable to assume that there are Alaskan families who have countable incomes over the current standards but under the higher proposed standards, and to assume that some of these families would choose to apply and would meet all other eligibility factors.

Therefore it is reasonable to assume that the legislation would add new recipients to the anticipated FY 81 caseload. However, there are no factual grounds upon which this assumption can be based. In fact, there is evidence demonstrating that these newly-eligible families are not likely to affect anticipated expenditures:

- (a) Effective July 1, 1978, a statutory amendment increased maximum payment levels and qualifying standards for 75% of AFDC applicants and recipients by \$50.00 per family. There was no sudden increase in the total number of recipients, and the rate of growth in the number of recipients in the twelve months after this change was not significantly changed from the rate of increase in the twelve months preceding this change.
- (b) An annual Social Security cost of living percentage increase has applied to the Adult Public Assistance programs for several years. Each July, the increase in standards and payments has not produced significant changes in the recipient growth rate in those programs.

The Department has no data proving that this legislation will not increase the total number of AFDC recipients, but the recent history of assistance programs does indicate that an increase is unlikely to happen. We are therefore not projecting any additional growth in caseload in AFDC solely as the result of this legislation, nor are we projecting any related increase in expenditures in the Medicaid and Eligibility Determination BRUs.

POSITION PAPER/Department of Health & Social Services

POSITION PAPER
ON
HOUSE BILL No. 968

"An Act adding a cost-of-living adjustment to maximum benefits paid as Aid to Families with Dependent Children; and providing for an effective date."

This proposed legislation would amend AS 47.25.320 to provide that the maximum monthly payment for families receiving cash assistance under the Aid to Families with Dependent Children (AFDC) program would increase each year by the same percentage increase as is granted under the Social Security Act to Social Security and Supplemental Security Income (SSI) recipients.

Under federal law, needy elderly, blind, and disabled persons receiving SSI assistance have their SSI payments increased each July 1 by the percentage that the national cost-of-living index has increased in the preceding year. Under Alaska statutes, maximum supplemental state payments to Alaska's needy elderly, blind, and disabled increase automatically by this same percentage. This guarantees that these persons will not suffer an inflation-caused erosion in their ability to purchase the basic necessities.

AFDC recipients are not now afforded this protection against inflation increases in costs of necessities. Despite past periodic legislative increases in AFDC payments levels, the Department believes that the present payment maximums are not adequate to meet most AFDC families' basic needs. (A copy of the Department's annual report to the Legislature on AFDC payment adequacy is attached.) We believe that HB 968 provides the most economical means of assuring that AFDC payments become and remain sufficient to achieve the purpose of the program and meet recipient families' needs.

We strongly support the passage of HB 968.

Recommended by: Rod Betit
Rod Betit, Director
Division of Public Assistance

Date: April 10, '80

Approved by: Helen D. Beirne
Helen D. Beirne, Commissioner
Department of Health & Social Services

Date: 4-11-80

DEPT. OF HEALTH AND SOCIAL SERVICES

OFFICE OF THE COMMISSIONER

POUCH H 01 - JUNEAU 52811

APR 10 1979

Document# 69-80

Honorable Terry Gardiner
Speaker
House of Representatives
Pouch V MS 3100
Juneau, Alaska 99811

Dear Representative Gardner:

AS 47.25.320(c) provides that the Department shall provide the Legislature with "financial data on the Aid to Families with Dependent Children program with special reference to amount of funds required to maintain adequate payments in consideration of changes in the cost of living."

The Fiscal Year 1981 budget submission for the Aid to Families with Dependent Children (AFDC) program provides fiscal data on recent expenditures, the number of persons served, and the average payment made to each family unit. However, the budget documents do not address the question of the adequacy of the payments being made. This report is intended to apprise you of the Department's current assessment of that question.

I. The AFDC Maximum Payment

The current maximum payments specified in AS 47.25.320 are intended to meet the basic needs of dependent children who are deprived of the support and care of one or both parents, and, if necessary, the needs of the one relative with whom they live. These needs include such subsistence items as food, fuel, shelter, and clothing. At the present time, a typical AFDC family consisting of a mother and one child can be paid up to \$350 per month in AFDC funds to enable them to obtain these basic needs.

Federal regulations require that the state exclude all or part of certain kinds of income that AFDC recipients receive when determining their AFDC payment level. The effect of these regulations is that some AFDC families receive more monthly income than other AFDC families. However, we estimate only 10% of the 7564 families who will receive AFDC assistance monthly in FY 81 will have extra income. Thus the vast majority of Alaska's AFDC families exist on a total monthly income equal to the maximum AFDC payment specified by Alaska statute. These monthly income levels depend on family size and are as follows:

<u>Family Size</u>	<u>With Needy Adult Relative</u>	<u>Without Needy Adult Relative</u>
1	---	\$ 150
2	\$ 350	\$ 300
3	\$ 400	\$ 350
4	\$ 450	\$ 450

(\$50 additional for each additional child)

II. Recent Changes in the Maximum Payment

Though no longer in effect, legislation enacted in 1970 established a complex structure of maximum AFDC payments based upon children's ages that was significantly different than that in use now as described above. A mother and one child under 5 received a maximum AFDC payment of \$125 per month, \$150 if the child were between 5 and 12, and \$175 if the child were between 13 and 18.

Effective July 1, 1974, these maximums were again changed to \$250 per month for a mother and one child 12 or under, and \$300 for a mother and a 13 to 18 year old. On July 1, 1975, these standards were again modified by removing any consideration of the child's age and establishing a universal two-person maximum of \$300 with \$50 allowed for each additional child, to a ceiling of \$520 regardless of family size.

The last AFDC payment change was made effective July 1, 1978. The \$520 ceiling for AFDC payment was deleted. The maximum payment for a needy relative and one child was increased from \$300 to \$350, with \$50 continuing to be allowed for each additional child. Whereas, approximately three-fourths of our AFDC caseload includes a needy adult living with one or more children, the effect of this last change in standards was to increase average payments to 75% of all AFDC families by \$50 per family. AFDC children living with a non-needy relative have not received an increase since 7/1/74. The \$50 increment for each additional child has not been changed since 1974.

III. Adequacy of the Current Maximums

Title IV of the Social Security Act, as amended, states that the purpose of the AFDC program is to "encourage the care of dependent children in their own homes or in the homes of a relative by enabling each state to furnish financial assistance and rehabilitation and other services, as far as practicable under the conditions in each state, to needy dependent children and the parents or relative with whom they are living, to help maintain and strengthen family life and to help such relatives to attain or retain capability for the maximum self-support and personal independence consistent with the maintenance of continuing parental care and protection."

The Social Security Act and federal regulation (Title 45) allow the states the freedom to establish their own separate payment levels. They also allow for regional differences in payment levels within a state, if those differences can be supported by objective data. (Alaska has chosen a statewide standard.) Nowhere in these laws or regulations is guidance offered regarding the minimum subsistence level consistent with the purpose of the program.

In Alaska, as in almost all other states, "adequacy" of payments is defined primarily by legislative action. As we view this process, it is an attempt to reach a reasonable compromise among three often conflicting elements: the program purpose, the basic economic needs of the recipient families, and the taxpayer's willingness and ability to provide the funds necessary to maintain needy families intact in dignity and health. Payment levels that are too low to meet legitimate client needs waste the taxpayer's money, for the program cannot then meet its purpose of providing financial support adequate to enable the family to remain together. Payment levels that are too high are wasteful in two senses: they cause unnecessary expenditures, and they encourage unnecessary welfare dependency.

The Department believes that the taxpayer's definition of adequate AFDC payment levels is accurately expressed through the annual administrative and legislative review of the AFDC budget. It is therefore our belief that this report should represent evidence which will help you to define adequacy from the AFDC recipient's point of view.

From the recipient's point of view, we believe that, despite the history of payment increases, AFDC payment levels are presently inadequate to meet most recipient's basic subsistence needs. The evidence supporting this judgement is detailed below.

IV. Measurements of Inadequacy

A. Recipient Reports of Expenses

In 1978, the Legislative Affairs Agency mailed questionnaires to each AFDC recipient, measuring among other things what the AFDC household's expenses were in August 1978. About one third of the households responded, which is in itself a measure of concern about payment levels. While the survey results cannot be considered statistically accurate, they do give some indication of costs of basic subsistence items for AFDC recipients.

A summary of the survey's results are:

	<u>Urban</u>	<u>Rural</u>
Rent or Mortgage	\$ 261	\$ 180
Fuel	\$ 48	\$ 108
Utilities	\$ 47	\$ 76
Food	\$ 182	\$ 272
TOTAL	\$ 538	\$ 636

(Note: Some of the households responding had additional household members who were not receiving AFDC benefits. Therefore the costs reported in the survey may be higher than if the survey had been restricted to households in which all members were AFDC recipients.)

The expenditures listed are now quite old. You do not need to be reminded what effect double-digit inflation and the energy crisis have had on living costs since mid-1978.

These survey results tend to support common knowledge about Alaskan costs of basic necessities, particularly housing costs. The majority of Alaska's AFDC cases reside in urban settings, concentrated in Anchorage, Fairbanks, Juneau and Ketchikan. A cursory survey of available housing in those areas shows that there is inadequate, low-income housing available. Minimally-acceptable rental units which can accommodate children, when such units are available, range from \$180 to \$450 per month. Even when the total expense amounts are reduced by the amount of food assistance available through the Food Stamp program, and energy assistance through the Energy Assistance program, the costs of basic necessities exceed many AFDC families maximum monthly grants.

B. Cost of Living Poverty Guidelines

- (1) The U.S. Bureau of Labor Statistics maintains a Cost of Living Index for Alaska which measures relative increases in living costs for Anchorage. On January 1, 1970, the Index was 107.9; on January 1, 1979 the Index was 198.1; and on January 1, 1980, it was 218.2. In these 10 years the cost of living more than doubled, and AFDC benefits for a mother with a young child more than doubled, increasing from \$150 to \$350 per month.

By this measurement, AFDC increases over the years have apparently kept pace with rising costs of living. However, this comparison would indicate that AFDC payment maximums are adequate now only if they were originally adequate in 1970. Absent any convincing information on this question, we leave this to your judgement.

- (2) The U.S. Community Services Administration (CSA) publishes annual poverty guidelines for Alaska. This year's (1980) guidelines have not yet been published, but the 1979 CSA annual gross income poverty levels compared to current annual AFDC maximums as follows:

<u>Family Size</u>	<u>CSA 1979 Farm</u>	<u>CSA 1979 Non-Farm</u>	<u>AFDC With a Needy Adult</u>	<u>AFDC With No Needy Adult</u>
1	4562	5338	-----	1800
2	6023	7050	4200	3600
3	7463	8763	4800	4200
4	8913	10475	5400	4800

Clearly, current AFDC maximums fall well below federally established poverty levels for Alaska.

C. Comparison with Other States

The following payment levels for several states offer a useful comparison which may be indicative of payment adequacy. In our judgement, Alaska's higher costs of necessities were considered in this comparison, Alaska's maximum payment would not compare favorably with those of most other western states.

Maximum payments for AFDC recipients (1979-early 1980 Levels for needy adult-included cases):

	<u>Parent and One Child</u>	<u>Parent and Three Children</u>
Alaska	\$ 350	\$ 450
Oregon	304	456
Washington	339	483
Utah	253	389
Idaho	259	366
California	331	487
Hawaii	390	546

This comparison does not consider extra "special needs" which most states except Alaska grant for various items such as school attendance and supplies, laundry, job interviews, etc. Most listed states except Alaska have lower standards for persons with little or no housing costs.

D. Comparison with Adult Public Assistance

Another possible measurement of adequacy is internal to Alaska's own assistance programs. By state statute, the FY 80 Adult Public Assistance programs (Aid to the Blind, Aid to the Disabled, and Old Age Assistance) provides for a \$414 maximum monthly payment to an individual, and \$608 to a couple. Each year this maximum increases by the percentage amount of the annual national Social Security percentage increase. For FY 81, the \$414 maximum for an individual is expected to increase by 13%, to \$467, while the couple maximum will increase from \$608 to \$687. State statutes thus appear to maintain the striking position that a mother and child can maintain themselves on \$350 a month, but two elderly or disabled adults require \$608 to \$687 a month. Not only are adults likely to be more "established" and therefore have lower expenses for necessities, but particularly the elderly have many more programs available which offer them direct or indirect financial benefits.

E. Comparison with Foster Care Costs

A final point of measurement is also internal to the Department of Health and Social Services. The Department establishes foster care rates each year after holding rate hearings throughout the state. Payments are set on a regional basis, varying by ages of children. Payment rates are set to meet, but not exceed, the direct costs of providing basic necessities and adequate recreational and instructional material to families willing to assume the additional responsibility of a foster child.

For a 30-day month, the Division of Social Services reimburses a foster parent as follows for one child:

<u>Region</u>	<u>Lowest (Age 0-4)</u>	<u>Highest (Age 12 and over)</u>
Northern	\$ 334.00	\$ 442.00
Northwestern	387.00	514.00
Southcentral	291.00	384.00

By comparison, the AFDC program pays \$150 for a single child with no needy adult relative, \$150 maximum for the second child, and \$50 for each additional child.

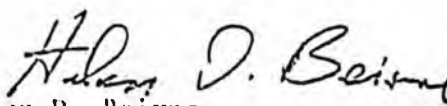
V. Conclusion

This is the third annual report we have presented to you which has utilized these five basic comparative measures of adequacy. Each year these comparative measures show that Alaska's AFDC families' capacity to meet the costs of the basic necessities of life is diminishing rapidly. To us, there is no longer any question that our AFDC program is unable to fulfill the purposes for which it was designed by federal law and implemented by Alaska statute.

To correct this situation, Governor Hammond has requested legislation be placed before you which would provide for AFDC maximum payment levels to be automatically increased each year by the same percentage our adult programs are increased. This bill, HB 968, would at least guarantee that AFDC recipients will not see their comparative situation worsen each year.

We commend HB 968 to your attention as a workable compromise between the AFDC client's obvious need for adequate aid and the taxpayer's equally obvious desire to support a program which achieves its goals at the lowest possible cost.

Sincerely,


Helen D. Beirne
Commissioner



DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
 REGION X
 ARCADE PLAZA BUILDING
 1321 SECOND AVENUE
 SEATTLE, WASHINGTON 98101

Handwritten: AFD
 SSS
 8/10

SOCIAL SECURITY ADMINISTRATION
 BUREAU OF SUPPLEMENTAL
 SECURITY INCOME

March 17, 1980

Mr. Rod Betit, Director
 Division of Public Assistance
 Dept. of Health & Social Services
 Pouch H-07
 Juneau, Alaska 99811

Vertical stamp: DEPARTMENT OF HEALTH & SOCIAL SERVICES DIVISION OF PUBLIC ASSISTANCE
 MAR 20 5 05 AM '80

Dear Mr. Betit:

We have been advised that the cost of living increase in SSI payments will probably be 13.0 percent. This will raise federal payment standards to \$235.30 for an individual and \$352.90 for a couple. The final figure will be available April 22, and we will relay it to you as soon as it is received.

As soon as possible, please advise us what your new SSI payment standards will be.

Sincerely,

Handwritten signature of Robert H. Dunn

Robert H. Dunn
 Assistant Regional Commissioner
 for Programs

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. House Bill 968
 Title Annual Cost of Living Increase, Aid to Families with Dependent Children Program
 Requested by House Rules Committee, by request Date March 18, 1980

II. FISCAL DETAIL Department of Health and Social Services
 Agency Affected Department of Health and Social Services
 Program Category Affected Social & Economic Assistance for General Population
 BRU, Program, or Subprogram(s) Affected Assistance Payments (AFDC)
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)
EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		4047.3				
TOTAL		4047.3				

FUNDING (Thousands of Dollars)

GENERAL FUND		2023.6				
FEDERAL FUNDS		2023.7				
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME		None				
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

I. The FY 81 Aid to Families with Dependent Children (AFDC) budget anticipates that a monthly average of 7,564 recipient families will each receive an average monthly grant of \$343.00 for a total expected AFDC expenditure of 31,133.1 (7,564 x \$343.00 x 12 months).

Title XVI annual percentage increases are determined by the percentage increase in the national cost of living index. At this time, the Social Security Administration estimates this percentage increase for the coming year will be 13.0%. The effect of this proposed legislation would be to increase the average monthly payment to each AFDC family by 13.0%, or \$44.59, beginning July 1, 1980. The maximum monthly payment for the average AFDC family would increase from \$343.00 to \$387.59 (\$343 x 1.13 = \$387.59).

Continued

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

Prepared by: Gordon Landes Date: March 18, 1980
 Division/Office: Public Assistance PH: 465-2347
 Department of Health & Social Services

III. ANALYSIS---Continued

Thus the impact of this legislation on the anticipated AFDC expenditures would be an increase of 4,017.3 (7,564 x \$44.59 x 12 months). 50% of this increase, 2023.7 would be federal matching funds.

II. In the AFDC program the statutory maximum payment levels are also the qualifying standards for entry into the program. This proposal would increase these standards. For example, the maximum countable income an applicant with one child can have and still qualify for AFDC assistance is currently \$350. (This would also be the recipients's AFDC payment if he or she had no other countable income.) A 13.0% increase in the standard would establish a new qualifying limit of \$388.00 for this size family.

It is reasonable to assume that there are Alaskan families who have countable incomes over the current standards but under the higher proposed standards, and to assume that some of these families would choose to apply and would meet all other eligibility factors.

Therefore it is reasonable to assume that the legislation would add new recipients to the anticipated FY 81 caseload. However, there are no factual grounds upon which this assumption can be based. In fact, there is evidence demonstrating that these newly-eligible families are not likely to affect anticipated expenditures:

- (a) Effective July 1, 1978, a statutory amendment increased maximum payment levels and qualifying standards for 75% of AFDC applicants and recipients by \$50.00 per family. There was no sudden increase in the total number of recipients, and the rate of growth in the number of recipients in the twelve months after this change was not significantly changed from the rate of increase in the twelve months preceding this change.
- (b) An annual Social Security cost of living percentage increase has applied to the Adult Public Assistance programs for several years. Each July, the increase in standards and payments has not produced significant changes in the recipient growth rate in those programs.

The Department has no data proving that this legislation will not increase the total number of AFDC recipients, but the recent history of assistance programs does indicate that an increase is unlikely to happen. We are therefore not projecting any additional growth in caseload in AFDC solely as the result of this legislation, nor are we projecting any related increase in expenditures in the Medicaid and Eligibility Determination BRUs.

Original sponsor: Rules/Governor

Offered: 5/1/80
Referred: Finance

1 IN THE HOUSE

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

2 CS FOR HOUSE BILL NO. 968

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to maximum benefits paid as aid to
7 families with dependent children; and providing for an
8 effective date."

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

10 * Section 1. AS 47.25.320(a)(2)(A) is amended to read:

11 (A) for a parent and one child under 18, a maximum of
12 \$450 [\$350];

13 * Sec. 2. AS 47.25.320(a)(2)(C) is amended to read:

14 (C) for each additional child under age 18, \$75 [\$50] a
15 month per child.

16 * Sec. 3. AS 47.25.320 is amended by adding a new subsection to read:

17 (d) If benefits under Title XVI of the Social Security Act (42
18 U.S.C. 1381 - 1385) are increased because of an increase in the cost of
19 living, the department shall increase the monetary maximums in (a) of
20 this section by a percentage equal to the percentage increase in bene-
21 fits under Title XVI.

22 * Sec. 4. AS 47.25.320(c) is repealed.

23 * Sec. 5. This Act takes effect July 1, 1980.

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29



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 21, 1980

113 968

The Honorable Terry Gardiner
Speaker of the House
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill adding a cost-of-living adjustment to maximum benefits paid as Aid to Families with Dependent Children (AFDC). This bill would provide that the statutory maximum is to be adjusted by the Department of Health and Social Services whenever, and by the same percentage as, the federal government provides a cost-of-living increase in benefits paid to elderly, blind, or disabled individuals under Title XVI of the Social Security Act. The national cost-of-living index has been estimated to experience an increase of 13.0% during 1980 which, under this bill, would increase the average monthly benefits of an AFDC family by \$44.59 to \$387.59. This would lead to an increase in total AFDC expenditures of just over four million dollars, of which half would consist of federal matching funds.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "Jay S. Hammond".

Jay S. Hammond
Governor

I. REQUEST
 Bill/Resolution No. HB 9108
 Title Annual Cost of Living Increase, Aid to Families with Dependent Children Program
 Requested by House Rules Committee, by request Date March 18, 1980

II. FISCAL DETAIL Department of Health and Social Services
 Agency Affected
 Program Category Affected Social & Economic Assistance for General Population
 BRU, Program, or Subprogram(s) Affected Assistance Payments (AFDC)
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)
EXPENDITURES (Thousands of Dollars)

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FUNDING (Thousands of Dollars)

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FEDERAL FUNDS		2023.7				
OTHER (Specify Fund Source)						

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I. The FY 81 Aid to Families with Dependent Children (AFDC) budget anticipates that a monthly average of 7,564 recipient families will each receive an average monthly grant of \$343.00 for a total expected AFDC expenditure of 31,133.1 (7,564 x \$343.00 x 12 months).

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Continued

Original: Legislative Finance Prepared by: Gordon Landes Date: March 18, 1980
 cc: Budget and Management Division/Office: Public Assistance PH: 465-3347
 Prime Sponsor (First Legislator Named) Department of Health & Social Services

Thus the impact of this legislation on the anticipated AFDC expenditures would be an increase of 4,047.3 (7,564 x \$44.59 x 12 months). 50% of this increase, 2023.7 would be federal matching funds.

- II. In the AFDC program the statutory maximum payment levels are also the qualifying standards for entry into the program. This proposal would increase these standards. For example, the maximum countable income an applicant with one child can have and still qualify for AFDC assistance is currently \$350. (This would also be the recipients' AFDC payment if he or she had no other countable income.) A 13.0% increase in the standard would establish a new qualifying limit of \$388.00 for this size family.

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