

Leg. Finance-House & Senate Finance Comte Files (1991-1992) 760

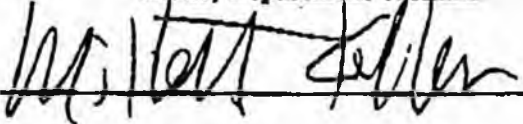
**1991 LEGISLATION  
POSITION PAPER  
Bill Number CSSSHB 245 (STA)**

**Bill Title** An Act relating to publications produced by State agencies and to the procurement of property, property interests, and services, including . . .

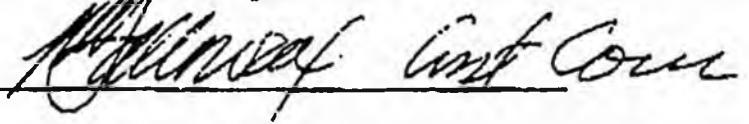
The Departments of Administration, Commerce and Economic Development and Transportation and Public Facilities concur on the following position.

This bill is an attempt to enhance the opportunities for Alaska firms to secure contracts with the State. It does this in a number of ways. The bill requires interested Alaska vendors be notified of ITBs and RFPs. It requires ITBs and RFPs be designed so Alaska vendors may compete. It requires agencies to consider contract administration costs, including the out of state location of bidders, prior to awarding contracts. The last Procurement Report indicated that approximately six percent of the dollar value of Invitations to Bid and Requests for Proposal went to outside vendors. Since this bill attempts to bring that business back to the State, we support it.

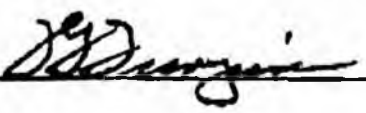
Commissioner Millett Keller, Department of Administration

Signature: 

Commissioner Glenn A. Olds, Department of Commerce and Economic Development

Signature: 

Commissioner Frank G. Turpia, Department of Transportation and Public Facilities

Signature: 

**HB248**

**HOUSE COMMITTEE REPORT**

(11)

Date Referred: April 29, 1991

FURTHER REFERRALS:

Date of Committee Action: 5-9-91

The FINANCE Committee considered:

HB 248

HOUSE BILL NO. 248

MEDICAID PAYMENT FOR PSYCHOLOGISTS/OTHERS

"An Act requiring the medical assistance program to cover psychologists' services and clinical social workers' services; and reordering the priorities granted to services covered under the medical assistance program."

**RECOMMENDATIONS:**

be replaced with CS HB 248 (Fin)  the same title  a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the \_\_\_\_\_ Committee

ADOPTS: FINANCE letter of Intent

ATTACHES NEW FISCAL NOTE(S): \_\_\_\_\_ (Dept)

APPROVES PREVIOUS: \_\_\_\_\_ (Dept/Date)

fiscal impact HESS

fiscal note(s) \_\_\_\_\_

zero fiscal note \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>[Signature]</i>	X	<i>[Signature]</i>	<input checked="" type="checkbox"/>		
<i>[Signature]</i>	X	<i>[Signature]</i>	<input checked="" type="checkbox"/>		
<i>[Signature]</i>		<i>[Signature]</i>	X		
		<i>[Signature]</i>		X	
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		<i>[Signature]</i>		X	
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*[Signature]*  
CHAIRMAN'S SIGNATURE



Official Business

# Alaska State Legislature

## HOUSE OF REPRESENTATIVES

### Committee on Finance

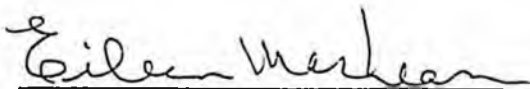
P.O. Box V  
State Capitol  
Juneau, Alaska 99811

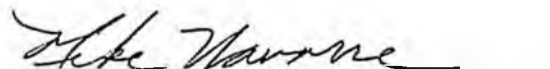
#### LETTER OF INTENT

CS HB 248

"An Act requiring the medical assistance program to cover psychologists' services and clinical social workers' services; and reordering the priorities granted to services covered under the medical assistance program."

It is the intent of the legislature that the Department of Health and Social Services adopt regulations to be effective no later than January 1, 1992 to fully implement CS HB 248, including both licensed clinical social workers and licensed psychologists as medicaid providers, and that no optional medicaid services be eliminated from the program except with prior legislative approval.

  
Co-Chair Eileen MacLean  
House Finance Committee

  
Co-Chair Mike Navarre  
House Finance Committee

CS FOR HOUSE BILL NO. 248 (FINANCE)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): REPRESENTATIVES LINCOLN, Gruenberg

A BILL

FOR AN ACT ENTITLED

1 "An Act requiring the medical assistance program to cover psychologists' services and  
2 clinical social workers' services; and reordering the priorities granted to services covered  
3 under the medical assistance program."

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

5 \* Section 1. AS 47.07.030(b) is amended to read:

6 (b) In addition to the mandatory services specified in (a) of this section, the department  
7 may offer only the following optional services: case management and nutrition services for  
8 pregnant women; personal care services in a recipient's home; emergency hospital services;  
9 long-term care noninstitutional services; medical supplies and equipment; clinic services; inpatient  
10 psychiatric facility services for individuals age 65 or older and individuals under age 21;  
11 psychologists' services; clinical social workers' services; prescribed drugs; physical therapy;  
12 occupational therapy; chiropractic services; treatment of speech, hearing, and language disorders;  
13 adult dental services; prosthetic devices and eyeglasses; optometrists' services; intermediate care  
14 facility services, including intermediate care facility services for the mentally retarded; skilled

1 nursing facility services for individuals under age 21; and reasonable transportation to and from  
2 the point of medical care.

3 \* Sec. 2. AS 47.07.035 is amended to read:

4 Sec. 47.07.035. PRIORITY OF MEDICAL ASSISTANCE. If the department finds that  
5 the cost of medical assistance for all persons eligible under this chapter will exceed the amount  
6 allocated in the state budget for that assistance for the fiscal year, the department shall eliminate  
7 coverage for optional medical services and optionally eligible groups of individuals in the  
8 following order:

9 (1) clinical social workers' services;

10 (2) psychologists' services;

11 (3) chiropractic services;

12 (4) [(2)] adult dental services;

13 (5) [(3)] emergency hospital services;

14 (6) [(4)] treatment of speech, hearing, and language disorders;

15 (7) [(5)] optometrists' services and eyeglasses;

16 (8) [(6)] occupational therapy;

17 (9) [(7)] prosthetic devices;

18 (10) [(8)] medical supplies and equipment;

19 (11) [(9)] clinic services;

20 (12) [(10)] physical therapy;

21 (13) [(11)] personal care services in a recipient's home;

22 (14) [(12)] prescribed drugs;

23 (15) [(13)] long-term care noninstitutional services;

24 (16) [(14)] inpatient psychiatric facility services;

25 (17) [(15)] intermediate care facility services for the mentally retarded;

26 (18) [(16)] intermediate care facility services;

27 (19) [(17)] REPEALED

28 (18)] individuals under age 21 who are not eligible for benefits under the federal  
29 aid to families with dependent children program because they are not deprived of one or more  
30 of their natural or adoptive parents;

31 (20) [(19)] skilled nursing facility services for persons under age 21;

1           (21) [(20)] aged, blind, and disabled individuals who, because they do not meet  
2 the income requirements, do not receive supplemental security income under Title XVI  
3 of the Social Security Act, but who are eligible, or would be eligible if they were not in  
4 a skilled nursing facility or intermediate care facility, to receive an optional state  
5 supplementary payment;

6           (22) [(21)] individuals in a hospital, skilled nursing facility, or intermediate care  
7 facility whose income while in the facility does not exceed 300 percent of the supplemental  
8 security income benefit rate under Title XVI of the Social Security Act, but who, because of  
9 income, are not eligible for the optional state supplementary payment;

10           (23) [(22)] individuals under age 21 under supervision of the department, for  
11 whom maintenance is being paid in whole or in part from public money and who are in foster  
12 homes or private child-care institutions.

13 \* Sec. 3. AS 47.07.900 is amended by adding new paragraphs to read:

14           (11) "clinical social workers' services" means clinical social work services  
15 provided by a person licensed as a clinical social worker under AS 08.95;

16           (12) "psychologists' services" means services within the practice of psychology  
17 provided by a person licensed as a psychologist or psychological associate under AS 08.86.

**FISCAL NOTE**

**STATE OF ALASKA**  
1991 LEGISLATIVE SESSION

**BILL NO. CS HB 248 (Fin)**

Revision Date: 5/10/91 Department Affected: Health and Social Services  
 Title: An Act requiring the medical assistance program to cover BRU: Medical Assistance - Medicaid  
psychologists'.... Component: (1) Non-Facility  
Sponsor: Lincoln, Gruenberg (2) Medical Assistance Admin. Claims Processing  
 Requestor: \_\_\_\_\_ COMPONENT SERIAL NO. 0230

**Expenditures/Revenues: Thousands of Dollars**

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	86.7	140.7	167.2	198.6	235.9	280.2
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS CLAIMS	182.0	664.2	819.6	1,011.4	1,248.1	1,540.2
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>268.7</b>	<b>804.9</b>	<b>986.8</b>	<b>1,210.0</b>	<b>1,484.0</b>	<b>1,820.4</b>

CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
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REVENUE	0.0	0.0	0.0	0.0	0.0	0.0
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**FUNDING: (Thousands of Dollars)**

GENERAL FUND	123.0	370.5	455.4	559.9	688.4	846.6
FEDERAL FUNDS	145.7	434.4	531.4	650.1	795.6	973.8
OTHER	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>268.7</b>	<b>804.9</b>	<b>986.8</b>	<b>1,210.0</b>	<b>1,484.0</b>	<b>1,820.4</b>

**POSITIONS:**

FULL-TIME	0.0	0.0	0.0	0.0	0.0	0.0
PART-TIME	0.0	0.0	0.0	0.0	0.0	0.0
TEMPORARY	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of current year impact: none

ANALYSIS: (Attach a separate page if necessary.)

See attached

Prepared By: [Signature] For: Kim Sueda Phone: 465-3355

Division: Medical Assistance Date: 5/1/91

Approved by Commissioner: [Signature]

Agency: Health and Social Services Date: 5/10/91

## CS HB 248 (Fin) Analysis

### I. Contractual Costs

- a. The Alaska Medical Payments System will require modification to pay psychologists, psychological associates, and licensed social workers as a new service. The contractual costs include such items as the following: provider manuals, training, a new claims form, tables included in the system for psychologists' services for adults and licensed social workers' services, computer programming, computer reports, the addition of collocation codes, and a computer system test. Since Psychologists' services and Licensed Clinical Social Workers' services have already had most of this effort completed as part of the OBRA '89 project of expanding services for children, the only additional work needed to provide for adult services will be 6 new edits for psychologists, and 6 new edits for social workers, at \$1080 per edit (\$6480 each, \$12,960 total). Psychological Associates are an entirely new provider type and will require \$23,914 in contractual costs.

Total one-time FY92 cost = 36.9 (18.5 Fed, 18.4 SGFM)

- b. The Division of Medical Assistance must pay the claims processing contractor \$6.23 for each claim processed. Estimated claims volume for FY92 is 8,000, assuming a January 1, 1992 start date. FY92 processing costs = 49.8. (36.2 Fed, 13.6 SGFM)

### II. New Grants/Claims Costs

- a. There is no accurate method for determining the numbers of Medicaid eligibles who will use this new coverage, the numbers of providers who will choose to enroll, and the initial costs per type of service that they will provide. Cost estimates are based on the following assumptions:
  - (1) 50 psychologists will enroll as providers in the first year.
  - (2) Approximately 24 of these new providers are currently providing services indirectly, supervised by and/or billing through a physician or psychiatrist. About one-half of these are billing Medicaid at a rate 15% lower than the rate charged by psychiatrists. Payments to the 12 now billing at the higher rate will be reduced by \$14,400 (15% reduction X 8,000 current average psychiatrist's Medicaid billings per year, X 12 psychologists = \$14,400 Medicaid savings). However, we assume that 37% of the caseload is children, who could receive psychologists' services through Medicaid under EPSDT regardless of SB 156. Therefore, the net savings related to this legislation is \$9,100 (\$14,400 X 63%) for 12 months.
  - (3) Logic suggests that billings from physicians and psychiatrists who supervise the psychologists now providing services to Medicaid eligibles would decrease if these psychologists were to enroll directly. However, experience in other states that have added psychologists' services has varied so much on this point that we cannot safely assume any decrease in current billings.

- (4) Approximately 26 psychologists in private practice who are not currently serving Medicaid recipients will enroll. Alaska Psychological Association data indicates these new providers will see an average of 20 patients per week for a total of 30 hours per week, and that they charge \$90 per hour for private sessions. Vacations, holidays, and continuing education reduce their work time to 46 weeks per year.
- (5) We assume that psychologists will not differ from other medical professionals enrolled as Medicaid providers, in that Medicaid patients will, on average, not exceed 15% of their total patient load. We also assume that 37% of their Medicaid billings will be for children, who would be covered by Medicaid under EPSDT regardless; therefore, 63% of the cost of the new caseload would be attributable to HB 248. Cost for the new psychologists' services will be 30 hours per week X 46 weeks X \$90 per hour X 15% X 63% X 26 psychologists = \$305,200.
- (6) The cumulative margin of error in all these assumptions for psychologists' services is such that we do not feel it is necessary to separately cost psychological associates' services. We believe that one, two, or possibly three new providers will initially enroll, and the net costs of so few providers can be covered by the funding requested for psychologists.
- (7) 39 licensed clinical social workers will enroll as providers in the first year (The actual number is likely to be higher, but because many licensed clinical social workers do not practice full time, we have assumed 39 "full-time equivalents" to simplify calculations.)
- (8) Approximately 19 of these new providers are currently providing services indirectly, supervised by and/or billing through a physician or psychiatrist. About one-half of these are billing Medicaid at a rate 20% lower than the rate charged by psychiatrists. Payments to the 10 now billing at the higher rate will be reduced by \$16,000 (20% reduction X 8,000 current average psychiatrist's Medicaid billing per year, X 10 licensed clinical social workers = \$16,000 Medicaid savings for a full year). We assume no coverage of licensed clinical social workers through EPSDT.
- (9) We have assumed that billings from physicians and psychiatrists who supervise the licensed clinical social workers now providing services to Medicaid eligibles will not decrease if licensed clinical social workers were to enroll directly.
- (10) Approximately 20 licensed clinical social workers in private practice who are not currently serving Medicaid recipients will enroll. We assume that these new providers will see an average of 21 patients per week. Industry sources indicate that they will bill, on average, 22 hours per week. We assume that they charge \$85 per hour for private sessions, and that they will work 46 weeks per year.

- (11) We assume that licensed clinical social workers will not differ from other medical professionals enrolled as Medicaid providers, in that Medicaid patients will, on average, not exceed 15% of their total patient load. Cost for the new licensed clinical social workers' services will be 22 hours per week X 46 weeks X \$85 per hour X 15% X 20 licensed clinical social workers = \$258,100.
- (12) Combined new costs for psychologists and licensed clinical social workers = \$563,300 (\$305,200 + \$258,100). Combined savings = \$25,100 (\$9,100 + \$16,000). Net costs = \$538,200 (\$563,300 - \$25,100) for a full year. The time required for data system changes, promulgation of regulations, and provider enrollment activities necessitate a starting date no earlier than January 1, 1992. FY92 benefits will therefore be 50% of a full year:

134.5 SGFM  
134.6 FED  
 269.1 Total

House Finance reduced the total (grants/claims) benefits cost from 269.1 to 182.0, on the grounds that, after a 1/1/92 start date, normal billing lags will result in lower costs during the first six months than the department had originally estimated.

- (13) Benefits costs for FY93 through FY97 are computed from the department's original FY92 base estimates, adjusted for a full year, and increased annually by 23.4% (4.6% for price increases, 7.0% for increases in the number of eligible recipients, and 11.8% for utilization increases).
- (14) Claims processing costs are billed at \$6.23 per claim. For FY93 through FY97, FY92 costs, adjusted for a full year, are increased by 18.8% annually (7.0% for increases in the number of eligible recipients and 11.8% for utilization increases).

## POSITION PAPER

Committee Substitute for House Bill 248 (Finance)

"An Act requiring the medical assistance program to cover psychologists' services and clinical social workers' services; and reordering the priorities granted to services covered under the Medical Assistance program."

This Act would amend AS 47.07.030 (b) to add psychologists' and clinical social workers' services to the services available for needy persons who are eligible for Medicaid, and it would amend AS 47.07.035 to place the new coverages in the priority listing of all optional Medicaid services authorized by the Legislature for Alaska.

I. Psychologists and Psychological Associates

Currently, there are about 115 licensed psychologists in Alaska, all of whom would be eligible to enroll as Medicaid providers were CS HB 248 (Fin) to pass. A substantial number of these psychologists are already providing services to Medicaid recipients, and indirectly receiving Medicaid payments in community mental health clinics, or in physicians' mental health clinics where they are supervised by a physician or psychiatrist who is enrolled.

The Division of Medical Assistance has long believed that this situation is far from ideal, for these reasons:

1. The Division has no evidence that the supervision requirement generally results in more effective, higher-quality care. However, there is a strong conviction, here and in other states' Medicaid agencies, that supervision increases the cost of care and can make it harder for clients to obtain care.

Many states, including Alaska, have specified exactly how much and what types of supervision are required, but there is considerable disagreement over whether such rules do in fact result in any measurable improvement in the care provided. Federal Medicaid rules allow for any type of M.D. to be a supervisor, so it is frequently the case that a general practitioner, who may or may not have any formal training in psychology, is being paid to consult with and guide a certified mental health professional. This may be helpful in cases in which a person's mental problems are caused by or accompanied by physical problems, but in many cases, this arrangement only results in an unnecessary cost to the taxpayer.

2. Not only does the Division pay physicians for supervisory duties that may or may not enhance the quality of care, the "screening" effect in clinical settings which result from the supervision requirement means that Medicaid pays for services that are actually provided by any licensed person the supervisor deems appropriate. This means that Medicaid pays the rate appropriate for a psychiatrist/M.D., but the patient often gets services from someone whose credentials would justify a lower rate.

The Federal Omnibus Reconciliation Act of 1989 (OBRA '89) mandated that states offer Medicaid-eligible children (under 21 years of age) any Medicaid-approvable service that they are found to need, even if a state has not previously chosen to offer that service. Since AS 47.07.030 requires us to offer all federally-mandated services, it is our present intent to add psychologists' services for children under 21 by regulations that will soon be published, on the grounds that children will not have sufficient access to mandatory mental health services without their addition, and sufficient access is a federal mandate.

CS HB 248 (Fin) would therefore have the effect of adding psychologists' services just for adults.

From the provider's point of view, adding psychologists' services for adults to Alaska's Medicaid program would create equity between psychologists who practice independently and those who practice under the supervision of a physician or in a community mental health clinic, and between those who serve children and those who serve adults.

From the Medicaid recipients' point of view, adding psychologists' services would make it easier to obtain care, because it would increase the number of enrolled Alaska providers offering these services. It would also make it easier for them to directly access the person who gives them care, as they would no longer have to pass through a physician's examination process in order to receive therapy.

Unfortunately, CS HB 248 (Fin), by adding new providers to Medicaid, and by therefore making it easier for recipients to obtain the services psychologists are licensed to provide, is very likely to result in more recipients using mental health services, which will in turn increase program costs.

There is both data and informed opinion that indicates that adding a comparatively lower-cost provider group can actually save money, both by providing the same service at a lower cost and by easing access to a type of care which can prevent an illness from worsening to the point of requiring institutionalization, producing family dissolution, etc. However, this is hard to quantify and may be so much a direct function of a locale's or a state's total health care matrix as to not apply to a different location. We are

convinced that Alaska, as many other states' past experiences have indicated, will add costs by adding new providers.

There are only 26 psychological associates in Alaska, nearly all of whom practice in clinic situations. It is doubtful that Medicaid enrollment and reimbursement would be sufficiently appealing to entice any significant number of them into becoming independent providers. We do not anticipate that their inclusion will significantly improve access to services or substantially increase program costs. However, given the scope of their licensure in comparison to the scope of licensure of psychologists and of licensed clinical social workers, we believe it is reasonable and equitable to include them in CS HB 248 (Fin).

## II. Licensed Clinical Social Workers

There are approximately 155 licensed clinical social workers in Alaska, with about 78 practicing independently. Most of what we have noted about psychologists applies as well to licensed clinical social workers. However, this provider group, like psychological associates, was not included in the FY91 budget increment for the OBRA '89 expansion of services for children.

The department is currently examining whether their inclusion as a children's services provider group is necessary under federal law. It may well be that community mental health centers (all of which are Medicaid providers') Medicaid-enrolled psychiatrists, and the coming inclusion of psychologists as children's providers in Medicaid together offer sufficient access to basic non-institutional mental health services so that the access requirements of federal law are met without adding other provider groups.

Apart from the obvious fact that the department has no statutory authority under AS 47.07.030 to add provider groups or services which are not federally-mandated, the department does not believe the purpose of the Medicaid program is to provide access of provider groups to Medicaid reimbursement. Rather, the purpose of the Medicaid program is to provide needy Alaskans reasonable access to necessary medical care.

Unlike many other medical services, where an excess of available services can exist without producing negative fiscal effects, mental health outpatient services, if they expand too rapidly, can pose a fiscal risk to the state. Community mental health clinics, which the state is committed to support with state funds, depend in significant measure on Medicaid (50% federal) funding. A rapid shift of Medicaid patients toward other sources of treatment could result in the clinics losing revenue, which would most likely have to be compensated for by an increase in state-only funding.

For this reason, we favor a slower, incremental approach to any expansion of Medicaid mental health services.

Position:

The department supports the Finance Committee's placement of these services at first and second priority in the listing of AS 47.07.035.

Given the rapid growth of Medicaid, we believe it is essential to be sure that each new service Alaska adds is clearly necessary to comply with federal law or to remedy an identified coverage gap which poses a real threat to the health of Medicaid recipients. We also believe that the discussion of adding any service which does not pass either of these tests must include consideration of the comparative importance of other optional services we do not provide.

The department does not oppose the addition to Medicaid of psychologists' services for adults, nor does it oppose the addition of psychological associates' services for both children and adults. We do not oppose the addition, at some future time, of licensed clinical social workers' services, provided that the need for this service is clear after we have some exposure to the effects of OBRA '89 changes and the addition of psychologists proposed by CS HB 248 (Fin).

Recommended by:

*Kimberly B. Busch*  
For: \_\_\_\_\_  
Kimberly B. Busch  
Acting Director  
Div. of Medical Assistance

Date:

5/10/91

Approved by:

*Theodore A. Mala, MD, MPH*  
\_\_\_\_\_ for  
Theodore A. Mala, MD, MPH  
Commissioner

Date:

5/10/91

ALASKA  
PSYCHOLOGICAL  
ASSOCIATION

3211 Providence Drive, Anchorage, Alaska 99508 (907) 786-1711

POSITION PAPER

Issue: Alaskan Psychologists, although licensed by the State of Alaska, are omitted from the statutes which determine the type of care allowed by and covered under the Medicaid program.

Position: The Alaska Psychological Association is proposing changes in the current statutes to allow Medicaid patients to receive psychological services with consumer choice regarding the licensed provider of the service.

Current statutes create a situation which:

- 1) Discriminates against the needy and those in remote locations;
- 2) Is more costly to the Medicaid system;
- 3) Limits the quality of care available to all Alaskans;
- 4) Results in a restraint of trade.

The proposed changes would correct this situation and allow psychologists to receive compensation for services provided to Medicaid patients. Currently, a number of psychologists provide needed care to Medicaid patients without compensation, or they are forced to resort to the courts in legal action against agencies of the State of Alaska to receive compensation. It is currently the practice of the Alaska Attorney General's office to settle such suits out of court when possible. Many psychologists feel that reasonable changes in the statutes by the legislature are the only

*APA Position Paper.*

recourse left to them, short of joining the growing number of costly and time-consuming suits. They have elected to pursue these changes through their professional Association.

The Federal Medicaid program allows the various states to determine eligibility and types of care covered by the program.

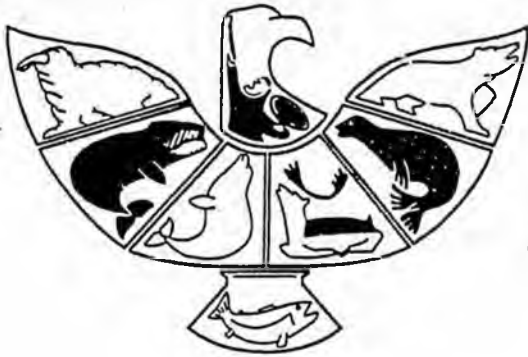
A variety of other professional health services are provided for under Alaska statutes pertaining to Medicaid. These include optometrists, physical therapists, nurse midwives, physicians and others.

A growing number of states, currently about half, provide for Medicaid recipients to receive independent psychological services.

People covered by private insurance and even employees of the State of Alaska covered by Alaska's employee health care plans are able to receive the services of an independent psychologist.

However, Alaskans who are Medicaid recipients may not choose freely between equally qualified providers. They are also denied equal access to treatment by care providers offering non-drug approaches.

The Alaska Psychological Association hereby requests your support of Senate Bill <sup>156</sup>~~21~~, which allows Medicaid recipients access to psychological services.



# Alaska Native Health Board

1345 Rudakof Circle, Suite 206  
Anchorage, Alaska 99508

Phone: (907) 337-0028  
FAX: (907) 333-2001

March 27, 1991

The Honorable Arliss Sturgulewski, Chair  
Committee on Health, Education, & Social Services  
The Alaska Senate  
P.O.Box V  
Juneau, AK 99811

RE: Senate Bill 156

Dear Senator Sturgulewski:

At its March 5-7, 1991 meeting, the Alaska Native Health Board (ANHB) passed a motion in support of SB 156. ANHB is made up of the twelve regional Native health providers. The members are constantly faced with the impacts of mental health problems that demand professional services. SB 156 will add licensed clinical social workers and licensed psychologists as approved medicaid providers. This change will gradually improve access to community based mental health services and, as importantly, allow clients to choose a mental health provider who can best meet their needs.

Since the bill does not expand mental health coverage, its fiscal impact will be minimal. Outpatient mental health services are a critical component of preventing expensive crisis situations and decreasing avoidable hospitalizations. In addition, cost management opportunities are improved by direct enrollment of these providers since the Division of Medical Assistance can regulate utilization and payment levels.

In rural Alaska we are almost exclusively reliant on licensed psychologists and licensed clinical social workers. It is very hard to recruit and retain psychiatrists who command very high salaries.

We hope this bill will receive early and favorable consideration by the Senate HESS committee and the full body.

Sincerely,

Anne M. Walker  
Executive Director



## Fairbanks Counseling and Adoption

753 Gaffney Road  
P.O. Box 71544  
Fairbanks, Alaska 99707  
(907) 456-4729

April 23, 1991

Dear Health, Education and Social Services Committee Members,

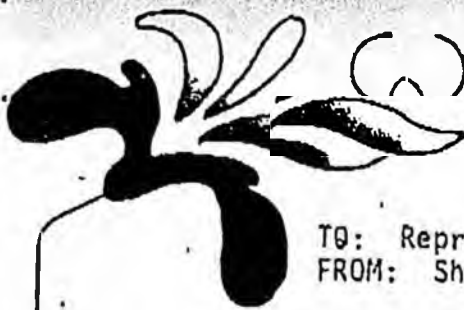
The clinical staff at Fairbanks Counseling and Adoption supports HB 248 which would increase the options and services for children. We believe this bill will help to improve the quality of life and allow for healthier functioning which all of society will benefit from.

Sincerely,

Janna Eyer Stough, LCSW  
Family Treatment Coordinator



A United Way Member Agency



WIC-CA

TO: Representative Georgianna Lincoln  
FROM: Sherry Byers, Child Therapist

DATE: April 22, 1991

This letter is in support of the passage of House Bill 248 which would allow for medicaid payment for psychological services and clinical social work services.

Since the start of the '90-'91 school year we have had a waiting list of children seeking therapy services. Because of program financial limitations we are able to see only a limited number of individuals. Attempts have been repeatedly made to refer children to other agencies in the community, yet they always have a waiting list. Approximately 50% of those on the waiting list are medicaid recipients. If licensed private practitioners in the community were eligible to provide these services many doors would open for these children. All waiting lists would be shortened and some children in need of services would be able to receive psychotherapy.

I believe it's important to note that the majority of licensed agency staff currently serving children in our community are clinical social workers. Certainly the Medicaid Assistance Program should include services provided by both clinical social workers and psychologists.

I view the passage of this bill as a wonderful opportunity to serve the children in this community and state. Please remember that our children are our future.

\*\*\*\*\*  
 FAX TRANSMITTAL MEMO  
 TO: Rep. Georgianna Lincoln  
 DEPT: \_\_\_\_\_ FAX #: 465-2652  
 FROM: Sherry Byers PHONE: 452-2293  
 CO: WIC-CA FAX #: 452-2613  
 Post-It brand fax transmittal memo 7671

NO. OF PAGES
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Joel B. Wieman Ph.D.  
Licensed Psychologist

1345 W. 9th Suite 200  
Anchorage, Alaska 99501  
(907) 276-7374

March 5, 1991

Senator Arliss Sturgulewski  
Chair of the Senate Health,  
Education and Social  
Services Committee  
PO BOX V STATE SENATE  
Juneau, AK 99811

Dear Senator Sturgulewski:

I am writing you concerning SB 156, the Senate bill to include psychologists and socialworkers as independent providers in the Medicaid system. The Alaska Psychological Association is pleased the Senate Health Education and Social Services committee has introduced this needed legislation.

Historically psychologists or social workers wishing to provide service to Medicaid recipients have been required to work for a psychiatrist who holds a Medicaid group billing number. There are several effects of this practice. First, the choice of who the client may receive services from is dictated by who received group billing number when they were issued years ago, not by who is best qualified to provide the service, or who the client prefers to see.

Secondly, the cost of medicaid services is increased due to the necessity of requiring psychiatric supervision. In the private sector, to my knowledge, there are no insurance companies that require that a psychologist be supervised by a psychiatrist in order to provide services. Though a few companies require that social workers be supervised by either a psychologist of a psychiatrist, this is changing and social workers are generally treated as a valuable and independent group that are directly reimbursed by many insurance companies. Psychologists are included as independent providers under the federal Medicare regulations as well, and on a state level are now covered as independent providers of children services under the Early Prevention, Diagnostic, and Treatment (EPSDT) program as mandated by federal Medicaid regulations. To require that a psychologist of social worker

be supervised by a psychiatrist in order to provide Medicaid services not only waists state dollars, but the time of the professionals involved as well.

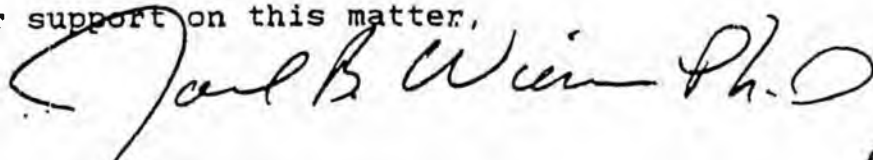
The issue of cost is one that has become increasingly more important as the economy changes in Alaska. With the federal mandate that psychologists and social workers be included in the EPSDT children's services, the additional costs of including provider status of adult services should be minimal. Many of the adult recipients of mental health services funded by Medicaid are the chronically mentally ill. These people are most often treated in either hospitals, day treatment facilities or other programs associated with community mental health centers, and are already receiving medicaid services from those agencies and in most cases would not be treated by independent practitioners. After having read the new regulations, my understanding is that services to adults that are related to family problems or that have a direct effect on children are to a great extent covered under the EPSDT program.

The majority of those who would be treated by independent psychologists or social workers would include low income individuals needing mental health services that will aid them in rejoining the work force, those injured on the job who need psychological evaluations to assist in new job placements, and individuals with head injuries or chronic neurological disease needing neuropsychological evaluations. In addition, others with mental disorders that impair their ability to function would be eligible to receive services.

The goal of most mental health work is to enable clients to become functioning human beings. This includes the ability to work, and provide for one's self. It is my belief that good mental health services serve to hold down the over all cost of caring for low income individuals, and that mental health services reduce the number of those receiving other governmental monies.

Hopefully this has clarified the some of the questions you may have had concerning this matter. I would be delighted to discuss this with you in person or over the phone. I will be out of town for the next week, but should be back in my office by March 13.

Thank you for your support on this matter,



Joel B. Wieman Ph.D  
Legislative Coordinator  
Alaska Psychological Association

March 15, 1991

I support Senate Bill 156 which allows for medicaid reimbursement to include psychologists and clinical social workers.

I have researched what happens when licensed clinical social workers are reimbursed by insurance companies for provision of mental health services. I have found that when this occurs, there is no proof of any increases in utilization or cost of services and that there is no decrease in the quality of services provided.

The following includes some of the information I located regarding this issue:

A 1982 Champus study reports a cost avoidance of \$457,071.00 after allowing reimbursement to licensed clinical social workers.

A 1986 FEHB study out of the U. S. Office of Personnel Management reported no increase in cost or utilization of services when Licensed clinical social workers are reimbursed.

A 1989 survey of twenty insurance companies report no cost or utilization increases when licensed clinical social workers were reimbursed.

A NIMH study of Massachusetts Blue Shield for 1980, 1981 and 1982, shows no overall cost or utilization increases when clinical social workers were reimbursed.

Data from 1982 and 1983 for Mass. Blue Shield shows no increase in utilization after including clinical social workers in reimbursement.

A study of Mass. Blue Shield for 1987 showed no increase in mental health reimbursements after including clinical social workers as providers.

An American Airlines spokesperson in 1990 stated that there was no increased cost when clinical social workers were included as providers and added that utilization did not increase either.

AT&T found no increase in cost when including clinical social workers as providers.

21

Some factors which seem to contribute to lack of increase in cost and utilization of services when clinical social workers are included as providers include the following: The American Journal of Psychiatry in 1980 states a study which shows a cost differential of \$12 or 28% between psychiatrists' and social workers' fees. That study indicates that the treatment course for social workers clients is shorter in term. Mutual of Omaha confirmed that clinical social workers' fees are lower than those of psychiatrists. In Maryland, where clinical social workers have been included as providers for over ten years, the fees of clinical social workers remain 33% ~~lower~~ than those of psychiatrists. The American Psychological Association reports that clinical social workers consistently charge less than psychiatrists.

In general, mental health coverage is seen to lead to cost avoidance in overall medical care.

The California Psychological Health Plan reports 20-24% reduction in utilization of surgical, hospital and medical treatment when mental health services are provided.

Group Health reports that users of mental health services reduce non-mental health benefits by 30.7% and lab/Xray services by 29.8%.

In Oregon, a study after a state mandate requiring provision of mental health services showed a savings in cost for the public,

A 1983 study in the Journal of Psychiatry indicated significant reduction in use of medical services, primarily inpatient, when individuals over 65 were provided mental health services. According to IBM, one-half of the patients seen in their medical department had complaints that were emotional or psychiatric in nature.

Twelve studies in 1987 showed that mental health services treatment cut medical costs 26-69% and reduced sick days by 38-42%.

I will now address the quality of care issue when non-medical personnel are included as providers.

A 1985 survey of 7 treatment outcome studies reports therapeutic behavior and outcome of therapy equivalent among the three major mental health providers, clinical social workers, psychologists and psychiatrist.

(These studies include ones in Illinois, Canada and at the Veterans Administration.)

Studies indicate that there are more similarities than differences between services provided by the three disciplines and this needs to be considered when considering consumer choice.

Champus states that no quality of care problems arose when including clinical social workers as providers.

In Maryland, the Attorney General upheld the right of clinical social workers to diagnose. (A study out of NIMH indicated that the three main provider groups are equivalent as diagnosticians.)

This concludes my statement regarding my support of Senate Bill 156. .

*Yvonne Micheli*

Yvonne Micheli, LCSW #172  
6526 Rodgers Pass STG  
Ketchikan, Alaska 99901  
(907)225-7558

ALASKA STATE LEGISLATURE

Representative Georgianna Lincoln

HESS Committee, Co-Chair  
Resources Committee, Vice-Chair

Budget Subcommittees  
Health and Social Services  
Revenue

P.O. Box V  
Juneau, Alaska 99811

Phone: (907) 465-3732  
FAX: (907) 465-2652

Alatna  
Allakaket  
Aniak  
Anvik  
Arctic Village  
Beaver  
Bettles  
Birch Creek  
Chalkyitsik  
Chuathbaluk  
Crooked Creek  
Evansville  
Fort Yukon  
Galena  
Grayling  
Holy Cross  
Hughes  
Huslia  
Kalskag  
Kaltag  
Koyukuk  
Lake Minchumina  
Lime Village  
Lower Kalskag  
Manley Hot Springs  
Marshall  
McGrath  
Minto  
Mountain Village  
Nikolai  
Nulato  
Pilot Station  
Pitkas Point  
Rampart  
Red Devil  
Ruby  
Russian Mission  
Shageluk  
Sleetmute  
St. Mary's  
Stevens Village  
Stony River  
Takotna  
Tanana  
Telida  
Tuluksak  
Tyonek  
Venetie  
Wiseman

MEMORANDUM

TO: Representative Mike Navarre, Co-Chair  
House Finance Committee

FROM: Representative Georgianna Lincoln *geo*

DATE: April 26, 1991

RE: House Bill 246 - Medicaid Payment for Psychologists/Others

I would appreciate your scheduling of HB 248 in the House Finance Committee.

This bill will add psychologists and clinical social workers as approved medicaid providers. Adding these providers will expand access to mental health services, especially in communities where there are virtually no private psychiatric clinics and the community mental health programs all have long waiting lists. Many community mental health centers cannot see any children or new adult clients unless there is an emergency like a suicide attempt. Outpatient mental health services offered by licensed psychologists and clinical social workers have been demonstrated to be of similar quality to those supervised by physicians and to cost no more. Expanded outpatient services often help prevent far more expensive psychiatric hospitalizations.

Many private and public insurance programs, including medicare, CHAMPUS, and the federal employees insurance, cover these providers as independent providers. They have determined in studies that there was no cost increase when these providers were added and that the quality of services remained at least as good.

**CS HB 248 (HES)** moved from House HESS this morning. The CS makes one change to the bill, on page 2, at line 17. The original bill places clinical social workers as number (10) and psychologists as number (11) in priority order changes the placement of these services. The CS moves them to (10) and (11) respectively, below clinic services which includes community mental health clinics.

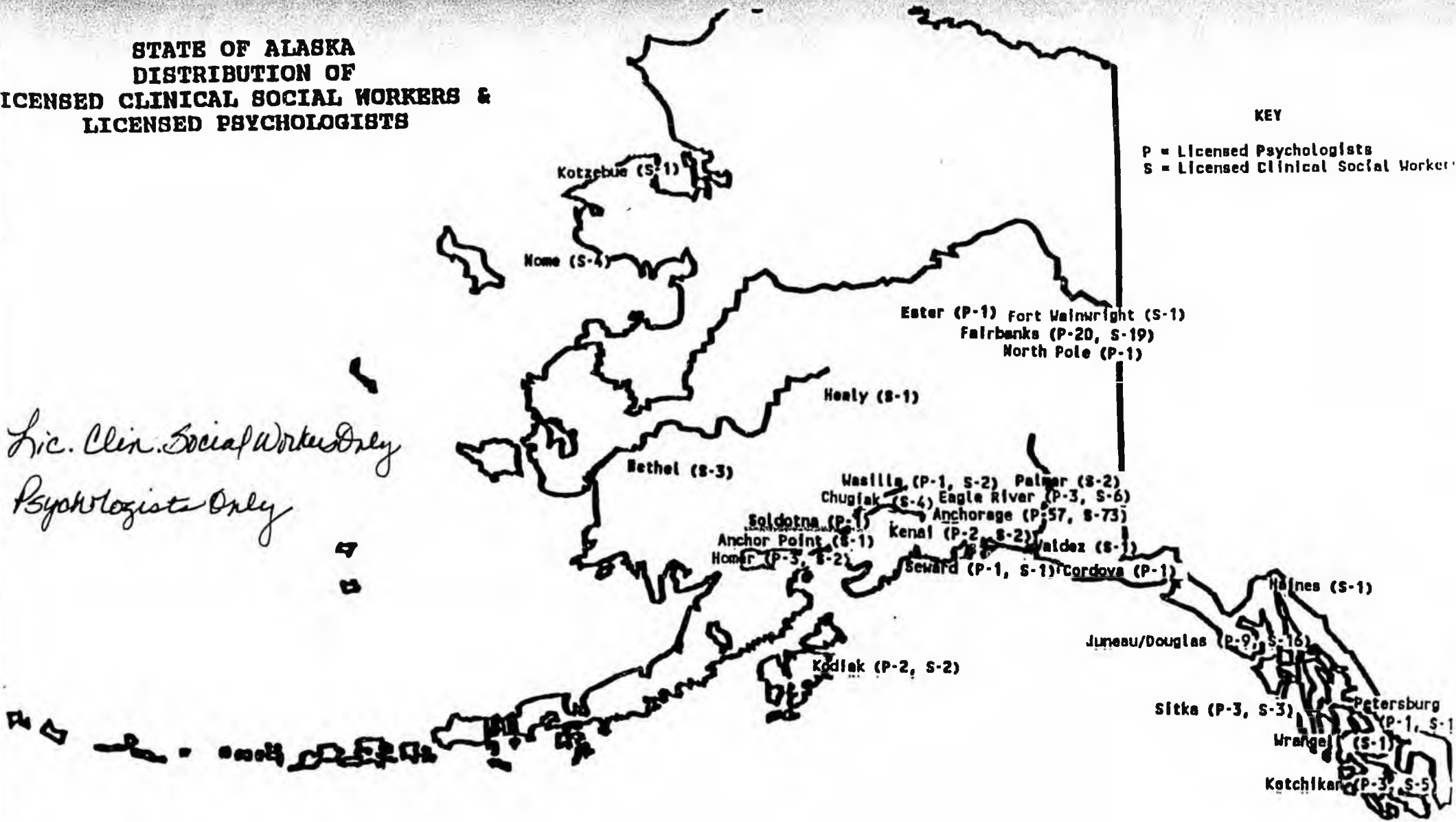
Thank you for your consideration.

**STATE OF ALASKA  
DISTRIBUTION OF  
LICENSED CLINICAL SOCIAL WORKERS &  
LICENSED PSYCHOLOGISTS**

**KEY**

P = Licensed Psychologists  
S = Licensed Clinical Social Workers

*Lic. Clin. Social Workers Only*  
*Psychologists Only*



**TOTALS**

**STATE OF ALASKA**

110 Licensed Psychologists  
162 Licensed Clinical Social Workers



**OTHER STATES**

30 Out-of-State Licensed Psychologists

Information compiled from  
State of Alaska  
Department of Commerce and Economic Development  
Division of Occupational Licensing  
Directories of Licensees

Licensed Clinical Social Workers: January, 1991  
Licensed Psychologists: October 1990

PLEASE MICROFILM TOP PAGE ONLY

DOCUMENTS WHICH HAVE NOT BEEN  
FILMED BUT ARE AVAILABLE IN THE  
ORIGINAL FILE INCLUDE:

→ miscellaneous news clippings / reports  
re: psychotherapy

**HB260**

**HOUSE COMMITTEE REPORT**

(11)

Date Referred: April 29, 1991

FURTHER REFERRALS:

Date of Committee Action: 5-1-91

The FINANCE Committee considered:

HB 260

HOUSE BILL NO. 260

UNIV. OF ALASKA REVENUE BONDS

"An Act relating to revenue bonds issued by the University of Alaska and approving the issuance of revenue bonds for construction of a student recreation center at the University of Alaska Fairbanks; and providing for an effective date."

**RECOMMENDATIONS:**

be replaced with CS HB 260 (FIN)  the same title  
 a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) \_\_\_\_\_

APPROVES PREVIOUS: (Dept/Date) \_\_\_\_\_

fiscal impact \_\_\_\_\_

fiscal note(s) \_\_\_\_\_

zero fiscal note \_\_\_\_\_

zero fiscal note(s) Unifying 4-29-91

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Mike Savano</i>	<input checked="" type="checkbox"/>	<i>Eileen P. MacLean</i>		<input checked="" type="checkbox"/>	
<i>W. M. Boyer</i>	<input checked="" type="checkbox"/>	<i>Steve E. Kelly</i>		<input checked="" type="checkbox"/>	
<i>Ken Brown</i>	<input checked="" type="checkbox"/>	<i>Robert E. Kelly</i>		<input checked="" type="checkbox"/>	
<i>John Brown</i>	<input checked="" type="checkbox"/>	<i>Thomas P. Brown</i>		<input checked="" type="checkbox"/>	
<i>Bob Thompson</i>	<input checked="" type="checkbox"/>				
<i>...</i>	<input checked="" type="checkbox"/>				
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*Mike Savano Eileen P. MacLean*  
 CHAIRMAN'S SIGNATURE

CS FOR HOUSE BILL NO. 260 (FINANCE)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:  
Referred:

Sponsor(s): REPRESENTATIVES BOYER, Koponen

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to revenue bonds issued by the University of Alaska; and providing for  
2 an effective date."

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

4 \* Section 1. AS 14.40 is amended by adding a new section to read:

5 Sec. 14.40.254. UNIVERSITY REVENUE BONDS. (a) Subject to AS 14.40.253, the board  
6 may issue revenue bonds to pay the cost of acquiring, constructing, or equipping a facility that  
7 the board determines is necessary.

8 (b) The board may enter into an agreement with a trustee or bond owner for the purpose  
9 of securing payment of revenue bonds issued by the University of Alaska to acquire, construct,  
10 or equip a facility that the board determines is necessary. The agreement may include the fixing  
11 and collection of fees, charges, or rentals pledged to secure payment of the revenue bonds and  
12 agreement regarding the use of the proceeds of the revenue bonds.

13 (c) The state pledges not to limit or alter rights vested under this section in the University  
14 of Alaska to fulfill the terms of a contract with revenue bond owners.

1           (d) The board may pledge revenue received by the University of Alaska as fees, charges,  
2           or rentals in order to secure payment of the revenue bonds. A pledge of revenue received by the  
3           University of Alaska is considered a perfected security interest and is valid and binding from the  
4           time the pledge is made. The pledge creates an immediate lien against property pledged without  
5           physical delivery or other act.

6   \* Sec. 2. As required by AS 14.40.253, the Board of Regents of the University of Alaska is  
7 authorized to issue revenue bonds of the University of Alaska in the principal sum not to exceed  
8 \$6,000,000 to pay the cost of acquiring, constructing, and equipping a student recreation center at the  
9 University of Alaska Fairbanks.

10 \* Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

No. 1  
Bill Version: CSHB 2601HES  
(H) Publish Date: 04/11/91

Revision Date: \_\_\_\_\_ Department Affected: University of Alaska  
Title: University of Alaska BRU: University of Alaska Fairbanks  
Revenue Bonds Component: CAP/Fairbanks Campus

Sponsor: Representative Mark Boyer  
Requestor: \_\_\_\_\_

COMPONENT SERIAL NO. 

0	7	4	1
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

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

Estimate of current year impact: \_\_\_\_\_

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: Jim Lynch, Controller *Jim Lynch* Phone: 907-474-7711  
Division: University of Alaska Date: 04/11/91  
Approved by Commissioner: *Jim Lynch for Brian Rogers*  
Agency: University of Alaska Date: 04/11/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

AMENDMENT FOR HB 260 - REVENUE BONDS

On page 2, line 6, insert the following and renumber Sec. 2 to Sec. 3:

Sec. 2. As required by AS 14.40.253, the Board of Regents of the University of Alaska is authorized to issue revenue bonds of the University of Alaska in the principal sum not to exceed \$6,000,000 to pay the cost of acquiring, constructing, and equipping a student recreation center at the University of Alaska Fairbanks.

University of Alaska

Student Recreation Center on Fairbanks Campus

Background

A self evaluation study in 1985 determined that the Physical Education intramural, recreation and athletic program on the University of Alaska Fairbanks campus has major constraints because of facility inadequacies. Nationally recommended standards for recreational facilities show UAF currently at a deficit of 30,000 square feet and project a deficit of 60,000 square feet by the year 2000.

A comprehensive master plan to aid the orderly implementation of both the immediate and long term facilities for athletic and recreation needs was developed in 1986. Last Fall, the master plan was revised to prioritize the enhancement of student recreation and intramural facilities in the most cost-effective manner.

The proposed recreation center will be primarily for student use. A committee of student representatives will ensure the new facility is responsive to the recreational needs and interests of students.

Project Scope

It is the recommendation of the Department of Athletics and Campus Recreation that a new all-weather multipurpose facility (est. 40,000 square feet) be built adjacent to the hockey arena that would include an elevated indoor jogging track (8 laps to a mile) and a synthetic playing surface which would consist of three (3) basketball courts. Any one of the courts could accommodate the following activities: volleyball, badminton, tennis, soccer, dance, or free play. A portable mesh netting would separate each court. With the three courts covered with artificial turf, it would be used for soccer, softball, and flag

football. On the second floor, along with a jogging track, will be a weight and conditioning area. In the future, a connection of the Student Recreation Center to the existing Patty Center will be built to complete the project.

### **Funding**

A student petition, with over four hundred signatures, was presented to the UAF Administration in December of 1989, asking for a referendum on the proposed project. The petition proposed that funding for design and construction of the Student Recreation Center come from the sale of revenue bonds to be amortized over the twenty years by an increase in student activity fees. The referendum was approved by student vote on October 25, 1990.

At it's meeting on February 21-22, 1991, the Board of Regents approved the funding concept for the facility on the Fairbanks Campus and authorized the University Administration to request the legislature enact legislation authorizing the University of Alaska to issue tax exempt revenue bonds, certificate of participation, or other financing instruments for the construction of the facility. Further, the Board of Regents motion included the authorization to initiate action to secure interim and permanent financing and construction of the facility at a cost of approximately \$5.9 million, inclusive of cost of debt issuance and financing reserves.

( DRAFT )

January 21, 1991

FINANCIAL STATEMENT FOR  
UAF STUDENT RECREATION CENTER

Construction Estimate 1/16/91	\$4,076,863
Total Project Cost Estimate	\$5,435,817
Rounded	\$5.5 Million

UAF Enrollment Figures:

A \$75/semester additional activity fee would be charged to students carrying eight (8) or more credits.

Spring 1990 = 3,437 students  
 Fall 1991 = 3,763 students (before drop/add)

For estimating purposes, we used 3,600 students with 8 or more credit hours:

3,600 students X \$150/year = \$540,000/year fee income.

OPTION 1

Use student fees to pay off debt over twenty years

Annual debt service (20 yrs) for 5,500,000 @ 7.5% interest = \$539,511/per yr.

OPTION 2

*Not Approved by BOR*

Request state financing assistance for \$2.5 million and reduce the debt to ten (10) years.

\$3,000,000	Student Financed Debt
\$2,500,000	State Appropriation
<u>          </u>	
\$5,500,000	Total Project Cost

Annual debt service (10 yrs) for \$3,000,000 @ 7.5% interest = \$437,058/per yr.

(This could produce approximately \$100,000/yr cushion against declining enrollments or unfunded operating costs or early debt retirement).

NOTE: This option requires amending the FY92 Capital Request.

WOHLFORTH, ARGETSINGER, JOHNSON & BRECHT

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

900 WEST 5TH AVENUE, SUITE 600

ANCHORAGE, ALASKA 99501

TELEPHONE (907) 276-6401  
TELECOPY (907) 276-5093

PETER ARGETSINGER  
JULIUS J. BRECHT  
CYNTHIA L. CARTLEDGE  
ROBERT M. JOHNSON  
BARBARA E. KISSNER  
THOMAS F. KLINKNER  
ANDREW M. LEBO  
BRADLEY E. MEYEN  
JAMES A. SARAFIN  
KENNETH E. VASSAR  
ERIC E. WOHLFORTH

OF COUNSEL  
ROGER G. CONNOR

April 4, 1991

Mr. Rick Solie  
Office of Senator Steve Frank  
Alaska State Senate  
P.O. Box V  
Juneau, Alaska 99811

RE: University of Alaska Legislative Bill  
Our File Number 3120.0004

Dear Mr. Solie:

You have asked me to explain the technical reason for the Bill relating to Bonds issued by the University of Alaska and approving the issuance of Revenue Bonds for Construction of a Student Recreation Center at the University in Fairbanks.

The bill is a necessary addition to the legislation passed last year allowing the University to issue debt. The bill provides that the University may enter into agreements securing bonds and that those agreements may provide for the fixing and collecting of fees, rentals, or charges of the University to secure bonds. The bill also gives the Board of Regents power to pledge revenues to secure bonds.

The power to pledge revenues to secure bonds is an essential element of the permission to issue revenue bonds. Revenue bonds are by nature bonds secured only by the revenues of particular facilities. The existing permission of the University to issue debt lacked the essential feature of the ability to pledge revenues of the University to secure that debt. The proposed bill remedies that omission.

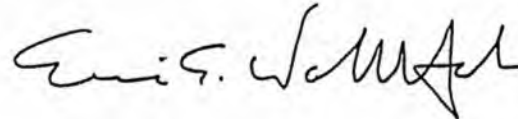
Mr. Rick Solie  
April 4, 1991  
Page 2

In addition, the bill contains a specific authorization for indebtedness in respect of the student recreation center in Fairbanks.

If you desire further information, please contact me.

Very truly yours,

WOHLFORTH, ARGETSINGER, JOHNSON  
& BRECHT



Eric E. Wohlforth

:gt

cc: Mr. James Lynch  
University of Alaska, Fairbanks

James F. Lynch  
Controller and Associate Vice  
President for Finance



813 Gruening Building  
Fairbanks, Alaska 99775-5300  
(907) 474-7711  
(907) 474-5187 (FAX)

University of Alaska  
Statewide System of Higher Education

April 9, 1991

Representative Mark Boyer  
House of Representatives  
P.O. Box V  
Juneau, AK 99811

Re: House Bill 260, University of Alaska Student Recreation  
Center Revenue Bond Authorization

Dear Representative Boyer:

This letter is in response to your request for information regarding the student recreation center debt authorization request.

In its narrowest sense, the bill provides authorization to issue revenue bonds for a specific project, the Fairbanks campus student recreation center; and in a broader sense it provides the university with the ability to pledge university receipts to secure that debt or any debt issued under AS 14.40.253.

A student referendum was held in October 1990 at which the Fairbanks studentbody approved a proposal for assessment of a separate activity fee of \$75 per semester for payment of debt service to construct an indoor recreation center on campus. Based on that statement of student commitment for the project, the Board of Regents approved seeking legislative authorization to issue revenue bonds for the recreation center. The university administration is supportive of the project because of the personal commitment by the students to pay for the facility and its improvement in the quality of student live on campus. However, although the student commitment on a per student basis is quite large, the revenue base is relatively small for a project this size. Depending on design and construction costs, the project may have to be scaled down, or other revenue sources pledged, in order to make the financing feasible and attractive to underwriters, bond insurers and investors. Details of the project are enclosed.

The bill also gives the university a broader base of revenue to pledge as support for debt transactions. Historically, specific revenues have been pledged to finance specific projects such as housing fees for student housing, student fees for the Anchorage recreation center, and power plant rent for plant construction. Although specific pledging of project revenues keeps the issue neat and tidy from an accounting perspective, it provides considerably less security from the perspective of investors, bond insurers and rating agencies. It results in higher interest

Representative Mark Boyer  
April 9, 1991  
Page 2

rates, higher bond issuance costs and restrictive covenants such as debt service and renovation reserves, property and liability insurance requirements, and environmental hazard indemnification.

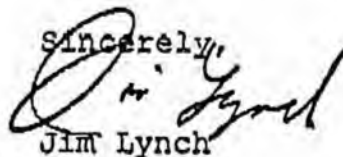
In principle, a broader revenue base for support of a specified debt, provides a more attractive debt instrument for investors. This provision will put the university in a better position to obtain more favorable rates, terms and conditions than merely being forced to accept the dictates of bond insurers, rating agencies and underwriters. For example, in structuring a debt issue for a specialized service facility, such as the student recreation center, the project fees may be adequate to pay the actual debt service, but bond insurers, rating agencies or the market may require pledged fees to be 125 percent or 140 percent of the estimated annual debt service. The minimal revenue pledge may also require alternative terms and conditions to provide comfort to the investor such as higher interest rates, large debt service and renovation reserves, and a host of restrictions on construction and operation of the facilities.

A broader revenue base will allow the university to put together more sensible, flexible and saleable financing packages. For instance, it may be able to pay the actual debt service with project fees, but provide a critical margin of security to investors by an additional pledge of other student fees; it may be able to structure the debt over a shorter term if considered necessary for market or debt policy reasons; it may be able to structure level debt service payments or subsidize the student contribution in early years, so as to take advantage of higher student contributions resulting from a larger student population and fee inflation in later years.

The university has issued very little long-term debt. Its total FY91 debt service, including principal and interest payments, for long-term debt is \$2.7 million (approximately 1.3 percent of unrestricted current fund revenues, which is extremely low) and levels off at approximately \$2 million in FY94. The Board of Regents is currently working on debt policy which will place constraints on further debt issuances. Enclosed for your information is a draft copy of the Regents' debt policy relating to facilities and real property improvements, a copy of a university long-term debt service schedule and a copy of a schedule of revenue bond debt comparison for several other states which I received from Dan Kaplan of John Nuveen & Co. several months ago.

If you have any questions or if I can be of any assistance, please let me know.

Sincerely,

  
JIM LYNCH

FINANCIAL STATEMENT FOR  
UAF STUDENT RECREATION CENTER

Reference 7

Construction Estimate 1/16/91	\$4,076,863
Total Project Cost Estimate	\$5,435,817
Capitalized Interest & Cost to Issue Bonds	\$ 400,000
Rounded	\$5.9 Million

UAF Enrollment Figures:

A \$75/semester additional activity fee will be charged to students carrying eight (8) or more credits.

Spring 1990 = 3,437 students  
Fall 1991 = 3,763 students (before drop/add)

For estimating purposes, we used 3,600 students with 8 or more credit hours:

Faculty and staff currently pay \$100/per year for activity cards. An increase to \$200/per year is contemplated.

3,600 students X \$150/year =	\$540,000/year fee income.
500 staff X \$200/year =	<u>\$100,000/year fee income.</u>
	\$640,000/year total fee income.

OPTION 1

Use student & staff fees to pay off debt over twenty years

Annual debt service (20 yrs) for 5,900,000 @ 7.5% interest = \$578,748/per yr.

The difference between income and debt is \$61,252/yr. This could be used as a cushion against diminished enrollment or to retire the debt earlier).

OPTION 2

Request state financing assistance for \$2.9 million and reduce the debt to ten (10) years.

\$3,000,000	Student Financed Debt
<u>\$2,900,000</u>	State Appropriation
\$5,900,000	Total Project Cost

Annual debt service (10 yrs) for \$3,000,000 @ 7.5% interest = \$437,058/per yr.

(The difference between income debt is approximately \$200,000/yr. This could be used as a cushion against declining enrollments or to retire the debt earlier).

NOTE: This option requires amending the FY92 Capital Request.

**SUMMARY OF ACTIONS**  
Board of Regents' Meeting  
February 21-22, 1991

5. University of Alaska Fairbanks Yupik Museum/Library/Cultural Center at Bethel - Consultant Selection

PASSED

"The Board of Regents approves the architect selection for the University of Alaska Fairbanks Yupik Museum/Library/Cultural Center at Bethel as presented and authorizes the university administration to negotiate and award a contract. This motion is effective February 22, 1991."

6. University of Alaska Fairbanks Fire Station - Site Selection Approval

PASSED

"The Board of Regents approves site selection for the new University of Alaska Fairbanks Fire Station to be located north of Kuskokwim Way on the Fairbanks campus of the University of Alaska Fairbanks. This motion is effective February 22, 1991."

7. University of Alaska Fairbanks Student Recreation Center - Approval of Funding Concept

PASSED AS AMENDED

"The Board of Regents approves the funding concept for the proposed University of Alaska Fairbanks Student Recreation Center and authorizes the university president, the secretary of the Board of Regents, and other administrators to request that the Alaska State Legislature enact legislation authorizing the University of Alaska to issue tax exempt revenue bonds, certificates of participation, or other financing instruments for the construction of a recreation center on the Fairbanks campus; to initiate action to secure interim and permanent financing and construction of such a recreation center under Option 1 at a total cost of approximately \$5.9 million to include the cost of debt issuance and financing reserves. This motion is effective February 22, 1991."

8. University of Alaska Fairbanks Air-Cooled Condenser Expansion - Revised Consultant Selection

PASSED

"The Board of Regents approves the list of consultants for the University of Alaska Fairbanks air-cooled condenser expansion

MOTION

"The Finance, Facilities and Land Management Committee recommends that the Board of Regents approve site selection for the new University of Alaska Fairbanks Fire Station to be located north of Kuskokwim Way on the Fairbanks campus of the University of Alaska Fairbanks. This motion is effective February 21, 1991."

7. University of Alaska Fairbanks Student Recreation Center -  
Approval of Funding Concept Reference 7

PROJECT SCOPE:

A master plan study to provide facility expansion guidelines for University of Alaska Fairbanks athletic and recreation facilities on the Fairbanks campus was developed in January 1986 with funds from a 1984 direct appropriation.

Phase I of the proposed long-range development is a \$5.9 million, 40,000 square foot, all-weather recreation center west of the existing Patty Ice Arena. This project will take a large step in meeting the needs of the university community for recreation and intramural activities. The recreation center will provide flexible space for an indoor soccer field, basketball courts, indoor tennis courts, volleyball and badminton courts, indoor softball or other field activities. An indoor, eight-laps to a mile jogging track and associated support facilities will be located on the mezzanine level. By nationally recognized standards, UAF now has a 30,000 square foot deficit for this type of space and a projected deficit of 60,000 square feet by the year 2000. A future capital project currently estimated at \$3.5 million will link the main Patty building, the ice rink, the student recreation center and provide handicapped access for the complex and a limited amount of new program space.

CONSULTANT:

The consultant for this master plan was Gordon, Beard, Grimes, Bahls and Domries (GBD Architects) with John Vosmek, Jr., AIA Architect from Portland, Oregon.

FUNDING SOURCE:

A student petition with over four hundred signatures was presented to the UAF administration in December 1989, asking

**Board of Regents'  
Finance, Facilities, and Land Management Committee  
February 21, 1991**

for a referendum on the project. The referendum was approved on October 25, 1990. The petition proposed that funding for design and construction of the recreation center come from a revenue bond sale to be amortized by an increase in student activity fees. A copy of the financial statement is attached. Legislative approval is needed for a revenue bond sale and would be sought from the 1991 legislature.

Current estimates of financing and construction costs indicate that Option 1 (see **Reference 7** for options) may not be feasible without down-sizing the student recreation center to a point where it may not be practical to complete the facility as planned. Option 2 provides a conservative financing package and will provide for construction of a complete stand-alone student recreation center.

**SCHEDULE:**

October 25-26, 1990	Presentation to UAF Student General Body and Student Vote
February 21-22, 1991	Board of Regents Approve Concept to Sell Bonds
March-June, 1991	Seek Legislative Approval
July, August, September, 1991	Bond Sale
August 15-16, 1991	Board of Regents Approve Architect Selection
December 12-13, 1991	Board of Regents Approve Schematic Design, and Authorize to Bid and Award
January-March 1992	Staff Review Design Development and Construction Documents
March 1992	Invitation for Bids Issued
April 1992	Bid Opening and Award
May 1992-August 1993	Construction
September, 1993	Occupancy



SUMMARY OF ACTIONS  
Board of Regents' Meeting  
April 18-19, 1991

by the Finance, Facilities, and Land Management Committee. This motion is effective April 19, 1991."

(12) Regents' Policy 05.01.09 - Debt and Credit

PASSED

"The Board of Regents approves the revisions to regents' policy 05.01.09 as presented in Reference 11. This motion is effective April 19, 1991."

d. FINANCE, FACILITIES, AND LAND MANAGEMENT  
COMMITTEE REPORT - INFORMATION AND OTHER  
ITEMS

Information only - no action required.

## PART V

## FINANCE AND BUSINESS MANAGEMENT

## CHAPTER I

## Debt and Credit

## A. Scope:

This policy applies to all external debt transactions of the University.

## B. Purpose:

The purpose of this policy is:

1. To maintain the creditworthiness of the University and the state of Alaska;
2. To minimize the cost of capital for acquisition and construction and/or leasing of facilities;
3. To provide guidelines for debt financing the acquisition or construction of essential facilities and other real property improvements; and
4. To provide guidelines for equipment financing and other credit transactions.

## C. Facilities and Real Property Improvements:

1. All facilities and other real property debt issuances must be approved by the Board of Regents.
2. The University's annual debt service, including any proposed issue, shall not exceed 5 percent of the University's unrestricted revenues.
3. Refunding or refinancing debt shall be issued only if it results in a net present value savings, eliminates restrictive covenants or provides other benefits which can be clearly demonstrated.
4. Each debt issue, or homogeneous group of debt issues, shall have a level or declining debt service schedule.

5. The final maturity for any new debt issues, excluding refunding issues, shall not exceed 75 percent of the useful life of the facility purchased or constructed with the proceeds.
6. The final maturity for any refunding issues, excluding interim or temporary financings, shall not exceed the final maturity of the debt being refunded.
7. Debt proceeds not expended for direct acquisition or financing costs in accordance with the expenditure plan approved by the Board shall be used to defease or redeem the related debt at the earliest allowed time.
8. Debt proceeds shall not be used to pay or reimburse University departments or employees for the cost of services or expenses unless such costs are directly assignable to the project in accordance with the expenditure plan approved by the Board.
9. The University shall engage an external financial advisor for each debt issue to prepare a letter of comment and recommendation (including the type of financing, call, security and credit enhancement features, term, time and manner of sale, reasonableness of costs and other terms and conditions) and evaluate at the time of issuance the reasonableness of interest rates, underwriter fees, financing costs, reserve requirements and other related issues.
10. The University shall engage external bond counsel for each tax-exempt debt issue to perform all services customarily provided by bond counsel, including preparation or review of all debt authorizing resolutions and related documents and agreements.
11. The University shall use appropriate competitive procedures for selection of financing consultants, bond counsel, underwriters, trustees, bond insurance and for sale of debt.
12. The University shall provide the State Bond Committee notice of all debt issuances 60 days prior to planned issuance, including a description of the project and details of the financing plan.
13. The Commissioner of Revenue shall be invited to participate in the organization and management of all

presentations to rating agencies and the preparation of official statements.

D. Equipment Lease-Purchase Transactions:

No University officer shall engage in any borrowing, lease-purchase or financing arrangements on behalf of the University without the specific prior approval of the vice president for finance and a review of all related agreements by University counsel. Any request for such approval shall be forwarded by the regional university chief financial officer to the vice president for finance with all of the information necessary to evaluate the request, including an explanation of what is being purchased, the cash price and related expenses for an outright purchase, copies of the proposed financing terms and agreements, and an explanation of why the financing is in the best interest of the University.

E. Corporate Charge/Credit Cards:

The vice president for finance is authorized to execute corporate charge and/or credit card agreements on behalf of the University. Corporate charge or credit cards may only be authorized and used in unusual circumstances where

(1) other standard procurement and billing processes are not feasible for such activity,

(2) procedures are established for the full payment of charges on a regular basis, and

(3) the vice president for finance determines the arrangement is in the best interest of the University.

Each request by a regional university chief financial officer for authorization of a charge or credit card should include an explanation of the circumstances under which the card will be used, procedures for control and security of the card, estimates of the volume of activity and payment frequency, and a justification as to why the arrangement is in the best interest of the University.

Part V

Finance and Business Management

Chapter I

Debt and Credit

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4. Each debt issue, or homogeneous group of debt issues, shall have a level or declining debt service schedule.
5. The final maturity for any new debt issues, excluding refunding issues, shall not exceed 75% of the useful life of the facility purchased or constructed with the proceeds.

6. The final maturity for any refunding issues, excluding interim or temporary financings, shall not exceed the final maturity of the debt being refunded.
7. Debt proceeds not expended for direct acquisition or financing costs in accordance with the expenditure plan approved by the Board shall be used to defease or redeem the related debt at the earliest allowed time.
8. Debt proceeds shall not be used to pay or reimburse University departments or employees for the cost of services or expenses unless such costs are directly assignable to the project in accordance with the expenditure plan approved by the Board.
9. The University shall engage an external financial advisor for each debt issue to prepare a letter of comment and recommendation (including the type of financing, call, security and credit enhancement features, term, time and manner of sale, reasonableness of costs and other terms and conditions) and evaluate at the time of issuance the reasonableness of interest rates, underwriter fees, financing costs, reserve requirements and other related issues.
10. The University shall engage external bond counsel for each tax-exempt debt issue to perform all services customarily provided by bond counsel, including preparation or review of all debt authorizing resolutions and related documents and agreements.
11. The University shall use appropriate competitive procedures for selection of financing consultants, bond counsel, underwriters, trustees, bond insurance and for sale of debt.
12. The University shall provide the State Bond Committee notice of all debt issuances 60 days prior to planned issuance, including a description of the project and details of the financing plan.
13. The Commissioner of Revenue shall be invited to participate in the organization and management of all presentations to rating agencies and the preparation of official statements.

University of Alaska  
Total Debt Service Schedule  
December 31, 1990

	Notes	Revenue Bonds	Leasehold Obligations	Certificates of Participation	Total
FY91	\$ 992,276.08	\$ 530,067.90	\$ 1,144,607.50	\$ 53,889.53	\$ 2,720,841.01
FY92	993,176.08	524,511.65	1,139,720.00	162,313.76	2,657,407.73
FY93	2,072,215.02	528,749.16	1,137,820.00	180,638.76	3,738,784.18
FY94	475,285.80	527,430.41	940,170.00	187,791.26	1,942,886.21
FY95	475,435.80	539,736.65	1,178,505.00	194,273.76	2,193,677.45
FY96	191,935.80	527,167.91	1,171,002.50	205,086.26	1,890,106.21
FY97	191,935.80	529,567.91	1,170,077.50	209,726.26	1,891,581.21
FY98	191,935.80	531,442.90	1,160,510.00	218,603.76	1,883,888.70
FY99	191,935.80	527,736.65	1,162,027.50	221,326.26	1,881,699.95
FY00	191,935.80	522,884.16	1,159,075.00	223,338.76	1,873,894.96
FY01	191,935.80	470,233.06	1,156,365.00	229,641.26	1,818,533.86
FY02	191,935.80	439,617.43	658,535.00	229,878.76	1,290,088.23
FY03	191,935.80	289,732.31	656,858.75	229,303.13	1,138,526.86
FY04	191,935.80	230,551.03	657,450.00	237,503.13	1,079,936.83
FY05	191,935.80	132,410.25	654,957.50	244,228.13	979,303.55
FY06	191,935.80	128,810.25	654,005.00	239,662.50	974,751.05
FY07	191,935.80	130,210.25	654,115.00	233,806.26	976,261.05
FY08	191,935.80	50,135.25	650,312.50	103,687.50	892,383.55
FY09	191,935.80				191,935.80
FY10	191,935.80				191,935.80
FY11	191,935.80				191,935.80
FY12	159,932.12				159,932.12
	<u>\$ 8,239,293.70</u>	<u>\$ 7,160,995.13</u>	<u>\$ 17,106,113.75</u>	<u>\$ 3,604,699.04</u>	<u>\$ 36,111,101.62</u>

**Comparison of State General  
Obligation and University Debt  
(dollars in thousands)**

	<u>Alaska</u>	<u>Delaware</u>	<u>Montana</u>	<u>North Dakota</u>	<u>Oklahoma</u>	<u>Vermont</u>	<u>Wyoming</u>
Population	534,000	633,000	819,000	679,000	3,305,000	541,000	507,000
General Obligation Debt	\$490,000	\$456,530	\$83,390	\$138,095	\$80,376	\$271,810	\$ -0-
G.O. Ratings	Aa/AA-	AA/AA+	Aa/AA-	Aa/AA-	Aa/AA	Aa/AA	NR/NR
University Revenue Debt (1)	\$9,390	\$45,515	\$123,828	\$26,375	\$66,040	\$63,530	\$46,265
Ratings (2)	NR/NR	NR/AA+	Aaa/AAA	A1/A	A/A	A/AA	Aaa/AAA

(1) Student fee, general receipts or auxiliary enterprise fund debt.

(2) Triple A ratings are for insured issues.

Note: All but three state university systems (Hawaii, Mississippi and Oregon) have received legislative authorization for some type of university revenue bond financing.

Source: Moody's Bond Record  
S & P Municipal Bond Bank

John Vosmek Architect

16 January 1991

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## UAF ATHLETIC FACILITY DESIGN RECEIVES STUDENT APPROVAL AND SUPPORT

John Vosmek Architect has recently completed preliminary plans and a model of a student recreation center for the campus of the University of Alaska - Fairbanks. The design and model were used as informational materials in a successful campaign to win student approval of a fee assessment to service approximately \$5,000,000 in bonds to support the project. Snow on the ground from October to May and temperatures commonly dropping to -40F make indoor recreation space particularly important to the quality of life and recruitment and retention on this campus.

The student recreation center will house the first increment of an indoor running course and a multi-purpose space (to support three basketball, tennis or volleyball courts or, with a roll-out synthetic turf, a multi-purpose indoor field). Space for free weights and conditioning equipment, a dance and aerobics area and support facilities for cross country skiing are included with recreational lockers and changing rooms. The design also defines additions to accommodate an extended indoor running course and needed circulation and handicapped access improvements, which would be accomplished with complementary state funds.

This step toward the funding of the facilities improvements is part of a multi-year effort to find funding alternatives during the economic downturn which started in 1985-1986 in the state of Alaska.

Revisions updating an athletic facilities master plan for the campus, originally drafted in 1986, are currently being completed.

### PROJECT SUMMARY

Project:	Student Recreation Center (Fieldhouse) University of Alaska - Fairbanks
Client:	University of Alaska Facilities Planning and Constr.
Const. Budget:	approx. \$4,000,000 ( <del>\$6,600,000 incl. circ./access</del> )
Area:	55,700 sf ( <del>77,700 sf</del> )
Completion:	Fall 1992 (earliest)

**HB 263**

(11)

# HOUSE COMMITTEE REPORT

Date Referred: May 15, 1991

FURTHER REFERRALS:

Date of Committee Action: 4/06/92

The FINANCE Committee considered:

HB 263

HOUSE BILL NO. 263

HUMAN SERVICES MATCHING GRANTS FOR MUNI'S

"An Act relating to human services community matching grants; and providing for an effective date."

### RECOMMENDATIONS:

be replaced with 05 HB 263 (FIN)  the same title  a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal impact DHSS

fiscal note(s) \_\_\_\_\_

zero fiscal note \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
Eileen P. <sup>MAG LEAN</sup> <del>McMahon</del>	<input checked="" type="checkbox"/>	<del>Koponen</del> Koponen		<input checked="" type="checkbox"/>	
Mike <sup>NAVARRE</sup> <del>Yavon</del>	<input checked="" type="checkbox"/>	<del>JACKO</del> JACKO		<input checked="" type="checkbox"/>	
Mark <sup>BOYCE</sup> <del>Boyer</del>	<input checked="" type="checkbox"/>	<del>SHARP</del> SHARP			
Kay <sup>BROWN</sup> <del>Brown</del>	<input checked="" type="checkbox"/>	<del>PHILLIPS</del> PHILLIPS		<input checked="" type="checkbox"/>	
Arnold <sup>LARSON</sup> <del>Larson</del>		<del>ULMER</del> ULMER		<input checked="" type="checkbox"/>	
		<del>BARNES</del> BARNES		<input checked="" type="checkbox"/>	

Mike Yavon <sup>NAVARRE</sup> E.P. McMahon <sup>MAG LEAN</sup>  
 CHAIRMAN'S SIGNATURE

CS FOR HOUSE BILL NO. 263 (FINANCE)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:  
Referred:

Sponsor(s): REPRESENTATIVES BOYER, Ellis, Gruenberg, Koponen, Ulmer, Barnes, Sharp

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to human services community matching grants; and providing for an  
2 effective date."

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

4 \* Section 1. AS 29.60 is amended by adding new sections to read:

5 ARTICLE 8. HUMAN SERVICES COMMUNITY MATCH PROGRAM.

6 Sec. 29.60.600. HUMAN SERVICES COMMUNITY MATCHING GRANTS. (a)

7 Within the limits of appropriations for the purpose, the Department of Health and Social Services  
8 shall, upon application, make a matching grant to a qualified municipality equal to 50 percent  
9 of the estimated reasonable costs of providing essential human services through private nonprofit  
10 agencies within the municipality, including services to persons who travel to the municipality  
11 from their residences elsewhere in the state.

12 (b) To qualify for a grant under this section, a municipality is required to

13 (1) provide the same amount of money from other sources as is provided by the  
14 state grant under this section for the services; other sources may include federal or municipal

1 money or money from other private or public sources; in this paragraph, "municipal money"  
2 includes money derived from appropriations, allocations, entitlements, grants, or other payments  
3 from the state other than the state grant under this section but does not include locally contributed  
4 staff hours, material, equipment, or other in-kind contributions; and

5 (2) comply with the grant application procedure and contractual agreements under  
6 AS 29.60.610.

7 (c) A municipality may consult with a citizens' advisory group, the majority of whose  
8 membership consists of persons who do not hold elected municipal office, concerning priorities  
9 and allocations among services funded under this section.

10 Sec. 29.60.610. GRANT PROCEDURE; CONTRACT. (a) If a qualified municipality  
11 wishes to apply for a grant under AS 29.60.600, the municipality shall apply for a grant for a  
12 fiscal year by submitting a form prescribed by the commissioner of health and social services  
13 before October 1 of the preceding fiscal year. The application must generally describe the  
14 services that are proposed to be funded with the grant and include the following information:

15 (1) a statement that each proposed service will meet the goals established under  
16 AS 47.75.010 and an explanation of why the service is necessary to prevent or alleviate serious  
17 mental or physical hardship; this explanation must be supported by a needs assessment carried  
18 out by the municipality;

19 (2) a description of the categories of individuals to whom the services are to be  
20 provided; and

21 (3) an estimate of the expenditures required for each of the services to be  
22 provided.

23 (b) A human services community matching grant shall be allotted in accordance with an  
24 agreement made between the grantee and the commissioner of health and social services on  
25 behalf of the state. The agreement may include any provision agreed upon by the parties and  
26 must include the following provisions:

27 (1) a statement by the grantee that the match requirement of AS 29.60.600 has  
28 been met by the grantee;

29 (2) estimates of reasonable costs of funding the services; and

30 (3) a requirement that no more than five percent of the grant money received  
31 under AS 29.60.600 may be used for municipal administrative costs connected with distributing

1 the grant money to the private nonprofit agencies providing the services.

2 Sec. 29.60.620. ALLOCATION OF MONEY. (a) If the amount of money appropriated  
3 by the legislature for human services community matching grants under AS 29.60.600 is not  
4 adequate to satisfy amounts required for the qualified municipalities who have applied for grants,  
5 the money shall be allocated proportionately among the qualified municipalities for which a grant  
6 has been approved under AS 29.60.600 - 29.60.650 based on the relationship the population of  
7 each municipality bears to the total population of the qualified municipalities for which a grant  
8 has been approved under AS 29.60.600 - 29.60.650.

9 (b) For purposes of (a) of this section, population shall be determined by the Department  
10 of Community and Regional Affairs based on the latest figures of the United States Bureau of  
11 the Census or other reliable population data. If a city within a borough has an approved grant  
12 for a service to be provided on an areawide basis, the allocation under (a) of this section shall  
13 be based on the population of the borough.

14 Sec. 29.60.650. DEFINITIONS. In AS 29.60.600 - 29.60.650,

15 (1) "essential human services" and "services" have the meaning given "social  
16 services" in AS 47.75.060 except that they include only services whose unavailability would  
17 subject persons needing the services to serious mental or physical hardship;

18 (2) "municipality" means a city whose population is over 20,000, as determined  
19 by the Department of Community and Regional Affairs, or a unified municipality whose  
20 population is over 100,000, as determined by the Department of Community and Regional  
21 Affairs.

22 \* Sec. 2. TRANSITIONAL PROVISIONS. (a) This Act applies to matching grants under  
23 AS 29.60.600, enacted by sec. 1 of this Act, for fiscal year 1994 and subsequent fiscal years. Municipal  
24 applications for a grant for fiscal year 1994 must be submitted by October 1, 1992, under  
25 AS 29.60.610(a), as enacted by sec. 1 of this Act.

26 (b) Notwithstanding AS 29.60.600, as enacted by sec. 1 of this Act, the state human services  
27 community match under AS 29.60.600 shall equal 90 percent of estimated reasonable costs in fiscal year  
28 1994 and 70 percent of estimated reasonable costs in fiscal year 1995.

29 \* Sec. 3. This Act takes effect July 1, 1992.

# FISCAL NOTE

No. 2

Bill Version: CSHB 263 (FTN)

(H) Publish Date: 4/8/92

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_ Dept. Affected Health and Social Services  
 Title: An act relating to human services BRU: Anch. & Fbx. Social Services Block Grants  
community matching grants" Component: Anchorage Social Services Block Grant  
 Sponsor: Boyer, Ellis, Gruenburg, Kaponen, Ulmer, Fairbanks Social Services Block Grant  
 Requestor: House Barnes, Sharp COMPONENT SERIAL NO. 0286 and 0287

**Expenditures/Revenues**

(Thousands of Dollars)

OPERATING	FY93	FY94	FY95	FY96	FY97	FY98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	0.0	<199.4>	<398.8>	<398.8>	0.0	0.0
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>&lt;199.4&gt;</b>	<b>&lt;398.8&gt;</b>	<b>&lt;398.8&gt;</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

**FUNDING:**

(Thousands of Dollars)

GENERAL FUND	0.0	<199.4>	<398.8>	<398.8>	0.0	0.0
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	<b>0.0</b>	<b>&lt;199.4&gt;</b>	<b>&lt;398.8&gt;</b>	<b>&lt;398.8&gt;</b>	<b>0.0</b>	<b>0.0</b>

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact:

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

Per CSHB 263 (Fin), the Anchorage and Fairbanks Social Services Block Grants are to be converted to 50 percent matching grants. Implementation of the 50 percent match reductions will begin to occur in FY94, with a 10% reduction, and continue in FY95 and FY96 with a 20 percent reduction in each year, resulting in 30 percent and 50 percent in each year respectively. The expenditure figures shown above assumes a FY93 base of \$1,993.7. No program impact on state services is expected assuming the municipalities apply and qualify.

Prepared by Deborah R. Wing, Director *Bh*  
 Division: Family and Youth Services

Phone: 465-3191  
 Date: April 7, 1992

Approved by Commissioner: Theodore A. Mala  
 Agency: HA Department of Health and Social Services

Date: 4-7-92

**Distribution (by preparer):**

Legislative Finance                      OMB  
 Legislative Sponsor                      Impacted Agency(ies)  
 Requestor

HB 263

# SENATE FINANCE COMMITTEE REPORT

DATE: 4/30/92

FURTHER:

DATE TURNED INTO OFFICE:

5/9/92

The Finance Committee considered CS FOR HOUSE BILL NO. 263 (FINANCE)

"An Act relating to human services community matching grants; and providing for an effective date."

and recommends:

- replace with \_\_\_\_\_ CS \_\_\_\_\_ (FINANCE)
- or  adopt previous SCS CS HB 263 (CRA)
- attaches amendment(s)

- same title
- new title
- technical title change (HB only)

adopts \_\_\_\_\_ Letter of Intent

further referral to the \_\_\_\_\_

do pass

do not pass

no recommendation

individual recommendations

**NEW FISCAL NOTES:** Dept/Date

zero fiscal notes \_\_\_\_\_

\_\_\_\_\_

fiscal notes \_\_\_\_\_

\_\_\_\_\_

appropriation--no fiscal note

**PREVIOUS FISCAL NOTES:** Dept/Date

zero fiscal notes DHSS 4-7-92

\_\_\_\_\_

fiscal notes \_\_\_\_\_

\_\_\_\_\_

**DO PASS:**

*[Handwritten signatures]*

1. \_\_\_\_\_

**OTHER RECOMMENDATIONS:**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

2. \_\_\_\_\_

Co-Chair: Signature/Recommendation

Co-Chair: Signature/Recommendation

# FISCAL NOTE

N: 2

Bill Version: CSHB 263 (FTN)

(H) Publish Date: 4/8/92

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_ Dept. Affected Health and Social Services  
 Title: An act relating to human services BRU: Anch. & Fbx. Social Services Block Grants  
community matching grants" Component: Anchorage Social Services Block Grant  
 Sponsor: Boyer, Ellis, Gruenburg, Kaponen, Ulmer, Fairbanks Social Services Block Grant  
 Requestor: House Barnes, Sharp COMPONENT SERIAL NO. 0286 and 0287

**Expenditures/Revenues** (Thousands of Dollars)

OPERATING	FY93	FY94	FY95	FY96	FY97	FY98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	0.0	<199.4>	<398.8>	<398.8>	0.0	0.0
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>&lt;199.4&gt;</b>	<b>&lt;398.8&gt;</b>	<b>&lt;398.8&gt;</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

**FUNDING:** (Thousands of Dollars)

GENERAL FUND	0.0	<199.4>	<398.8>	<398.8>	0.0	0.0
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	<b>0.0</b>	<b>&lt;199.4&gt;</b>	<b>&lt;398.8&gt;</b>	<b>&lt;398.8&gt;</b>	<b>0.0</b>	<b>0.0</b>

**POSITIONS:**

FULL-TIME			
PART-TIME			
TEMPORARY			

Changes in CSHB 263 (ERA)  
reflect NO FISCAL CHANGE from the original  
fiscal note. This fiscal note is appropriate.

4/23/92 Shuler  
date Comte Aide (initial)

Estimate of current year impact:

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

Per CSHB 263 (Fin), the Anchorage and Fairbanks Social Services Block Grants are to be converted to 50 percent matching grants. Implementation of the 50 percent match reductions will begin to occur in FY94, with a 10% reduction, and continue in FY95 and FY96 with a 20 percent reduction in each year, resulting in 30 percent and 50 percent in each year respectively. The expenditure figures shown above assumes a FY93 base of \$1,993.7. No program impact on state services is expected assuming the municipalities apply and qualify.

Prepared by: Deborah R. Wing, Director BLW  
Division: Family and Youth Services

Phone: 465-3191

Date: April 7, 1992

Approved by Commissioner: Theodore A. Mala  
Agency: HA Department of Health and Social Services

Date: 4-7-92

Distribution (by preparer):

Legislative Finance      OMB  
Legislative Sponsor      Impacted Agency(ies)  
Requestor

**COMMITTEE COPY**

## SENATE CS FOR CS FOR HOUSE BILL NO. 263 (CRA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Offered: 4/24/92  
Referred: HES, Finance

Sponsor(s): REPRESENTATIVES BOYER, Ellis, Gruenberg, Koponen, Ulmer, Barnes, Sharp

## A BILL

## FOR AN ACT ENTITLED

1 "An Act relating to human services community matching grants; and providing for an  
2 effective date."

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

4 \* Section 1. AS 29.60 is amended by adding new sections to read:

5 ARTICLE 8. HUMAN SERVICES COMMUNITY MATCH PROGRAM.

6 Sec. 29.60.600. HUMAN SERVICES COMMUNITY MATCHING GRANTS. (a)

7 Within the limits of appropriations for the purpose, the Department of Health and Social Services  
8 shall, upon application, make a matching grant to a qualified municipality equal to 50 percent  
9 of the estimated reasonable costs of providing essential human services through private nonprofit  
10 agencies within the municipality, including services to persons who travel to the municipality  
11 from their residences elsewhere in the state.

12 (b) To qualify for a grant under this section, a municipality is required to

13 (1) provide the same amount of money from other sources as is provided by the  
14 state grant under this section for the services; other sources may include federal or municipal

1 money or money from other private or public sources; in this paragraph, "municipal money"  
2 includes money derived from appropriations, allocations, entitlements, grants, or other payments  
3 from the state other than the state grant under this section but does not include locally contributed  
4 staff hours, material, equipment, or other in-kind contributions;

5 (2) comply with the grant application procedure and contractual agreements under  
6 AS 29.60.610; and

7 (3) establish and consult with a citizens' advisory group, the majority of whose  
8 membership consists of persons who do not hold elected municipal office, concerning priorities  
9 and allocations among services funded under this section.

10 Sec. 29.60.610. GRANT PROCEDURE; CONTRACT. (a) If a qualified municipality  
11 wishes to apply for a grant under AS 29.60.600, the municipality shall apply for a grant for a  
12 fiscal year by submitting a form prescribed by the commissioner of health and social services  
13 before October 1 of the preceding fiscal year. The application must generally describe the  
14 services that are proposed to be funded with the grant and include the following information:

15 (1) a statement that each proposed service will meet the goals established under  
16 AS 47.75.010 and an explanation of why the service is necessary to prevent or alleviate serious  
17 mental or physical hardship; this explanation must be supported by a needs assessment carried  
18 out by the municipality;

19 (2) a description of the categories of individuals to whom the services are to be  
20 provided; and

21 (3) an estimate of the expenditures required for each of the services to be  
22 provided.

23 (b) A human services community matching grant shall be allotted in accordance with an  
24 agreement made between the grantee and the commissioner of health and social services on  
25 behalf of the state. The agreement may include any provision agreed upon by the parties and  
26 must include the following provisions:

27 (1) a statement by the grantee that the match requirement of AS 29.60.600 has  
28 been met by the grantee;

29 (2) estimates of reasonable costs of funding the services; and

30 (3) a requirement that no more than five percent of the grant money received  
31 under AS 29.60.600 may be used for municipal administrative costs connected with distributing

1 the grant money to the private nonprofit agencies providing the services.

2 Sec. 29.60.620. ALLOCATION OF MONEY. (a) If the amount of money appropriated  
3 by the legislature for human services community matching grants under AS 29.60.600 is not  
4 adequate to satisfy amounts required for the qualified municipalities who have applied for grants,  
5 the money shall be allocated proportionately among the qualified municipalities for which a grant  
6 has been approved under AS 29.60.600 - 29.60.650 based on the relationship the population of  
7 each municipality bears to the total population of the qualified municipalities for which a grant  
8 has been approved under AS 29.60.600 - 29.60.650.

9 (b) For purposes of (a) of this section, population shall be determined by the Department  
10 of Community and Regional Affairs based on the latest figures of the United States Bureau of  
11 the Census or other reliable population data. If a city within a borough has an approved grant  
12 for a service to be provided on an areawide basis, the allocation under (a) of this section shall  
13 be based on the population of the borough.

14 Sec. 29.60.650. DEFINITIONS. In AS 29.60.600 - 29.60.650,

15 (1) "essential human services" and "services" have the meaning given "social  
16 services" in AS 47.75.060 except that they include only services whose unavailability would  
17 subject persons needing the services to serious mental or physical hardship;

18 (2) "municipality" means a city whose population is over 20,000, as determined  
19 by the Department of Community and Regional Affairs, or a unified municipality whose  
20 population is over 100,000, as determined by the Department of Community and Regional  
21 Affairs.

22 \* Sec. 2. TRANSITIONAL PROVISIONS. (a) This Act applies to matching grants under  
23 AS 29.60.600, enacted by sec. 1 of this Act, for fiscal year 1994 and subsequent fiscal years. Municipal  
24 applications for a grant for fiscal year 1994 must be submitted by October 1, 1992, under  
25 AS 29.60.610(a), as enacted by sec. 1 of this Act.

26 (b) Notwithstanding AS 29.60.600, as enacted by sec. 1 of this Act, the state human services  
27 community match under AS 29.60.600 shall equal 90 percent of estimated reasonable costs in fiscal year  
28 1994 and 70 percent of estimated reasonable costs in fiscal year 1995.

29 \* Sec. 3. This Act takes effect July 1, 1992.

POSITION PAPER  
 COMMITTEE SUBSTITUTE FOR HOUSE BILL 263 (FIN)

"An Act relating to human services community matching grants; and providing for an effective date."

The Department of Health and Social Services generally supports House Bill 263.

House Bill 263 creates a new community matching grant program to provide local social services in the two largest communities in Alaska. This program replaces the Anchorage and Fairbanks Social Services Block Grants which have been part of the Department of Health and Social Services budget for several years.

Creation of a local matching grant program is in keeping with the Governor's goal of reducing dependence on the State budget for services. A statutory basis for these programs will provide some certainty of funding while showing a clear State commitment for needed social programs. Using the block grant concept, as well as requiring local match, should also strengthen local involvement and commitment to these services as State dollars continue to decline. Reducing the State general fund share down to 50/50 match is consistent with both the administration's goal for community match and declining State resources.

1. The expenditure figures used for the fiscal note assume a FY93 base of \$1,993.7 with a 10% decline in FY94 <199.4>, another 20% in FY95 <398.8> with a final 20% reduction <398.8> in FY96 when the 50% match rate is achieved.
2. Changes in the amount authorized in FY93 for the Anchorage and Fairbanks Social Services Block Grant could impact the fiscal note.

Prepared by

Janet Clarke 4/23/92  
 Janet Clarke, Director  
 Division of Administrative Services

Approved by

Theodore A. Mala 4/23/92  
 Theodore A. Mala, MD, MPH, Commissioner  
 Department of Health and Social Services

# ARCTIC ALLIANCE FOR PEOPLE

4/8/92

Representative Mark Boyer/Interior Delegation  
State Capital Building  
Juneau, AK 99801

Dear Mark,

The Arctic Alliance for People would like to express its strong support for House Bill 263, concerning block grants.

These block grant funds are vital to the operation of social service agencies in the Fairbanks area. The dollars designated are multiplied by thousands of hours of volunteer work generated by these agencies. In our view, the loss of these funds would result in substantial increases in spending for government programs.

We appreciate your strong advocacy for this bill, as well as your on-going support of social services in the Fairbanks area.

Sincerely,

G. Verle Peterson  
Vice-president, AAP

Mary Kay Brown, ACSW  
Co-secretary, AAP



Tom Fink,  
Mayor

# Municipality of Anchorage

Department of Health and Human Services

825 "L" Street

P.O. Box 196650 Anchorage, Alaska 99519-6650



April 7, 1992

Representative Mark Boyer  
State Capitol  
Juneau, AK 99801-1182

Dear Representative Boyer,

The Municipality of Anchorage Health and Human Services Department fully supports the effort to pass CSHB 263, which would formally establish a human services match program.

The Municipality of Anchorage has been receiving Social Services Block Grant (SSBG) allocations from the state since the early 1980's. Although the state contributions have been useful we never knew from one year to the next how much money we would receive or even if we would receive any money at all. This uncertainty created problems among the non-profit agencies who ultimately depend on this money to run their programs.

By codifying this program in the Alaska State Statues, most of the uncertainty will be eliminated. In addition, the bill provides needed guidance and direction to the program. These regulations will help both the state and the Municipality run the program more smoothly.

One detail which concerns me involves the local match requirement. The people of Anchorage already contribute a substantial amount of money to social services through both governmental and private organizations. The Municipal Department of Health and Human Services has an operating budget (excluding state and federal grants) of over \$10 million, which is primarily derived from taxes. \$461,480 of this went to 32 social service agencies as a "match" to the SSBG.

Many individuals and corporations also contribute to social service agencies through organizations such as the United Way. Last year the Anchorage chapter collected over \$6.42 million, one of the highest rates of giving in the country, and the same 32 agencies received \$2.4 million of these funds. Thus, the people of Anchorage, through the United Way and the local government, provide approximately 63 percent of the agency's funding not including additional funds each agency gathers itself.

Representative Mark Boyer  
Page 2  
April 7, 1992

Although it appears that the committee substitute would permit this type of match we would like to be assured that this is indeed the case.

In conclusion, non-profit agencies play an important role in the delivery of health and social services in Anchorage. According to a survey conducted in 1987, non-profit agencies provided approximately 14 percent of all health and human services delivered in Anchorage. In some areas, such as emergency shelter and food, non-profits are the only providers of the service.

Utilization of non-profits is an efficient means of delivering needed social services. In most cases, non-profits can provide the service at a substantially lower cost than local or state governments. As an added benefit, non-profits raise millions of dollars in local contributions which would not otherwise be available.

CSHB 263 will help to strengthen the non-profit health and human services system so that it can fulfill its traditional role as a provider of services to the most needy citizens in Anchorage. Strengthening the Anchorage social service system will have positive benefits for the rest of the State as well since approximately 11 percent of the clients served by SSBG agencies are non-Anchorage residents.

Sincerely,



Helen D. Beirne, Ph.D., Director  
Municipality of Anchorage  
Department of Health and Human Services

MP  
4/7/92

To: Representative Mark Boyer  
From: Sally Crawford, Chair Fairbanks HSS Commission

The Fairbanks Health & Social Commission unanimously supports Bill 263 which provides for a health and social services block grant with municipal match.

The block grants are the best use of state monies at the local level since these monies pass directly to local non-profit agencies. These agencies in turn provide services at low cost and with extremely high volunteerism resulting in a very low cost per client served.

Equally important, the block grants prevent the state from incurring the extraordinary costs of adjudication, incarceration or institutionalization. In addition, it especially reduces the burden on state hss agencies, particularly Youth Services, Mental Health and Public Assistance.

In summary, Bill 263 is supported by a broad base of the residents of Fairbanks and the surrounding communities. The current proposed \$306,000 will provide over \$900,000 in services locally and save the state between \$1,500,000 and \$3,000,000 if the state was required to provide for clients served by the block grant currently.

Both the city and borough recognize the need for a local match as a requirement for participation in this program.

**Municipality  
of  
Anchorage**



ANCHORAGE ASSEMBLY

REC'D MAR 02 1992

P.O. BOX 196650  
ANCHORAGE, ALASKA 99519-6650  
(907) 343-4311

Rep. Boyer -  
FYI

February 26, 1992

Representative Johnny Ellis  
Alaska State Legislature  
P.O. Box V  
Juneau, AK 99811

Dear Representative Ellis:

The Anchorage Assembly has requested that I write you expressing our support of Committee substitute for House Bill 263, "An Act relating to human services community matching grants; and providing for an effective date".

As you are aware, the Municipality of Anchorage has been the major advocate and user of the Social Services block grant since its conception through SB 168. Although only Fairbanks and Anchorage have received these funds, they have been used to assist residents from throughout the State when they have been in Anchorage and utilized the services of the many non-profit agencies who are granted the funds.

Anchorage is a very generous and giving community. We have generally exceeded the community goals for the United Way drives and other community giving programs. As I read the qualifying criteria, match money need not be a new cash outlay, but we would be allowed to count the \$6.5 million plus raised in this year's United Way campaign or even other State grants received by the Municipality. In this light, we are very supportive of this bill and its passage.

Sincerely,

Craig Campbell, Chairman  
Anchorage Municipal Assembly

cc Mayor Tom Fink  
Anchorage Municipal Assembly

FAXED