

Leg. Finance-House & Senate Finance Comte Files (1991-1992) 862

Senate Finance Committee
Re: SE 188, STEP
Page 4

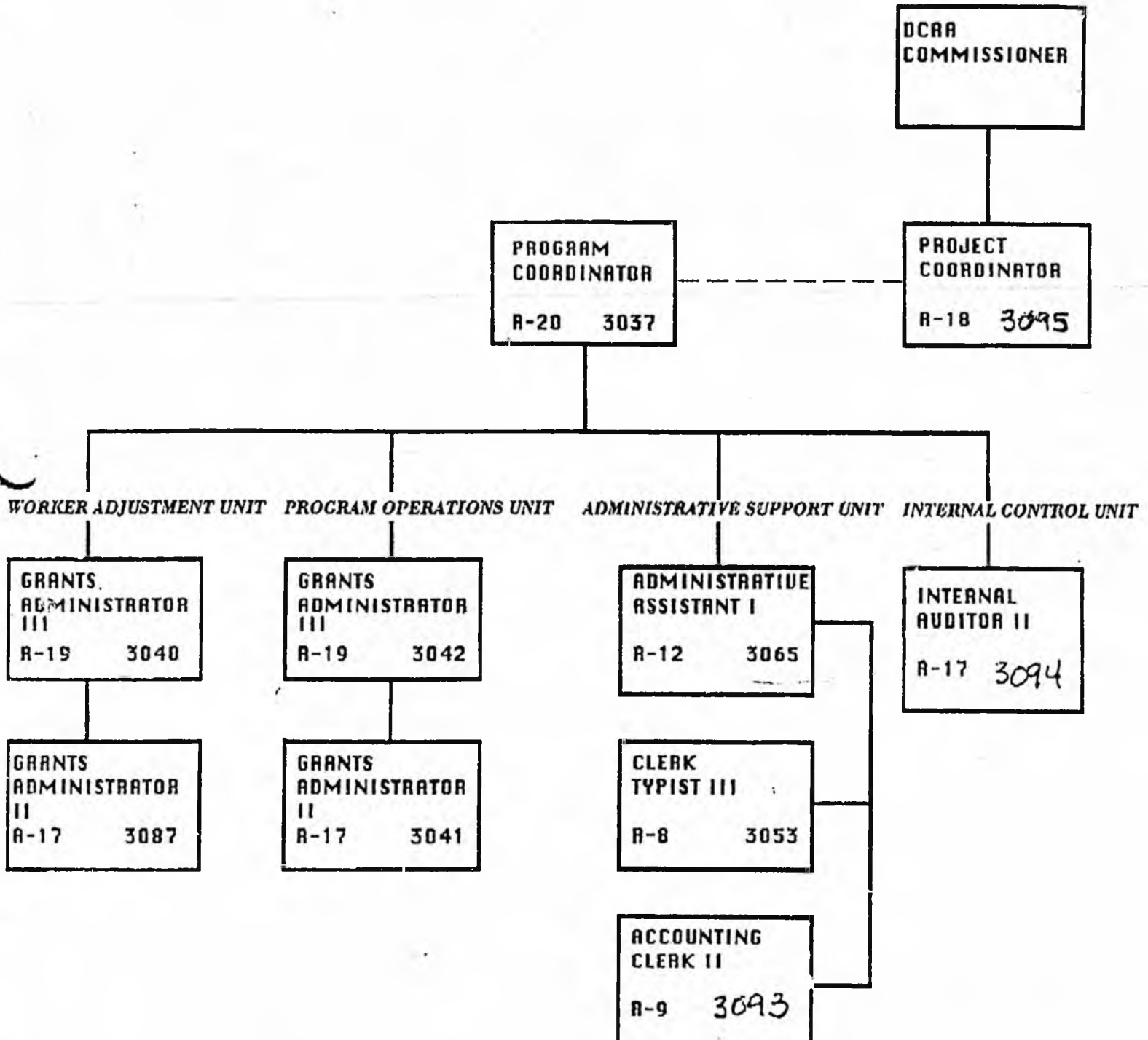
this time a survey is being conducted of administrators and service provider agencies to assess their experience with the program this year. The survey information will compliment an analysis of program impact to be conducted using the administrative data bases of the Alaska Department of Labor and the participant data base of the Department of Community and Regional Affairs.

Dispite the lack of program evaluation that could provide conclusive evidence that the program is preventing future claims against the UI Trust, the program has demonstrated that it is filling a statewide need: providing needed training and skill development to Alaskans who need assistance to get jobs or keep their jobs. The evidence of 1,186 Alaskans voluntarily availing themselves of training represents a very strong statement of program need.

Granted another year of operation the State Training and Employment Program will continue to provide an opportunity to working Alaskans to access needed training. The numbers of Alaskans who will be served is a direct function of the availability of funds. Program administrators and the Private Industry Council members who oversee the programs are confident that the program evaluation will reflect their belief that the program is effective as well as needed.

JOB TRAINING PARTNERSHIP OFFICE

ORGANIZATIONAL STRUCTURE



3/90

3093



April 3, 1991

1797-1891

CITY OF KENAI
"Oil Capital of Alaska"

210 FIDALGO KENAI, ALASKA 99811
TELEPHONE 283-7535
FAX 907-283-3014

SENT VIA TELECOPIER

Senator Steve Frank
State of Alaska
P.O. Box V
Juneau, AK 99811

RE: *SENATE BILL 188*

Dear Senator:

Please accept these comments on behalf of SB188 during your hearing scheduled for Thursday, April 4, 1991 at 3:30 p.m.

I urge the passage of SB188 as an economic measure that will enhance the opportunities of local hiring throughout our state. The spending of money for pre-employment training, on behalf of citizens of our own areas within the state, will ensure that the work force of Alaska is qualified to participate in the job market. With qualified Alaskans available, we will ensure local hire for our own people.

I would suggest you consider a two-year authorization of this bill rather than a one-year authorization and urge the passage of the funding for this year. As a mayor of a community that has seen the benefits of the State Job Training Council and the STEP Program, I can say unequivocally that the money is well spent.

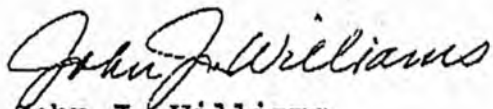
As a member of the Board of the State Job Training Council for the past six years, I can again attest to the worthiness of a job being performed under the Job Partnership Training Act. I am

Senator Steve Frank
April 3, 1991
Page 2

pleased to advise you that our STEP Program has become an integral and worthwhile project within the organization. Once again, I urge your consideration of the passage of this bill and request full implementation and funding for its success.

Sincerely,

CITY OF KENAI



John J. Williams
Mayor and Senior Member
State Job Training Council

JJW/clf

cc: Senator Lyman Hoffman
Senator Drue Pearce
Senator Arliss Sturgulewski
Senator Fred Zharoff

SB 188

SENATE FINANCE COMMITTEE REPORT

DATE: 4/5/91

FURTHER:

DATE TURNED INTO OFFICE: 4/29/91

The Finance Committee considered SENATE BILL NO. 188

"An Act relating to employment contributions and to extending the pilot project for state training and employment programs; and providing for an effective date."

and recommended:

- [] replace with _____ CS
[] or adopt _____ CS
[] attached amendment(s)
[] _____ letter of intent adopted
[] same title
[] new title
[] technical title change (HB only)

[x] do pass

[] do not pass

[] no recommendation

[] individual recommendations

[] further referral to _____

ATTACHES NEW FISCAL NOTE(S):

- [] fiscal note(s) Dept/Date:
[] zero fiscal note(s)

APPROVES PREVIOUS:

- [x] fiscal note(s) #1 DOLabor 2/14/91
#4 DCERA (SET) 2/20/91
#5 DCERA 2/20/91
[x] zero fiscal note(s) #2 DOA 2/15/91 (Pers)
#3 DOA-Labor Relations 2/20/91

[] appropriation-no fiscal note

SIGNING DO-PASS:

Handwritten signatures of committee members.

OTHER RECOMMENDATIONS:

Handwritten notes and signatures: 'No Rec', 'No Rec', 'No Rec'.

1. [Signature] do pass

2. [Signature] do pass

FISCAL NOTE

No. 1

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO

Bill Version: SB 188

(S) Publish Date: 3/11/91

Revision Date: _____
Title: "An Act relating to employment contributions and to extending the .. project .."
Sponsor: Rules Committee
Requestor: Governor

Department Affected: Labor
BRU: Employment Security
Component: State Training & Employment Program

COMPONENT SERIAL NO. 1184

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	22.6					
TRAVEL						
CONTRACTUAL	1,817.4					
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	1,840.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE	3,330.7					
---------	---------	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	1,840.0					
FEDERAL FUNDS						
OTHER						
TOTAL	1,840.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary)

(see attached for analysis)

Prepared by: Judy G. Knight, Director

Phone: 465-2712

Division: Employment Security Division

Date: 2/14/91

Approved by Commissioner: Nancy Bear Usery

Agency: Department of Labor

Date: 2/14/91

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

**Fiscal Note Analysis
for**

"An Act relating to employment contributions...and extending the pilot project..."

This bill extends the state training and employment program for an additional year. The program is funded by a contribution of one-tenth of one percent of covered worker wages collected by the Department of Labor. This is done at no cost to the worker by giving a credit of this amount from the employee contribution currently provided for in AS 23.20.290. The revenue is deposited in the general fund in the employment assistance and training program account.

Revenue calculations for FY 92 (the additional year) are as follows:

	<u>FY 92 Revenues</u>
Estimated taxable wages	\$3,506,000.0
Multiply by one-tenth of 1% to arrive at estimated revenues	\$3,506.0
Adjust for 95% collection rate	<u>(175.3)</u>
<u>Estimated total revenues available</u>	\$3,330.7

Of the total money collected \$22.6 will be retained by the Department of Labor to separately account for the funds. Of the remaining, \$300.0 will be spent on an anticipated appropriation for the Business Incentive Program operated by the Department of Community & Regional Affairs, and \$1,817.4 will be transferred to the Department of Community & Regional Affairs for employment assistance and training grants and to fund priority project analysis and program evaluation from the Department of Labor.

Assumptions:

1. Program would continue for one additional year (FY 92).

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Bill Version: SB 188

(S) Publish Date: 3/11/91

Revision Date: _____ Department Affecter: PERSONNEL

Title: State Training & Employment Program

Component: _____

Sponsor: Walter J. Hickel

Requestor: _____ COMPONENT SERIAL NO.

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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
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)

This bill will have no fiscal impact on the Division of Personnel.

Prepared By: David K. F. Otto *DKFO* Phone: 465-4430

Division: Personnel Date: 2/15/91

Approved by Commissioner: Millett Keller

Agency: Administration *Millett Keller* Date: 2/26/91

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

FISCAL NOTE

No. 3

II Version: SB188

(S) Publish Date: 2/11/91

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Revision Date: _____

Title: State Training and Employment Program.

Sponsor: _____

Requestor: Governor

Department Affected: Administration

BRU: Labor Relations

Component: Labor Relations

COMPONENT SERIAL NO.

0	0	5	8
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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
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)

This draft proposes to extend for one year a pilot grant program for employment assistance and training providers. The program is housed in and administered solely by the Department of Labor. It has no direct fiscal or policy impacts on the Department of Administration.

Prepared by: Bruce Cummings
Division: Labor Relations

Phone: 465-4404
Date: 2/19/91

Approved by Commissioner: Millett Keller
Agency: Administration

Date: 2/20/91

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

FISCAL NOTE

No. 4

Bill Version: SB 188

(S) Publish Date: 3/11/91

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Revision Date: 2/12/91 Department Affected: Community & Regional Affairs
 Title: "An Act relating to employment contributions (STEP)..." BRU: Employment/Training/Rural Development
 Component: State Employment and Training
 Sponsor: Governor
 Requestor: _____ COMPONENT SERIAL NO.

1	0	1	2
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	52.9					
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	1064.5					
MISCELLANEOUS						
TOTAL OPERATING	1117.4					

CAPITAL						
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REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER	1117.4					
TOTAL	1117.4					

POSITIONS:

FULL-TIME	1.0					
PART-TIME						
TEMPORARY						

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: Remond Henderson, Director Phone: 465-4708
 Division: Administrative Services Date: 2/20/91
 Approved by Commissioner: Edgar Blatchford
 Agency: Community and Regional Affairs Date: _____

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

Position Title Internal Auditor II		No. of Positions 1	Range / Step 17 A	Barg. Unit GGU
Time Status Full time	Staff Months 12	Location Anchorage		Election District
TYPE OF EXPENDITURE		Amount	Justification	
Salary	37.7		This position is indispensable to the administration of the employment and training programs. Taken as a total, over 11 million dollars for training and employment are granted annually by the JTPO. An increasing burden is placed on the unit each year by the federal government for program integrity and accountability. This position is the primary position charged with compliance monitoring, audit tracking and resolution, and liaison with the U.S. Department of Labor for their compliance monitoring of the state.	
Benefits	15.2			
Premium Pay				
Other				
Total Personal Services	52.9	52.9		
Travel				
Contractual				
Commodities				
Equipment				
Other				
Total Cost		52.9		
FUNDING SOURCE FOR TOTAL COST				
Federal Receipts	1002			
G.F. Match	1003			
General Fund	1004			
IA Receipts	1007	52.9		
CIP Receipts	1061			
Other				

2073

**Request For
New Position**

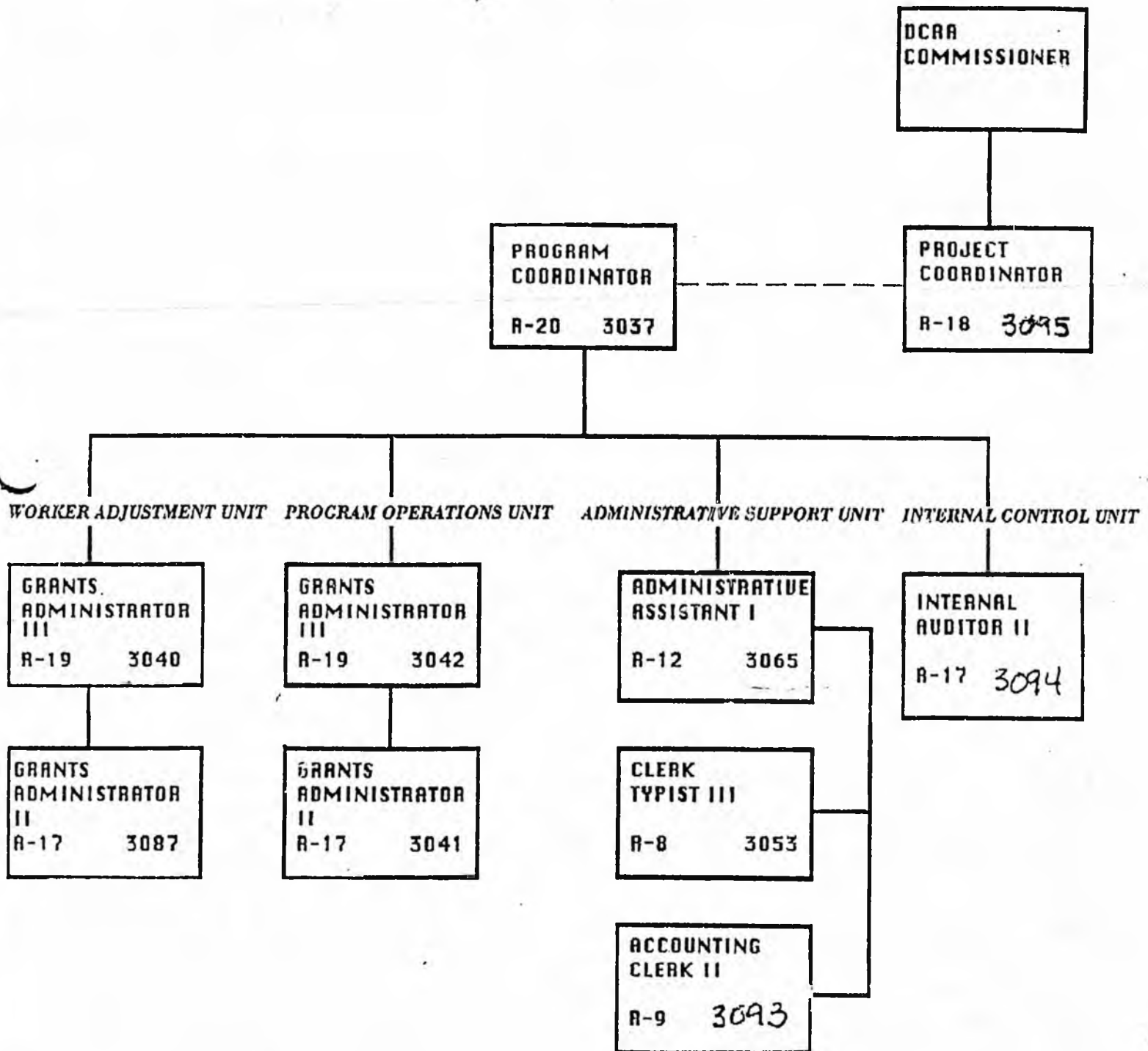
AGENCY Community and Regional Affairs
 BRU Employment/Training/Rural Development
 COMPONENT State Employment and Training

FY _____

Page _____ of _____
 Revised Date: _____

JOB TRAINING PARTNERSHIP OFFICE

ORGANIZATIONAL STRUCTURE



3/90

3093

FISCAL NOTE

No. 5

Bill Version: SB 188

(S) Publish Date: 3/11/91

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Revision Date: 2/12/91 Department Affected: Community & Regional Affairs
 Title: "An Act relating to employment contributions (STEP)..." BRU: Employment/Training/Rural Development
 Sponsor: Governor Component: Statewide Service Delivery
 Requestor: _____ COMPONENT SERIAL NO.

1	1	7	8
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	54.6					
TRAVEL	17.4					
CONTRACTUAL	15.0					
SUPPLIES	0.5					
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	612.5					
MISCELLANEOUS						
TOTAL OPERATING	700.0					

CAPITAL						
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REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER	700.0					
TOTAL	700.0					

POSITIONS:

FULL-TIME	1.0					
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: Remond Henderson, Director *Remond Henderson* Phone: 465-4708
 Division: Administrative Services Date: 2/20/91

Approved by Commissioner: Edgar Blatchford
 Agency: Community and Regional Affairs Date: _____

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

Position Title GRANTS ADMINISTRATOR II		No. of Positions 1	Range / Step 17 B	Barg. Unit GG
Time Status Full Time	Staff Months 12	Location Juneau		Election District
TYPE OF EXPENDITURE		Amount		
Salary		39.1		
Benefits		15.5		
Premium Pay				
Other				
Total Personal Services		54.6		
Travel		17.4		
Contractual		15.0		
Commodities		.5		
Equipment				
Other				
Total Cost		87.5		
FUNDING SOURCE FOR TOTAL COST				
Federal Receipts	1002			
G.F. Match	1003			
General Fund	1004			
I-A Receipts	1007	87.5		
CIP Receipts	1061			
Other				

Justification

This position is the only dedicated professional position within this component to support the STEP program.

This position oversees the development of the SDAS plan of service, manages the development of grant solicitations, contract or subgrant negotiations and writing, monitoring, oversight and reporting requirements. This position also supervises Regional office sub-allocations and oversees their performance in implementing subgrants.

This position develops policies and procedures for program operations and assists in the participant enrollment system (MIS) and supports budget and accounting functions relative to this program.

2082

**Request For
New Position**

AGENCY COMMUNITY & REGIONAL AFFAIRS
 BRU EMPLOYMENT TRAINING/RURAL DEVELOPMENT
 COMPONENT STATEWIDE SERVICE DELIVERY

FY 92

Page 1 of 1
 Revised Date: _____

SENATE BILL NO. 188

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 3/11/91
Referred: CRA and Finance

A BILL**FOR AN ACT ENTITLED**

1 "An Act relating to employment contributions and to extending the pilot project for state
2 training and employment programs; and providing for an effective date."

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

4 * Section 1. Section 2, ch. 95, SLA 1989, is amended to read:

5 Sec. 2. STATE TRAINING AND EMPLOYMENT PROGRAM. There is created a
6 [TWO-YEAR] pilot project program to finance and award grants to employment assistance and
7 training entities. Employment assistance and training entities shall give appropriate state agencies
8 full access to accounting records concerning grants received to assure compliance with program
9 standards.

10 * Sec. 2. Section 4(a), ch. 95, SLA 1989, is amended to read:

11 (a) In the manner provided in AS 23.20, the department shall collect from each employee
12 an amount equal to one-tenth of one percent of the wages, as set out in AS 23.20.175, on which
13 the employee is required to make contributions under AS 23.20.290(d). This subsection applies
14 to amounts due and collected from July 1, 1989, through June 30, 1992 [1991], on wages for

1 employment performed from July 1, 1989, through June 30, 1992 [1991]. The department shall
2 remit to the Department of Revenue, in accordance with AS 37.10.050, money collected under
3 this subsection.

4 * Sec. 3. Section 15, ch. 95, SLA 1989, is amended to read:

5 Sec. 15. Section 13 of this Act takes effect July 1, 1992 [1991].

6 * Sec. 4. This Act takes effect immediately under AS 01.10.070(c).

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

April 3, 1991

POSITION PAPER

RE: Senate Bill 188

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Program Effects of the Bill

The bill authorizes the extension for a period of one year of the pilot project for state funded training and employment programs. This additional time period will permit continuation of training and employment services to eligible participants throughout the state. The extension will also allow for sufficient time to evaluate the effectiveness of the program.

Comments

The Department of Community and Regional Affairs supports this bill. Through a unique arrangement with the Alaska Department of Labor this department has offered training opportunities to Alaskans utilizing the Service Delivery Areas set up under the federal Job Training Partnership Act. The program is operated in all parts of the state. This arrangement has proven to be an effective service delivery strategy. Since the project became fully operational earlier this fiscal year statistical and anecdotal evidence indicates that the program is very successful. Through the end of February over 456 Alaskans have been enrolled in training programs. We expect nearly 1200 to be trained this year alone. Over 60% of those in the program were unemployed when they enrolled. Approximately 30% have active Unemployment Insurance claims, about 18% have exhausted their UI benefits and over half have no active claim. This indicates service is being provided to those groups the project is intended to serve. Of those completing the training program 73% have gained unsubsidized employment.

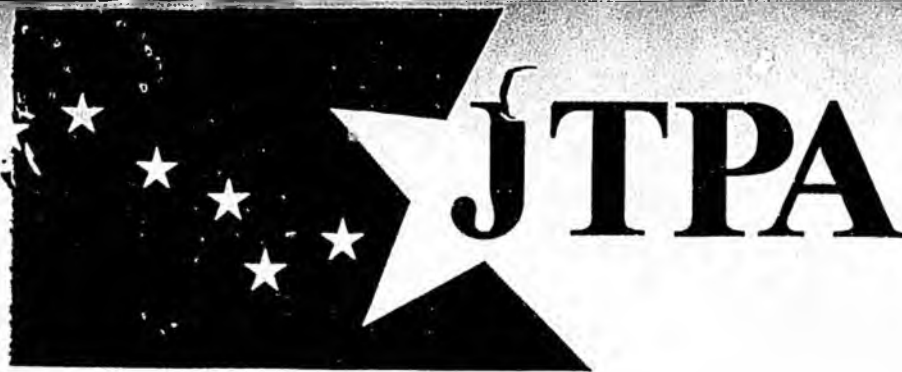
There is a great unmet need for training opportunities in Alaska. Typically those served under this program are not employed and have not completed high school. This program offers job specific training that in most cases leads directly to employment. Available evidence indicates that the program should be reauthorized for another year.

Edgar Blatchford

Edgar Blatchford, Commissioner

STEVE COWPER, GOVERNOR

- P.O. BOX B
JUNEAU, ALASKA 99811-2100
PHONE: (907) 465-4700
- 949 E. 34TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508-4302
PHONE: (907) 563-1073



ALASKA JOB TRAINING COUNCIL

WALTER MCKEL, GOVERNOR

REPLY TO: State of Alaska
Department of Community
and Regional Affairs
Rural Development Division
949 East 36th Avenue, Suite 400
Anchorage, Alaska 99508-4361
Phone: (907) 563-1073
Fax: (907) 563-1734

February 25, 1991

Honorable Members of the 17th Alaska State Legislature:

A statutory requirement of the Business Incentive Training Program (AS 44.47.750) is that the Alaska Job Training Council report annually to the Legislature on matters related to the program. Attached is the first annual report.

The Job Training Council is unanimous in its support for the legislation. It has the potential of improving the state's economic competitiveness through worker training. This strategy is prevalent among our foreign competitors, and can offer a sound lesson for institutional change at home.

However, while the intent of the statute is correct, we respectfully submit that certain language in the statute ought to be changed in order to accomplish its goals. The mechanics proposed by the law are simply too cumbersome to effectively operate the program. After much thought and examination of other state funded programs, we wish to report on those elements of a model business incentive program.

The Job Training Council will continue to be at your service should you wish to enact some or all of the recommendations.

Respectfully Yours,

Sarah Scanlan, Chair
Vice President, NANA Development Corp.

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

Rural Development Division

WALTER J. HICKEL, GOVERNOR

949 E. 36TH AVE., #400
ANCHORAGE, ALASKA 99508-4361
(907) 563-1073
TELEFAX: (907) 563-1734

February 28, 1991

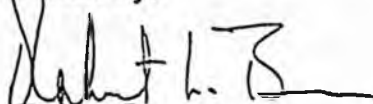
Dear Legislator:

I am pleased to express my support for the first annual report on the Business Incentive Training Program, A.S. 44.47, presented to the First Session of the 17th Alaska State Legislature.

The Business Incentive Program attempts to establish a partnership between the state, private sector employers, and training agencies, to raise the work based skills of Alaskans, particularly in the use of new technologies. Successfully implemented, it has the capacity to emulate a strategy much more prevalent among our foreign competitors: upgrading employee skills as a means to improved business competitiveness.

The following pages will allow you the opportunity to learn about the statute, its means of implementation, and possible ways to exact results consistent with the statute's purpose.

Sincerely,



Robert L. Brean
Director

SB188

1990 REPORT TO THE LEGISLATURE
On The
BUSINESS INCENTIVE TRAINING PROGRAM

AS 44.47.750

Prepared by
James Gurke, Coordinator
ALASKA JOB TRAINING COUNCIL
Sarah Scanlan, Chair

State of Alaska
Walter J. Hickel, Governor

Department of Community & Regional Affairs
Edgar Blatchford, Commissioner



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FINDINGS

The National Governors' Association and National Commission for Employment Policy have recently examined state funded industry-specific training programs, drawing the following conclusions:

- o That businesses in other states offering such assistance are uniformly in agreement that training proved to be valuable and that the state's participation was instrumental.
- o That in most cases a business does not know how to use training as a strategic agent in its business plan, necessitating assistance prior to obtaining the actual training grant.
- o That training projects are most effective when they are clearly tied to specific employer needs and performance objectives developed in the application process.
- o That states reduce the risk of substituting public for private funds in industry-specific training when grants pay for classroom training or some form of customized training, and are most substantial when paying for on the job training wages. Furthermore, training grants for industry-specific training should require a private sector match.

In order to translate these recommendation into action at the state level, the council proposes the following changes to the Business Incentive Training Program.

1. That the Job Training Council be provided the latitude to recommend to the Department of Community and Regional Affairs which agency or agencies be considered for administration of the business incentive program.
2. That Private Industry Councils and regional economic development agencies be used as a means of recruiting businesses interested in worker training.
3. That the business incentive program be targeted toward smaller businesses, and that the business match the grant with a 100 percent cash or in-kind contribution.
4. That the program be concentrated on upgrading skills of existing employees, therefore, eliminating the need for on-the-job wage subsidies as a training cost.
5. That eligibility criteria for employees in training be simplified to being a current contributor to the Unemployment Insurance Trust under AS 23.20.

POLICY RATIONALE FOR STATE FUNDED TRAINING

Alaska is only one of four states to use the unemployment insurance trust rather than general tax revenue in underwriting worker training and retraining -- the others being California, Delaware and Rhode Island. However, at least a quarter of the states have comparable programs supported by their respective general funds. In virtually every case the purpose of the statutes are the same:

(California) To encourage investment in the productivity and competitiveness of California's workers through training.

(Maryland) To improve competitiveness and productivity of the workforce; upgrade employee skills for new technologies; and assist in promotion of employment stability.

(New York) To assist individual businesses and industries in improving competitiveness by providing skill training; to provide job skills to dislocated workers; to upgrade skills of existing employees to enable modernization of operations, particularly among small businesses.

Historically, government sponsored programs have targeted the idea of industry attraction. For instance, providing a package of tax incentives and worker training to attract a firm or discourage its leaving. However, this goal has a zero sum result -- as states within a region establish similar incentives the playing field is leveled and programs compete against each other in a bidding war.

Adoption of new strategies are based upon alternative premises.

(1) That state financing of training in transferable skills will, in itself, help create an environment which will interest new business.

(2) That government participation in industry specific training helps mitigate a concern of small businesses, known as the "free rider dilemma." Companies fear that by providing training at their own cost, they then risk losing employees through relatively high turnover rates. A consequence is that few lower level workers ever receive advanced skills training.

(3) That government financing of high skills training will improve competitiveness of businesses, thus reduce turnover and help retain business and employment within the state.

(4) Finally, that demographic indicators show that many workers lack functional skills because they were unsuccessful in school or simply have not kept up with technological advances. These workers are most likely to be claimants of unemployment insurance or public assistance in the absence of any job specific training.

Fairbanks Project: The Fairbanks Private Industry Council expended \$26,356 in FY 90. It awarded a single grant for computer training through the University of Alaska Small Business Development Center. The project allowed the Center to establish a computerized entrepreneurial training program that has subsequently been used by trainees under both the Job Training Partnership Act and the State Training and Employment Program.

In conclusion, in FY 90, \$300,000 was authorized for BIP; but only \$75,408 expended. An explanation for this anomaly is the fact that BIP proposes to establish new institutional partnerships between the state, business, and training agencies. Little prior experience with such implementation models existed at the time of BIP's authorization.

For example, in 1983, Illinois established the Prairie State 2000 Authority, but it took almost three years to fully implement the program. It is now in its fifth year of operation and is often cited as one of the most successful models for work based education. The lessons learned were apparently worth the time and should be an example for Alaska.

The following recommendations are based upon what we have learned from the research and the experience of other states.

Administration is centrally located in their Department of Economic and Employment Development. Payments for training occur through a voucher system to pay for training at a recognized training agency; or through grants to a business consortium or individual business who arrange their own training method and curriculum.

The recommendation is that a recruitment method, similar to Maryland's program, be emulated in the Alaska Business Incentive Program.

3. That the business incentive program be targeted toward smaller businesses and that the business must match the grant with a 100 percent cash or in-kind match.

Targeting and Substitution Issues. To adequately support a public policy initiative like BIP or STEP, the state must be prepared to justify the program against two criteria. First, a method of targeting resources should be considered given the small amount of available assistance. Second, a method should exist to ensure that state general funds are not substituting for otherwise available private training monies.

A common approach used by other states in determining business need is the use of pre-application assistance. Business receiving a training grant should be able to cite the positive effects training is expected to have on the business. Specifically, it should be able to develop a training plan which identifies specific skills to be obtained by employees; whether these skills are likely to be important components of its overall business strategy; and the means of measuring the acquisition of the skills acquired in training.

Targeting is further assured through limitations that can easily be built into the statute.

- o One, by concentrating the majority of the money on small business under the theory that they are least likely to afford job specific skills training on their own. Small business is also responsible for the most significant number of new job openings. Maryland, for instance, concentrates 60 percent of its funding on businesses with less than 100 employees; New York, 50 percent.
- o Second, that funding be limited by either a percentage of available funds or a dollar amount. Illinois limits its grants to \$50,000, Maryland to 5% of the funds available in the appropriation. Both states' appropriations are similar in size to Alaska. Illinois' experience over the past four years is that grants average \$17,000 per business.

OJT payments are treated differently by the various state programs. California permits them, but only upon condition that time sheets are signed by the employee and trainer indicating the number of hours in training versus simply doing one's job. Illinois provides for OJT by not subsidizing wages of the trainee, but rather the employee who serves as trainer. Maryland and Kentucky do not permit OJT simply because the substitution issue weakens the argument for use of public funds.

The argument for training existing employees is fundamental to the business incentive program. By limiting training to existing employees, the government is responding to a private sector need as a partner. The uncertainties of matching trained workers to employer expectations is removed from the equation. Instead, the employer takes the initiative to train its existing workforce, including new hires. For example, when Federal Express entered the Alaska market there was a local desire to assist them in training new employees. The argument of most state programs is, "Fine...hire the new workforce, then enter into a partnership with the state to provide the skills training you require."

The recommendation is that only existing employees qualify and that training be oriented toward classroom or customized training and away from on-the-job wage subsidies.

5. That eligibility criteria for employees in training be simplified to being a current contributor to the Unemployment Insurance Trust under AS 23.20.

The Legislative intent of the statute and the eligibility criteria for employers and employees are currently at odds. The statute requires that trainees be unemployed, at risk of being unemployed, or marginally employed seasonal workers. Eligible employers, on the other hand, even include sole proprietor businesses who do not contribute to the Unemployment Insurance Trust under AS 23.20.

The strict employee eligibility in the statute makes the program clumsy to operate and has the potential of precluding private sector interest. Employers are restricted by whom they may hire, and to upgrade the skills of existing employees the employer must guarantee that the employee is about to lose his or her job.

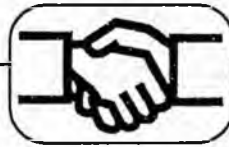
Because the funding source for the program is the Unemployment Insurance Trust, employers should be limited to those who are covered under AS 23.20.

The recommendation is that employee and employer eligibility be consistent with the purpose of the program. Both entities ought to be currently covered under AS 23.20 to be eligible for assistance under the program.

REFERENCES

The following sources of information were used for this report.

1. A special meeting of an Alaska Job Training Council Ad Hoc Committee for BIP, August 17, 1990.
2. A BIP workshop conducted under the auspices of a joint meeting between the Job Training Council and Private Industry Councils, November 10, 1990, facilitated by Steve Duscha, former Director of the California Employment Training Panel, and Peter Creticos, author of several research studies on state funded training programs.
3. Attendance by the Chair and council staff at an National Governors' Association workshop highlighting the Maryland "Partnership for Workforce Quality" legislation.
4. Examination of other state legislation and reports documenting outcomes of similar state funded workplace-based retraining programs, including:
 - Bluegrass State Skills Corporation, 1989 Annual Report, State of Kentucky.
 - "Evaluating State-Financed, Workplace-Based Retraining Programs," Research Report 89-08, Peter Creticos and Robert Sheets, National Commission for Employment Policy and National Governor's Association.
 - "Partnership for Workforce Quality: Maryland's Response to Skills Upgrading," Audrey S. Their, Maryland Department of Economic and Employment Development, NGA Center for Policy Research.
 - "State-Financed, Workplace-Based Retraining Programs," Research Report 89-01, Peter Creticos and Robert Sheets, National Commission for Employment Policy and National Governor's Association.



State Training and Employment Program (STEP)

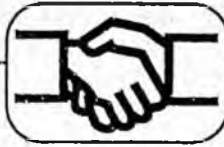
A State Employment and Training Program (STEP) was enacted by the Alaska State legislature in 1989. The goals of the program are: to foster new jobs through the availability of a skilled work force; to increase training opportunities for workers affected by technological changes and fluctuations in the state economy; and to reduce future claims against unemployment benefits. A small portion of the earnings of the Unemployment Insurance Trust Fund are dedicated for the STEP program, which was designed to supplement rather than supplant the JTPA program. Eligibility for the program is geared towards those who have paid into the unemployment insurance system. Each year, the Commissioner of the State Department of Labor provides a list of targeted services or projects. For PY89, the Commissioner targeted the Over-the-Horizon Backscatter Radar project and Construction Trades Upgrad-

ing/Retraining for projects. The Alaska Statewide SDA awarded two Backscatter Radar project grants, AHTNA Heritage Foundation and the Alaska Apprenticeship and Training Coordinator's Association. Both contracts seek to prepare the local labor force for the skilled jobs that will become available as the Backscatter project begins. Four contracts were awarded under the Construction Trades Upgrade project. Two grants were awarded to the Alaska Laborer's Training Trust Fund for Asbestos Abatement training in the Nome and Juneau areas. Both communities anticipated the start-up of large asbestos removal projects. Two grants were awarded to the Fairbanks Area Painters and Decorators to provide Hazardous Painting Certification and an Industrial Painting/Corrosion Control training to rural residents in the interior. Seventy-six clients were served in PY89's STEP program.

The Nome Asbestos Abatement project promoted local hire by training Nome area residents in asbestos removal. Those who completed the program were hired to work at the Nome Beltz High School. The contractor, Asbestos General, was very impressed by how well trained and hard working the STEP trained workers were.



Pete Larsen (right), of the Nome Laborers Union Local 942 shows asbestos removal trainees Robert Curran, Jr. (left) and Dan Olanna (middle) how to use a glove bag. Glove bags are used for small scale asbestos jobs or when removing asbestos from pipes.



Business Incentive Program (BIP)

The Business Incentive Program (BIP) was passed by the Alaska State Legislature in 1989 and was designed to promote and encourage the creation of new jobs in private industry.

The Alaska Statewide Service Delivery Area funded the University of Alaska Southeast, Institute of Mining Training (IMT) to provide advanced mining training to participants eligible under the Business Incentive Program. Five participants were trained in the development of a new mine site through "hands-on" experience. The trainees put much of their classroom knowledge to use by drilling, blasting, mucking and using the necessary equipment to prepare an actual mine site. The mine is now ready to be used as a permanent underground classroom for future IMT students.



"The local mining industry is very involved in this training project, but from the start has avoided becoming the actual training agency. Through this project trainees got actual mining experience, the Institute of Mining Technology (IMT) developed an underground mine site in which to provide training, and the industry will get more thoroughly trained employees. The underground facility could not have been developed in time without the assistance of the Business Incentive Program and the trainees."

*Robert Greig
Director/Curriculum
Institute of Mining Technology*

"I would not have my job at Echo Bay [Mining and Exploration] without the "hands-on" experience I got through the Business Incentive Program (BIP). There aren't many people around with these skills, so I really had an edge."

*James Anderson
BIP Participant*



WALTER J. HICKEL
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 11, 1991

The Honorable Richard I. Eliason
President of the Senate
P.O. Box V
Juneau, AK 99811

Dear President Eliason:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill to extend, for a one-year period, the pilot project for state training and employment programs, and associated employment contributions. The pilot project was established in 1989 (ch. 95, SLA 1989) and is due to expire on July 1, 1991. Due to delays in the start-up of the program, additional time is needed to evaluate the effectiveness of the program.

Several other states have passed legislation that has resulted in successful employment training programs. There is broad-based support for the bill in Alaska from labor and industry. I urge your early and favorable consideration of this bill.

Sincerely,

A handwritten signature in cursive script that reads "Walter J. Hickel".

Walter J. Hickel
Governor

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

CORRESPONDENCE AND STATEMENTS OF SUPPORT FROM:

1. OLDER PERSONS ACTION GROUP, INC., 4/4/91
2. MILA, INC., 4/4/91
3. GENERAL TEAMSTERS LOCAL 959, STATE OF ALASKA
4/3/91
4. STATE JOB TRAINING COUNCIL, 4/3/91
5. ALASKA STATEWIDE PRIVATE INDUSTRY COUNCIL,
4/2/91
6. PRIVATE INDUSTRY COUNCIL (ANCHORAGE/MAT-SU
CONSORTIUM), 3/29/91

SB 189

DATE: 5/8/91

FURTHER:

DATE TURNED INTO OFFICE: 5-17-91

The Finance Committee considered SENATE BILL NO. 189

"An Act amending the Alaska Securities Act of 1959 to allow fees related to registration to be established by regulation, to provide for registration, examination, and other procedures that avoid duplication, and to provide for exemption from registration for certain securities."

and recommended:

- replace with _____ CS _____
- or adopt _____ CS _____
- attached amendment(s)
- _____ letter of intent adopted

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

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

ATTACHES NEW FISCAL NOTE(S):

fiscal note(s) Dept/Date: _____

zero fiscal note(s) _____

appropriation-no fiscal note

APPROVES PREVIOUS:

fiscal note(s) Dept/Date: _____

zero fiscal note(s) _____

SIGNING DO PASS:

Ar Adams

Lyman Hoagland

Russell Kelly

OTHER RECOMMENDATIONS:

1. J.P. ...
Co-Chairs: Signatures

2. J. ...
and Recommendations

FISCAL NOTE

No. 1

Bill Version: SB 189

(S) Publish Date: 2/11/91

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Revision Date: _____ Department Affected: Commerce & Economic Dev.
 Title: Amend the Alaska Securities Act of 1959 BRU: Banking, Securities & Corporations
 Component: Banking & Securities
 Sponsor: Rules Committee
 Requestor: Governor COMPONENT SERIAL NO.

1	2	3	3
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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
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REVENUE	400.0	500.0	500.0	550.0	550.0	550.0
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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: Willis F. Kirkpatrick, Director Phone: 465-2521
 Division: Banking, Securities & Corporations Date: 2/20/91
 Approved by Commissioner: Glenn A. Olds *Glenn A. Olds*
 Agency: Department of Commerce & Economic Development Date: 2/20/91

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

SENATE BILL NO. 189

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 3/11/91
 Referred: L&C and Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act amending the Alaska Securities Act of 1959 to allow fees related to registration
 2 to be established by regulation, to provide for registration, examination, and other
 3 procedures that avoid duplication, and to provide for exemption from registration for
 4 certain securities."

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

6 * Section 1. AS 45.55.040(c) is amended to read:

7 (c) Every broker-dealer, [APPLICANT FOR INITIAL REGISTRATION SHALL PAY
 8 A REGISTRATION FEE OF \$125. EVERY] agent, [APPLICANT] and investment adviser
 9 applicant for initial registration shall pay a registration fee established by the department by
 10 regulation [OF \$50]. Every broker-dealer, [APPLICANT FOR ANNUAL RENEWAL OF
 11 REGISTRATION SHALL PAY AN ANNUAL RENEWAL FEE OF \$75. EVERY] agent,
 12 [APPLICANT] and investment adviser applicant for annual renewal of registration shall pay an
 13 annual renewal fee established by the department by regulation [OF \$30].

14 * Sec. 2. AS 45.55.040(d) is amended to read:

1 (d) A registered broker-dealer or investment adviser may file an application for
2 registration of a successor, whether or not the successor is then in existence, for the unexpired
3 portion of the year. A broker-dealer may file a request to transfer from a previous broker-dealer
4 an agent's unexpired portion of the registration if the provisions of AS 45.55.030(b) have been
5 met. The [THERE IS A] filing fee [OF \$10] for filing applications under this subsection shall
6 be established by the department by regulation.

7 * Sec. 3. AS 45.55.040 is amended by adding a new subsection to read:

8 (g) The administrator may permit initial and renewal registration filings required under
9 this chapter to be filed with the Securities and Exchange Commission, the National Association
10 of Securities Dealers or other similar authorities. The administrator may accept uniform
11 securities examinations or other procedures designed to implement a uniform national securities
12 regulatory system or facilitate common practices and procedures among the states.

13 * Sec. 4. AS 45.55.110(b) is amended to read:

14 (b) Every person filing a registration statement shall pay a filing fee [OF \$50] and a
15 registration fee in amounts established by the department by regulation [OF ONE-TENTH
16 OF ONE PER CENT OF THE MAXIMUM AGGREGATE OFFERING PRICE AT WHICH
17 THE REGISTERED SECURITIES ARE TO BE OFFERED IN THIS STATE, BUT THE
18 REGISTRATION FEE SHALL IN NO CASE BE LESS THAN \$50 OR MORE THAN \$1,500].
19 When a registration statement is withdrawn before the effective date or a pre-effective stop order
20 is entered under AS 45.55.120, the administrator shall retain the [\$50] filing fee.

21 * Sec. 5. AS 45.55.140(a)(10) is amended to read:

22 (10) a security listed or approved for listing upon notice of issuance on the New
23 York Stock Exchange, the American Stock Exchange, the Midwest Stock Exchange, [OR] the
24 Pacific Coast Stock Exchange, the Chicago Board Options Exchange, or any other securities
25 exchange designated by order of the administrator, or any security designated or approved
26 for designation upon notice of issuance as a national market system security on the National
27 Association of Securities Dealers Automated Quotation National Market System or on any
28 other quotation system designated by order of the administrator, or any other security of the
29 same issuer which is of senior or substantially equal rank; a security called for by subscription
30 rights or warrants so listed or approved; or a warrant or right to purchase or subscribe to any of
31 the foregoing;

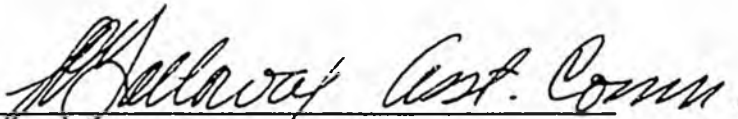
1 * Sec. 6. AS 45.55.140(f) is amended to read:

2 (f) The administrator shall by regulation prescribe a schedule of fees for the application
3 for or the examination or investigation of a claimed exemption.

SB 189: "An Act amending the Alaska Securities Act of 1959 to allow fees related to registration to be established by regulation, to provide for registration, examination, and other procedures that avoid duplication, and to provide for exemption from registration for certain securities."

This bill permits the Division of Banking, Securities and Corporations to revise securities fees which have not been modified since enactment of the Securities Act of 1955. In addition, the bill grants exemption from registration for certain securities listed on the National Automatic Quotation System (NASDAQ), as well as certain securities listed on the Chicago Board Options Exchange. These new exemptions meet listing criteria of present manual exemptions provided by the Act. The exemptions are allowable in many jurisdictions and will provide uniformity.

The securities industry is encouraging and supporting this legislation.


Glenn A. Olds, Commissioner

Date: 5-6-91

APR 25 1991

WALTER J. HICKEL, GOVERNOR

**DEPARTMENT OF COMMERCE &
ECONOMIC DEVELOPMENT**

OFFICE OF THE COMMISSIONER

P.O. BOX D
JUNEAU, ALASKA 99811-0800
PHONE: (907) 465-2500

April 26, 1991

The Honorable Drue Pearce
Chairman, Senate Labor
and Commerce Committee
Room 101, Capitol
P.O. Box V
Juneau, AK 99811

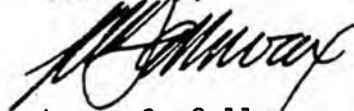
Dear Senator Pearce:

Re: Senate Bill 189, Amending the Alaska Securities Act

The Senate Labor and Commerce Committee has before it Senate Bill 189, amending the Alaska Securities Act. Please be advised that the department would very much appreciate the committee's consideration and hearing on this bill. The legislation will permit the Division of Banking and Securities to revise securities fees which have not been modified since enactment of the Securities Act in 1955. In addition, the bill grants exemption from registration for certain securities listed on the National Automatic Quotation System (NASDAQ), as well as certain securities listed on the Chicago Board Options Exchange. These new exemptions are allowable in many jurisdictions and are needed to bring us mainstream with our fellow regulators.

This is a unique opportunity where industry is, in fact, supporting legislation which will result in increased fees and put us back in the middle of the road for securities regulation. This is important for us, and we would appreciate your consideration.

Sincerely,



Larry O. Galloway
Assistant Commissioner

LOG/LPC/jc4667q
042691b

WALTER J. HICKEL
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

SB189

March 11, 1991

The Honorable Richard I. Eliason
President of the Senate
P.O. Box V
Juneau, AK 99811

Dear President Eliason:

Under the authority of art. III, sec. 18 of the Alaska Constitution, I am transmitting a bill to amend the Alaska Securities Act of 1959. The bill addresses three administrative problems.

First, the bill would change existing statutes to allow the Department of Commerce and Economic Development (department) to set securities registration-related fees by regulation. Sections 1, 2, 4, and 6. Currently, almost all registration-related fees are expressly set by statute. Because those statutes have not been updated for many years, the fees are significantly below those charged by other jurisdictions and are inadequate to pay for the services provided. The intent of the department is to set the fees by regulation at an amount consistent with that charged by other states.

Second, in an effort to reduce the amount of duplicate filings and unnecessary paperwork handled by the department, the bill provides that the administrator of securities (the director of the division of banking, securities and corporations) may arrange with the National Association of Securities Dealers or the Securities and Exchange Commission to have coordinated national filings, and may accept certain uniform registration-related procedures. Section 3.

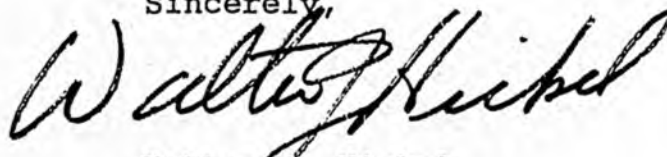
Third, the bill provides for new exemptions from the registration requirement for securities: At present, securities listed under a number of national stock exchanges are exempt from registration. AS 45.55.140(a)(10). The bill will add to that list two other recognized exchanges, the Chicago Board Options Exchange and the National Association of Securities Dealers Automated Quotation National Market System (NASDAQ/NMS). Additionally, the administrator would have the flexibility to add to that list as conditions dictated. Most jurisdictions have a similar form of administrator exemption approval.

The Honorable Richard Eliason -2-

289

The bill updates the Alaska Securities Act to bring it in line with current practice and to permit coordination with national enforcement authorities. I urge your support of this measure.

Sincerely,

A handwritten signature in cursive script that reads "Walter J. Hickel". The signature is written in dark ink and is positioned above the printed name and title.

Walter J. Hickel
Governor

**THE FOLLOWING DOCUMENT HAS NOT
BEEN FILMED BUT IS AVAILABLE IN THE
ORIGINAL FILE.**

PLEASE MICROFILM TOP PAGE ONLY.

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

CORRESPONDENCE AND STATEMENTS OF SUPPORT FROM:

- 1. THE OPTIONS EXCHANGE, 5/10/91**
- 2. DEAN WITTER REYNOLDS, INC., ANCHORAGE
5/3/91**
- 3. THE OPTIONS EXCHANGE, 4/26/91**
- 4. NATIONAL ASSOCIATION OF SECURITIES DEALERS,
INC., 4/8/91**



Nancy L. Nielsen
Assistant Corporate Secretary

LaSalle at Van Buren
Chicago, Illinois 60605 312 786-7466

May 10, 1991

Federal Express

Senator Pat Pourchot
Co-Chairman
Senate Finance Committee
State Capitol
P.O. Box V
Juneau, AK 99811-0101

Re: Senate Bill 189

Dear Senator Pourchot:

We understand that a hearing on Senate Bill 189 is scheduled for Thursday, May 16, 1991. In connection with the hearing, we thought you might be interested in the enclosed report of the Ad Hoc Marketplace Committee of the North American Securities Administrators Association. The Committee conducted a due diligence study of the Chicago Board Options Exchange, the results of which are summarized in the report. As noted in Nancy Crossman's letter of April 26th, the Report, which recommended that the states accord CBOE a marketplace exemption, was delivered at the April NASAA Conference.

We respectfully request that you and you colleagues favorably report this bill at the May 16th hearing. If you have any questions, please call me at (312) 786-7466.

Sincerely,

A handwritten signature in cursive script that reads "Nancy L. Nielsen".

Nancy L. Nielsen
Assistant Corporate Secretary

Enclosure

cc: Lawrence P. Carroll

SB 190

HOUSE COMMITTEE REPORT

(11)

Date Referred: May 16, 1991

FURTHER REFERRALS:

Date of Committee Action: 5/17/91

The FINANCE Committee considered:

SB 190

SENATE BILL NO. 190

ALASKA SAFETY ADVISORY COUNCIL

"An Act relating to powers of the Alaska Safety Advisory Council; and providing for an effective date."

RECOMMENDATIONS:

be replaced with _____ 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) Dept of Labor 3/11/91

zero fiscal note _____

zero fiscal note(s) Dept of Rev 3/11/91

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Mark Boyer</i> Boyer	X	<i>Eileen P. Maclean</i> Maclean		✓	
<i>Tay Brown</i> BROWN	✓	<i>George Jackson</i> JACKSON		X	
<i>Bob Koponen</i> Koponen	✓	<i>Ben Sharp</i> Sharp		X	
<i>Mike Ulmer</i> Ulmer	X	<i>Robert E. Phillips</i> Phillips		✓	
<i>Mike Navarre</i> NAVARRE	✓	<i>David Lason</i> LASON		X	

Mike Navarre E.P. Maclean
 CO-CHIRMAN'S SIGNATURE
 NAVARRE Maclean

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

No. 2
BILL NO. Bill Version: SB 190
(S) Publish Date: 3/11/91

Revision Date: _____
Title: "An Act relating to the Alaska
Safety Advisory Council"
Sponsor: Rules Committee
Requestor: Governor

Department Affected: Labor
BRU: Commissioner's Office
Component: Commissioner's Office
COMPONENT SERIAL NO. 340

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	103.5	103.5	103.5	103.5	103.5	103.5
SUPPLIES	6.0	6.0	6.0	6.0	6.0	6.0
EQUIPMENT						
LAND&STRUCTURES						
GRANTS.CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	109.5	109.5	109.5	109.5	109.5	109.5

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

REVENUE	109.5	109.5	109.5	109.5	109.5	109.5
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
GF Program Receipts	109.5	109.5	109.5	109.5	109.5	109.5
TOTAL	109.5	109.5	109.5	109.5	109.5	109.5

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: If the effective date is 1/1/91, the FY 91 impact would also be \$109.5.

ANALYSIS: (Attach a separate page if necessary)

see attached

Prepared by: Eileen Plate, Special Assistant Phone: 465-2700
Division: Commissioner's Office Date: 2/14/91

Approved by Commissioner: Nancy Bear Usera
Agency: Department of Labor Date: 2/14/91

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

Fiscal Note Analysis for:

"An Act relating to the Alaska Safety Advisory Council"

This bill would allow the Alaska Safety Advisory Council to collect program receipts at its annual safety & health conference. These receipts would, in turn, be used to pay for the conference activities as well as other council activities.

Projected receipts for FY 92:

Annual Governor's Conference		\$109,500
Registration fees:	\$85,000	
Exhibit fees:	14,000	
Other fees:	10,500	

Projected expenses for FY 92:

Annual Governor's Conference		\$109,500
Speakers expense	\$58,000	
Conference hotel	36,000	
Portfolios/Nametags/Awards	6,000	
Miscellaneous	9,500	

If the effective date is January 1, 1991, the receipts and expenditures for FY 91 would also fall under the provisions of this bill. We estimate the receipts and expenditures will be about the same in 1991 as shown above for 1992.

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

No. 1
Version: SB 190
(S) Publish Date: 3/11/91

Revision Date: _____
Title: Alaska Safety Advisory Council
Sponsor: Hickel
Requestor: _____

Department: _____
BRU: Treasury
Component: _____

Component Serial No.

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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
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS:

Prepared by: Brian C. Andrews
Division: Treasury
Approved by Commissioner: _____
Agency: Revenue

Phone: 465-2350
Date: February 15, 1991

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).
Rev 10/90

SENATE BILL NO. 190

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 3/11/91
Referred: L&C and Finance

A BILL**FOR AN ACT ENTITLED**

1 "An Act relating to powers of the Alaska Safety Advisory Council; and providing for an
2 effective date."

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

4 * Section 1. AS 18.60 is amended by adding a new section to read:

5 Sec. 18.60.840. POWERS OF THE COUNCIL. (a) The council may charge
6 a fee for attendance at the annual governor's safety conference, based on the estimated
7 cost to organize and hold the conference.

8 (b) The receipt and expenditure by the council of money from any source is
9 subject to the Executive Budget Act (AS 37.07).

10 * Sec. 2. Section 1 of this Act is retroactive to January 1, 1991.

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

STATE OF ALASKA
WALTER J. HICKEL, GOVERNOR

DEPARTMENT OF LABOR

OFFICE OF THE COMMISSIONER

P.O. BOX 21149
JUNEAU, ALASKA 99802-1149
PHONE: (907) 465-2700

FAX: (907) 465-2784

May 10, 1991

The Honorable Ben Grussendorf
Speaker
House of Representatives
P.O. Box V
Juneau, AK 99811

Dear Representative Grussendorf:

This is to urge passage of two important bills (Senate Bill 188 and Senate Bill 190) during this legislative session.

Senate Bill 188 provides an extension of the State Training and Employment pilot program. The program will statutorily expire on July 1, 1991, unless the bill passes this session. As you may recall, the program was established in 1989 as a two-year pilot in order that the effectiveness of the program could be evaluated before a permanent, ongoing program was established. However, due to delays in the start up of the program, an extension of the pilot is needed.

Senate Bill 190 brings the Alaska Safety Advisory Council into conformity with state budget/appropriation laws. Specifically, the bill provides the Council with the required statutory authority to charge a fee for attendance at their annual Governor's Safety Conference. In addition, the accompanying fiscal note properly brings the Council's program receipts and expenditures into the legislative appropriation process. Since the Council was established in 1982, it has charged conference fees and expended them outside of the state budget/legislative appropriation process. Enclosed is a copy of an opinion from the Department of Law which provides additional background information on the issue. Passage of Senate Bill 190 is needed this year to permit the Council to continue to organize and hold its annual safety conference.

The Honorable Ben
Grussendorf

-2-

May 10, 1991

Thank you for your help; and if additional information
is needed, please let me know.

Sincerely,

A handwritten signature in cursive script, appearing to read "Nancy Bear Usera".

Nancy Bear Usera
Commissioner

NBU:kh

Enclosure

SB 156

SENATE FINANCE COMMITTEE REPORT

DATE: 4/10/91

FURTHER:

DATE TURNED INTO OFFICE: 4/29/91

The Finance Committee considered SENATE BILL NO. 156

"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."

and recommended:

- replace with _____ CS _____
- or adopt _____ CS SB 156 (HESS)
- attached amendment(s)
- _____ letter of intent adopted

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

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

ATTACHES NEW FISCAL NOTE(S):

fiscal note(s) Dept/Date: DHESS 4/24/91
165.2 GF / 190.6 FF

zero fiscal note(s) _____

appropriation-no fiscal note

APPROVES PREVIOUS:

fiscal note(s) Dept/Date: _____

zero fiscal note(s) _____

SIGNING DO PASS:

OTHER RECOMMENDATIONS:

[Handwritten signatures and recommendations follow]

1.

2.

Co-Chairs: Signatures and Recommendations

FISCAL NOTE

STATE OF ALASKA

BILL NO. CS SB 153

1991 LEGISLATIVE SESSION

Revision Date: 4/24/91 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: Senate HESS (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	269.1	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
TOTAL OPERATING	355.8	804.9	986.8	1,210.0	1,484.0	1,820.4

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	165.2	370.5	455.4	559.9	688.4	846.6
FEDERAL FUNDS	190.6	434.4	531.4	650.1	795.6	973.8
OTHER	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	355.8	804.9	986.8	1,210.0	1,484.0	1,820.4

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: Kimberly B. Busch Phone: 465-3355

Division: Medical Assistance Date: 4-24-91

Approved by Commissioner: [Signature]

Agency: Health and Social Services Date: 4-24-91

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

Rev 10/90

Page 1 of 4

CS SB 156 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 CS SB 156. 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
<u>134.6 FED</u>
269.1 Total

- (13) Benefits costs for FY93 through FY97 are computed from the FY91 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).

CS FOR SENATE BILL NO. 156 (HES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

Offered: 4/10/91
 Referred: Finance

Sponsor(s): SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

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) chiropractic services;
- 10 (2) adult dental services;
- 11 (3) emergency hospital services;
- 12 (4) treatment of speech, hearing, and language disorders;
- 13 (5) optometrists' services and eyeglasses;
- 14 (6) occupational therapy;
- 15 (7) prosthetic devices;
- 16 (8) medical supplies and equipment;
- 17 (9) clinical social workers' services;
- 18 (10) psychologists' services;
- 19 (11) 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.

Alaska State Legislature

SENATOR ARLISS STURGULEWSKI, Chairman
SENATOR PAUL FISCHER, Vice Chairman
SENATOR SAM COTTEN
SENATOR LYMAN HOFFMAN
SENATOR CURT MENARD



P.O. BOX V
ROOM 427
STATE CAPITOL
JUNEAU, ALASKA 99811
(907) 465-3762

Senate Committee on Health, Education and Social Services

MEMORANDUM

April 11, 1991

TO: Senator Pat Pourchot, Co-Chairman
Senate Finance Committee

Senator Jay Kerttula, Co-Chairman
Senate Finance Committee

FROM: Senator Arliss Sturgulewski, Co-Chairman *AS*
Senate Health, Education, & Social Services Committee

RE: Hearing request for CSSB 156(HES) "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 legislation would provide for coverage of psychologists' and clinical social workers' services under the state medical assistance program.

Passage of this legislation would allow these two groups to provide needed services directly to medicaid patients. Under the current situation it is a requirement that these services be provided under the sponsorship of a clinic or M. D. This legislation would allow these two groups to provide independent services.

A packet of information is enclosed for your information. If there are any questions, please contact Frank Homan (465-3818) on my staff. Thank you.

Enclosure

POSITION PAPER

Committee Substitute for Senate Bill 156

"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 SB 156 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 SB 156 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 SB 156, 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 SB 156.

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. Also, because the state is committed to funding community mental health clinics, we

believe the committee substitute expresses good fiscal sense by placing the new services proposed by CS SB 156 above "clinic services" in the priority list of AS 47.07.035. (The department would support even higher placement on the list, such as second and third.)

Position:

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 SB 156.

Recommended by:

Kimberly B. Busch

Kimberly B. Busch

Acting Director

Div. of Medical Assistance

Date:

4-24-91

Approved by:

Jay Luey Lor

Theodore A. Mala, MD, MPH

Commissioner

Date:

4-24-91

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

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 29, which allows Medicaid recipients access to psychological services.

Psychotherapy Reduces Costs For Other Care, Study Shows

Support for the contention that psychotherapy leads to lower costs for other medical services was bolstered recently with the completion of a major study at the University of Colorado Health Sciences Center.

Researchers Emily Mumford, Herbert J. Schlesinger, Gene V. Glass, Cathleen Patrick (all Ph.D.'s), and Timothy Cuerdon analyzed 58 cost-offset studies completed since 1978 and the 1974-78 claims files of the Blue Cross and Blue Shield Federal Employees Program (FEP), which contains insurance information on 6.7 million persons. They found that outpatient mental health treatment (including psychotherapy and less intensive interventions) led to significant reductions in utilization of medical services, particularly inpatient services.

Their analyses also indicated a larger cost-offset effect among older people who had received mental health treatment than among young or middle-aged psychotherapy patients. Their findings will be published in the October issue of the *American Journal of Psychiatry*.

The two sets of data the researchers analyzed produced similar results.

Data from the 58 cost-offset studies indicated that in 85 percent of the studies there was a decrease in medical care utilization after psychotherapy. The researchers analyzed only the 22 studies that could not be biased by self-selection as in the naturalistic, time-series ones that compared the individual's medical care use before

and after psychotherapy. They found that after mental health treatment, inpatient hospitalizations were approximately 1.5 days shorter than those of the control group's average of 8.7 days.

Most of the experimental (treatment) group received only modest psychotherapeutic intervention, while the control group received just a standard medical regimen.

In five of the controlled experimental studies, Mumford and her colleagues were able to analyze data on both inpatient and outpatient medical utilization. The average change after psychotherapy was -73.4 percent for inpatient and -22.6 percent for outpatient care.

Inflation Rate

The researchers also compared the FEP data with inflation rates for the five-year study period. They found that while medical charges for all groups increased during this period, the total care charges for the psychotherapy treatment group—all of whom had at least seven outpatient and no inpatient visits—increased more slowly than the average inflation rate of 13.6 percent. Similar charges for the comparison group increased faster than did the inflation rate.

After the initial year, the psychotherapy group had significantly lower

inpatient medical care costs in each of the other four years analyzed. In each year the treatment group outspent the comparison group for outpatient care, and the differences remained constant throughout the period. The cost reductions were thus attributable primarily to lower inpatient costs.

Age

Age turned out to be a significant factor in the degree of cost-offset following mental health treatment.

Twenty-three of the 58 studies reported the mean age of the subjects, including 15 studies of inpatients, four of outpatients, and four of alcoholic outpatients. In all three settings older people had greater reductions in medical care use after mental health treatment.

Comparable results were evident when they analyzed the FEP data for age differences. Patients 55 years of age or older showed the greatest decrease in hospital charges after psychotherapeutic intervention. Their average inpatient medical charges in 1974, the first year of the study period, were more than \$160 higher than those of the comparison group. By 1978 the treatment group was spending \$70 less than the comparison group. Differences in outpatient expenses were not significant.

Using research showing that elderly persons suffer more emotional distress than younger ones—due largely to chronic illnesses, loss of friends, loved ones, or income, and forced relocation—yet receive proportionally less psychiatric care, Mumford and colleagues suggest that "underutilization of mental health services by the elderly may result in needless suffering among the elderly and needless cost to society."

Physicians spend less time with their older patients, the researchers point out, and thus offer little emotional support to the group that could benefit most from a sympathetic ear. Nonpsychiatric physicians are often unaware of how important it is for them to boost the determination of older patients to continue taking medication as prescribed and to follow other medical advice.

The problem is compounded as the cost of medical care increased they suggest, by the frequent reluctance of older patients to confide emotional problems to younger physicians, who may in turn neglect to ask about emotional and psychological problems that may be affecting the elderly patients.

Mental care seen reducing medical costs

The provision of necessary mental treatment for many medical patients can lead to a decline in subsequent medical costs, according to a study described in the October issue of the American Journal of Psychiatry.

The savings are particularly significant among the hospitalized and the elderly, according to the report.

The two-part study analyzed data from 58 published and unpublished research reports comparing hospitalized patients' medical costs before and after they received mental health services. "Eighty-five percent of all these studies reported a decrease in medical utilization following psychotherapy," wrote Emily Mumford, PhD, of the New York State Psychiatric Institute.

She and her colleagues concluded that the "clearest cost-offset effect appears largely in the reduction of inpatient rather than outpatient costs. . . . Older patients show larger cost-offset effects than younger ones."

Twenty-two of the 58 studies dealt with medical-surgical patients who received emotional, psychological, and educational support during hospitalization. These studies generally found that these patients recuperated faster than those who did not receive such support, with an average reduction in inpatient length of stay of 1.5 days.

ANOTHER 26 studies compared medical utilization before and after psychotherapy. Twenty of the studies showed an average decline of 33% in the use of medical services. Five other studies comparing the use of inpatient and outpatient costs after psychotherapy showed that inpatient costs dropped more dramatically.

Dr. Mumford pointed out that psychological support had a greater effect on people older than 55. A study of elderly patients hospitalized for leg fractures showed that those who received psychiatric consultation left the hospital an average of 12 days earlier than those who did not, and "twice as many of the patients who had been provided [with] consultation returned home rather than being discharged to a nursing home or other institution," the report stated.

The second part of the study was based on a review of data from the files of the Blue Cross/Blue Shield Federal Employees Plan, which covers 6.7 million people.

Dr. Mumford and her associates, comparing claims from individuals who had received psychotherapy with those who had not, found that medical charges for all patients increased during the study. The authors reported, however, that "following mental health treatment, the medical care charges of the treatment group increased more slowly than the average inflation rate of 13.6% per year. . . . In contrast, the charges of the comparison group increased faster than the inflation rate."

MENTAL HEALTH BENEFITS: NEED AND COST EFFECTIVENESS

NEED

●- NIMH estimates that 23 million American adults have a serious mental disorder other than substance abuse. These mental illnesses cost society an estimated \$73 billion annually, about half of which is attributable to lost productivity in the workplace (NIMH, 1989).

●- NIMH further estimates that in any one-month period almost 8 million people experience depression at an estimated annual cost of \$16 billion, \$10 billion of which is attributable to absenteeism from the workplace (NIMH, 1989).

●- A recent Gallup survey reveals that stress causes American workers to miss an average of 16 days on the job each year, and nearly three-fourths of the corporate medical directors and human resources managers surveyed called it "very pervasive" or "fairly pervasive." The managers reported that 13% of their employees suffer from symptoms of depression, including difficulty in concentrating (36%), sleep problems (35%), loss of energy (27%), and loss of interest in work (18%). (American Medical News, Nov. 10, 1989)

●- Researchers at the Rand Corporation concluded that mental illness, including depression, can be as functionally disabling as a serious heart condition and more disabling than other chronic physical illnesses such as lung or gastrointestinal problems, angina, hypertension, and even diabetes (Journal of American Medical Association, 1989).

●- Investigations have found that 60% of all health care visits are by people with no physical problem. This figure rises to 80%-90% when stress-related illnesses (e.g., peptic ulcer, ulcerative colitis, hypertension, etc.) are also included (Cummings & VandenBos, 1981).

COST OFFSET AND COST EFFECTIVENESS

The cost of including mental health benefits in health insurance plans must be evaluated in light of the substantial savings that accrue from making qualified mental health services available. A growing body of empirical research demonstrates that even brief, limited mental health intervention can substantially reduce the utilization and cost of more expensive medical care:

●- Numerous studies show a decrease from 5 to 80 percent in medical service use following mental health treatment. Of 22 studies examining the impact of alcohol and mental health treatments, 21 presented medical utilization decreases, with average reductions of 46% after alcohol treatment and 26% after treatment for mental illness (Jones & Vischi, 1979)

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