

ALASKA LEGISLATURE

1473

HOUSE and SENATE FINANCE COMMITTEE FILES, 1995-1996

ANALYSIS (cont.):

If the PFD-HH program is eliminated, most Medicaid recipients will continue to remain eligible in the month they receive the check. They could become ineligible for Medicaid if they chose to retain their PFD check and it puts them over the Medicaid resource limit in the following month.

Many individuals, however, will elect to spend their PFD check in the month of receipt to prevent that money from being considered a resource. These individuals will retain Medicaid eligibility. In absence of PFD-HH funds, regular Medicaid funding will be necessary to cover these individuals. We anticipate that those individuals who receive Medicaid services in an amount equal to or greater than the amount of a permanent fund dividend are the individuals who will dispose of their PFD check and remain Medicaid eligible. About 60% of annual Medicaid expenditures are for recipients who receive \$967 or more in Medicaid benefits each month.

We anticipate the regular Medicaid budget will see a commensurate increase equal to 60% of the amount currently budgeted for the PFD-HH program (1.1 million). This fiscal note shows the increase of the FY 97 budget request of \$660,000. No growth is assumed as expenditures in the PFD Hold Harmless program have been stable over the last few years.

See the companion fiscal note for PFD Hold Harmless to show the decrease in that component.

FISCAL NOTE

#1

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. CS SB 37 (STA)

Revision Date: _____	Dept. Affected: <u>Health and Social Services</u>
Title: <u>An act relating to treatment of permanent</u>	BRU: <u>Medical Assistance</u>
<u>fund dividends for purposes of determining eligibility..</u>	Component: <u>Medicaid PFD Hold Harmless</u>
Sponsor: <u>Phillips</u>	COMPONENT SERIAL NO. <u>966</u>
Requestor: <u>Sen Finance</u>	See also (SN#): <u>2077</u>

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING EXPENDITURES	FY97	FY98	FY99	FY00	FY01	FY02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)
MISCELLANEOUS						
TOTAL OPERATING	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)

CAPITAL EXPENDITURES						
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CHANGES IN REVENUES ()						
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FUND SOURCE

(Thousands of Dollars)

FUND SOURCE	FY97	FY98	FY99	FY00	FY01	FY02
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (please specify) I/A Receipts	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)
TOTAL	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)

Estimate of any current year (FY96) cost: \$0.0

POSITIONS:

POSITIONS:	FY97	FY98	FY99	FY00	FY01	FY02
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Committee Substitute for Senate Bill 37 repeals the Permanent Fund Dividend Hold Harmless (PFD-HH) program. The PFD-HH program replaces the Medicaid benefits of individuals who are denied benefits because federal law or regulation requires that their PFD payment be treated as income or a resource (asset) in determining their eligibility for medical assistance benefits. The legislature established the program in 1981 to assure that low-income Alaskans could receive their PFD on an equal basis with all other Alaskans, without the loss of eligibility for needs-based medical assistance.

The PFD-HH program allows Medicaid recipients to receive and retain PFD money for up to four months and still receive Medicaid services.

(see attached page)

Prepared by: Jon Sherwood *Jon Sherwood*
 Division: Medical Assistance
 Approved by Com: Karen Perdue, Commissioner *Karen Perdue*
 Agency: Department of Health & Social Services

Phone: 465-3355
 Date: 01/18/96
 Date: 1-25-96

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ANALYSIS (cont.):

If the PFD-HH program is eliminated, most Medicaid recipients will continue to remain eligible in the month they receive the check. They could become ineligible for Medicaid if they chose to retain their PFD check and it puts them over the Medicaid resource limit in the following month.

Many individuals, however, will elect to spend their PFD check in the month of receipt to prevent that money from being considered a resource. These individuals will retain Medicaid eligibility. In absence of PFD-HH funds, regular Medicaid funding will be necessary to cover these individuals. We anticipate that those individuals who receive Medicaid services in an amount equal to or greater than the amount of a permanent fund dividend are the individuals who will dispose of their PFD check and remain Medicaid eligible. About 60% of annual Medicaid expenditures are for recipients who receive on \$967 or more in Medicaid benefits each month. We anticipate the regular Medicaid budget will see a commensurate increase equal to 60% of the amount currently budgeted for the PFD-HH program (1.1 million). See the companion fiscal note for Medicaid Services to show this increase.

This fiscal note shows the elimination of the FY 97 budget request of 1.1 million. No growth in the PFD Hold Harmless program is assumed as expenditures have been stable over the last few years.

FISCAL NOTE

No. 7
 Bill Version: SB 37
 BILL NO. 5 (S) Publish Date: 2/3/95

STATE OF ALASKA
 1995 LEGISLATIVE SESSION

Revision Date: _____ Dept. Affected: Department of Revenue
 Title: End Permanent Fund Dividend Hold Harmless BRU: Permanent Fund Dividend Division
 Component: Permanent Fund Dividend Division
 Sponsor: Senators PHILLIPS, Taylor
 Requester: Senate State Affairs COMPONENT SERIAL NO. 981

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF-Program Receipts						
1006 GF-MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY95) cost: \$ 0.0

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

See Page 2.

Prepared by: Thomas C. Williams, Director Phone: 465-2323
 Division: Permanent Fund Dividend Division Date: 1/25/95
 Approved by Commissioner: [Signature] Date: 1/25/95
 Agency: Department of Revenue

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ALASKA DEPARTMENT OF REVENUE
PERMANENT FUND DIVIDEND DIVISION

SB 37 ANALYSIS

As of January 25, 1995

Section 3 of this bill repeals AS 43.23.075(b) and (c), the sections of the Alaska Statutes that require the state to hold public and medical assistance recipients harmless from the effects that receipt of a Permanent Fund Dividend (PFD) would have on their federal benefits. However, AS 43.23.075(a) and AS 43.23.085 still require the Department of Health & Social Services and other state and municipal agencies to *not* consider a PFD as income or resources for benefit program purposes unless required to do so by federal law or regulation. In addition, Sections 1 and 2 of this bill remove references to the hold harmless program cost reductions from the dividend calculation formula and the disclosure requirements.

The amended language does not preclude the legislature from appropriating dividend fund monies for state hold harmless costs. However, the legislation implies that any such future program costs will not be taken from the dividend fund. As a result, the deduction from each Alaskan's dividend would be eliminated. See the attached table entitled **Hold Harmless Program Deductions From 1985-1994 Dividends**, as of September 29, 1994.

Attachment

ALASKA DEPARTMENT OF REVENUE
PERMANENT FUND DIVIDEND DIVISION
HOLD HARMLESS PROGRAM DEDUCTIONS FROM 1985-1994 DIVIDENDS

As of September 29, 1994

The legislature first funded the Hold Harmless program from the Dividend Fund in FY86. Prior to that time, the program was funded by the General Fund. The following table reflects the amounts appropriated and the corresponding reduction to each eligible applicant's dividend that resulted from the use of Dividend Fund monies for this program.

<u>Fiscal Year</u>	<u>Dividend Fund Hold Harmless Appropriations</u>	<u>Dividend Year</u>	<u>Reductions To Each Dividend</u>	<u>Reductions Reported</u>
1986	\$3,644,300	1985	\$6.94 (a)	
1987	4,211,700	1986	7.75 (a)	
1988	8,581,200	1987	16.05	\$16.05
1989	9,850,700	1988	18.61	18.61
1990	11,305,100	1989	22.72	22.72
1991	12,217,300	1990	24.12 (b)	24.12
1992	14,704,500	1991	28.63	28.63
1992	1,494,700	1992	2.89 (c)	
1993	18,540,900	1992	35.85	38.74
1994	19,252,100	1993	36.45	36.45
1994	244,400	1994	0.46 (d)	
1995	<u>21,955,000</u>	1994	<u>40.99</u>	<u>41.45</u>
Total	<u>\$126,001,900</u>		<u>\$241.46</u>	<u>\$226.77</u>

Notes

(a) These amounts were not reported on the 1985 or 1986 dividend check stubs. The Department first reported the effect of this appropriation on the dividend amount on the 1987 dividend check stub. In 1990 the legislature passed AS 43.23.028 requiring the reporting of all deductions from dividends.

(b) In FY91, there was a General Fund supplemental of \$1,092,200 to the Hold Harmless program bringing the total FY91 Hold Harmless program appropriations to \$13,309,500. Since the supplemental appropriation was from the General Fund, it did not reduce the amount of the 1991 dividend.

(c) This FY92 supplemental appropriation brought the total FY92 Hold Harmless program appropriation to \$16,199,200. Since the supplemental appropriation was made after the calculation of the 1991 dividend, its effect was to reduce the 1992 dividend. The total 1992 dividend reduction as reported on the check stub was \$38.74.

(d) This FY94 supplemental appropriation brought the total FY94 Hold Harmless program appropriation to \$19,496,500. Since the supplemental appropriation was made after the calculation of the 1993 dividend, its effect was to reduce the 1994 dividend. The total 1994 dividend reduction as reported on the check stub was \$41.45.

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL #

Bill Version: SB 37

(S) Publish Date: 2/3/95

Revision Date: _____ Dept. Affected: Health and Social Services
 Title: An Act relating to permanent fund dividends BRU: Assistance Payments
 Component: AFDC
 Sponsor: Phillips
 Requestor: Senate STA COMPONENT SERIAL NO. 220

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY96	FY97	FY98	FY99	FY00	FY01
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	0.0	0.0	0.0	0.0	0.0	0.0
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	(12,875.5)	(13,519.3)	(14,195.3)	(14,905.1)	(15,650.4)	(16,432.9)
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	(12,875.5)	(13,519.3)	(14,195.3)	(14,905.1)	(15,650.4)	(16,432.9)

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGES IN REVENUES	0	0	0	0	0	0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other 1007 I/A Receipts	(12,875.5)	(13,519.3)	(14,195.3)	(14,905.1)	(15,650.4)	(16,432.9)
TOTAL	(12,875.5)	(13,519.3)	(14,195.3)	(14,905.1)	(15,650.4)	(16,432.9)

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 any current year (FY95) cost: \$ NONE

ANALYSIS: (Attach a separate page if necessary)

SB 37 repeals the Permanent Fund Dividend Hold Harmless (PFD-HH) program. The PFD-HH program replaces the public assistance benefits of individuals who are denied benefits because federal law or regulation requires that their Permanent Fund dividend payments be treated as income or a resource (asset) in determining their eligibility for public assistance benefits. AS 43.23.075 holds public assistance benefits harmless for up to four months each year from the effects of receiving dividend payments.

Prepared by: Jim Dalman, Acting Director
 Division: Division of Public Assistance
 Approved by Com: Karen Perdue
 Agency: Department of Health & Social Services

Phone: 465-2680
 Date: 1/30/95
 Date: 1/30/95

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ANALYSIS (cont.):

The PFD Hold Harmless program was established at the same time as the original, \$1000 PFD distribution in 1982. The legislature established the program to assure that low-income Alaskans could enjoy the benefit of the dividend program on the same basis as other Alaskans, without losing their eligibility for needs-based assistance.

Federal AFDC law requires that Permanent Fund dividends be treated as income for AFDC purposes. Dividend money retained beyond the month it is received must be treated as a resource. The dividend payments are unearned income, which reduces AFDC benefits by about 92 cents for each dollar of income. Families which retain dividend money lose AFDC eligibility if their total resources exceed \$1000.

The AFDC budget component includes PFD-HH funds transferred as Interagency Receipts to make payments to replace federally-matched AFDC benefits which would otherwise not be paid because of dividend receipt. The benefits replaced include AFDC grants which would be denied because of the dividend payments themselves as well as grants that would be reduced because federal AFDC policy requires that cash PFD-HH payments made in lieu of food stamps be treated as income for AFDC purposes.

The FY96 Governor's budget plans \$12,875,500.00 in PFD-HH expenditures to replace the AFDC benefits of 12,987 families including 39,639 individuals. The cost of PFD-HH benefits to replace AFDC in future years is projected to grow at 5 percent per year, based on anticipated annual caseload growth of 5 percent. The legislature has set maximum payment levels in the AFDC program. This fiscal note assumes the AFDC maximum payment levels will not change.

Under current law, a typical AFDC family is expected to receive \$780 in PFD-HH during FY 96 to replace one month's AFDC grant, and an additional \$272 in PFD-HH to restore AFDC grant reductions that result from receiving cash in lieu of food coupons. PFD-Hold Harmless benefits will not be paid to recipients if SB 37 becomes law. In most AFDC cases, recipients who receive dividends will become ineligible for benefits for one month, usually falling two months after the month they receive their dividend payments. Recipients who save enough of their dividend money to place them over the \$1000 resource limit will be ineligible until they have spent the money.

STATE OF ALASKA
1995 LEGISLATIVE SESSION

FISCAL NOTE

No. 7
Bill Version: SB 37
(S) Publish Date: 2/3/95

Revision Date _____ Dept. Affected: Health and Social Services
Title: As Act relating to permanent fund dividends BRU Assistance Payments
Component: General Relief Assistance
Sponsor: Phillips
Requester: Senate STA COMPONENT SERIAL NO. 221

Expenditures/Revenues:		(Thousands of Dollars)					
OPERATING	FY96	FY97	FY98	FY99	FY00	FY01	
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	0.0	0.0	0.0	0.0	0.0	0.0	
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	1,052.8	1,105.4	1,160.7	1,218.7	1,279.7	1,343.7	
MISCELLANEOUS							
TOTAL OPERATING	1,052.8	1,105.4	1,160.7	1,218.7	1,279.7	1,343.7	
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0	
CHANGES IN REVENUES	0	0	0	0	0	0	

FUND SOURCE		(Thousands of Dollars)					
1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0	
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0	
1004 GF	1,052.8	1,105.4	1,160.7	1,218.7	1,279.7	1,343.7	
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0	
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0	
Other	0.0	0.0	0.0	0.0	0.0	0.0	
TOTAL	1,052.8	1,105.4	1,160.7	1,218.7	1,279.7	1,343.7	

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 any current year (FY95) cost: \$ NONE

ANALYSIS: (Attach a separate page if necessary)

SB 37 repeals the Permanent Fund Dividend Hold Harmless (PFD-HH) program. Without the protection of the PFD-HH program, most households receiving AFDC, Food Stamp, and Adult Public Assistance (APA) program benefits will become ineligible for assistance for one month each year. Because of the retrospective budgeting methodology in place for the AFDC, Food Stamp, and APA programs, the month of ineligibility will usually occur two months after the month the dividend is received. For example, if a family on public assistance gets its PFD checks in October, they will be ineligible for AFDC and food stamps in December.

Prepared by Jim Dalman, Acting Director Phone: 465-2680
Division: Division of Public Assistance Date: 1/30/95
Approved by Com Karen Perdue Date: 1/30/95
Agency: Department of Health & Social Services

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ANALYSIS (cont.):

The General Relief Assistance (GRA) program provides vendor payments of up to \$120 per person per month for emergency needs such as food, clothing, and shelter when no other resource is available to pay for them. AFDC and APA recipients are not generally eligible for GRA services because their cash grant meets their basic needs. Food Stamp recipients are not eligible for GRA for food purchases because their needs have already been covered.

The repeal of PFD-Hold Harmless imposed by SB 37 will substantially increase the number of people who are entitled to GRA. Recipients who do not conserve enough of their dividend money to meet their needs two months later when they lose their public assistance can be expected to apply for General Relief when they are confronted with eviction, lack of food, lack of heating fuel, or lack of adequate winter clothing.

Under SB 37, the following unduplicated numbers of individuals and cases are expected to be denied at least one month's benefits in FY96 as a result of receiving dividend payments:

<u>Program</u>	<u>Households</u>	<u>Persons Impacted</u>
AFDC	12987	39639
FSP*	3867	9668
APA	<u>7932</u>	<u>7932</u>
Total	24786	57236

* 66 percent of the Food Stamp caseload also receives AFDC and APA benefits. This unduplicated count represents 34 percent of the Food Stamp PFD-HH caseload.

We estimate that 15 percent of the affected cases, with an average household size of 2.6 persons, will be entitled to GRA benefits for one month as a result of the repeal of PFD Hold Harmless coverage imposed by SB 37.

$24786 \text{ cases} \times 15\% = 3720 \times \$ 283 \text{ average payment} = 1052.8$

The result will be an increase of 1052.8 in need for FY 96 General Fund appropriations to pay General Relief benefits for food, shelter, and clothing costs.

We assume a 5 percent annual rate of caseload growth for FY 97 through FY 01.

STATE OF ALASKA
1995 LEGISLATIVE SESSION

FISCAL NOTE

No. 6
Bill Version: SB 37
BILL N (S) Publish Date: 2/3/95

Revision Date: _____ Dept. Affected: Health and Social Services
Title: An Act relating to permanent fund dividends SRU: Assistance Payments
Component: Adult Public Assistance
Sponsor: Phillips
Requestor: Senate STA COMPONENT SERIAL NO. 222

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY96	FY97	FY98	FY99	FY00	FY01
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	0.0	0.0	0.0	0.0	0.0	0.0
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	(2,562.1)	(2,690.2)	(2,824.7)	(2,965.9)	(3,114.2)	(3,269.9)
MISCELLANEOUS						
TOTAL OPERATING	(2,562.1)	(2,690.2)	(2,824.7)	(2,965.9)	(3,114.2)	(3,269.9)

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGES IN REVENUES	0	0	0	0	0	0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other 1007 I/A Receipts	(2,562.1)	(2,690.2)	(2,824.7)	(2,965.9)	(3,114.2)	(3,269.9)
TOTAL	(2,562.1)	(2,690.2)	(2,824.7)	(2,965.9)	(3,114.2)	(3,269.9)

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 any current year (FY95) cost: NONE

ANALYSIS: (Attach a separate page if necessary)

SB 37 repeals the Permanent Fund Dividend Hold Harmless (PFD-HH) program. The PFD-HH program replaces the public assistance benefits of individuals who are denied benefits because federal law or regulation requires that their Permanent Fund dividend payments be treated as income or a resource (asset) in determining their eligibility for public assistance benefits. AS 43.23.075 holds public assistance benefits harmless for up to four months each year from the effects of receiving dividend payments.

Prepared by: Jim Dalman, Acting Director Phone: 465-2680
Division: Division of Public Assistance Date: 1/20/95
Approved by Com: Karen Perdue Date: 1/30/95
Agency: Department of Health & Social Services

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ANALYSIS (cont.):

The PFD Hold Harmless program was established at the same time as the original, \$1000 PFD distribution in 1982. The legislature established the program to assure that low-income Alaskans could enjoy the benefit of the dividend program on the same basis as other Alaskans, without losing their eligibility for needs-based assistance.

Dividend payments must be treated as unearned income for Adult Public Assistance (APA) purposes because the APA program operates as the state supplement to the federal Supplemental Security Income (SSI) program and the SSI program treats dividends as income. Medicaid services are available to APA recipients only if the APA program follows SSI income-counting rules. PFD-HH funds for the replacement of APA benefits are transferred as Interagency Receipts to the Adult Public Assistance component.

The FY 96 Governor's budget plans for expenditure of \$ 2,562,100 in PFD-HH funds to replace APA benefits which would otherwise be denied to 7,932 individuals. The cost of PFD-HH benefits in future years is projected to grow at 5 percent per year, based on anticipated annual caseload growth of 5 percent. The legislature has set maximum payment levels in the APA program. This fiscal note assumes the APA maximum payment levels will not change.

The typical FY96 PFD-HH payment to an APA recipient is expected to be \$323 to replace one month's benefit.

PFD-Hold Harmless benefits will not be paid to recipients if SB 37 becomes law. In most APA cases, recipients who receive dividends will become ineligible for benefits for one month, usually falling two months after the month they receive their dividend payments. Recipients who retain enough dividend money in the month after they receive it to exceed the APA program limit of \$2000 (\$3000 for a couple) will remain ineligible until they have spent the money.

STATE OF ALASKA
1995 LEGISLATIVE SESSION

FISCAL NOTE

No. 5

Bill Version: SB 37

BILL (S) Publish Date: 2/3/95

Revision Date: _____ Dept. Affected: Health and Social Services
 Title: An Act relating to permanent fund dividends BRU: PPD Hold Harmless
 Component: PPD Hold Harmless
 Sponsor: Phillips
 Requestor: Senate STA COMPONENT SERIAL NO. 225

Expenditures/Revenues:		(Thousands of Dollars)					
OPERATING	FY96	FY97	FY98	FY99	FY00	FY01	
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	(472.7)	(486.9)	(501.5)	(516.5)	(532.0)	(548.0)	
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	(21,843.4)	(22,935.6)	(24,082.4)	(25,286.5)	(26,550.8)	(27,878.3)	
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0	
TOTAL OPERATING	(22,316.1)	(23,422.5)	(24,583.9)	(25,803.0)	(27,082.8)	(28,426.3)	
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0	
CHANGES IN REVENUES	0	0	0	0	0	0	

FUND SOURCE		(Thousands of Dollars)					
1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0	
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0	
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0	
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0	
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0	
Other 1050 PFD Fund	(22,316.1)	(23,422.5)	(24,583.9)	(25,803.0)	(27,082.8)	(28,426.3)	
TOTAL	(22,316.1)	(23,422.5)	(24,583.9)	(25,803.0)	(27,082.8)	(28,426.3)	

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 any current year (FY95) cost: \$ NONE

ANALYSIS: (Attach a separate page if necessary)

Senate Bill No. 37 repeals the Permanent Fund Dividend Hold Harmless (PFD-HH) program. The PFD-HH program replaces the public assistance benefits of individuals who are denied benefits because federal law or regulation requires that their Permanent Fund dividend payments be treated as income or a resource (asset) in determining their eligibility for public assistance benefits. AS 43.23.075 holds public assistance benefits harmless for up to four months each year from the effects of receiving dividend payments.

The PFD Hold Harmless program was established at the same time as the original, \$1000 PFD distribution in 1982. The legislature established the program to assure that low-income Alaskans could enjoy the benefit of the dividend program on the same basis as other Alaskans, without losing their eligibility for needs-based assistance.

Prepared by: Jim Dalton, Acting Director
 Division: Division of Public Assistance
 Approved by Com: Karen Perdue
 Agency: Department of Health & Social Services

Phone: 465-2680
 Date: 1/29/95
 Date: 1/30/95

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ANALYSIS (cont.):

Repeal of the PFD Hold Harmless program will impact both the amount of assistance paid to individuals and families and the administrative effort required for the Division of Public Assistance to provide timely, accurate delivery of benefits. The Department of Health and Social Services has established interagency agreements with the federal agencies responsible for the AFDC and SSI programs. These agreements, which substantially reduce the amount of case processing required when recipients receive dividends, would be nullified by SB 37. The administrative effort to process PFD Hold Harmless entitlements would be supplanted by the additional case processing effort required to suspend public assistance entitlements when dividend payments are distributed.

Technical Analysis

Sections 1 and 2 of the bill repeal the express authority at AS 43.23.025(a)(1)(E) and AS 43.23.028(a)(3) to fund the PFD-HH program with appropriations from the dividend fund.

Section 3 of the bill repeals the language at AS 43.23.075(b) and (c) that established the PFD-HH program in 1982. Section 3 retains the language at AS 43.23.075(a), which prohibits the treatment of dividend payments as income or resources for public assistance purposes unless federal law or regulation so requires.

Section 4 establishes an effective date of January 1, 1996. The Department of Health and Social Services contacted the sponsor's office to ascertain the sponsor's intent regarding the effect of this legislation on the calendar year 1995 dividend distribution. The sponsor's staff indicated that the intent is to end the PFD Hold Harmless program prior to the 1995 dividend season. This analysis therefore assumes an effective date of July 1, 1995.

Program Impacts

PFD-HH is paid to replace public assistance benefits in the following programs:

Aid to Families with Dependent Children (AFDC)

Food Stamp Program (FSP)

Medicaid

Adult Public Assistance (APA)

Supplemental Security Income (SSI)

ANALYSIS (cont.):

The FY 96 Governor's budget plans expenditures to replace benefits with PFD-HH funds according to the following schedule:

<u>Program</u>	<u>Cases</u>	<u>Persons Impacted</u>	<u>Formula Budget</u>
AFDC	12987	39639	12875.5
FSP	11373	36384	3688.1
Medicaid	NA	2000	1100.0
APA	7932	7932	2562.1
SSI	5630	5630	1617.7
		Total FY 96 Grants	21843.4

PFD-HH funds for replacement of Food Stamp benefits are paid directly to recipients as cash in lieu of food coupons. In FY 96, a typical Food Stamp household is expected to receive one \$324 PFD-HH payment to replace a month's worth of food coupons.

PFD-HH funds for replacement of AFDC benefits are transferred as Interagency Receipts to the AFDC component of the Assistance Payments BRU.

In the AFDC program, PFD-HH benefits replace federally-matched AFDC payments which would otherwise not be paid because of dividend receipt. The benefits replaced include AFDC grants which would be denied because of the dividend payments themselves as well as grants that would be reduced because federal AFDC policy requires that cash PFD-HH payments made in lieu of food stamps be treated as income for AFDC purposes. A typical AFDC family is expected to receive \$780 in PFD-HH during FY 96 to replace one month's AFDC grant, and an additional \$272 in PFD-HH to restore AFDC grant reductions that result from receiving cash in lieu of food coupons.

Under an interagency operating agreement with the federal Department of Health and Human Services, claims for AFDC federal matching funds are reduced to reflect the amount of benefits which would be paid if AFDC grants were denied because of dividend and food stamp hold harmless payments. This agreement saves substantial administrative effort because individual AFDC cases do not have to be suspended during the dividend season.

ANALYSIS (cont.):

PFD-HH funds for replacement of Medicaid benefits are transferred as Interagency Receipts to the Medicaid PFD Hold Harmless component of the Medical Assistance BRU. Most Medicaid PFD Hold Harmless benefits are paid on behalf of individuals who retain dividend money beyond the month they receive it, causing their household's resources to exceed program limits.

PFD-HH funds for replacement of APA benefits are transferred as Interagency Receipts to the Adult Public Assistance component of the Assistance Payments BRU. The typical PFD-HH benefit to an APA recipient is \$323 to replace one month's benefit.

PFD-HH funds for replacement of SSI benefits are paid under an interagency agreement to the federal Social Security Administration, which applies them as reimbursement for the cost of SSI benefits paid to individuals who receive dividends. PFD-HH benefits to replace SSI are expected to average \$287 per person in FY 96.

PFD-Hold Harmless benefits will not be paid to recipients if SB 37 becomes law. In most AFDC, Food Stamp, APA, and SSI cases, recipients who receive dividends will become ineligible for benefits for one month, usually falling two months after the month they receive their dividend payments.

The cost of PFD-HH benefits in future years is projected to grow at 5 percent per year, based on anticipated annual caseload growth of 5 percent. The legislature has set maximum payment levels in the AFDC and APA programs. This fiscal note assumes the AFDC and APA maximum payment levels will not change.

Administrative Impacts

The administrative cost of the PFD Hold Harmless program is based on estimates of the proportion of time used by Eligibility Determination staff to process case actions related to dividend payments and PFD-HH benefits. In FY 96, 472.7 in PFD-HH Contractual funds is planned to be transferred as Interagency Receipts to the Eligibility Determination component of the Public Assistance Administration BRU.

This analysis presumes that the intent of SB 37 is to preclude the appropriation of money from the Dividend Fund to administer public assistance. The cost of processing case changes resulting from the receipt of dividends is, therefore, shifted to General Fund.

ANALYSIS (cont.):

The administration of the PFD-HH program and the processing of case changes related to the receipt of dividend payments is funded through the transfer of 472.7 in PFD-HH Contractual funds as Interagency Receipts to the Eligibility Determination component. The repeal of the PFD-HH program proposed in SB 37 results in a small increase in the administrative effort required to take the dividend payments into account and process changes in the affected public assistance cases. The cost of processing is shifted to General Fund.

The time required to process Food Stamp cases would decrease because it would no longer be necessary to convert assistance to cash in lieu of food coupons and back again. The time to process AFDC, APA, and Medicaid cases in the absence of the PFD-HH program would increase substantially: under the Hold Harmless program, benefit authorization for these programs consists of the one-time entry of a few special computer codes. Without the PFD-HH program, action will have to be taken to suspend the benefits of each affected AFDC, APA, and Medicaid case, and to reinstate benefits after the month of suspension.

The need for staff is also expected to increase because of a substantial increase in General Relief applications from recipients who are unable to pay for rent or food when they lose their cash and food benefits two months after they receive their dividend checks. The Division of Public Assistance would make every effort to apprise recipients in advance that they will be retrospectively ineligible, but some recipients would inevitably fail to conserve enough dividend money to meet their future needs.

The offsetting effects of SB 37 result in a small increase in staffing needs in the Eligibility Determination component.

STATE OF ALASKA
1995 LEGISLATIVE SESSION

FISCAL NOTE

No. 7

Bill Version: SB 37

BILL No (S) Publish Date: 2/3/95

Revision Date: _____ Dept. Affected: Health and Social Services
 Title: A. Act relating to permanent fund dividends BRU: Public Assistance Administration
 Component: Eligibility Determination
 Sponsor: Phillips
 Requestor: Senate STA COMPONENT SERIAL NO. 236

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY96	FY97	FY98	FY99	FY00	FY01
PERSONAL SERVICES	86.0	88.6	91.2	94.0	96.8	99.8
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
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	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	86.0	88.6	91.2	94.0	96.8	99.8
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGES IN REVENUES	0	0	0	0	0	0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	43.0	44.3	45.6	47.0	48.4	49.9
1003 GF Match	43.0	44.3	45.6	47.0	48.4	49.9
1004 GF	472.7	488.9	501.5	518.5	532.0	548.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other 1007 I/A Receipts	(472.7)	(488.9)	(501.5)	(518.5)	(532.0)	(548.0)
TOTAL	86.0	88.6	91.2	94.0	96.8	99.8

POSITIONS:

FULL-TIME	2	2	2	2	2	2
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of any current year (FY95) cost: \$ NONE

ANALYSIS: (Attach a separate page if necessary)

SB 37 repeals the Permanent Fund Dividend Hold Harmless (PFD-HH) program. The PFD-HH program replaces the public assistance benefits of individuals who are denied benefits because federal law or regulation requires that their Permanent Fund dividend payments be treated as income or a resource (asset) in determining their eligibility for public assistance benefits. AS 43.23.075 holds public assistance benefits harmless for up to four months each year from the effects of receiving dividend payments.

Prepared by: Jim Dalman, Acting Director Phone: 465-2680
 Division: Division of Public Assistance Date: 1/20/95
 Approved by Com: Karen Petdue Date: 1/30/95
 Agency: Department of Health & Social Services

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ANALYSIS (cont.):

The PFD Hold Harmless program was established at the same time as the original, \$1000 PFD distribution in 1982. The legislature established the program to assure that low-income Alaskans could enjoy the benefit of the dividend program on the same basis as other Alaskans, without losing their eligibility for needs-based assistance.

Repeal of the PFD Hold Harmless program will impact both the amount of assistance paid to individuals and families and the administrative effort required for the Division of Public Assistance to provide timely, accurate delivery of benefits. The Department of Health and Social Services has established interagency agreements with the federal agencies responsible for the AFDC and SSI programs. These agreements, which reduce the amount of case processing required when recipients receive dividends, would be nullified by SB 37. The administrative effort to process PFD Hold Harmless entitlements would be supplanted by the additional case processing effort required to suspend public assistance entitlements when dividend payments are distributed.

Administrative Impacts

The administrative cost of the PFD Hold Harmless program is based on estimates of the proportion of time used by Eligibility Determination staff to process case actions related to dividend payments and PFD-HH benefits. In FY 93 472.7 in PFD-HH Contractual funds is planned to be transferred as Interagency Receipts to the Eligibility Determination component of the Public Assistance Administration BRU.

This analysis presumes that the intent of SB 37 is to preclude the appropriation of money from the Dividend Fund to administer public assistance. The cost of processing case changes resulting from the receipt of dividends is, therefore, shifted to General Fund.

The administration of the PFD-HH program and the processing of case changes related to the receipt of dividend payments require the equivalent of 10 permanent, full-time positions. The repeal of the PFD-HH program proposed in SB 37 results in an increase in the amount of administrative effort to take the dividend payments into account and process changes in the affected public assistance cases. We estimate that 11.8 permanent full-time equivalent positions would be needed to process dividend-related work.

The time required to process Food Stamp cases would decrease because it would no longer be necessary to convert assistance to cash in lieu of food coupons and back again. The time to process AFDC, APA, and Medicaid cases in the absence of the PFD-HH program would increase substantially: under the Hold Harmless program, benefit authorization for these programs consists of the one-time entry of a few special computer codes. Without the PFD-HH program, action will have to be taken to suspend the benefits of each affected AFDC, APA, and Medicaid case, and to reinstate benefits after the month of suspension. The need for staff is also expected to increase because of a substantial increase in General Relief applications from recipients who are unable to pay for rent or food when they lose their cash and food benefits two months after they receive their dividend checks.

The offsetting effects of SB 37 result in a small increase in staffing needs in the Eligibility Determination Component.

Position Title Eligibility Technician II		No. of Positions 2	Range/Step R14B	Bargaining Unit GGU
Time Status FT	Staff Months 12	Location Anchorage		Election District
TYPE of EXPENDITURE		AMOUNT		
Salary		60.4		
Benefits		25.6		
Premium Pay				
Other				
Total Personal Services		86.0		
Travel				
Contractual				
Commodities				
Equipment				
Other				
Total Cost		86.0		
FUNDING SOURCE for TOTAL COST				
1002	Federal Receipts	43.0		
1003	GF Match	43.0		
1004	General Fund			
1005	GF/Program Receipts			
1006	GF/Mental Health Trust			
1007	I/A Receipts			
1061	CIP Receipts			
Other				

Justification
SB 37 repeals the PFD Hold Harmless program and requires that individual AFDC, Food Stamp, Adult Public Assistance, and Medicaid cases be suspended for at least one month when dividends are received. The reduction in administrative need that results from the repeal of the PFD Hold Harmless program is more than offset by the increased time needed to process dividend payments as individual case changes and to handle an increased number of General Relief Assistance cases.

Two additional Eligibility Technician case worker positions are needed to administer this additional workload.

3/3

**REQUEST for
NEW POSITION**

AGENCY: Health and Social Services
 BRU: Public Assistance Administration
 COMPONENT: Eligibility Determination (0236)

FY96

Page 1 of 1
 Revised Date:

ANALYSIS (cont.):

The PFD-HH program allows Medicaid recipients to receive and retain PFD money for up to four months and still receive Medicaid services.

If the PFD-HH program is eliminated, most Medicaid recipients will continue to remain eligible in the month they receive the check. They could become ineligible for Medicaid if they chose to retain their PFD check and it puts them over the Medicaid resource limit in the following month.

Many individuals, however, will elect to spend their PFD check in the month of receipt to prevent that money from being considered a resource, these individuals will retain Medicaid eligibility. In absence of PFD-HH funds, the regular Medicaid funding will be necessary to cover these individuals, both in Medicaid Facilities and Nonfacilities. We anticipate that those individuals who receive Medicaid services in an amount equal to or greater than the amount of a permanent fund dividend are the individuals who will dispose of their PFD check and remain Medicaid eligible. Currently, 80% of annual Medicaid expenditures are for recipients who receive on average \$967 or more in Medicaid benefits each month. We anticipate the regular Medicaid budget will see a commensurate increase equal to 80% of the amount currently budgeted for the PFD-HH program (1.1 million) See companion fiscal note for Medicaid Facility to show related increase.

The Medicaid expenditures shown reflect what would be a 10% growth (inflation and client growth) in future years in the cost of benefits.

MEDICAID NON-FACILITY CALCULATION

Current FY 95 PFD-HH funding:	\$1,100,000
% of PFD-HH costs shifted to Medicaid	<u>60%</u>
Medicaid cost of those retaining Medicaid	\$660,000
Less Medicaid Facility share of cost (74%)	<u>\$488,400</u>
Medicaid Non-facility expenditures born by Medicaid	\$171,800

ANALYSIS (cont.):

The PFD-HH program allows Medicaid recipients to receive and retain PFD money for up to four months and still receive Medicaid services.

If the PFD-HH program is eliminated, most Medicaid recipients will continue to remain eligible in the month they receive the check. They could become ineligible for Medicaid if they chose to retain their PFD check and it puts them over the Medicaid resource limit in the following month.

Many individuals, however, will elect to spend their PFD check in the month of receipt to prevent that money from being considered a resource, these individuals will retain Medicaid eligibility. In absence of PFD-HH funds, the regular Medicaid funding will be necessary to cover these individuals, both in Medicaid Facilities and Nonfacilities. We anticipate that those individuals who receive Medicaid services in an amount equal to or greater than the amount of a permanent fund dividend are the individuals who will dispose of their PFD check and remain Medicaid eligible. Currently, 60% of annual Medicaid expenditures are for recipients who receive on average \$967 or more in Medicaid benefits each month. We anticipate the regular Medicaid budget will see a commensurate increase equal to 60% of the amount currently budgeted for the PFD-HH program (1.1 million) See companion fiscal note for Medicaid Non-facility to show related increase.

The Medicaid expenditures shown reflect what would be a 10% growth (inflation and client growth) in future years in the cost of benefits.

MEDICAID FACILITY CALCULATION

Current FY 95 PFD-HH funding:	\$1,100,000
% of PFD-HH costs shifted to Medicaid	<u>60%</u>
Medicaid cost of those retaining Medicaid	\$660,000
Less Medicaid Non-facility share of cost (26%)	<u>\$171,600</u>
Medicaid Facility expenditures born by Medicaid	\$488,400

FISCAL NOTE

Bill Version: SB 37

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL (S) Publish Date: 2/3/95

Revision Date: _____ Dept. Affected: Health and Social Services
 Title: Repeal PFD Hold-Harmless BRU: Medical Assistance
 Sponsor: Sen. Phillips Component: Permanent Fund Hold-Harmless
 Requestor: Senate State Affairs COMPONENT SERIAL NO. 966

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
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	0.0	0.0	0.0	0.0	0.0	0.0
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	(1,100.0)	(1,210.0)	(1,331.0)	(1,464.1)	(1,610.5)	(1,771.6)
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	(1,100.0)	(1,210.0)	(1,331.0)	(1,464.1)	(1,610.5)	(1,771.6)
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGES IN REVENUES	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other (Interagency Receipt)	(1,100.0)	(1,210.0)	(1,331.0)	(1,464.1)	(1,610.5)	(1,771.6)
TOTAL	(1,100.0)	(1,210.0)	(1,331.0)	(1,464.1)	(1,610.5)	(1,771.6)

Estimate of current year (FY95) impact: 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

ANALYSIS (attach a separate page in necessary)

Senate Bill 37 repeals the Permanent Fund Dividend Hold Harmless (PFD-HH) program. The PFD-HH program replaces the Medicaid benefits of individuals who are denied benefits because federal law or regulation requires that their PFD payment be treated as income or a resource (asset) in determining their eligibility for medical assistance benefits. The legislature established the program in 1981 to assure that low-income Alaskans could receive their PFD on an equal basis with all other Alaskans, without the loss of eligibility for needs-based medical assistance.

Prepared by: Jon Sherwood, MAA IV
 Division: Medical Assistance
 Approved by: [Signature]
 Commissioner: Karen Perdue
 Agency: Department of Health and Social Services

Phone: 485-3355
 Date: 1/30/95

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ANALYSIS (cont.):

The PFD-HH program allows Medicaid recipients to receive and retain PFD money for up to four months and still receive Medicaid services.

If the PFD-HH program is eliminated, most Medicaid recipients will continue to remain eligible in the month they receive the check. They could become ineligible for Medicaid if they chose to retain their PFD check and it puts them over the Medicaid resource limit in the following month.

Many individuals, however, will elect to spend their PFD check in the month of receipt to prevent that money from being considered a resource, these individuals will retain Medicaid eligibility. In absence of PFD-HH funds, the regular Medicaid funding will be necessary to cover these individuals, both in Medicaid Facilities; and Nonfacilities. We anticipate that those individuals who receive Medicaid services in an amount equal to or greater than the amount of a permanent fund dividend are the individuals who will dispose of their PFD check and remain Medicaid eligible. Currently, 60% of annual Medicaid expenditures are for recipients who receive on average \$967 or more in Medicaid benefits each month. We anticipate the regular Medicaid budget will see a commensurate increase equal to 60% of the amount currently budgeted for the PFD-HH program (1.1 million) See companion fiscal notes for Medicaid Facility and Medicaid Non-facility to show this increase.

This fiscal note shows the elimination of the FY 95 budget request of 1.1 million. The reduction in expenditures shown reflects what would be an 10% growth (inflation and client growth) in future years in the cost of PFD-HH benefits to replace Medicaid funds.

FISCAL NOTE

No. 9

Bill Version: SB 37

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. § (S) Publish Date: 2/3/95

Revision Date: _____ Dept. Affected: Department of Revenue
 Title: End Permanent Fund Dividend Hold Harmless BRU: Permanent Fund Dividend Division
 Component: Permanent Fund Dividend Division
 Sponsor: Senators PHILLIPS, Taylor
 Requester: Senate State Affairs COMPONENT SERIAL NO. 981

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

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

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF:Program Receipts						
1006 GF:MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY95) cost: \$ 0.0

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

See Page 2.

Prepared by: Thomas C. Williams, Director *Thomas Williams* Phone: 465-2323
 Division: Permanent Fund Dividend Division Date: 1/25/95
 Approved by Commissioner: [Signature] Date: 1/25/95
 Agency: Department of Revenue

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ALASKA DEPARTMENT OF REVENUE
PERMANENT FUND DIVIDEND DIVISION

SB 37 ANALYSIS

As of January 25, 1995

Section 3 of this bill repeals AS 43.23.075(b) and (c), the sections of the Alaska Statutes that require the state to hold public and medical assistance recipients harmless from the effects that receipt of a Permanent Fund Dividend (PFD) would have on their federal benefits. However, AS 43.23.075(a) and AS 43.23.085 still require the Department of Health & Social Services and other state and municipal agencies to **not** consider a PFD as income or resources for benefit program purposes unless required to do so by federal law or regulation. In addition, Sections 1 and 2 of this bill remove references to the hold harmless program cost reductions from the dividend calculation formula and the disclosure requirements.

The amended language does not preclude the legislature from appropriating dividend fund monies for state hold harmless costs. However, the legislation implies that any such future program costs will not be taken from the dividend fund. As a result, the deduction from each Alaskan's dividend would be eliminated. See the attached table entitled **Hold Harmless Program Deductions From 1985-1994 Dividends**, as of September 29, 1994.

Attachment

ALASKA DEPARTMENT OF REVENUE
 PERMANENT FUND DIVIDEND DIVISION
HOLD HARMLESS PROGRAM DEDUCTIONS FROM 1985-1994 DIVIDENDS
 As of September 29, 1994

The legislature first funded the Hold Harmless program from the Dividend Fund in FY86. Prior to that time, the program was funded by the General Fund. The following table reflects the amounts appropriated and the corresponding reduction to each eligible applicant's dividend that resulted from the use of Dividend Fund monies for this program.

<u>Fiscal Year</u>	<u>Dividend Fund Hold Harmless Appropriations</u>	<u>Dividend Year</u>	<u>Reductions To Each Dividend</u>	<u>Reductions Reported</u>
1986	\$3,644,300	1985	\$6.94 (a)	
1987	4,211,700	1986	7.75 (a)	
1988	8,581,200	1987	16.05	\$16.05
1989	9,850,700	1988	18.61	18.61
1990	11,305,100	1989	22.72	22.72
1991	12,217,300	1990	24.12 (b)	24.12
1992	14,704,500	1991	28.63	28.63
1992	1,494,700	1992	2.89 (c)	
1993	18,540,900	1992	35.85	38.74
1994	19,252,100	1993	36.45	36.45
1994	244,400	1994	0.46 (d)	
1995	<u>21,955,000</u>	1994	<u>40.99</u>	<u>41.45</u>
Total	<u>\$126,001,900</u>		<u>\$241.46</u>	<u>\$226.77</u>

Notes

(a) These amounts were not reported on the 1985 or 1986 dividend check stubs. The Department first reported the effect of this appropriation on the dividend amount on the 1987 dividend check stub. In 1990 the legislature passed AS 43.23.028 requiring the reporting of all deductions from dividends.

(b) In FY91, there was a General Fund supplemental of \$1,092,200 to the Hold Harmless program bringing the total FY91 Hold Harmless program appropriations to \$13,309,500. Since the supplemental appropriation was from the General Fund, it did not reduce the amount of the 1991 dividend.

(c) This FY92 supplemental appropriation brought the total FY92 Hold Harmless program appropriation to \$16,199,200. Since the supplemental appropriation was made after the calculation of the 1991 dividend, its effect was to reduce the 1992 dividend. The total 1992 dividend reduction as reported on the check stub was \$38.74.

(d) This FY94 supplemental appropriation brought the total FY94 Hold Harmless program appropriation to \$19,496,500. Since the supplemental appropriation was made after the calculation of the 1993 dividend, its effect was to reduce the 1994 dividend. The total 1994 dividend reduction as reported on the check stub was \$41.45.

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

Bill No. 8
Bill Version: SB 37
Bill Number: SB 37
(S) Publish Date: 2/3/95

Revision Date: _____ Dept. Affected: Health and Social Services
Title: An Act relating to permanent fund dividends BRU: Assistance Payments
Component: AFDC
Sponsor: Phillips
Requestor: Senate STA COMPONENT SERIAL NO. 220

Expenditures/Revenues:		(Thousands of Dollars)					
OPERATING	FY96	FY97	FY98	FY99	FY00	FY01	
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	0.0	0.0	0.0	0.0	0.0	0.0	
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	(12,875.5)	(13,519.3)	(14,195.3)	(14,905.1)	(15,650.4)	(16,432.9)	
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0	
TOTAL OPERATING	(12,875.5)	(13,519.3)	(14,195.3)	(14,905.1)	(15,650.4)	(16,432.9)	

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGES IN REVENUES	0	0	0	0	0	0
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FUND SOURCE		(Thousands of Dollars)					
1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0	
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0	
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0	
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0	
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0	
Other 1007 I/A Receipts	(12,875.5)	(13,519.3)	(14,195.3)	(14,905.1)	(15,650.4)	(16,432.9)	
TOTAL	(12,875.5)	(13,519.3)	(14,195.3)	(14,905.1)	(15,650.4)	(16,432.9)	

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 any current year (1995) cost: \$ NONE

ANALYSIS: (Attach a separate page if necessary)

SB 37 repeals the Permanent Fund Dividend Hold Harmless (PFD-HH) program. The PFD-HH program replaces the public assistance benefits of individuals who are denied benefits because federal law or regulation requires that their Permanent Fund dividend payments be treated as income or a resource (asset) in determining their eligibility for public assistance benefits. AS 43.23.075 holds public assistance benefits harmless for up to four months each year from the effects of receiving dividend payments.

Prepared by: Jim Dalman, Acting Director
Division: Division of Public Assistance
Approved by Com: Karen Perdue
Agency: Department of Health & Social Services

Phone: 465-2680
Date: 1/30/95
Date: 1/30/95

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ANALYSIS (cont.):

The PFD Hold Harmless program was established at the same time as the original, \$1000 PFD distribution in 1982. The legislature established the program to assure that low-income Alaskans could enjoy the benefit of the dividend program on the same basis as other Alaskans, without losing their eligibility for needs-based assistance.

Federal AFDC law requires that Permanent Fund dividends be treated as income for AFDC purposes. Dividend money retained beyond the month it is received must be treated as a resource. The dividend payments are unearned income, which reduces AFDC benefits by about 92 cents for each dollar of income. Families which retain dividend money lose AFDC eligibility if their total resources exceed \$1000.

The AFDC budget component includes PFD-HH funds transferred as Interagency Receipts to make payments to replace federally-matched AFDC benefits which would otherwise not be paid because of dividend receipt. The benefits replaced include AFDC grants which would be denied because of the dividend payments themselves as well as grants that would be reduced because federal AFDC policy requires that cash PFD-HH payments made in lieu of food stamps be treated as income for AFDC purposes.

The FY96 Governor's budget plans \$12,875,500.00 in PFD-HH expenditures to replace the AFDC benefits of 12,987 families including 39,639 individuals. The cost of PFD-HH benefits to replace AFDC in future years is projected to grow at 5 percent per year, based on anticipated annual caseload growth of 5 percent. The legislature has set maximum payment levels in the AFDC program. This fiscal note assumes the AFDC maximum payment levels will not change.

Under current law, a typical AFDC family is expected to receive \$780 in PFD-HH during FY 96 to replace one month's AFDC grant, and an additional \$272 in PFD-HH to restore AFDC grant reductions that result from receiving cash in lieu of food coupons. PFD-Hold Harmless benefits will not be paid to recipients if SB 37 becomes law. In most AFDC cases, recipients who receive dividends will become ineligible for benefits for one month, usually falling two months after the month they receive their dividend payments. Recipients who save enough of their dividend money to place them over the \$1000 resource limit will be ineligible until they have spent the money.

STATE OF ALASKA
1995 LEGISLATIVE SESSION

FISCAL NOTE

No. 7
Bill Version: SB 37
BILLEN
(S) Publish Date: 2/3/95

Revision Date: _____ Dept. Affected: Health and Social Services
Title: An Act relating to permanent fund dividends BRU: Assistance Payments
Sponsor: Phillips Component: General Relief Assistance
Requestor: Senate STA COMPONENT SERIAL NO. 221

Expenditures/Revenues:		(Thousands of Dollars)				
OPERATING	FY96	FY97	FY98	FY99	FY00	FY01
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	0.0	0.0	0.0	0.0	0.0	0.0
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	1,052.8	1,105.4	1,160.7	1,218.7	1,279.7	1,343.7
MISCELLANEOUS						
TOTAL OPERATING	1,052.8	1,105.4	1,160.7	1,218.7	1,279.7	1,343.7
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGES IN REVENUES	0	0	0	0	0	0

FUND SOURCE		(Thousands of Dollars)				
	FY96	FY97	FY98	FY99	FY00	FY01
1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	1,052.8	1,105.4	1,160.7	1,218.7	1,279.7	1,343.7
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	1,052.8	1,105.4	1,160.7	1,218.7	1,279.7	1,343.7

POSITIONS:						
	FY96	FY97	FY98	FY99	FY00	FY01
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 any current year (FY95) cost: \$ NONE

ANALYSIS: (Attach a separate page if necessary)

SB 37 repeals the Permanent Fund Dividend Hold Harmless (PFD-HH) program. Without the protection of the PFD-HH program, most households receiving AFDC, Food Stamp, and Adult Public Assistance (APA) program benefits will become ineligible for assistance for one month each year. Because of the retrospective budgeting methodology in place for the AFDC, Food Stamp, and APA programs, the month of ineligibility will usually occur two months after the month the dividend is received. For example, if a family on public assistance gets its PFD checks in October, they will be ineligible for AFDC and food stamps in December.

Prepared by: Jim Dalman, Acting Director Phone: 465-2689
 Division: Division of Public Assistance Date: 1/30/95
 Approved by Com: Karen Perdue Date: 1/30/95
 Agency: Department of Health & Social Services

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ANALYSIS (cont.):

The General Relief Assistance (GRA) program provides vendor payments of up to \$120 per person per month for emergency needs such as food, clothing, and shelter when no other resource is available to pay for them. AFDC and APA recipients are not generally eligible for GRA services because their cash grant meets their basic needs. Food Stamp recipients are not eligible for GRA for food purchases because their needs have already been covered.

The repeal of PFD-Hold Harmless imposed by SB 37 will substantially increase the number of people who are entitled to GRA. Recipients who do not conserve enough of their dividend money to meet their needs two months later when they lose their public assistance can be expected to apply for General Relief when they are confronted with eviction, lack of food, lack of heating fuel, or lack of adequate winter clothing.

Under SB 37, the following unduplicated numbers of individuals and cases are expected to be denied at least one month's benefits in FY 96 as a result of receiving dividend payments:

<u>Program</u>	<u>Households</u>	<u>Persons Impacted</u>
AFDC	12987	39639
FSP*	3867	9668
APA	<u>7932</u>	<u>7932</u>
Total	24786	57239

* 66 percent of the Food Stamp caseload also receives AFDC and APA benefits. This unduplicated count represents 34 percent of the Food Stamp PFD-HH caseload.

We estimate that 15 percent of the affected cases, with an average household size of 2.6 persons, will be entitled to GRA benefits for one month as a result of the repeal of PFD Hold Harmless coverage imposed by SB 37.

$$24786 \text{ cases} \times 15\% = 3720 \times \$ 283 \text{ average payment} = 1052.8$$

The result will be an increase of 1052.8 in need for FY 96 General Fund appropriations to pay General Relief benefits for food, shelter, and clothing costs.

We assume a 5 percent annual rate of caseload growth for FY 97 through FY 01.

STATE OF ALASKA
1995 LEGISLATIVE SESSION

FISCAL NOTE

No. 6
Bill Version: SB 37
BILL N (S) Publish Date: 2/3/95

Revision Date: _____ Dept. Affected: Health and Social Services
Title: An Act relating to permanent fund dividends BRU: Assistance Payments
Sponsor: Phillips Component: Adult Public Assistance
Requestor: Senate STA COMPONENT SERIAL NO. 222

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY96	FY97	FY98	FY99	FY00	FY01
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	0.0	0.0	0.0	0.0	0.0	0.0
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	(2,562.1)	(2,690.2)	(2,824.7)	(2,965.9)	(3,114.2)	(3,269.9)
MISCELLANEOUS						
TOTAL OPERATING	(2,562.1)	(2,690.2)	(2,824.7)	(2,965.9)	(3,114.2)	(3,269.9)
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGES IN REVENUES	0	0	0	0	0	0

FUND SOURCE (Thousands of Dollars)

	FY96	FY97	FY98	FY99	FY00	FY01
1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other 1007 I/A Receipts	(2,562.1)	(2,690.2)	(2,824.7)	(2,965.9)	(3,114.2)	(3,269.9)
TOTAL	(2,562.1)	(2,690.2)	(2,824.7)	(2,965.9)	(3,114.2)	(3,269.9)

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 any current year (FY95) cost: \$ NONE

ANALYSIS: (Attach a separate page if necessary)

SB 37 repeals the Permanent Fund Dividend Hold Harmless (PFD-HH) program. The PFD-HH program replaces the public assistance benefits of individuals who are denied benefits because federal law or regulation requires that their Permanent Fund dividend payments be treated as income or a resource (asset) in determining their eligibility for public assistance benefits. AS 43.23.075 holds public assistance benefits harmless for up to four months each year from the effects of receiving dividend payments.

Prepared by: Jim Dalman, Acting Director
Division: Division of Public Assistance
Approved by Com: Karen Perdue
Agency: Department of Health & Social Services

Phone: 465-2680
Date: 1/29/95
Date: 1/30/95

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ANALYSIS (cont.):

The PFD Hold Harmless program was established at the same time as the original, \$1000 PFD distribution in 1982. The legislature established the program to assure that low-income Alaskans could enjoy the benefit of the dividend program on the same basis as other Alaskans, without losing their eligibility for needs-based assistance.

Dividend payments must be treated as unearned income for Adult Public Assistance (APA) purposes because the APA program operates as the state supplement to the federal Supplemental Security Income (SSI) program and the SSI program treats dividends as income. Medicaid services are available to APA recipients only if the APA program follows SSI income-counting rules. PFD-HH funds for the replacement of APA benefits are transferred as Interagency Receipts to the Adult Public Assistance component.

The FY 96 Governor's budget plans for expenditure of \$ 2,562,100 in PFD-HH funds to replace APA benefits which would otherwise be denied to 7,932 individuals. The cost of PFD-HH benefits in future years is projected to grow at 5 percent per year, based on anticipated annual caseload growth of 5 percent. The legislature has set maximum payment levels in the APA program. This fiscal note assumes the APA maximum payment levels will not change.

The typical FY96 PFD-HH payment to an APA recipient is expected to be \$323 to replace one month's benefit.

PFD-Hold Harmless benefits will not be paid to recipients if SB 37 becomes law. In most APA cases, recipients who receive dividends will become ineligible for benefits for one month, usually falling two months after the month they receive their dividend payments. Recipients who retain enough dividend money in the month after they receive it to exceed the APA program limit of \$2000 (\$3000 for a couple) will remain ineligible until they have spent the money.

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

Revision Date: _____ Dept. Affected: Health and Social Services
 Title: An Act relating to permanent fund dividends BRU: PPD Hold Harmless
 Component: PPD Hold Harmless
 Sponsor: Phillips
 Requestor: Senate STA COMPONENT SERIAL NO. 225

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY96	FY97	FY98	FY99	FY00	FY01
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	(472.7)	(486.9)	(501.5)	(516.5)	(532.0)	(548.0)
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	(21,843.4)	(22,935.6)	(24,082.4)	(25,286.5)	(26,550.8)	(27,878.3)
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	(22,316.1)	(23,422.5)	(24,583.9)	(25,803.0)	(27,082.8)	(28,426.3)

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGES IN REVENUES	0	0	0	0	0	0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
*005 GF:Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1008 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other 1050 PFD Fund	(22,316.1)	(23,422.5)	(24,583.9)	(25,803.0)	(27,082.8)	(28,426.3)
TOTAL	(22,316.1)	(23,422.5)	(24,583.9)	(25,803.0)	(27,082.8)	(28,426.3)

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 any current year (FY95) cost: \$ NONE

ANALYSIS: (Attach a separate page if necessary)

Senate Bill No. 37 repeals the Permanent Fund Dividend Hold Harmless (PPD-HH) program. The PPD-HH program replaces the public assistance benefits of individuals who are denied benefits because federal law or regulation requires that their Permanent Fund dividend payments be treated as income or a resource (asset) in determining their eligibility for public assistance benefits. AS 43.23.075 holds public assistance benefits harmless for up to four months each year from the effects of receiving dividend payments.

The PPD Hold Harmless program was established at the same time as the original, \$1000 PFD distribution in 1982. The legislature established the program to assure that low-income Alaskans could enjoy the benefit of the dividend program on the same basis as other Alaskans, without losing their eligibility for needs-based assistance.

Prepared by Jim Dalman, Acting Director
 Division Division of Public Assistance
 Approved by Com Karen Perdue
 Agency Department of Health & Social Services

Phone: 465-2680
 Date: 1/30/95
 Date: 1/30/95

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ANALYSIS (cont.):

Repeal of the PFD Hold Harmless program will impact both the amount of assistance paid to individuals and families and the administrative effort required for the Division of Public Assistance to provide timely, accurate delivery of benefits. The Department of Health and Social Services has established interagency agreements with the federal agencies responsible for the AFDC and SSI programs. These agreements, which substantially reduce the amount of case processing required when recipients receive dividends, would be nullified by SB 37. The administrative effort to process PFD Hold Harmless entitlements would be supplanted by the additional case processing effort required to suspend public assistance entitlements when dividend payments are distributed.

Technical Analysis

Sections 1 and 2 of the bill repeal the express authority at AS 43.23.025(a)(1)(E) and AS 43.23.028(a)(3) to fund the PFD-HH program with appropriations from the dividend fund.

Section 3 of the bill repeals the language at AS 43.23.075(b) and (c) that established the PFD-HH program in 1982. Section 3 retains the language at AS 43.23.075(a), which prohibits the treatment of dividend payments as income or resources for public assistance purposes unless federal law or regulation so requires.

Section 4 establishes an effective date of January 1, 1996. The Department of Health and Social Services contacted the sponsor's office to ascertain the sponsor's intent regarding the effect of this legislation on the calendar year 1995 dividend distribution. The sponsor's staff indicated that the intent is to end the PFD Hold Harmless program prior to the 1995 dividend season. This analysis therefore assumes an effective date of July 1, 1995.

Program Impacts

PFD-HH is paid to replace public assistance benefits in the following programs:

Aid to Families with Dependent Children (AFDC)

Food Stamp Program (FSP)

Medicaid

Adult Public Assistance (APA)

Supplemental Security Income (SSI)

ANALYSIS (cont.):

The FY 96 Governor's budget plans expenditures to replace benefits with PFD-HH funds according to the following schedule:

<u>Program</u>	<u>Cases</u>	<u>Persons Impacted</u>	<u>Formula Budget</u>
AFDC	12987	39639	12875.5
FSP	11373	36384	3688.1
Medicaid	NA	2000	1100.0
APA	7932	7932	2562.1
SSI	5630	5630	1617.7
Total FY 96 Grants			21843.4

PFD-HH funds for replacement of Food Stamp benefits are paid directly to recipients as cash in lieu of food coupons. In FY 96, a typical Food Stamp household is expected to receive one \$324 PFD-HH payment to replace a month's worth of food coupons.

PFD-HH funds for replacement of AFDC benefits are transferred as Interagency Receipts to the AFDC component of the Assistance Payments BRU.

In the AFDC program, PFD-HH benefits replace federally-matched AFDC payments which would otherwise not be paid because of dividend receipt. The benefits replaced include AFDC grants which would be denied because of the dividend payments themselves as well as grants that would be reduced because federal AFDC policy requires that cash PFD-HH payments made in lieu of food stamps be treated as income for AFDC purposes. A typical AFDC family is expected to receive \$780 in PFD-HH during FY 96 to replace one month's AFDC grant, and an additional \$272 in PFD-HH to restore AFDC grant reductions that result from receiving cash in lieu of food coupons.

Under an interagency operating agreement with the federal Department of Health and Human Services, claims for AFDC federal matching funds are reduced to reflect the amount of benefits which would be paid if AFDC grants were denied because of dividend and food stamp hold harmless payments. This agreement saves substantial administrative effort because individual AFDC cases do not have to be suspended during the dividend season.

ANALYSIS (cont.):

PFD-HH funds for replacement of Medicaid benefits are transferred as Interagency Receipts to the Medicaid PFD Hold Harmless component of the Medical Assistance BRU. Most Medicaid PFD Hold Harmless benefits are paid on behalf of individuals who retain dividend money beyond the month they receive it, causing their household's resources to exceed program limits.

PFD-HH funds for replacement of APA benefits are transferred as Interagency Receipts to the Adult Public Assistance component of the Assistance Payments BRU. The typical PFD-HH benefit to an APA recipient is \$323 to replace one month's benefit.

PFD-HH funds for replacement of SSI benefits are paid under an interagency agreement to the federal Social Security Administration, which applies them as reimbursement for the cost of SSI benefits paid to individuals who receive dividends. PFD-HH benefits to replace SSI are expected to average \$287 per person in FY 96.

PFD-Hold Harmless benefits will not be paid to recipients if SB 37 becomes law. In most AFDC, Food Stamp, APA, and SSI cases, recipients who receive dividends will become ineligible for benefits for one month, usually falling two months after the month they receive their dividend payments.

The cost of PFD-HH benefits in future years is projected to grow at 5 percent per year, based on anticipated annual caseload growth of 5 percent. The legislature has set maximum payment levels in the AFDC and APA programs. This fiscal note assumes the AFDC and APA maximum payment levels will not change.

Administrative Impacts

The administrative cost of the PFD Hold Harmless program is based on estimates of the proportion of time used by Eligibility Determination staff to process case actions related to dividend payments and PFD-HH benefits. In FY 96, 472.7 in PFD-HH Contractual funds is planned to be transferred as Interagency Receipts to the Eligibility Determination component of the Public Assistance Administration BRU.

This analysis presumes that the intent of SB 37 is to preclude the appropriation of money from the Dividend Fund to administer public assistance. The cost of processing case changes resulting from the receipt of dividends is, therefore, shifted to General Fund.

ANALYSIS (cont.):

The administration of the PFD-HH program and the processing of case changes related to the receipt of dividend payments is funded through the transfer of 472.7 in PFD-HH Contractual funds as Interagency Receipts to the Eligibility Determination component. The repeal of the PFD-HH program proposed in SB 37 results in a small increase in the administrative effort required to take the dividend payments into account and process changes in the affected public assistance cases. The cost of processing is shifted to General Fund.

The time required to process Food Stamp cases would decrease because it would no longer be necessary to convert assistance to cash in lieu of food coupons and back again. The time to process AFDC, APA, and Medicaid cases in the absence of the PFD-HH program would increase substantially: under the Hold Harmless program, benefit authorization for these programs consists of the one-time entry of a few special computer codes. Without the PFD-HH program, action will have to be taken to suspend the benefits of each affected AFDC, APA, and Medicaid case, and to reinstate benefits after the month of suspension.

The need for staff is also expected to increase because of a substantial increase in General Relief applications from recipients who are unable to pay for rent or food when they lose their cash and food benefits two months **after** they receive their dividend checks. The Division of Public Assistance would make every effort to apprise recipients in advance that they will be retrospectively ineligible, but some recipients would inevitably fail to conserve enough dividend money to meet their future needs.

The offsetting effects of SB 37 result in a small increase in staffing needs in the Eligibility Determination component.

STATE OF ALASKA
1995 LEGISLATIVE SESSION

FISCAL NOTE

No. 7

Bill Version: SB 37

BILL No (S) Publish Date: 2/3/95

Revision Date: _____ Dept. Affected: Health and Social Services
 Title: An Act relating to permanent fund dividends BRU: Public Assistance Administration
 Component: Eligibility Determination
 Sponsor: Phillips
 Requestor: Senate STA COMPONENT SERIAL NO. 236

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY96	FY97	FY98	FY99	FY00	FY01
PERSONAL SERVICES	86.0	88.6	91.2	94.0	96.8	99.8
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
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	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	86.0	88.6	91.2	94.0	96.8	99.8
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGES IN REVENUES	0	0	0	0	0	0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	43.0	44.3	45.6	47.0	48.4	49.9
1003 GF Match	43.0	44.3	45.6	47.0	48.4	49.9
1004 GF	472.7	486.9	501.5	516.5	532.0	548.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other 1007 I/A Receipts	(472.7)	(486.9)	(501.5)	(516.5)	(532.0)	(548.0)
TOTAL	86.0	88.6	91.2	94.0	96.8	99.8

POSITIONS:

FULL-TIME	2	2	2	2	2	2
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of any current year (FY95) cost: \$ NONE

ANALYSIS: (Attach a separate page if necessary)

SB 37 repeals the Permanent Fund Dividend Hold Harmless (PFD-HH) program. The PFD-HH program replaces the public assistance benefits of individuals who are denied benefits because federal law or regulation requires that their Permanent Fund dividend payments be treated as income or a resource (asset) in determining their eligibility for public assistance benefits. AS 43.23.075 holds public assistance benefits harmless for up to four months each year from the effects of receiving dividend payments.

Prepared by: Jim Dalman, Acting Director Phone: 465-2680
 Division: Division of Public Assistance Date: 1/30/95
 Approved by Com: Karen Perdue Date: 1/30/95
 Agency: Department of Health & Social Services

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ANALYSIS (cont.):

The PFD Hold Harmless program was established at the same time as the original, \$1000 PFD distribution in 1982. The legislature established the program to assure that low-income Alaskans could enjoy the benefit of the dividend program on the same basis as other Alaskans, without losing their eligibility for needs-based assistance.

Repeal of the PFD Hold Harmless program will impact both the amount of assistance paid to individuals and families and the administrative effort required for the Division of Public Assistance to provide timely, accurate delivery of benefits. The Department of Health and Social Services has established interagency agreements with the federal agencies responsible for the AFDC and SSI programs. These agreements, which reduce the amount of case processing required when recipients receive dividends, would be nullified by SB 37. The administrative effort to process PFD Hold Harmless entitlements would be supplanted by the additional case processing effort required to suspend public assistance entitlements when dividend payments are distributed.

Administrative Impacts

The administrative cost of the PFD Hold Harmless program is based on estimates of the proportion of time used by Eligibility Determination staff to process case actions related to dividend payments and PFD-HH benefits. In FY 96 472.7 in PFD-HH Contractual funds is planned to be transferred as Interagency Receipts to the Eligibility Determination component of the Public Assistance Administration BRU.

This analysis presumes that the intent of SB 37 is to preclude the appropriation of money from the Dividend Fund to administer public assistance. The cost of processing case changes resulting from the receipt of dividends is, therefore, shifted to General Fund.

The administration of the PFD-HH program and the processing of case changes related to the receipt of dividend payments require the equivalent of 10 permanent, full-time positions. The repeal of the PFD-HH program proposed in SB 37 results in an increase in the amount of administrative effort to take the dividend payments into account and process changes in the affected public assistance cases. We estimate that 11.8 permanent full-time equivalent positions would be needed to process dividend-related work.

The time required to process Food Stamp cases would decrease because it would no longer be necessary to convert assistance to cash in lieu of food coupons and back again. The time to process AFDC, APA, and Medicaid cases in the absence of the PFD-HH program would increase substantially: under the Hold Harmless program, benefit authorization for these programs consists of the one-time entry of a few special computer codes. Without the PFD-HH program, action will have to be taken to suspend the benefits of each affected AFDC, APA, and Medicaid case, and to reinstate benefits after the month of suspension. The need for staff is also expected to increase because of a substantial increase in General Relief applications from recipients who are unable to pay for rent or food when they lose their cash and food benefits two months after they receive their dividend checks.

The offsetting effects of SB 37 result in a small increase in staffing needs in the Eligibility Determination Component.

Position Title Eligibility Technician II		No. of Positions 2	Range/Step R14B	Bargaining Unit GGU
Time Status FT	Staff Months 12	Location Anchorage		Election District
TYPE of EXPENDITURE		AMOUNT		
Salary		60.4		
Benefits		25.6		
Premium Pay				
Other				
Total Personal Services		86.0		
Travel				
Contractual				
Commodities				
Equipment				
Other				
Total Cost		86.0		
FUNDING SOURCE for TOTAL COST				
1002	Federal Receipts	43.0		
1003	GF Match	43.0		
1004	General Fund			
1005	GF/Program Receipts			
1006	GF/Mental Health Trust			
1007	I/A Receipts			
1061	CIP Receipts			
Other				

Justification
SB 37 repeals the PFD Hold Harmless program and requires that individual AFDC, Food Stamp, Adult Public Assistance, and Medicaid cases be suspended for at least one month when dividends are received. The reduction in administrative need that results from the repeal of the PFD Hold Harmless program is more than offset by the increased time needed to process dividend payments as individual case changes and to handle an increased number of General Relief Assistance cases.

Two additional Eligibility Technician case worker positions are needed to administer this additional workload.

3/3

**REQUEST for
NEW POSITION**

AGENCY: **Health and Social Services**
 BRU: **Public Assistance Administration**
 COMPONENT: **Eligibility Determination (0236)**

Page 1 of 1
 Revised Date:

FY96

FISCAL NOTE

No. 2

Bill Version: SB 37

**STATE OF ALASKA
1995 LEGISLATIVE SESSION**

BILL (S) Publish Date: 2/3/95

Revision Date: _____
 Title: Repeal PFD Hold-Harmless
 Sponsor: Sen. Phillips
 Requestor: Senate State Affairs

Dept. Affected Health and Social Services
 BRU: Medical Assistance
 Component: Medicaid Non-facility
 COMPONENT SERIAL NO. 229

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
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	0.0	0.0	0.0	0.0	0.0	0.0
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	171.6	188.8	207.6	228.4	251.2	276.4
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	171.6	188.8	207.6	228.4	251.2	276.4

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGES IN REVENUES	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts	85.8	94.4	103.8	114.2	125.6	138.2
1003 GF Match	85.8	94.4	103.8	114.2	125.6	138.2
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other (Interagency Receipt)	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	171.6	188.8	207.6	228.4	251.2	276.4

Estimate of current year (FY95) impact: 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

ANALYSIS (attach a separate page in necessary)

Senate Bill 37 repeals the Permanent Fund Dividend Hold Harmless (PFD-HH) program. The PFD-HH program replaces the Medicaid benefits of individuals who are denied benefits because federal law or regulation requires that their PFD payment be treated as income or a resource (asset) in determining their eligibility for medical assistance benefits. The legislature established the program in 1981 to assure that low-income Alaskans could receive their PFD on an equal basis with all other Alaskans, without the loss of eligibility for needs-based medical assistance.

Prepared by: Jon Sherwood, MAA IV
 Division: Medical Assistance
 Approved by: [Signature]
 Commissioner: Karen Perdue
 Agency: Department of Health and Social Services

Phone: 465-3355
 Date: 1/30/95
 Date: 2/3/95

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ANALYSIS (cont.):

The PFD-HH program allows Medicaid recipients to receive and retain PFD money for up to four months and still receive Medicaid services.

If the PFD-HH program is eliminated, most Medicaid recipients will continue to remain eligible in the month they receive the check. They could become ineligible for Medicaid if they chose to retain their PFD check and it puts them over the Medicaid resource limit in the following month.

Many individuals, however, will elect to spend their PFD check in the month of receipt to prevent that money from being considered a resource, these individuals will retain Medicaid eligibility. In absence of PFD-HH funds, the regular Medicaid funding will be necessary to cover these individuals, both in Medicaid Facilities and Nonfacilities. We anticipate that those individuals who receive Medicaid services in an amount equal to or greater than the amount of a permanent fund dividend are the individuals who will dispose of their PFD check and remain Medicaid eligible. Currently, 60% of annual Medicaid expenditures are for recipients who receive on average \$967 or more in Medicaid benefits each month. We anticipate the regular Medicaid budget will see a commensurate increase equal to 60% of the amount currently budgeted for the PFD-HH program (1.1 million) See companion fiscal note for Medicaid Facility to show related increase.

The Medicaid expenditures shown reflect what would be a 10% growth (inflation and client growth) in future years in the cost of benefits.

MEDICAID NON-FACILITY CALCULATION

Current FY 95 PFD-HH funding:	\$1,100,000
% of PFD-HH costs shifted to Medicaid	60%
Medicaid cost of those retaining Medicaid	<u>\$660,000</u>
Less Medicaid Facility share of cost (74%)	<u>\$488,400</u>
Medicaid Non-facility expenditures born by Medicaid	<u>\$171,600</u>

FISCAL NOTE

No. 2

Bill Version: SB 37

EILL (S) Publish Date: 2/3/95

STATE OF ALASKA
1995 LEGISLATIVE SESSION

Revision Date: _____
Title: Repeal PFD Hold-Harmless
Sponsor: Sen. Phillips
Requestor: Senate State Affairs

Dept. Affected Health and Social Services
BRU: Medical Assistance
Component: Medicaid Facility
COMPONENT SERIAL NO. 230

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
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	0.0	0.0	0.0	0.0	0.0	0.0
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	488.4	527.5	569.7	615.2	664.5	717.6
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	488.4	527.5	569.7	615.2	664.5	717.6

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
-----------------------------	------------	------------	------------	------------	------------	------------

CHANGES IN REVENUES	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts	244.2	263.8	284.9	307.6	332.3	358.8
1003 GF Match	244.2	263.7	284.8	307.6	332.2	358.8
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other (Interagency Receipt)	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	488.4	527.5	569.7	615.2	664.5	717.6

Estimate of current year (FY95) impact: 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

ANALYSIS (attach a separate page in necessary)

Senate Bill 37 repeals the Permanent Fund Dividend Hold Harmless (PFD-HH) program. The PFD-HH program replaces the Medicaid benefits of individuals who are denied benefits because federal law or regulation requires that their PFD payment be treated as income or a resource (asset) in determining their eligibility for medical assistance benefits. The legislature established the program in 1981 to assure that low-income Alaskans could receive their PFD on an equal basis with all other Alaskans, without the loss of eligibility for needs-based medical assistance.

Prepared by: Jon Sherwood, MAA IV
Division: Medical Assistance
Approved by: [Signature]
Commissioner: Karen Perdue
Agency: Department of Health and Social Services

Phone: 465-3355
Date: 1/30/95

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ANALYSIS (cont.):

The PFD-HH program allows Medicaid recipients to receive and retain PFD money for up to four months and still receive Medicaid services.

If the PFD-HH program is eliminated, most Medicaid recipients will continue to remain eligible in the month they receive the check. They could become ineligible for Medicaid if they chose to retain their PFD check and it puts them over the Medicaid resource limit in the following month.

Many individuals, however, will elect to spend their PFD check in the month of receipt to prevent that money from being considered a resource, these individuals will retain Medicaid eligibility. In absence of PFD-HH funds, the regular Medicaid funding will be necessary to cover these individuals, both in Medicaid Facilities and Nonfacilities. We anticipate that those individuals who receive Medicaid services in an amount equal to or greater than the amount of a permanent fund dividend are the individuals who will dispose of their PFD check and remain Medicaid eligible. Currently, 60% of annual Medicaid expenditures are for recipients who receive on average \$967 or more in Medicaid benefits each month. We anticipate the regular Medicaid budget will see a commensurate increase equal to 60% of the amount currently budgeted for the PFD-HH program (1.1 million) See companion fiscal note for Medicaid Non-facility to show related increase.

The Medicaid expenditures shown reflect what would be a 10% growth (inflation and client growth) in future years in the cost of benefits.

MEDICAID FACILITY CALCULATION

Current FY 95 PFD-HH funding:	\$1,100,000
% of PFD-HH costs shifted to Medicaid	60%
Medicaid cost of those retaining Medicaid	<u>\$660,000</u>
Less Medicaid Non-facility share of cost (26%)	<u>\$171,600</u>
Medicaid Facility expenditures born by Medicaid	\$488,400

FISCAL NOTE

NO. 1

Bill Version: SB 37

BILL (5) Publish Date: 2/3/95

**STATE OF ALASKA
1995 LEGISLATIVE SESSION**

Revision Date: _____
 Title: Repeal PFD Hold-Harmless
 Sponsor: Sen. Phillips
 Requestor: Senate State Affairs

Dept. Affected Health and Social Services
 BRU: Medical Assistance
 Component: Permanent Fund Hold-Harmless
 COMPONENT SERIAL NO. 966

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
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	0.0	0.0	0.0	0.0	0.0	0.0
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	(1,100.0)	(1,210.0)	(1,331.0)	(1,464.1)	(1,610.5)	(1,771.6)
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	(1,100.0)	(1,210.0)	(1,331.0)	(1,464.1)	(1,610.5)	(1,771.6)
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGES IN REVENUES	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other (Interagency Receipt)	(1,100.0)	(1,210.0)	(1,331.0)	(1,464.1)	(1,610.5)	(1,771.6)
TOTAL	(1,100.0)	(1,210.0)	(1,331.0)	(1,464.1)	(1,610.5)	(1,771.6)

Estimate of current year (FY95) impact: 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

ANALYSIS (attach a separate page in necessary)

Senate Bill 37 repeals the Permanent Fund Dividend Hold Harmless (PFD-HH) program. The PFD-HH program replaces the Medicaid benefits of individuals who are denied benefits because federal law or regulation requires that their PFD payment be treated as income or a resource (asset) in determining their eligibility for medical assistance benefits. The legislature established the program in 1981 to assure that low-income Alaskans could receive their PFD on an equal basis with all other Alaskans, without the loss of eligibility for needs-based medical assistance.

Prepared by: Jon Sherwood, MAA IV
 Division: Medical Assistance

Phone: 465-3355
 Date: 1/30/95

Approved by: Karen Perdue
 Commissioner: Department of Health and Social Services

Date: 1/30/95

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ANALYSIS (cont.):

The PFD-HH program allows Medicaid recipients to receive and retain PFD money for up to four months and still receive Medicaid services.

If the PFD-HH program is eliminated, most Medicaid recipients will continue to remain eligible in the month they receive the check. They could become ineligible for Medicaid if they chose to retain their PFD check and it puts them over the Medicaid resource limit in the following month.

Many individuals, however, will elect to spend their PFD check in the month of receipt to prevent that money from being considered a resource, these individuals will retain Medicaid eligibility. In absence of PFD-HH funds, the regular Medicaid funding will be necessary to cover these individuals, both in Medicaid Facilities and Nonfacilities. We anticipate that those individuals who receive Medicaid services in an amount equal to or greater than the amount of a permanent fund dividend are the individuals who will dispose of their PFD check and remain Medicaid eligible. Currently, 60% of annual Medicaid expenditures are for recipients who receive on average \$967 or more in Medicaid benefits each month. We anticipate the regular Medicaid budget will see a commensurate increase equal to 60% of the amount currently budgeted for the PFD-HH program (1.1 million) See companion fiscal notes for Medicaid Facility and Medicaid Non-facility to show this increase.

This fiscal note shows the elimination of the FY 95 budget request of 1.1 million. The reduction in expenditures shown reflects what would be an 10% growth (inflation and client growth) in future years in the cost of PFD-HH benefits to replace Medicaid funds.

SENATE COMMITTEE REPORT

First Committee of Refer.

gmk

DATE: 1/19/95

FURTHER: Finance

Date of 5-Day Notice: 1/26/95
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 2-3-95

State Affairs Committee considered SB 37

Relating to treatment of permanent fund dividends for purposes of determining eligibility for certain benefits; efd.

PHS/TFN'S

and recommends: ✓

- be replaced with CS SB 37 (STA)
- adopt previous CS _____
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

Senate Bill:
 same title
 new title
House Bill:
 technical change
 new: SCR# _____

SIGNING WITH RECOMMENDATIONS:	DP	DNP	NR	AM
<i>Row D. Leman</i>	✓			
<i>Bill E. [unclear]</i>	✓			

CHAIR: <i>[Signature]</i>	✓			

NEW FISCAL NOTE(S): *fy 96*

Department	Date	Zero	Fiscal
DEPT OF REV.	1/26/95	✓	
DHSS/AFOC	1/30		(12875.5)
DHSS/GRA	1/30		1052.8
DHSS/APA	1/30		(2562.1)
DHSS/PFO HOLD H.	1/30		(22316.1)
DHSS/ELIG. DET	1/30		86.0

NEW FISCAL NOTE(S):* CONT'D

Department	Date	Zero	Fiscal
DHSS/MEDICAID N.F.	1/30		171.6
DHSS/MEDICAID FAC.	1/30		488.4
DHSS/M.A - PFO HOLD	1/30		1100.0

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

SB

39

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 2/8/95

FURTHER:

DATE TURNED INTO OFFICE: 3-9-95

The Finance Committee considered SENATE BILL NO. 39

"An Act relating to memorial scholarship loans."

and recommends:

be replaced with _____ CS SB 39 (FIN)

Senate Bill:
 same title
 new title
 House Bill:
 technical change
 new: SCR# _____

adopt previous _____ CS _____ (_____)

attached amendment(s)

adopt Letter of Intent by _____ Committee

further referral to the _____ Committee

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Steve King</i>	✓				
<i>Bill E. Felt</i>	✓				
<i>David Donley</i>	✓				
<i>Tom P. Harvett</i>	✓				
<i>Bob King</i>	✓				
Co-Chair: <i>[Signature]</i>	✓				
Co-Chair: <i>Kirk Halford</i>	✓				

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

DPS	7/6/95		

PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

DPS	7/6/95	0	
DOE (Post Sec)	1/20/95	0	

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

FISCAL NOTE

No. 1

STATE OF ALASKA

E N

Bill Version: SB39

1995 LEGISLATIVE SESSION

(S) Publish Date: 2/8/95

Revision Date: _____ Dept. Affected: Public Safety
 Title: "An act relating to memorial
scholarship loans." Component: Alaska State Troopers
 Sponsor: Senator Taylor Component: Detachments
 Requestor: (S) HESS COMPONENT SERIAL NO. 0799

EXPENDITURES/REVENUES: (Thousands of Dollars) (inflation not included)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL EXPENDITURES	-0-	-0-	-0-	-0-	-0-	-0-
CHANGE IN REVENUES ()	-0-	-0-	-0-	-0-	-0-	-0-
<small>Revenue Code</small>						

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

Estimate of current year (FY 95) impact: \$ -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

ANALYSIS: (Attach a separate page if necessary.)

No fiscal impact is anticipated.

Prepared By: Francis C. Allan Phone: 269-5691
 Division: Alaska State Troopers Date: 01/25/95
 Approved by Commissioner: *Ronald L. Otte* Date: 2-6-95
 Agency: Ronald L. Otte, Dept. of Public Safety

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FISCAL NOTE

No. 2

Bill Version: SB 39

I (S) Publish Date: 2/8/95

STATE OF ALASKA
1995 LEGISLATIVE SESSION

Revision Date: _____ Dept. Affected: Education
 Title: An Act relating to memorial BRU: Postsecondary Education
scholarship loans. Component: Student Loan Program
 Sponsor: Senator Taylor
 Requester: Senate HESS Committee COMPONENT SERIAL NO. 0218

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96		FY 97		FY 98		FY 99		FY 00		FY 01	
PERSONAL SERVICES												
TRAVEL												
CONTRACTUAL												
SUPPLIES												
EQUIPMENT												
LAND & STRUCTURES												
GRANTS, CLAIMS												
MISCELLANEOUS												
TOTAL OPERATING	-0-	0.0	-0-	0.0	-0-	0.0	-0-	0.0	-0-	0.0	-0-	0.0

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

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

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts												
1003 GF Match												
1004 GF												
1005 GF/Program Receipts												
1006 GF/MHTIA												
Other												
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY95) cost: \$ -0-

POSITIONS

FULL-TIME												
PART TIME												
TEMPORARY												

ANALYSIS: (Attach a separate page if necessary)

Zero (0) fiscal impact.

Prepared by: Dr. Joe L. McCormick, Executive Director
 Division: Alaska Commission on Postsecondary Education

Phone: (907)465-6740
 Date: January 26, 1995

Approved by Commissioner: _____
 Agency: _____

Date: _____

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DRAFT

3/9/95
2-4
9-LS042C
JH
R/0

CS FOR SENATE BILL NO. 39(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATOR TAYLOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to memorial scholarship loans; and providing for an effective
2 date."

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

4 * Section 1. AS 14.43.300(b) is amended to read:

5 (b) A loan made under AS 14.43.250 - 14.43.325 may be used only as follows:

6 (1) a Michael Murphy memorial scholarship loan may be used only to
7 pursue a certificate or degree program in an accredited college or university in law
8 enforcement, law, probation and parole, or penology, or closely related fields;

9 (2) a Carroll L. "Butch" Swartz memorial scholarship loan may be used
10 only to pursue a degree program in an accredited college or university in criminal law,
11 criminology, corrections, police science and administration, juvenile justice, or other
12 fields closely related to criminal justice;

13 (3) a Harvey Golub memorial scholarship loan may be used only to
14 pursue a degree program in an accredited college or university in civil, mechanical,

1 electrical, electronic, petroleum, mining, traffic and transportation, sanitary, chemical,
2 or other recognized field of engineering;

3 (4) a Robert L. Thomas memorial scholarship loan may be used only
4 to pursue a degree program in an accredited college or university that will lead to a
5 career in education or public administration, or other closely related field;

6 (5) an A.W. (Winn) Brindle memorial scholarship loan may be used
7 only to pursue a certificate or degree program in an accredited school, college, or
8 university in fisheries, fishery science, fishery management, seafood processing, food
9 technology, or other closely related field; and

10 (6) a Nick Begich memorial scholarship loan may be used only to
11 pursue a degree program in an accredited college or university that will lead to a
12 career in education, public administration, government, or other closely related field.

13 * Sec. 2. AS 14.43.305(e) is amended to read:

14 (e) A recipient of a memorial scholarship loan under AS 14.43.250(b)(1) - (4)
15 or (6) who graduates from a degree program, or for a loan under AS 14.43.250(b)(1)
16 from a certificate program, shall receive forgiveness of one-fifth of loan principal
17 [INDEBTEDNESS] for each one-year period the recipient is employed full time in
18 Alaska in

19 (1) law-enforcement or related fields, if a recipient of a Michael
20 Murphy memorial scholarship loan;

21 (2) criminal law, criminal justice, or other closely related fields, if a
22 recipient of a Carroll L. "Butch" Swartz memorial scholarship loan;

23 (3) a recognized branch of the engineering profession or other closely
24 related fields, if a recipient of a Harvey Golub memorial scholarship loan;

25 (4) education or public administration, or other closely related field, if
26 a recipient of a Robert L. Thomas memorial scholarship loan; or

27 (5) education, public administration, government, or other closely
28 related field, if a recipient of a Nick Begich memorial scholarship loan.

29 * Sec. 3. AS 14.43.305(f) is amended to read:

30 (f) That portion of the loan that is forgiven under (e) or (j) of this section shall
31 be considered a grant to the recipient.

1 * Sec. 4. AS 14.43.305(i) is amended to read:

2 (i) To the extent they are not in conflict with terms and conditions under
3 AS 14.43.250 - 14.43.325, the terms and conditions of a memorial scholarship loan
4 made under AS 14.43.250(b)(5) are the same as the terms and conditions for a
5 scholarship loan under AS 14.43.090 - 14.43.160, except that the interest on the loan
6 is equal to five percent.

7 * Sec. 5. AS 14.43.305 is amended by adding a new subsection to read:

8 (j) A recipient of a memorial scholarship loan under AS 14.43.250(b)(5) who
9 graduates from a certificate or degree program shall receive forgiveness of 10 percent
10 of loan principal, up to a maximum of 50 percent of loan principal, for each one-year
11 period during the first five years following graduation that the recipient is employed
12 full time in the state in fisheries, fishery science, fishery management, seafood
13 processing, food technology, or other closely related field.

14 * Sec. 6. This Act applies to principal due on a loan entered into on or after July 1, 1995.

15 * Sec. 7. This Act takes effect July 1, 1995.

Alaska State Legislature

FEB 13 1995

Chairman,
Judiciary Committee

Vice Chairman,
Transportation Committee

Member
Resources Committee
Western Legislative Forestry Task Force



Senator Robin L. Taylor

State Capitol
Juneau, Alaska 99801-1182
907-465-3877
Fax: 907-465-3922

352 Front Street
Ketchikan, Alaska 99901
907-225-8088
Fax: 907-225-0713

MEMORANDUM

ORIGINAL

**TO: Senator Rick Halford, Co-Chairman
Senate Finance Committee**

FROM: Senator Robin L. Taylor *R.L.T.*

DATE: 2/13/95

REF: Hearing Requests

Please consider this to be my formal request for hearings at your earliest convenience on the following bills:

- * Senate Bill 6 - Licensing/Registration Suspension/Denial
- * Senate Bill 39 - Memorial Scholarship Loans

Thank you for your consideration.

1130195 772
 (S) HESS,
 FIN

FISCAL NOTE

STATE OF ALASKA
 1995 LEGISLATIVE SESSION

BILL NO. SB 39

Revision Date: _____ Dept. Affected: Education
 Title: An Act relating to memorial BRU: Postsecondary Education
scholarship loans. Component: Student Loan Program
 Sponsor: Senator Taylor
 Requester: Senate HESS Committee COMPONENT SERIAL NO. 0218

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0- 0.0	-0- 0.0	-0- 0.0	-0- 0.0	-0- 0.0	-0- 0.0

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

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

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY95) cost: \$ -0-

POSITIONS

FULL-TIME						
PART TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Zero (0) fiscal impact.

Prepared by: Dr. Joe L. McCormick, Executive Director
 Division: Alaska Commission on Postsecondary Education

Phone: (907)465-6740
 Date: January 26, 1995

Approved by Commissioner: _____
 Agency: _____

Date: _____

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SB 39

FISCAL NOTE

No. 1

STATE OF ALASKA
1995 LEGISLATIVE SESSION

E . N Bill Version: SB39
(S) Publish Date: 2/8/95

Revision Date: _____ Dept. Affected: Public Safety
Title: "An act relating to memorial scholarship loans." Alaska State Troopers
Component: Detachments
Sponsor: Senator Taylor
Requestor: (S) HESS COMPONENT SERIAL NO. 0799

EXPENDITURES/REVENUES: (Thousands of Dollars) (inflation not included)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL EXPENDITURES	-0-	-0-	-0-	-0-	-0-	-0-
CHANGE IN REVENUES () <small>Revenue Code</small>	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

Estimate of current year (FY 95) impact: \$ -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

ANALYSIS: (Attach a separate page if necessary.)
No fiscal impact is anticipated.

Prepared By: Francis C. Allan Phone: 269-5691
Division: Alaska State Troopers Date: 01/25/95
Approved by Commissioner: Ronald L. Otte Date: 2-6-95
Agency: Ronald L. Otte, Dept. of Public Safety

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SENATE COMMITTEE REPORT
 First Committee of Referr.

fn

DATE: 1/19/95

FURTHER: Finance

Date of 5-Day Notice: 1/30/95
 (in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 2-8-95

HESS Committee considered SB 39

Relating to memorial scholarship loans.

ΦFN

and recommends:

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

Senate Bill:
 | same title
 | new title
 House Bill:
 | technical change
 | new: SCR# _____

SIGNING WITH RECOMMENDATIONS:	DP	DNP	NR	AM
<i>Mike Miller</i>	✓			
<i>Judith E. Sato</i>			✓	
<i>[Signature]</i>			✓	
CHAIR: <i>Lynne Green, Chair</i>	✓			

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal
<i>DOE - ACPE</i>	<i>1/24/95</i>	✓	
<i>DPS</i>	<i>1/25/95</i>	✓	

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

SB

40

SFIN

FILE

3/9/95
OKayed by
Cam
4:10pm
WORK DRAFT
9-LS0476C
Utermohle
3/9/95

CS FOR SENATE BILL NO. 40(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:

Referred:

Funding Information:	General Fund	\$	-0-
	Other Funds	\$	<u>400,000,000</u>
		\$	400,000,000

Sponsor(s): SENATOR SHARP

A BILL

FOR AN ACT ENTITLED

1 "An Act making appropriations from the Alaska Housing Finance Corporation
2 revolving fund to the general fund; and providing for an effective date."

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

4 * Section 1. The sum of \$200,000,000 from the available unrestricted cash in the general
5 account of the revolving fund, Alaska Housing Finance Corporation, is anticipated to be
6 transferred by the direction of the Alaska Housing Finance Corporation board to the general
7 fund. The money shall be deposited into the general fund when received during fiscal year
8 1996.

9 * Sec. 2. The sum of \$200,000,000 from the available unrestricted cash in the general
10 account of the revolving fund, Alaska Housing Finance Corporation, is anticipated to be
11 transferred by the direction of the Alaska Housing Finance Corporation board to the general
12 fund. The money shall be deposited into the general fund when received during fiscal year
13 1997.

14 * Sec. 3. Section 1 of this Act takes effect July 1, 1995.

1

* Sec. 4. Section 2 of this Act takes effect July 1, 1996.

9-LS0476C

Utermohle

3/9/95

CS FOR SENATE BILL NO. 40(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:

Referred:

Funding Information:	General Fund	\$	-0-
	Other Funds		<u>400,000,000</u>
		\$	400,000,000

Sponsor(s): SENATOR SHARP

A BILL

FOR AN ACT ENTITLED

1 "An Act making appropriations from the Alaska Housing Finance Corporation
2 revolving fund to the general fund; and providing for an effective date."

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

4 * Section 1. The sum of \$200,000,000 from the available unrestricted cash in the general
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6 transferred by the direction of the Alaska Housing Finance Corporation board to the general
7 fund. The money shall be deposited into the general fund when received during fiscal year
8 1996.

9 * Sec. 2. The sum of \$200,000,000 from the available unrestricted cash in the general
10 account of the revolving fund, Alaska Housing Finance Corporation, is anticipated to be
11 transferred by the direction of the Alaska Housing Finance Corporation board to the general
12 fund. The money shall be deposited into the general fund when received during fiscal year
13 1997.

14 * Sec. 3. Section 1 of this Act takes effect July 1, 1995.

1

* Sec. 4. Section 2 of this Act takes effect July 1, 1996.

Called Legal
3-9-95
11:45 am
9-LS0476\A

SENATE BILL NO. 40

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY SENATOR SHARP

Introduced: 1/20/95

Referred: STA, FIN

Funding Information: General Fund \$ -0-
Other Funds 335,000,000

~~335,000,000~~

400

A BILL.

BS
Adopted
1-1-96
YCS (draft)

FOR AN ACT ENTITLED

1 "An Act making appropriations from the Alaska Housing Finance Corporation
2 revolving fund to the general fund; and providing for an effective date."

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

4 * Section 1. The sum of \$200,000,000 from the available unrestricted cash in the general
5 account of the revolving fund, Alaska Housing Finance Corporation, is anticipated to be
6 transferred by the direction of the Alaska Housing Finance Corporation board to the general
7 fund. The money shall be deposited into the general fund when received during fiscal year
8 1996.

9 * Sec. 2. The sum of ²⁰⁰~~\$135,000,000~~ from the available unrestricted cash in the general
10 account of the revolving fund, Alaska Housing Finance Corporation, is anticipated to be
11 transferred by the direction of the Alaska Housing Finance Corporation board to the general
12 fund. The money shall be deposited into the general fund when received during fiscal year
13 1997.

14 * Sec. 3. Section 1 of this Act takes effect July 1, 1995.

1 * Sec. 4. Section 2 of this Act takes effect July 1, 1996.

**ALASKA HOUSING
FINANCE
CORPORATION**

FINANCIAL ANALYSIS
February 9, 1995

Control Number
04-4515-95

Prepared by:

The Division of Legislative Audit

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



P. O. Box 113300
Juneau, AK 99811-3300
(907) 465-3830
FAX (907) 465-2347

February 9, 1995

Members of the Legislative Budget
and Audit Committee:

In accordance with the provisions of Title 24 of the Alaska Statutes, the attached analysis is submitted for your review.

ALASKA HOUSING FINANCE CORPORATION

FINANCIAL ANALYSIS
February 9, 1995

Control Number
04-4515-95

The accompanying analysis was prepared in response to a Committee request to review the assets of the Alaska Housing Finance Corporation and restrictions on those assets. We are prepared to work with the Legislative Budget and Audit Committee and the Senate and House Finance Committees to provide any additional analysis or detail deemed necessary as the legislature continues its review of the unrestricted assets of the Corporation.

The fieldwork procedures utilized in the course of developing the findings and discussion presented in this analysis are discussed in the Objectives, Scope, and Methodology section.

We would like to acknowledge the cooperation and professionalism of the Corporation's staff during our intensive review.

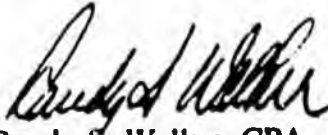

Randy S. Welker, CPA
Legislative Auditor

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OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

Based on a request from the Legislative Budget and Audit Committee, we performed a financial analysis of the Alaska Housing Finance Corporation (AHFC). The purpose of the analysis was threefold: first, to determine the amount of cash and investments that would be available in FY 95, FY 96, and FY 97 beyond that required by debt covenants and AHFC operations; secondly, to analyze changes in bond ratings from January 1994 through December 1994; and lastly, to review AHFC's collateralization policy and to determine if it changed during 1994.

Scope and Methodology

Analysis of Available Assets

The financial analysis of cash and investments focused on two main areas, the general account¹ and the individual bond funds.

1. Analysis of the general account

AHFC prepared cash flow projections on the general account for FY 95 through FY 04. This analysis forecasts the sources and uses of AHFC's unrestricted current assets and liabilities.

We reviewed the estimates on the cash flow analysis to determine if they were consistent with prior financial and statistical trend information. Major assumptions used in the cash flow analysis were the estimated rates of prepayments on current mortgage loans and the expected demand for new mortgage loans.

The cash flow projections were used to assess the impact of increased transfers to the State. The assessment included both analyzing the impact of the potential amounts to be withdrawn and the timing of any such withdrawals.

2. Analysis of Bond Funds

Separate bond funds are maintained by AHFC to account for each bond issue or series of issues. This system of segregated funds is mandated by the bond indentures to directly associate the bonds with the related collateral and to provide for bond payment.

¹ The general account is AHFC's unrestricted operating account.

ORGANIZATION AND FUNCTION

The Alaska Housing Finance Corporation (AHFC or Corporation) was created in 1971 by an act (Alaska Statute 18.56) of the Alaska State Legislature. Effective July 1, 1992, the legislature merged the Alaska State Housing Authority (ASHA) and certain housing and energy programs administered by the Department of Community and Regional Affairs (DCRA) with AHFC. The authority of the Corporation now includes the financing, development, acquisition, rehabilitation, weatherization, sale, and management of dwelling units within Alaska.

AHFC accomplishes these objectives in part by functioning as a secondary market for qualified real estate and mobile home loans originated by financial institutions. In addition, the Corporation has special lending and grant programs that are specifically designed to meet the housing needs of low and moderate income borrowers. Also, AHFC maintains 1,678 units of public housing in 14 communities across the State and administers the federally funded Section 8 Program that provides rent subsidies for approximately 2,488 families housed in private sector housing.

The Corporation is authorized to issue its own bonds, bond anticipation notes, and other obligations in such principal amounts that will be necessary to provide sufficient funds to carry out its legislated purpose. Certain bonds issued to finance housing for qualified veterans are unconditionally guaranteed by the State of Alaska. All other obligations do not constitute a debt of the State.

The organizational structure of AHFC encompasses four divisions: the mortgage division, which administers the loan programs under the original AHFC structure; the public housing division, which administers the federal public housing programs formerly administered by ASHA; the research and rural development division, which administers the Alaska Housing Assistance Revolving Loan Fund and its related rural housing programs, and the supplemental development grant program²; and the planning and program development division, which in addition to other responsibilities administers the Corporation's housing grant programs including the energy and weatherization programs transferred from DCRA.

The AHFC board of directors consists of seven members: the Commissioners of the state departments of Revenue, Health and Social Services, and Community and Regional Affairs; and three public members with expertise in finance or real estate, residential energy efficient home building or weatherization, senior or low-income housing; and one member who is a rural resident or who has experience with a regional housing authority.

²This program provides federally funded grants with a 20% corporate match to regional housing authorities to construct affordable housing in rural Alaska. Refer to Appendix A for more information regarding the program and Appendix B for amounts included in AHFC's proposed capital budgets for fiscal years 1996 through 2001.

CORRECTION

THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION



Rev. 6/98

Central Microfilm Services
Department of Education
State of Alaska

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

Based on a request from the Legislative Budget and Audit Committee, we performed a financial analysis of the Alaska Housing Finance Corporation (AHFC). The purpose of the analysis was threefold: first, to determine the amount of cash and investments that would be available in FY 95, FY 96, and FY 97 beyond that required by debt covenants and AHFC operations; secondly, to analyze changes in bond ratings from January 1994 through December 1994; and lastly, to review AHFC's collateralization policy and to determine if it changed during 1994.

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2. Analysis of Bond Funds

Separate bond funds are maintained by AHFC to account for each bond issue or series of issues. This system of segregated funds is mandated by the bond indentures to directly associate the bonds with the related collateral and to provide for bond payment.

¹ The general account is AHFC's unrestricted operating account.

We reviewed the September 30, 1994 balance sheets for each fund, all of the outstanding indentures and determined the normal redemption schedule, early redemption provisions, call and in-substance defeasance options, interest rates, restrictions on AHFC's general account, and loan recycling provisions. We also reviewed each fund's recent prepayment history in conjunction with prevailing mortgage interest rates.

Bond Ratings and Collateralization Policy

We reviewed several financial periodicals and an on-line financial reporting service to determine the ratings on the various bond issues. Information on bond ratings from Standard & Poor's, Moody's, and Fitch investment services was obtained and analyzed. We reviewed the amount of collateral pledged to the three new debt issuances in 1994, and the amount of collateral anticipated to be pledged for future debt issuances according to the 10-year cash flow projections.

ORGANIZATION AND FUNCTION

The Alaska Housing Finance Corporation (AHFC or Corporation) was created in 1971 by an act (Alaska Statute 18.56) of the Alaska State Legislature. Effective July 1, 1992, the legislature merged the Alaska State Housing Authority (ASHA) and certain housing and energy programs administered by the Department of Community and Regional Affairs (DCRA) with AHFC. The authority of the Corporation now includes the financing, development, acquisition, rehabilitation, weatherization, sale, and management of dwelling units within Alaska.

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The AHFC board of directors consists of seven members: the Commissioners of the state departments of Revenue, Health and Social Services, and Community and Regional Affairs; and three public members with expertise in finance or real estate, residential energy efficient home building or weatherization, senior or low-income housing; and one member who is a rural resident or who has experience with a regional housing authority.

²This program provides federally funded grants with a 20% corporate match to regional housing authorities to construct affordable housing in rural Alaska. Refer to Appendix A for more information regarding the program and Appendix B for amounts included in AHFC's proposed capital budgets for fiscal years 1996 through 2001.

The board of directors receives guidance in its oversight of AHFC's programs through the *Comprehensive Housing Affordability Strategy for the State of Alaska*, dated February 1992 and as updated annually. The National Affordable Housing Act of 1990 mandates that states develop a Comprehensive Housing Affordability Strategy³ (CHAS) to address in depth a broad range of housing issues. A CHAS plan is required of all states who desire to participate in federal housing and community development programs and receive program funds from the new federal HOME program.

The State of Alaska's CHAS was initially developed by a coalition of representatives from certain state agencies, the Municipality of Anchorage⁴, and non-profit organizations with AHFC being the lead agency in the project. Federally required annual updates and performance reports of CHAS are coordinated and prepared by AHFC. Each new program considered by AHFC's board of directors is evaluated to determine if it is consistent with the State's CHAS.

Prior to FY 95, the operating budgets of the public housing programs, which are federally funded, were exempt from the Executive Budget Act. All public housing funds received were budgeted for expenditure with the approval of the board of directors⁵, or in accordance with the terms of a federal contractual agreement. In addition, the budgets for the U.S. Department of Housing and Urban Development (HUD) programs were submitted to HUD for approval. Beginning with the FY 95 operating budget, the public housing division operating budget must receive approval from both HUD and the legislature.

³The plan is now known as the Consolidated Housing and Community Development Plan.

⁴The CHAS regulations require that states divide their jurisdictions into metropolitan and non-metropolitan, non-entitlement areas. The Municipality of Anchorage is the State's only metropolitan area and, accordingly, its only entitlement city. The Municipality of Anchorage has prepared a CHAS that has been incorporated by reference into the state plan.

⁵ASHA's board of directors through FY 92, then AHFC's board of directors beginning with FY 93.

BACKGROUND

In 1991 Alaska Housing Finance Corporation (AHFC or Corporation) became the first housing agency to receive a credit rating based solely on its general obligation pledge. Criteria used when rating the general obligation of the Corporation includes its legislative mandate, management, financial operations, and the overall economy of the State. For Alaska the two main economic factors are the State's dependence on the oil industry and whether bond issues and mortgages extend beyond the Prudhoe Bay oil curve.

While each individual rating agency uses its own symbols to signify the credit risk associated with a security, all agencies classify bond ratings into investment grade and speculative grade. For example, Standard & Poor's and Moody's top four investment grade ratings are as follows: AAA, AA, A, and BBB; and Aaa, Aa, A, and Baa, respectively. Any other long-term ratings are considered speculative. Plus and minus signs are used with a rating symbol to indicate the relative position of a credit within the rating category.

Generally, AHFC has a mid-level placement in the investment grade group. Maintaining investment grade status is important to AHFC because many financial institutions are only allowed to buy investment grade securities. If AHFC's rating was to drop below investment grade, not only would the interest rate increase for a particular issue but the marketability of the bonds would be severely impacted.

A bond credit rating is an evaluative process

Bond ratings provide a guide to investors in determining the credit risk associated with a particular security issue. The ratings represent a credit rating agency's assessment of the bond issuer's ability to meet the obligations of a specific debt issue or class of debt in a timely manner. In general, the higher a credit rating a bond issue receives, the lower the borrowing costs in terms of interest rate. By statute AHFC interest charged on mortgage loans is tied to their borrowing costs.

Credit ratings can be assigned both to individual bond issues and to the general obligation of the Corporation. General criteria used when rating an individual housing bond issue includes identifying the portfolio, determining an expected actual loss, and availability of mortgage insurance. In addition to looking at the particulars on the issue, the rating company looks at the financial strength of the Corporation. The management team is scrutinized to see how well they are managing operations, and if the team has the ability to correct problems should they occur.

Bond rating agencies look at various factors when rating bonds. A high asset-to-liability ratio indicates that the bonds are sufficiently collateralized. Insurance on mortgage loans provides rating agencies with additional assurance that the mortgage loans will be paid off. High quality investment criteria for assurance that the investments provide sufficient liquidity to pay the principal and interest of the bond. And finally indentures that do not allow the issuance of additional bonds, so the collateral pledged supports that specific bond issue only.

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REPORT CONCLUSIONS

Our analysis of Alaska Housing Finance Corporation's (AHFC or Corporation) financial statements and cash flow projections show that approximately \$445 million is available in unrestricted assets in the general account. However, we also found a creditor required clause in the Repurchase Agreement associated with the \$235 million Governmental Purpose Bonds 1994 Series A issued November 1, 1994 that prohibits the transfer of any AHFC assets to the State. If assets are transferred while the Repurchase Agreement is in effect, AHFC will be considered in default on those bonds. Finally, we reviewed AHFC's collateralization policy and found that it has remained constant.

Default conditions in the Repurchase Agreement

AHFC issued the Governmental Purpose Bonds 1994 Series A, dated November 1, 1994, in the amount of \$235 million, which are variable rate general obligations of AHFC. This bond issue includes a unique "Event of Default" in the related Reimbursement Agreement⁶. An Event of Default occurs if,

(1) the Borrower shall transfer any of its unrestricted assets to the State of Alaska or any department, agency, instrumentality or other political subdivision thereof pursuant to legislative appropriation or otherwise without (A) receiving in consideration therefor assets of equivalent fair market value and (B) first satisfying the Payment Conditions.

Additionally, the Reimbursement Agreement does not grant a specific remedy to AHFC if this event occurs. However, AHFC could request the three primary banks to grant an amendment or waiver with regard to a transfer of unrestricted assets to the State, if approved by the AHFC board of directors.

Event of Default is not likely to impact the Legislatures ability to appropriate AHFC assets

While the likelihood of a waiver from the banks involved is not known, AHFC believes that the State will make sufficient qualifying capital expenditures⁷ to allow them to roll the variable rate debt into a long-term, fixed rate debt issue sometime in FY 96. At that time, the Reimbursement Agreement between AHFC and the banks would no longer be required and therefore, would be terminated. Accordingly, a transfer of unrestricted assets to the State would not be considered an "Event of Default."

⁶ The Reimbursement Agreement is a contract between AHFC and the banks to provide a dedicated line of credit from the banks (letter of credit) to support AHFC's obligation for re-purchasing bonds that have been sold back to the remarketing agent and are temporarily not remarketable due to the current weekly interest rate.

⁷ This debt issue is tax-exempt because the proceeds are "deemed" to be used for capital projects for the State. Qualifying capital expenditures are expenditures for capital projects after August 8, 1994, as these expenditures are assumed to be made from monies transferred to the State from AHFC.

As of early February 1995, AHFC estimates that \$70 million of qualifying expenditures have been made and that before the end of FY 96 all necessary qualifying expenditures will be made. Therefore, while this restriction will not impact the legislature's ability to appropriate excess assets from AHFC, it may impact the timing of potential future transfers.

In the unlikely circumstance that there is an event of default, not only will this one debt issue be affected, but because of a cross default provision, AHFC's European Commercial Paper line of credit would also be considered in default. The total amount outstanding on this line of credit is approximately \$150 million.

Analysis of Assets

AHFC's financial statements and cash flow projections show approximately \$445 million of unrestricted cash that, except for the default provision discussed above, would be considered available unrestricted assets. This amount is in addition to the funds⁸ being transferred by AHFC to the State in FY 95. The schedule below shows which fiscal year these funds would become available.

Funds by Fiscal Year ⁸	(in thousands)
Fiscal Year 1996	\$295,000
Fiscal Year 1997	<u>150,000</u>
Total Available	<u>\$445,000</u>

Collateralization policy has remained the same

The bond agencies require certain amounts of collateralization in excess of the mortgage loans pledged for the bond issue. This additional collateralization is provided to ensure a sufficient cash flow of revenues to provide for the principal and interest payments to the bondholders, in case the payments from the pledged mortgage loans are insufficient due to delinquencies or mortgage loan foreclosure losses.

AHFC's policy is to follow the guidelines for a AAA bond rating that require excess collateralization from 9% to 65% depending on the quality of the pledged mortgage loans. Under this policy, AHFC bond issues have required between 9% and 11% of the aggregate mortgage loan balances for additional collateralization. These lower percentages are utilized as the pledged mortgage loans are generally of good quality with either guarantees from the Veterans Administration or the Federal Housing Administration, and other types mortgage insurance. AHFC could issue bonds at a lower rating (i.e., AA or A) requiring less excess collateralization. However, this would increase the cost of the bonds which would in turn increase the interest rates charged to the borrowers on the underlying mortgage loans.

⁸ AHFC will transfer to the State's General Fund over \$220 million in FY 95. This amount is the combination of a \$20 million dividend payment and \$200 million appropriated by Chapter 3, SLA 1994.