

**ALASKA LEGISLATURE**

**2377**

**HOUSE and SENATE FINANCE COMMITTEE FILES,**

**2001 - 2002**

**SITE: Kodiak LIO**

**COMMITTEE:**

Senate Finance Committee

**DATE: 4/25/01**

**SUBJECT OF MEETING:**

SB 181 - Small Community Housing  
Loans

**UPDATE #: 1**



## PLEASE SIGN IN

**PLEASE PRINT:**

**NAME**

**ADDRESS (MAILING & ZIP)**

**REPRESENTING**

**DO YOU WANT**

**TO TESTIFY?**

**Y or N**

NAME	ADDRESS (MAILING & ZIP)	REPRESENTING	DO YOU WANT TO TESTIFY? Y or N
Bob Brodie		self	Y SB 181

SENATE FINANCE COMMITTEE

SIGN-IN

SB 181-SMALL COMMUNITY HOUSING LOANS

NAME: Daniel Fauske Subject/Bill No: SB181  
Co./Dept./Title: AHFC Phone: 330-8449  
Address: 4300 Barifac Anchorage Zip: 99510  
Do you wish to testify?  Yes  No  Respond To Questions

NAME: John Bitney Subject/Bill No: SB181  
Co./Dept./Title: AHFC Phone: 330-8445  
Address: 4300 Barifac Zip: \_\_\_\_\_  
Do you wish to testify?  Yes  No  Respond To Questions

NAME: WAYNE Mundy Subject/Bill No: SB181  
Co./Dept./Title: Beading Straits Regional Hosp Assn Phone: 443-5256  
Address: POB 995 Nome Zip: 99762  
Do you wish to testify?  Yes  No  Respond To Questions

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



SITE: **KODIAK LIO**

COMMITTEE:  
Senate Finance

DATE: 04/19/01

SUBJECT OF MEETING:

SB181 Small Community Housing Loans  
SB145 Village Public Safety Officer Program  
HB81 Community Property

UPDATE #:



# PLEASE SIGN IN

PLEASE PRINT

NAME	ADDRESS (MAILING & ZIP)	PHONE	EMAIL ADDRESS	REPRESENTING	TESTIFY Y OR N
Jane Sample	1111 Spruce Cape Rd Kodiak, AK 99615	485-8118			
Susan Eoff	1254 Sargent Cr Rd Kodiak, AK 99615	487-2301	susanecking@ig	KITHA	?
<del>Kim Daines</del>	<del>Box 1065</del> Kodiak, AK 99615	<del>486-4373</del>	<del>KOAHM@PTI.AK.A.NST</del>	<del>CHASKA</del>	<del>?</del>
<del>Bob Brodtk</del>	<del>701 Center Ave #101</del> Kodiak, AK 99615	<del>486-2300</del>	<del>rodier@igle.phialaska.net</del>		<del>Y</del>
Keith A. Gillish	202 Marine Way Kodiak, AK 99615	486-8800	Keith.P.gillish@ms	MSA	
<del>Deo Allen</del>	<del>PO Box 107</del> Kodiak, AK 99615	<del>486-8338</del>	<del>Deo.M@FIRSTAK</del>	<del>First American</del>	
<del>Bonnie J. J. J. J.</del>	<del>326 Central Ave</del> Kodiak, AK 99615	<del>486-3424</del>	<del>healy@pti.ak</del>	<del>Chelaca</del>	<del>met. healy</del>
Willie Hemmicks	Box 2512 Kodiak, AK 99615	486-3424	" "	Chelaca Realty	
	Kodiak, AK 99615				
	Kodiak, AK 99615				
	Kodiak, AK 99615				
	Kodiak, AK 99615				

update #1

Homer LIO



# Teleconference

DATE: April 19, 2001

SPONSOR(S) Jensen

TIME: START 9:00 END 11:00

SB 181  
SB 145  
HB 81  
TCN# 7346

NAME (PLEASE PRINT)	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP CODE	(H) PHONE	(W) PRONE	TESTIFYING		WHAT SUBJECT OR BILL?
						Y	N	
<del>David E. Wise</del>	AHFC	P.O. Box 101020 Anch AK	99510	242-3344	330-9102	Y	N	SB 181
<del>Alex A. Navarro</del>	AHFC	P.O. BOX 101020 AK AK	99510	646-7678	330-8462	Y	N	SB 181
<del>TERRY VANDER</del>	Remax	412 E. Pioneer Ave Homer	99603	235-6434	235-7323	Y	N	SB 181
<del>Annie Nandy</del>	Homer R.E.	1529 ocean dr #3 Homer	99603	235-5271	235-5294	Y	N	SB 181
<del>John D. Kusch</del>	Krch. Board of Realtors, Bay Realty	331 PIONEER AVE. SUITE 501 HOMER	99603	907-735-7222	907-735-4933	Y	N	SB 181
<del>DAVID DENNY</del>	DEALERS ASSOC	Box 951, Homer, AK	99603	235-6489	235-8423	Y	N	SB 181
						Y	N	
						Y	N	
						Y	N	
						Y	N	

~~KURT MATTLE~~

SB 181

~~Petersburg~~

~~FIRST BANK~~

Sections 2 – 7 relate to making VPSOs members of the State's PERS retirement system

Nonprofit	FY01 Salaries	Employer Contributions				Employee Contributions	
		PERS %	Indirect Rate	PERS Retirement	PERS %	PERS Retirement	
	1	2	3	4	5	6	
			Column 1x2		column 3x4		column 1x6
APIA	195,025	8.26%	16,109	1.253	20,185	6.75%	13,164
AVCP	889,212	8.26%	73,448	1.162	85,348	6.75%	60,022
BBNA	347,209	8.26%	28,679	1.273	36,509	6.75%	23,437
CHUG	66,781	8.26%	5,516	1.300	7,171	6.75%	4,508
KANA	126,875	8.26%	10,479	1.258	13,184	6.75%	8,564
KAWA	351,769	8.26%	29,056	1.260	36,611	6.75%	23,744
MANI	231,628	8.26%	19,132	1.220	23,342	6.75%	15,635
TCC	376,758	8.26%	31,120	1.167	36,317	6.75%	25,431
THCC	196,896	8.26%	16,263	1.165	18,947	6.75%	13,290
Base Total	2,782,153				277,613		187,795
PERS costs attributed to Probation and Parole Monitoring	573,200	8.26%	47,346	1.208	57,194	6.75%	38,691
					334,807		226,486
Net Offset for existing retirement benefits					(189,000)		
<b>Net PERS Employer Fiscal Impact</b>					<b>145,807</b>		

## NOTES:

- The non-profits presently pay retirement benefit contributions of approximately \$189,000. This fiscal note is prepared on the assumption that participation in PERS would eliminate current retirement cost reimbursements to non-profits where VPSOs become PERS members. The fiscal note amount is reduced by netting \$334,807 in projected PERS costs against the \$189,000 in current retirement cost reimbursements.
- Assumes that mandatory Employee contributions of 6.75% would be deducted from the employee's salary and have no impact to the non-profits employers or state grant program. It is the department's understanding that VPSOs do not presently make employee contributions to existing non-profit retirement plans.
- Section 5 relates to entitlement to prior credited service. Employees do not have an option to buy back credited service until vested, after 5 years. At that time, the cost would fall solely to the employee. VPSOs who become PERS members would become Tier III members and would vest for retirement in 5 years, vest in 10 years for medical and would be eligible for retirement at age 60.
- Salaries related to probation monitoring and parole activities were from the sum of salaries reported on the two schedules on page two of this fiscal analysis.

~~TERRY YAGER 181~~

~~HOMER OFFNET~~

~~BOB BRODIE 181~~

~~KODIAK~~

~~BONNIE AULBAUGH 181~~

~~KODIAK~~

~~KEN DAMM~~

~~KODIAK 181~~

MAX ANGENAN

KWETHLUK

SB 181

OFF-NET

<b>Meeting Information</b>	
Meeting ID	7346
Meeting Telephone Number	
Password	Not Required
Meeting Name	SFIN
Meeting Date	Apr 19, 2001
Scheduled Start Time	9:00 AM
End Time	11:00 AM
Scheduled Length (minutes)	180
Number of Locations	9
Meeting Frequency	Once
# of Occurrences	1
Chair Site	Juneau
Meeting Room	CAP 532
Contact Person/Phone #	Mindy/4935
Testify (Y/N)/Time/Invitation	Y

Send mail to [Peg Warren](#) for more information about this meeting.

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Using the buttons below, you may change meeting details, cancel the meeting, or add attachments.

Update Meeting	Cancel Meeting
Access MeetingNotes	
Refresh Meeting Details	
Make copy of this meeting	

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## Meeting Description

\*jnu, anc, fbx, ktn, hom,kod, psg, dlq, nom, off(2) 9-11  
 Senate Finance  
 SB181, SB145, HB81  
 Other sites may add  
 \*\* Laurie Berg is the moderator \*\*  
 4/18 added DLG, NOM, PSG, offnet  
 4/18 added hom and offnet  
 4/18 added kod

## Meeting Participants





**SITE: Kenai LIO**

**COMMITTEE: SFIN**

**DATE: 4-19-01**

**SUBJECT OF MEETING:**

SB 181: Small Community Housing Loans

**UPDATE #:**



# PLEASE SIGN IN

**PLEASE PRINT:**

NAME	ADDRESS (MAILING & ZIP)	REPRESENTING	DO YOU WANT TO TESTIFY? Y or N
Barb Nord		Kenai Pen Assoc of Realtors	Y SB181

Page 1 of 1 KENAI LIO

SITE: KODIAK LIO

COMMITTEE:  
Senate Finance

DATE: 04/19/01

SUBJECT OF MEETING:

SB181 Small Community Housing Loans  
SB145 Village Public Safety Officer Program  
HB21 Community Property

UPDATE #:



APR-19-01 THU 09:10 AM KODIAK LIO

# PLEASE SIGN IN

PLEASE PRINT

NAME	ADDRESS (MAILING & ZIP)	PHONE	EMAIL ADDRESS	REPRESENTING	TESTIFY Y OR N
Jane Sample	1111 Spruce Cape Rd Kodiak, AK 99615	485-8116			
<del>Susan Gott</del>	<del>1254 Sargent Cr Rd Kodiak, AK 99615</del>	<del>487-2301</del>	<del>susanec@alaska.net</del>	<del>KITIK</del>	<del>?</del>
<del>Ken Duda</del>	<del>Box 166 Kodiak, AK 99615</del>	<del>486-4373</del>	<del>KDANN@PTIALASKA.NET</del>	<del>CHUSA</del>	<del>?</del>
<del>Bob Brodie</del>	<del>201 Cedar Ave #101 Kodiak, AK 99615</del>	<del>486-2000</del>	<del>brodie@angie.phiatask.net</del>		<del>Y</del>
<del>Bill A. Yalish</del>	<del>202 Marine Way Kodiak, AK 99615</del>	<del>486-8810</del>	<del>Bill.Yalish@alaska.net</del>		
<del>Don Miller</del>	<del>PO Box 107 Kodiak, AK 99615</del>	<del>486-8338</del>	<del>DonM@FIRSTAK.COM</del>	<del>First America</del>	
<del>Gene G. Galtbraugh</del>	<del>326 Central Ave G-B Kodiak, AK 99615</del>	<del>486-3424</del>	<del>gene.galtbraugh@alaska.net</del>	<del>Cheliza</del>	
<del>Willie Henrichs</del>	<del>Box 2512 Kodiak, AK 99615</del>	<del>486-3424</del>	<del>" "</del>	<del>Cheliza Realty</del>	
	Kodiak, AK 99615				
	Kodiak, AK 99615				
	Kodiak, AK 99615				
	Kodiak, AK 99615				

FAX NO. 4865264

P. 01

update #1

Homer LI0

# Teleconference



DATE: April 19, 2001

SPONSOR(S) Jensen

TIME: START 9:00 END 11:00

SB 181  
SB 145  
HB 81  
TCN# 7346

NAME (PLEASE PRINT)	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP COD.	(H) PHONE	(W) PHONE	TESTIFYING		WHAT SUBJECT OR BILL?
						Y	N	
Dwight E. Wise	AHFC	P.O. Box 101020 Anch AK	99510	242-3344	330-8462	Y	N	SB 181
Alex A. Navarro	AHFC	P.O. BOX 101020 AK AK	99510	646-7678	330-8462	Y	N	SB 181
✓ TERRY YAGER	Remax	412 E. Pioneer Ave Homer	99603	235- <del>0609</del> 235-6099	235-7773	Y	N	SB 181
ANGIE NEWBY	Homer R.E.	1529 ocean DR #3 Homer	99603	235-5277	235-5294	Y	N	SB 181
John D. Kosch	Krch. Board of REALTY 3rd REALTY	331 PIONEER AVE. SUITE 101 HOMER	99603	907-235- <del>1223</del> 907-235-1223	907-235-4923	Y	N	SB 181
✓ DAVID DERRY	DERRY & ASSOC	Box 951, HOMER, AK	99603	235-6461	235-8424	Y	N	SB 181
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	



*ANCHORAGE*  
**LEGISLATIVE TELECONFERENCE NETWORK  
 SIGN-IN SHEET**

**PLEASE PRINT**

SPONSOR: State Justice  
 SUBJECT: SARV / SARV5 / H881  
 START/END TIME: 9:00 DATE: 4-9

	Name/Representing	Address	Zip	Phone No.	Testify	Observe	Bill No.
1.	Spive Devereaux - AK Mortgages	1700 W. Benson Blvd #200	99513	222-5815	X		SB 181
2.	<i>Privateers</i> ASSOCIATION						
3.	Richard Krause	201 E 3 A.S.	99502	276-2700	NO		SB 145
4.							
5.							
6.							
7.							
8.							
9.							
10.							
11.							
12.							
13.							
14.							
15.							



TERRY YAGER 181  
HOMER OFFNET

BOB BRODIE 181  
KODIAK

BONNIE AULABAUGH 181  
KODIAK

~~KEN DAMM~~  
~~KODIAK 181~~

KURT MATTLE  
Petersburg  
FIRST BANK

SB 181

**SB**

**182**

SFIN

FILE

# SENATE FINANCE COMMITTEE REPORT

DATE: April 9, 2001

MAR 20 2002  
SENATE FINANCE  
COMMITTEE

FURTHER:

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

DATE TURNED IN TO OFFICE: 20 March 2002

Finance Committee considered **SENATE BILL NO. 182**

*PRO RATA REDUCTIONS IN BENEFIT PROGRAMS*

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

and recommends:

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

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

**NEW FISCAL NOTE(S):**

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

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#
attached				

APPROPRIATION - no fiscal note

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

# FISCAL NOTE

**STATE OF ALASKA  
2002 LEGISLATIVE SESSION**

MAR 20 2002  
SENATE FINANCE

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

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

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

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

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

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE (Thousands of Dollars)**

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

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

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

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

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

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

MAR 20 2002

SENATE FINANCE  
COMMITTEE

# FISCAL NOTE

**STATE OF ALASKA**  
**2002 LEGISLATIVE SESSION**

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

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

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

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

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

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

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

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

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

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

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

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

# FISCAL NOTE

REPORTED OUT  
MAR 20 2002  
SENATE FINANCE  
COMMITTEE

**STATE OF ALASKA  
2002 LEGISLATIVE SESSION**

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

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

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

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

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

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( 0 )</b>						
---------------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

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

Estimate of any current year (FY2002) cost: \_\_\_\_\_

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

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

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

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

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

For distribution information, call the Governor's Legislative Office

FISCAL NOTE

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

BILL NO. SB 182

ANALYSIS CONTINUATION

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

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

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

**ATAP PRO-RATA REDUCTION ANALYSIS:**

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

**Assumptions:**

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

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

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

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

MAR 20 2002

SENATE FINANCE  
COMMITTEE

# FISCAL NOTE

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

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

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

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

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

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

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( 0 )</b>						
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**FUND SOURCE** (Thousands of Dollars)

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

Estimate of any current year (FY2002) cost: \_\_\_\_\_

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

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

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

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

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

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

For distribution information, call the Governor's Legislative Office

FISCAL NOTE

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

BILL NO. SB 182

ANALYSIS CONTINUATION

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

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

Assumptions:

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

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

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

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

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

MAR 20 2002

SENATE FINANCE  
COMMITTEE

# FISCAL NOTE

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

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

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

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

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

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

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

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

Estimate of any current year (FY2002) cost: \_\_\_\_\_

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

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

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

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

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

For distribution information, call the Governor's Legislative Office

FISCAL NOTE

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

BILL NO. SB 182

ANALYSIS CONTINUATION

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

**APA PRO-RATA REDUCTION ANALYSIS:**

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

**Assumptions:**

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

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

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

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

MAR 20 2002

SENATE FISCAL  
COMMITTEE

# FISCAL NOTE

**STATE OF ALASKA  
2002 LEGISLATIVE SESSION**

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

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

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

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

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

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( 0 )</b>						
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**FUND SOURCE (Thousands of Dollars)**

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

Estimate of any current year (FY2002) cost: \_\_\_\_\_

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

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

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

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

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

For distribution information, call the Governor's Legislative Office

## FISCAL NOTE

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

BILL NO. SB 182

### ANALYSIS CONTINUATION

#### ANALYSIS CONTINUED:

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

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

#### PRO-RATA REDUCTION:

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

#### Assumptions:

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

#### FOSTER CARE REDUCTION ANALYSIS:

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

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

MAR 20 2002

SENATE OFFICE  
COMM. 113

# FISCAL NOTE

**STATE OF ALASKA  
2002 LEGISLATIVE SESSION**

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

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

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

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

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

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( 0 )</b>						
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**FUND SOURCE (Thousands of Dollars)**

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

Estimate of any current year (FY2002) cost: \_\_\_\_\_

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

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

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

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

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

For distribution information, call the Governor's Legislative Office

FISCAL NOTE

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

BILL NO. SB 182

ANALYSIS CONTINUATION

**ANALYSIS CONTINUED:**

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

**PRO-RATA REDUCTION:**

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

**Assumptions:**

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

**FOSTER CARE AUGMENTED RATES PRO-RATA REDUCTION:**

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

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

MAR 20 2002

SENATE FINANCE  
COMMISSION

# FISCAL NOTE

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

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

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

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

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

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

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( 0 )</b>						
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**FUND SOURCE** (Thousands of Dollars)

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

Estimate of any current year (FY2002) cost: \_\_\_\_\_

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

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

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

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

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

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

For distribution information, call the Governor's Legislative Office

FISCAL NOTE

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

BILL NO. SB 182

ANALYSIS CONTINUATION

**ANALYSIS CONTINUED:**

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

**Assumptions:**

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

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

REPORTED OUT  
 MAR 20 2002  
 SENATE FINANCE  
 COMMITTEE

# FISCAL NOTE

STATE OF ALASKA  
 2002 LEGISLATIVE SESSION

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

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

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

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

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

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( 0 )</b>						
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**FUND SOURCE** (Thousands of Dollars)

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

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

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

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

For distribution information, call the Governor's Legislative Office

*Note  
Amend #1  
not  
correct  
on  
this  
final*

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

BY THE SENATE FINANCE COMMITTEE

Offered:  
Referred:

Sponsor(s): SENATE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

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

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

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

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

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

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

1 the program.

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

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

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

#1  
Not  
Correct  
will  
be  
Correct  
in  
Rules  
Committee

SENATE FINANCE  
COMMITTEE

Adopted

Amendment Number: #1

Bill Number: SB 182

Sponsor: Donley Date: 3/20/02

Logged In By: J Mindy

22-LS0675U.1

Cook

3/20/02

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR DONLEY

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

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

22-LS0675J  
Cook  
2/21/02

**CS FOR SENATE BILL NO. 182(FIN)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-SECOND LEGISLATURE - SECOND SESSION**

**BY THE SENATE FINANCE COMMITTEE**

**Offered:  
Referred:**

**Sponsor(s): SENATE FINANCE COMMITTEE**

**A BILL**

**FOR AN ACT ENTITLED**

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

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

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

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

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

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

1 the program.

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

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

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



# SENATOR DAVE DONLEY

ALASKA STATE LEGISLATURE

## MEMORANDUM

To: Senate Finance Committee Members

Fr: Senator Dave Donley, Co-Chair <sup>DB</sup>  
Senate Finance Committee

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

Date: March 19, 2002

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

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

Attachment

DD/mjw

Co-Chair: Senate Finance Committee

Vice-Chair: Senate Judiciary Committee

Member: Legislative Budget and Audit Committee • Legislative Council

**SENATE JOINT RESOLUTION NO. 43**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-SECOND LEGISLATURE - SECOND SESSION**

**BY THE SENATE FINANCE COMMITTEE**

**Introduced: 3/18/02**

**Referred: State Affairs, Finance**

**A RESOLUTION**

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

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

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

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

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

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

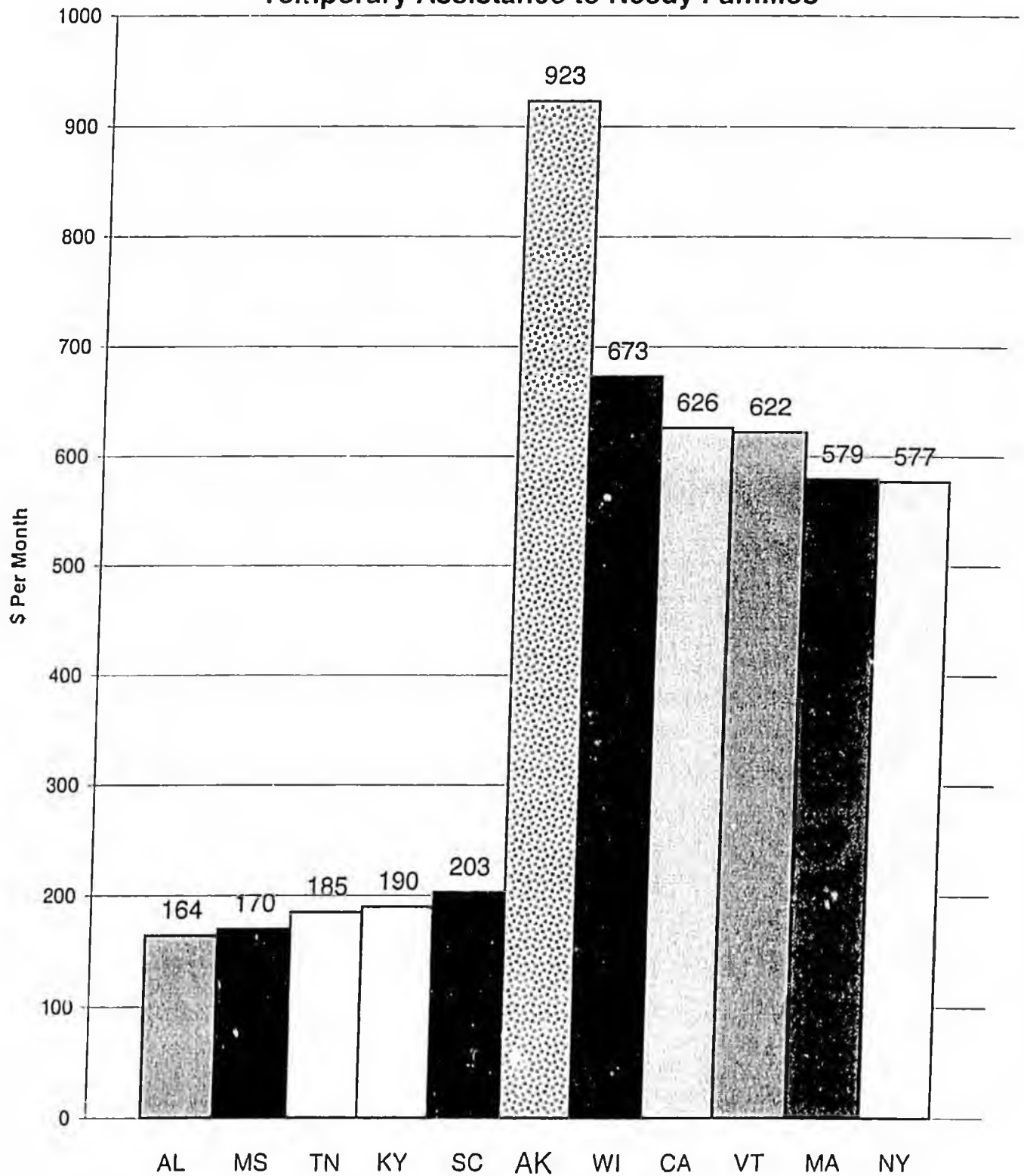
14 **WHEREAS** states must have this flexibility to develop budgets that truly address and  
15 meet important state needs;

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

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

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

Temporary Assistance to Needy Families



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

**TEMPORARY ASSISTANCE MAXIMUM PAYMENT STANDARDS**

	1/1/02
FAMILY SIZE	MAX PYMT

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

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



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

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



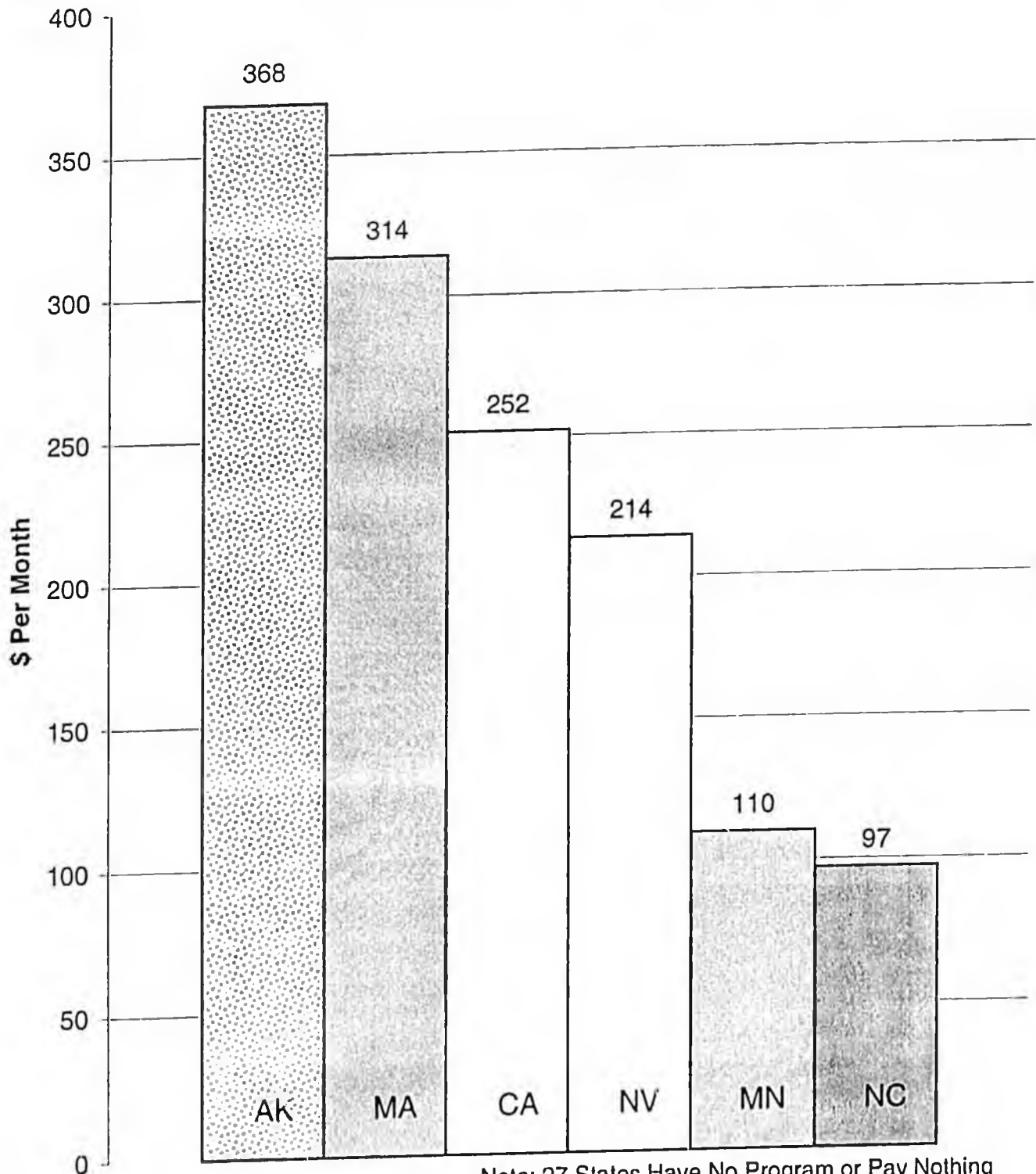
**CHILD ONLY**

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

**PREGNANT WOMAN**

1	514
---	-----

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



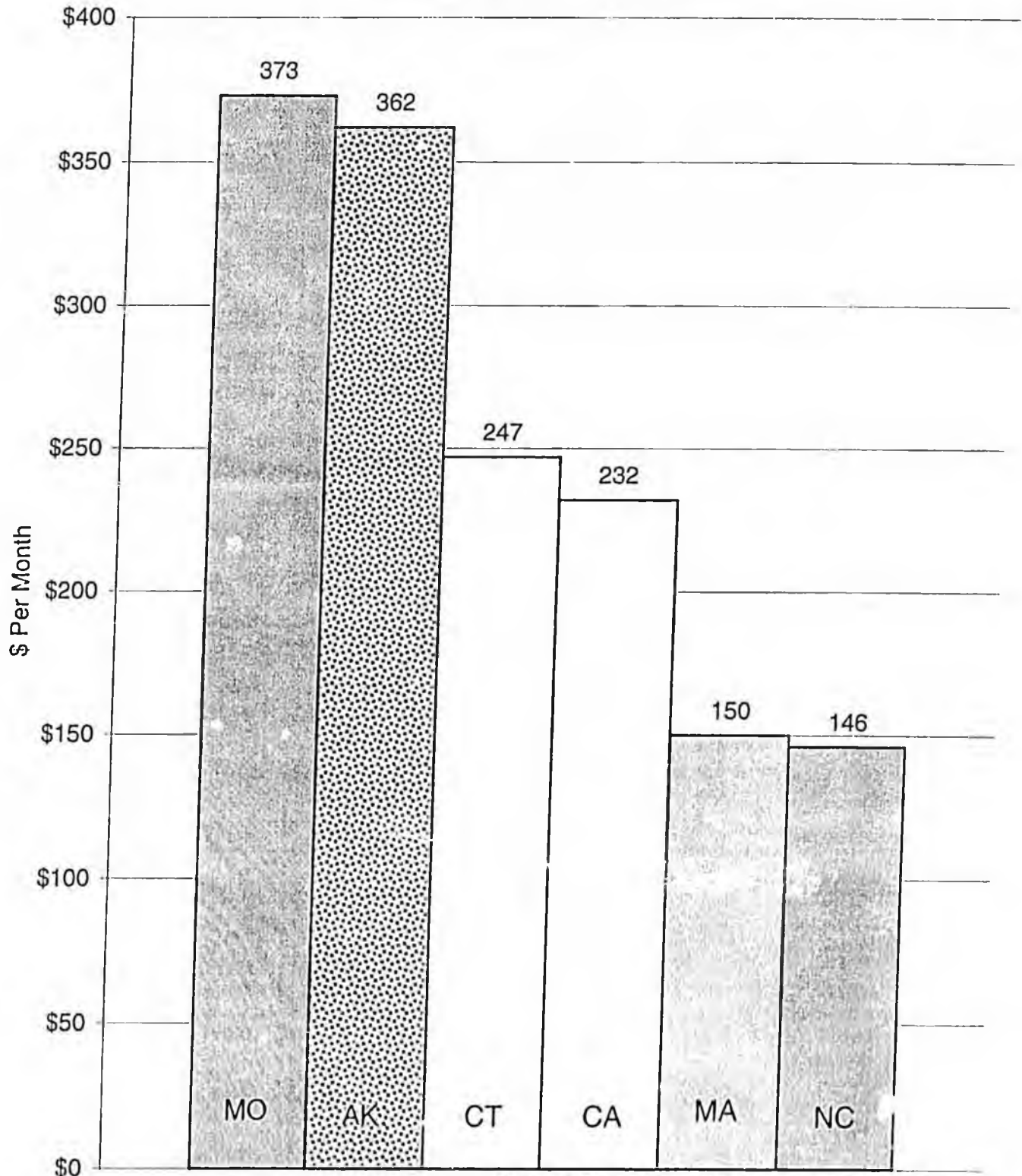
Note: 27 States Have No Program or Pay Nothing

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

Prepared by Senator Donley

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

**Adult Public Assistance**



Note: 22 States Have No Program or Pay Nothing

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



Official Business

# Alaska State Senate

## Senate Finance Committee

Mail Stop 3100  
State Capitol  
Juneau, Alaska 99801-1182

### Sectional Analysis

#### Committee Substitute for Senate Bill 182

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

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

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

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

DD/mjw

Distributed by  
Senator Donley

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## Locke cuts back welfare programs

Demand outstrips money available; subsidized child care takes a hit

Friday, February 15, 2002

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

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

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

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

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

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

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

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

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

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

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budget of \$300 million.

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

[Missing snow found](#)

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

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

Locke's cuts include:

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

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

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

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

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

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

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

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

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


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


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


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


---

*P-I reporter Angela Galloway can be reached at 360-943-3990 or [angelagalloway@seattlepi.com](mailto:angelagalloway@seattlepi.com)*

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Official Business

# Alaska State Senate

## Senate Finance Committee

### Sponsor Statement

Mail Stop 3100  
State Capitol  
Juneau, Alaska 99801-1182

### Committee Substitute for Senate Bill 182

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

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

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

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

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

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

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

DD/mjw



Official Business

# Alaska State Senate

## Senate Finance Committee

### Talking Points

Mail Stop 3100  
State Capitol  
Juneau, Alaska 99801-1182

### Committee Substitute for Senate Bill 182

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

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

DD/mjw



Official Business

# Alaska State Senate

## Senate Finance Committee

Mail Stop 3100  
State Capitol  
Juneau, Alaska 99801-1182

### Sponsor Statement

#### Senate Bill 182

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

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

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

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

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

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

DD/bc



Official Business

# Alaska State Senate

## Senate Finance Committee

Mail Stop 3100  
State Capitol  
Juneau, Alaska 99801-1182

### Sectional Analysis

#### SB 182

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

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

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

DD/bc



Official Business

# Alaska State Senate

## Senate Finance Committee

Mail Stop 3100  
State Capitol  
Juneau, Alaska 99801-1182

### Talking Points

#### SB 182

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

- This legislation will encourage greater accountability and accuracy in state budgeting.
- Will increase accountability of program directors and encourage efficient management of programs.
- Currently, most statutes require that payments be made at a prescribed level without reference to funding actually available by appropriation.
- This proposed bill recognizes the realities that funds may not always be available to fund individual benefit payments at the statutorily prescribed level.
- If this were to occur, people who rely on these programs would receive benefits only until the available money runs out for that fiscal year.
- This proposed bill would require program directors to prorate benefit payments over the entire fiscal year based on the available level of funding that a program receives.
- This would allow the Legislature and Administration to respond to reductions in revenue and increases in program recipients in a simple and practical manner.
- This Senate Bill specifically excludes loan programs, subsidies for hard-to-place children, retirement programs and programs for which other provisions of law address underfunding.

DD/bc

## **Additional Information on SB 182**

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

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

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

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

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

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

### **AS 25.23.210. Amount and Duration of Subsidy Payments.**

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

### **AS 25.23.220. Annual Reevaluation of Subsidy.**

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

### **AS 25.23.230. Regulations.**

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

**AS 25.23.240. Definitions.**

In this chapter, unless the context otherwise requires,

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

# STATE OF ALASKA

## DEPT. OF HEALTH AND SOCIAL SERVICES

DIVISION OF ADMINISTRATIVE SERVICES

TONY KNOWLES, GOVERNOR

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

February 22, 2002

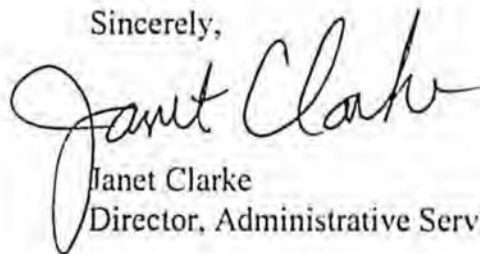
The Honorable Dave Donley, Co-Chair  
The Honorable Pete Kelly, Co-Chair  
The Honorable Jerry Ward, Vice-Chair  
Senate Finance Committee  
State Capitol, Room 506, 518 and 423  
Juneau, AK 99801-1182

Dear Senators Donley, Kelly and Ward:

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

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

Sincerely,



Janet Clarke  
Director, Administrative Services

### Attachments

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

HOUSE BILL NO. 161

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Introduced: 3/25/99  
Referred: Finance

A BILL.

FOR AN ACT ENTITLED

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

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

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

5 (d) A state agency

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

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

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

TONY KNOWLES, GOVERNOR

PLEASE REPLY TO

## DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

April 13, 1999

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ANCHORAGE, ALASKA 99501-1021  
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PHONE (907)465-3600  
FAX (907)465-6700 2520

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

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

Dear Representatives Mulder and Therriault:

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

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

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

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

April 13, 1999

Page 2

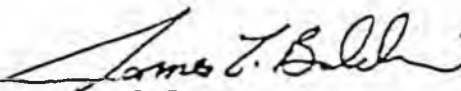
amounts if there is a sufficient expression of legislative intent to permit it. However, the bill does not contain an express provision to allow such an exception. Even if it did, the process described can be characterized as arbitrary and may be vulnerable to attack as not being sufficient to extinguish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

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

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

Sincerely,

BRUCE M. BOTELHO  
ATTORNEY GENERAL

  
By: James L. Baldwin  
Assistant Attorney General

JLB:jn

# CORRECTION

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



Rev. 6/98

Central Microfilm Services  
Department of Education & Early Development  
State of Alaska

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

April 13, 1999  
Page 2

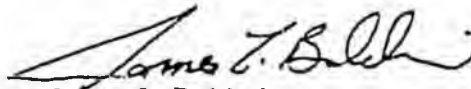
amounts if there is a sufficient expression of legislative intent to permit it. However, the bill does not contain an express provision to allow such an exception. Even if it did, the process described can be characterized as arbitrary and may be vulnerable to attack as not being sufficient to extinguish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

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

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

Sincerely,

BRUCE M. BOTELHO  
ATTORNEY GENERAL



By: James L. Baldwin  
Assistant Attorney General

JLB:jn

# STATE OF ALASKA

## DEPT. OF HEALTH AND SOCIAL SERVICES

OFFICE OF THE COMMISSIONER

TONY KNOWLES, GOVERNOR

P.O. BOX 110601  
JUNEAU, ALASKA 99811-0601  
PHONE: (907) 465-3030  
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April 5, 1999

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

Dear Senators Parnell and Torgerson:

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

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

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

### *Alaska Temporary Assistance Program (ATAP)*

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

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

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

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

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

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

#### *Adult Public Assistance (APA)*

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

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

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

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

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

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

### *General Relief Assistance (GRA)*

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

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

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

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

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

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

### *Medicaid*

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

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

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

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

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

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

*Chronic Acute Medical Assistance (CAMA)*

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

*Foster Care*

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

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

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

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

### *Subsidized Adoption and Guardianship*

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

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

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

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

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

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

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

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

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

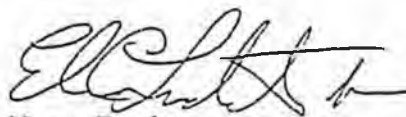
during the period if the child with respect to whom the adoption assistance payment is made had been in a foster family home.

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

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

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

Sincerely,



Karen Perdue  
Commissioner

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

# STATE OF ALASKA

## DEPT. OF HEALTH AND SOCIAL SERVICES

OFFICE OF THE COMMISSIONER

TONY KNOWLES, GOVERNOR

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March 31, 1999

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

Dear Representatives Mulder and Therriault:

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

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

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

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

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

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

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

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

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### *Medicaid*

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

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

#### *Chronic Acute Medical Assistance (CAMA)*

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

#### *Foster Care*

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

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

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

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

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

#### *Subsidized Adoption and Guardianship*

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

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

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

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

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

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

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

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

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

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

Thank you for your attention.

Sincerely,



Karen Perdue  
Commissioner

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

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

SENATE BILL NO. 182

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

BY THE SENATE FINANCE COMMITTEE

Introduced: 4/9/01

Referred:

A BILL

FOR AN ACT ENTITLED

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

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

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

6 (d) A state agency

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