

ALASKA LEGISLATURE COMMITTEE FILES 1981-1982 8672

2052 SSA OIL REVENUE DIST. - RECRUITING PROFESSIONALS

least willing to consider distributing the premium, even though it arguably represents principle rather than investment earnings.

and general response was as kindly not favorable

While the Legislative Purpose Section of HB 67 views the program somewhat negatively, distributing the premium ~~will~~ *would* establish a direct link between personal incomes and the price the state receives for its royalty oil. ~~Perhaps~~ *As an alternative,* the Legislature may wish to consider appropriating the premium from the December ~~royalty oil auction~~ and premiums from future auctions, if there are any, directly to the Permanent Fund dividend account. This would tend to increase the awareness of state residents to the price received for royalty oil.

Portfolio of Alaskan Citizen Enterprise

During the second session of the Eleventh Legislature, HB 1006 was introduced, "an Act establishing the Portfolio of Alaska Citizen Enterprise", or as it became commonly known PACE. PACE was a system whereby income producing assets or investments could be distributed or sold to Alaska residents. "Portfolio Plans" as these investments were called could be state investment funds, business enterprises acquired by the state, energy resource trusts, real estate investment trusts, and GSOCs.

PACE. The idea of a PACE came from British Columbia's experience in "privatization". Privatization was a means of transferring assets held by the public sector to private individuals. In 1977 at the urging of Premier Bennett, the British Columbia legislature created the British Columbia

RIGHT!

Resource Investment Corporation (BCRIC), and handed over the following government owned assets:

Oil and gas exploration rights to some 2.3 million acres of crown land in British Columbia,

81 percent of the common shares of Canadian Cellulose Limited, a large scale forest products firm,
100 percent of the common shares of Kootenay Forest Products Limited, a medium sized lumber and plywood manufacturer,

100 percent of the common shares of Plateau Mills Limited, a mid-sized lumber producer,

About 10 percent of the share of Westcoast Transmission Company, which operates a major pipeline in B.C. and is also a partner in the Alaska Highway gas pipeline project.

After passage and transference of these assets to BCRIC, eighty percent of the stock in BCRIC, or 12 million shares, was transferred to the public. Each resident received five shares. The B.C. government retained 20% of the stock, but did not become involved in management of the corporation. While political wise men and financial experts viewed the program askance, BCRIC became immensely popular amongst B.C. residents after its passage.

As you may have surmised, BCRIC and PACE bear a striking resemblance to the Alaska General Stock Ownership Plan, or AGSOC as it was popularly referred to. In fact, in many respects they are identical. Ownership of shares is limited

zuko?

to avoid concentration, distributions are limited to residents, board members are elected by the shareholders, etc. AGSOC and PACE are not, however, exactly alike.

AGSOC and PACE. One of the motivations behind PACE was to void the initiative petition to create AGSOC. AGSOC, as most will remember, was the Kelso-Gravel plan to distribute wealth from Alaska investments. Whether PACE would have voided the petition is moot, since PACE did not pass the Legislature and AGSOC went down in defeat before the voters.

While the purpose of AGSOC and PACE are similar, to distribute wealth to Alaska residents, there is a fundamental difference in their make-up. PACE can own income producing assets. AGSOC, on the other hand, must acquire investments with 100% debt financing. After servicing the debt, the income left over must be distributed, if there is any. AGSOC is a conduit for funneling income to Alaskan residents. In exchange, AGSOC is exempt from corporate income tax. PACE can actually own the assets, although this does raise some difficult tax questions.

Under the draft legislation creating PACE, the Department of Revenue was required to present at least one and not more than three "Portfolio Plans" specifying which assets were to be transferred to PACE. Some shares would be distributed free and some would be sold. However, before the assets could become part of PACE approval from the Legislature was necessary. This is another significant difference between PACE and AGSOC. The first "portfolio plan" to be considered for PACE was a royalty trust.

Royalty Trust. The royalty trust would be a trust or trusts to which the royalty income from specific state leases would be pledged. The trust would then act as a conduit funneling royalty oil income to the trust beneficiaries, who in this case would be state residents.

The PACE royalty trust would be similar to some publically held royalty trusts like the North European Oil Royalty Trust, the Mesa Trust and the Tidelands trust. The value of the income from a royalty trust is, of course, tied to oil prices.

Since royalties are taken off the top, trust beneficiaries bear none of the development risks. Also, royalty trusts receive special tax consideration by the IRS. As long as the trust remains "passive" (bears no risk) and pays out all of the earnings, the trust is not subject to Federal income tax. Trust beneficiaries can also claim a depletion deduction which reduces an individual's tax liability. While the concept of a royalty trust appears attractive, its implementation raises a host of difficult legal questions.

Dedication of Revenues. One legal obstacle appears to be Article IX § 7 of the Alaska Constitution. Article IX § 7 of the state's constitution prohibits the dedication of "taxes, licenses and fees". A literal reading of Article IX might be interpreted to exclude royalties, because they are not specifically a tax, license or fee. However, this is a pretty weak case, and was not tried with the Permanent Fund. The Permanent Fund receives 25% of the state's royalty income pursuant to a constitutional amendment.

The PACE legislation attempted to get around this problem by structuring the transference of royalty trust shares as a

sale. The money received by those purchasing the shares at a conservatively appraised value would then go to the general fund. This might work, but it makes the royalty trust more like an investment than a means of distributing the state's oil wealth.

Statehood Act. Another problem is section 6(i) of the Statehood Act. Section 6(i) requires the state to retain all minerals in lands conveyed to the state by the Federal government. If the state attempts to convey the mineral estate, the Attorney General of the United States may bring an action for the forfeiture of the lands affected by the purported conveyance.

Whether a royalty trust is a conveyance in violation of section 6(i) is an open legal debate. The PACE legislation attempted to remedy this problem by expressly requiring the Commissioner of Natural Resources to retain the mineral estate. It was not clear, however, whether this provision was sufficient. One clear means of avoiding a problem with section 6(i) is to convey the royalty interest to a trust from lands obtained under the Submerged Lands Act of 1953. These lands are not subject to forfeiture and hence would allow the creation of, say, a Beaufort Sea royalty trust.

Windfall Profits Tax. Another problem appeared to be the Federal windfall profit tax (WPT). Under provisions of the WPT Act, producers must pay an effective marginal tax rate of 30% on Prudhoe Bay oil. State royalty oil is, however, exempt. It was not clear at the time the legislature was deliberating over PACE whether this exemption applied to royalty oil transferred to a trust.

The WPT problem may have been resolved, however, because of certain amendments to the Act. The Economic Recovery Tax

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Act of 1981 provides certain exemptions for payment of the WP-
The conference agreement provided a \$2,500 credit against
WPTs paid in 1981. Between 1982-1984 royalty owners could
exempt 2 bpd of production from the tax, and 4 bpd thereafter.
If the royalty trust consisted of a royalty trust for each
beneficiary (state resident), this exemption might be
sufficient.

many
against
the paper
just
discuss
the concept
of wealth
distribution?

The idea of a royalty oil trust, perhaps, deserves some
further consideration. It would clearly create a constituency
concerned with prudent fiscal management of the state's oil
and gas resources. One suggestion would be to deal with a
royalty trust separate from PACE. On its own, a royalty
trust would be a very complicated piece of legislation.

Wealth
Direct Distribution

A recent report entitled Alaska's Rainbow of Opportunity
by Rep. Terry Gardiner and legislative analyst Ford Groh
advocates a radically different approach to state spending
and wealth distribution. Their plan proposes a direct
distribution of Alaska's wealth. Whereas the permanent fund
dividend program envisions distributing interest earnings
from the Permanent Fund, direct distribution would distribute
income which now accrues to the state general fund.

They argue that

During the first session of the Twelfth Legislature,
about \$6 billion was appropriated for expenditures during
fiscal year 1982. None of this money went directly to
Alaskans. While the Legislature freely appropriated money
for pet park barrel projects, one of which was a \$5 million
appropriation for an airport/harbor facility and a hydroelectric
project on uninhabited La Touche Island, the plans which
would have distributed money directly to all Alaskans, like
the royalty premium or PACE, were nixed.

UGH

OMIT

NO!
Don't
knock
legislation
pet!

which?

They point out that when

*this needs
unclear
needs
rewrite.*

When divided up, \$6 billion comes to about \$15,000/person. Hence, a family of four could have a very comfortable income of \$60,000/year. ~~Consider further~~ if a persons share of the State income could be used to establish a line of credit at a bank. Depending on the oil price inflator used to estimate future revenues, this could be a very large sum of money. Direct distribution could eliminate poverty in this state.

While this approach sounds far-fetched, direct distribution has been advocated by prominent economists, among them Professor Donald F. Gordon of the Center for the Study of Business and Government, University of New York. In his paper entitled The Problems of Wealth submitted to the Board of Trustees of the Alaska Permanent Fund, Dr. Gordon iterates "Option 1" called "Give it to the People". He states:

"The first option is stunningly simple in principle and by a great margin the most desirable in terms of our criterion. It answers the question what can be done with it ? by another question: Why not give it to the people ? ⁶

? as for the people?

Dr. Gordon's criterion ^{is} is that the wealth of this state "morally" belongs to the state. He suggests Alaska create a corporation and pledge all future oil and gas revenues to it. The state would issue say, 100 shares to each and every Alaskan and then send them out in the mail immediately.

The Board of Trustees for the Alaska Permanent Fund has begun to study the effect of the influx of oil dollars into the Alaskan economy, ^{has} and commissioned ^{several analytic} numerous reports. ^{papers.} All ^{of them} reports conclude that a political system of revenue allocation which results in subsidized loan programs and attempts to spur industrial development by buying infrastructure

⁶ The Problems of Wealth, p.6.

for marginally economic projects will result in waste of the state's resources.

Richard B. Coffman, author of Capital Shortage, Public vs. Private Allocation of Capital and Alternative Ownership Systems for Alaska's Oil Wealth, one of the papers prepared for the Permanent Fund Board of Trustees, states unequivocally "all state loan programs should be abolished" and "all usury and interest rate ceilings should be removed". In other words, the capital markets should be deregulated. Dr. Coffman also recommends redistribution of some part of the oil revenues as cash grants. Taken together, Dr. Coffman presents a fairly strong case for private allocation of the state's wealth as opposed to a political/bureaucratic system of allocation.

Dr. Malcolm Gillis, professor at Harvard University and author of the paper, The Effects of In-state Investment: Lessons from Oil-Fired Development in Other Parts of the World warns of dangers in stimulating industrial development based on criteria other than "good economics". He cites the Krakatau steel project, a \$3 billion "boondoggle" intended to free Indonesia from having to import steel. "This freedom, Dr. Gillis states, "will cost that society nearly \$80 million annually for another decade (in addition to the \$1.5 billion already invested)".

Dr. Gillis also remarks that crash programs to expand infrastructure have often involved substantial waste, by creating facilities that have been "grossly" underutilized. Funding infrastructure is, however, politically attractive as Dr. Gillis points out by quoting a campaign speech by Mr. Velasco Ibarra, President of Ecuador off and on during the 1960s;

Bob - consistency & sometimes you capitalize Permanent Fund, other times not

"And finally, when I am elected again, we will build the biggest bridge in Ecuador, right here in Dos Gatos.

But Senor Presidente, there is no river in Dos Gatos.

Then we will also build the biggest river in Ecuador, right here in Dos Gatos."

Hammer, they let me know

No doubt, implementation of direct distribution poses numerous political, legal and technical hurdles. ~~Mr. Gregg Erickson, economist and principal of Erickson & Associates, recommended to the Permanent Fund Board of Trustees that they retain a nationally recognized accounting firm to take a look at the idea. This would be the most practical step at this time.~~

DON'T INCLUDE NAIBS

Supplemental Benefit System

to establish for all Alaskans a program

Another option for distributing income from the Permanent Fund is ~~to model a system~~ of benefits like the Supplemental Benefits System (SBS) for state employees. ~~The~~ SBS replaced Social Security when state employees opted out of the system in 1980. It is a very sophisticated system offering employees a combination of insurance benefits and a retirement annuity. The system is one of a kind and administered very well given its complexity.

Under SBS, 12.26% of an employees wages go into the system, up to the social security maximum wage base, which is \$29,700 for 1981. Hence, up to \$3,641.22 could be contributed. One-half of the contribution (6.13%) is wage reduction, the rest is contributed by the state.

~~It will also be possible to structure such a system with the Permanent Fund dividends.~~

new idea does not belong here. relates to no. they place it?

The concept may be applied to Permanent Fund dividends & distributions, whether these be on a lump sum, equal amount per capita, or other basis.

Annuity. The annuity is a retirement account. All or part of the 12.26% of a state employees contribution to the SBS can go into the annuity account, but at least 6.13% must go in to retain the special tax treatment afforded the system. Special tax treatment by the IRS is perhaps the most attractive feature of the SBS. Contributions are not taxed, nor is the interest earned. The annuitant is able to defer taxes until he begins to draw on the annuity, after age 55. The annuity can be withdrawn in a lump sum or installments. Presumably, the tax rate for retirees will be lower than for those earning a regular salary.

The idea of structuring a retirement annuity funded by a permanent fund dividend may be attractive for some Alaskans, particularly those in high^{er} tax brackets. However, structuring the program to shelter dividends and their earnings from Federal Income Tax may be easier said than done. The state tried it once, and even if the current dividend program had not ~~been~~^{world} tangled up in Court it probably ~~wouldn't~~^{have} made it by the IRS, as we have already noted. However, amendments to the IRS code liberalizing the doctrine of "constructive receipt" were contained in the Economic Recovery Tax Act - 1981. It may be worth taking a look at.

Benefits. The other parts of SBS are benefits. These benefits include survivor, disability, death, and health insurance. Under SBS, only one-half (6.13%) of an employees contribution can be chosen by a beneficiary and still remain tax free. I'm not sure exactly why this is the case, but it relates to the fact that only one-half the contribution comes from the state.

The idea of providing benefits, particularly health insurance, is discussed as "Option 2" in the Governor's

slavery

*—
⚡*

exploring this concept further

too casual!

*NOT IN REPORT!
Pls find out*

Policy Analysis Paper No. 81-24, combined with the option of taking cash. A recent report by Battelle Research showed that 11% of Alaskans have no health care coverage at all. The idea of giving a person the choice of taking cash or health insurance might not be too bad; however, the Governor's "Option 2" made health insurance mandatory if a person was not already covered. There are, however, two potential problems with allowing a choice between the two, ^{though} but they may not be insurmountable. First, employers may stop carrying health insurance for their employees. Second, if a person has the option of taking cash, but doesn't, is this "constructive receipt" and are the health care benefits taxable? ~~I don't know~~ The Governor's approach would get around problem #2, but it does impinge on a person's right to free choice.

TIE IN
HERE

YOU ARE
OUR
EXPERT!
NEVER
ADMIT!
THAT!

~~still~~
Municipal Assistance

~~suggested~~ ~~to wealth distribution~~

Another approach is to distribute Permanent Fund earnings to communities. This program was ~~also~~ recently endorsed by the Hammond Administration as an option ^{to consider}. The plan would be similar to FCCSSB 236, "an Act relating to assistance to municipalities". FCCSSB 236 passed during the first session of the Twelfth Legislature.

The provisions of FCCSSB 236 allow for payment of an "entitlement" to each "municipality" or "unincorporated community". The entitlement would be \$1,000 times the number of people residing within the boundaries of the community, subject to the limits of the appropriation. The sum received as an entitlement could be used only for social services, capital projects, or operating expenses of capital projects, according to FCCSSB 236.

Bob - not clear whether ~~the~~ talking only of legislative funds; or courts, as well. he does have also been proposed. ✓

Under Governor's Hammonds new proposal, communities would have more flexibility in the use of the funds. The Division of Policy Development and Planning suggests the following uses: (1) capital projects, (2) tax reduction, (3) establishment of a mini permanent fund (note: Valdez has one), (4) power production assistance, (5) operational expenditures, (6) direct cash distribution, and (7) and others.

The response to this program from municipal officials was understandably ~~enthusiastic~~ quite positive;

Public Endowments

One concept which has been discussed by state officials is the creation of a public endowment. An endowment would in essence be another permanent fund, the earnings from which could be used to fund say education, public works or other state programs. The creation of an education endowment was proposed by ~~Lee Gorsuch~~, director of the Institute of Social and Economic Research. The Legislature considered the proposal, but did not take any action.

↙

The creation of an endowment poses some real questions. To actually "dedicate" part of the state's revenues to a fund for a specific public purpose would probably require a constitutional amendment. There is another way to do it. The Legislature could create the fund (The Public Endowment Fund), leaving contributions to the fund and allocations of the fund's earnings subject to appropriation. ~~The per-~~ vehicle might be the Public School fund under AS 37.14. There is no guarantee money will ever be appropriated to the fund, nor that the earnings will ever be used for the stated public purpose.

much as is this solid not in court?

I think there is a group currently studying it - suggest you call her

what's the first?

Special funds create another problem for the Legislature. In recent years there has been a proliferation of funds like the Public School Fund, or what might be termed pseudo dedicated funds. Another example, and one we just discussed, is the municipal assistance fund under AS 43.20.016. It states under sub-section (a):

don't underline words unless

"The Legislature may appropriate to the fund during each fiscal year an amount equal to or greater than 10% of the income tax received under AS 43.20.011(e) and AS 43.21"

Such a statutory fund ^(emphasis added) does not actually guarantee that the fund will actually function as intended. ~~This statute is meaningless.~~ The Legislature can appropriate 10%, 20%, or 0%. ~~The Legislature can even appropriate money out of this fund if it wants.~~ ^{or it can abolish the fund. This} AS 43.20.016(a) carries absolutely no legal weight. However, it carries ^{real} political weight. Special funds create constituencies who believe they are entitled to this money. The constituency for AS 43.20.016(a) is every community in the state. Conceivably ^{even} you could create enough of these funds so that the entire general fund was accounted for before the Legislature ever convened; and ~~try~~ ^{try} repealing one.

of the committee amount

fuzzy

too chatty - this is a report do the leg.

If the Legislature wishes to create a "Public Endowment", it should probably do so constitutionally, ~~and~~ with the consent of the voters.

write more as a conclusion

Appendix

A ~~brief analysis~~ of Permanent Fund dividend alternatives has led to two preliminary conclusions. 1

Conclusion 1. A Permanent Fund Dividend of say, \$1,000 may actually hurt low income Alaskans by making them uneligible for state/federal public assistance programs.

Conclusion 2. Of Permanent Fund earnings distributed as dividends, at least 35% will be taxed away by the federal government unless the state can devise a tax shelter suitable to the Internal Revenue Service (IRS).

Consequently, a Permanent Fund dividend program can have the perverse fiscal impact of making indigent Alaskans worse off and taxing away benefits to those in high marginal tax brackets. If the Legislature wishes to look into these problems, we would recommend these specific Tasks:

Task 1. Review all state and federal public assistance programs to determine if and how Permanent Fund dividends can be exempted from "income" and "resource" guidelines for each and;

determine how much additional state funding, if any, will be necessary to insure public assistance recipients can participate to their advantage in a Permanent Fund dividend plan.

Task 2. Retain tax counsel to advise on the preliminary design of a tax shelter mechanism, probably a trust or an annuity, suitable to the IRS.

We would envision Task 1 could be completed by a consultant or staff ~~prior to the next legislative session~~, if the work commenced fairly soon. Only the preliminary work could be completed ~~or Task 2 prior to the legislative session~~. It is likely the legislature may wish to retain tax counsel through the session as well for public hearings and to co-ordinate communication between the IRS and the State.

possibly via Andy Beal or Dep't of Rev.

make this pertinent to a report that will be read in January

What's this?

Chapter 6

AN ACT

Making supplemental appropriations to the Department of Community and Regional Affairs and the Department of Revenue for programs which provide state financial assistance to municipalities and other recipients; and providing for an effective date."

* Section 1. The sum of \$18,400,000 is appropriated from the general fund to the Department of Community and Regional Affairs for the tax equalization account (AS 29.88.035), the miscellaneous services account (AS 29.-89.080), and the hospital construction assistance account (AS 29.90.020) for distribution to municipalities and other recipients for the fiscal year ending June 30, 1981.

* Sec. 2. The sum of \$45,100,000 is appropriated from the general fund to the Department of Revenue for the municipal assistance fund (AS 43.20.-016(a)) for distribution to organized boroughs and cities for the fiscal year ending June 30, 1981.

* Sec. 3. The sum of \$780,000 is appropriated from the general fund to the Department of Community and Regional Affairs for distribution in equal shares to each Native village government entitled to state aid under AS 29.-89.050.

* Sec. 4. The sum of \$20,000 is appropriated from the general fund to the Department of Community and Regional Affairs for administrative costs associated with financial assistance to municipalities and other recipients.

* Sec. 5. The unencumbered and unobligated portions of the appropriations

AN ENDOWMENT FUND
FOR PUBLIC SCHOOLS IN ALASKA

By

Lee Gorsuch
c/o Anchorage School District
4600 DeBarr Road
Anchorage, Alaska 99503

December 30, 1980

AN ENDOWMENT FUND FOR PUBLIC SCHOOLS IN ALASKA

Alaska has a unique need and opportunity to develop the financial means to sustain public education in Alaska well beyond the balance of this century. Interest in building such a sustaining source of revenues has been growing in recent months, not only among school districts and municipalities but also among state legislators. The concept being advanced under the rubric of an endowment for public schools is neither new nor complex. Simply stated, it proposes that the state set aside a portion of its surplus revenues in an investment fund, the earnings of which would be appropriated by the legislature to support public schools. The size of the fund and its investment performance would determine the proportion of public school expenditures the endowment could support. The earnings and how they are to be distributed would remain subject to the normal appropriation and legislative powers of the State Legislature.

Investing surplus revenues to support future governmental functions or specific public purposes is also not new to Alaska. The Alaska Permanent Fund, the Alaska Renewable Resources Corporation, and numerous other enterprise and special revenue funds all lay a claim of one sort or another on public revenues. Although these various state investment funds differ in important ways, they nonetheless represent ample precedent for the practice of investing public funds to support public purposes.

Indeed, the vehicle necessary to implement the public school endowment concept may already exist in Title 37.14 of the Alaska Statutes. That statute, entitled the Public School Fund, mandates that one-half of one percent of total receipts derived from the management of state land, including royalties and bonuses, be transferred to the fund. The principal of the fund is retained for investment, and the earnings of the fund may only be appropriated for the support of education. The Commissioner of Revenue manages the Public School Fund, subject to the oversight of a five-member advisory committee. Although current contributions to the fund are nominal (less than three million dollars has accumulated to date), the fund and the authorizing legislation may provide the framework for building a long-term financial base for public education.

Numerous questions about the need for and wisdom of creating a large education endowment have already been raised, and many others are likely to follow. Among the more frequently raised issues are:

1. Is not Financing Education a Local Responsibility?

Unlike many public services, education is a constitutional obligation of the state. Much to its credit, Alaska is in the forefront of most states in affording each school-age child an equal opportunity to secure a basic public education. The Alaska School Foundation Program ensures that every school district in Alaska will receive sufficient funds to offer its children a basic education, regardless of the district's relative wealth or poverty.

Currently, the state pays 100 percent of the expenses of twenty-one rural school districts (REAs) and 78 percent of the costs of thirty-one local school districts (including Anchorage). The remaining 22 percent of revenues for the local school districts comes largely from local property taxes. This year, in an effort to provide relief for property tax payers, the Legislature may enact legislation to reimburse communities for their local taxes and thereby finance 100 percent of all public school expenses in Alaska.

Numerous states which have relied heavily in the past upon local sources of revenue, mainly local property taxes, to support public education have been successfully challenged in the courts, for example California in Serrano v. Priest, 1971, and New Jersey in Robertson v. Cahill, 1973. These states are now required by their respective state supreme courts to find alternative means of equitably financing public education.

For states facing fiscal deficits, court mandates to reorganize the financing of public education pose a most serious problem; for Alaska, the possibility of such mandates reinforces the wisdom of using today's surplus revenues to build a sustaining source of future revenues for funding public education in the years ahead. Furthermore, an endowment for public schools would ensure that local property taxes would not be required to bear the major burden of financing public education should oil revenues begin to diminish in the 1990s, as presently forecast.

2. Does Alaska Really Need an Endowment Fund?

If further substantial discoveries of oil are made on state lands before the end of this decade, the answer may be no, not for another ten years; however, until such discoveries are made, the answer is unequivocally yes.

Last year the state appropriated approximately 400 million dollars to support the operation of our public schools. This amounts to over twice the value of the repealed personal income taxes. Even if we were to combine all personal, business, sales, and property taxes of state and local governments last year (excluding oil-related income), we could not have financed last year's education budget, not to mention other essential state and local governmental services. These conventional sources of revenue simply cannot support today's level of operation, much less sustain public education in future years. By 1990, inflation and growth of the student population will push state aid for public education to one billion dollars; by the year 2000, state aid will total approximately 2.5 billion dollars. Furthermore, any expansion of public education services, such as vocational education, is likely to push the required revenue estimates higher still. Clearly, some means of generating revenues other than through conventional taxes will be required if Alaska is to continue to meet its constitutional mandate and provide a quality education for its school-age children.

3. How Much Money Would Have to Go into such a Fund to Sustain a Significant Portion of Public Schools' Expenses?

Petroleum revenues now comprise approximately 95 percent of this year's total state revenues. Current estimates of contributions to the Alaska Permanent Fund, at the mandatory rate of 25 percent, report an accumulation of approximately 17.6 billion dollars by 1995. Assuming an investment return of 10 percent, the Fund would yield an estimated 1.75 billion dollars in 1995, about 105 percent of the projected total public school's budget for that year. Thus, a 20-percent rate of contribution to the endowment fund (computed on the same basis as the Permanent Fund) would ensure the availability of approximately 94 percent of public schools' revenue requirements in 1995.

4. Does not the Permanent Fund Accomplish the Purpose of the Endowment?

No, unlike the Permanent Fund, the earnings from the endowment could only be used to support education, not to make cash distributions to citizens or to support governmental operations in general.

Inasmuch as public education comprises almost a third of the state's budget and is clearly a constitutional responsibility of the state, it seems both prudent and timely to pursue a means of securing long-term financial security for our public schools. Furthermore, as illustrated above, the projected earnings of the Permanent Fund at current rates of contribution are insufficient to cover both future public education costs and a reasonable portion of other governmental operations.

One alternative to the endowment that is frequently advanced is simply to increase the rate of contribution to the Permanent Fund. This alternative neither appears to enjoy broad legislative or public support nor does it clearly establish the high financial priority that the state has historically given public education. Unlike additional contributions to the Permanent Fund, which are likely to be the subject of much debate and disagreement, safeguarding the financial future of public education is a public goal which enjoys broad popular support. In short, the endowment is the more likely and certain means of securing a long-term financial future for public education in Alaska.

5. Would not the Legislature be Losing Control of the State's Budget by Creating the Endowment?

No, under the endowment fund concept, public schools would remain subject to the appropriation powers of the Alaska Legislature and to other powers granted to organized local governments. Both the amount of the earnings to be used for public schooling and the distribution of the earnings among school districts would be determinations made by the Alaska Legislature, much as they are today. Presumably, the Alaska School Foundation Program would continue to serve as the formula for computing how much money each school district would receive, and the

legislative process would fix the total amount of earnings to be appropriated each year. Thus, under the endowment proposal, the process of funding public schools would remain similar to what it is today; only the source of revenues would be altered.

In summary, the endowment fund is a sound and opportune proposal. It would secure the future of public education in Alaska and ensure that all children of our state will have an opportunity of getting a good education.



Official Business

Alaska State Legislature

Senate

Office of the President

Pruch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO : DICK BERG, DIRECTOR
ADMINISTRATIVE SERVICES, LAA

FROM : SENATOR JAY KERTTULA
SENATE PRESIDENT

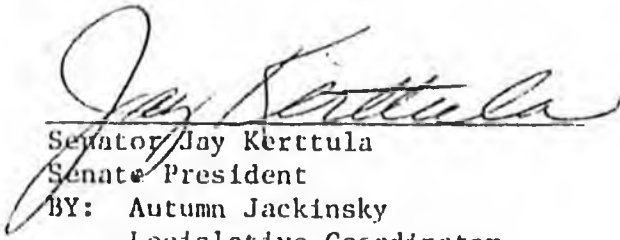
DATE : AUGUST 18, 1981

SUBJECT: SENATE STATE AFFAIRS COMMITTEE

Senator Vic Fischer, Chairman of the Senate State Affairs Committee, has informed me that he has received approval from Senators Rodey (Majority Leader) and Dankworth (Finance Co-Chairman) to contract with Joseph McKinnon for the purpose of providing the State Affairs Committee with professional consulting services on the Committee's interim work dealing with state wealth sharing.

Expenses for the contract shall not exceed \$7,500, and are to come from the \$99,059 budgeted to the State Affairs Committee.

APPROVED:


Senator Jay Kerttula
Senate President

BY: Autumn Jackinsky
Legislative Coordinator

.JK/aj

Attachment

Please sign

AMENDMENT NO. 1

CONTRACT BETWEEN
STATE OF ALASKA
LEGISLATIVE AFFAIRS AGENCY

AND

JOSEPH H. MCKINNON

IT IS MUTUALLY AGREED THAT THE CONTRACT BETWEEN THE ABOVE PARTIES DATED SEPTEMBER 1, 1981, IS HEREBY AMENDED AS FOLLOWS:

CLAUSE I, Paragraph (B), page 1 is amended to read:

(B) The Consultant shall provide the Project Director with a draft report on work under (A) by November 11, 1981.

CLAUSE I, Paragraph (C), page 1 is amended to read:

(C) The Consultant shall provide the Project Director with a final report no later than 30 days after the Project Director's approval of a draft report under (B) (December 12, 1981).

CLAUSE II, Paragraph (A), page 1 and Paragraph (C), page 2 is amended to read:

(A) The work under this contract shall be performed beginning, July 20 1981, and be completed by December 12, 1981.

(C) Unless extended by written agreement, this contract expires on December 12, 1981.

IN WITNESS WHEREOF, the parties have executed this amendment to this agreement on the dates indicated below.

CONSULTANT

Joseph McKinnon 10/2/81
JOSEPH H. MCKINNON Date
SS# 574-18-2678

Accepted:

Victor Fischer Date
SENATOR VICTOR FISCHER
SENATE STATE AFFAIRS COMMITTEE

LEGISLATIVE AFFAIRS AGENCY

M. R. Charney Date
EXECUTIVE DIRECTOR

Approved as to form:

Billy G. Berrier Sept 23, 1981
BILLY G. BERRIER Date
AGENCY LEGAL COUNSEL

STATE OF ALASKA
THE LEGISLATURE

POUCH Y. STATE CAPITOL
JUNEAU ALASKA 99811
907-465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

August 19, 1981

SUBJECT: Consulting contract -- Joseph H. McKinnon

TO: M. R. Charney
Executive Director
Legislative Affairs Agency

FROM: David T. Walker *DW*
Agency Legal Counsel

These are my comments

I have several observations regarding this contract.

1. How long does the project director have to approve the draft report submitted under Clause I(B)? I assume 10 days because the consultant is given 30 days following approval and must complete by October 31st. This vagueness should be clarified. *-- no*

2. The consultant will bill us on a monthly basis and is required to complete his work by October 31, 1981. With all work done and the consultant paid, I do not understand why the contract expires December 31, 1981 (Clause II(C)). Nothing remains to be done under the contract. Perhaps this date was intended to be October 31, 1981. *ok*

3. The language ", with total compensation for this work not to exceed \$7,500" should be deleted from Clause IV(A). It is incorrect since total compensation is not to exceed an amount equal to \$7,500 minus expenses (see Clause IV(B)). *ok*

4. Is the consultant to receive the per diem paid legislators? The per diem paid members of boards and commissions? The per diem paid state employees? I do not know what this means. If it means treated like a state employee then the clause should be redrafted to read:

(B) The Consultant shall be reimbursed for travel and other expenses authorized in advance by the Project

M. R. Charney
Page 2
August 19, 1981

Director. Air travel shall be reimbursed on the basis of coach class fares. The Consultant shall be allowed the same per diem allowance allowed a state employee under AS 39.20.110 instead of actual expenses. OK

5. Clause IV(D) should be redrafted to read:

(D) Total payments under this contract, including compensation, travel and per diem expenses may not exceed \$7,500. OK

6. I believe that under Clause VI reports and writings should be delivered to the Agency, not the project director. No

DTW:ljb

Enclosure

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
707 465.3800


LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

August 21, 1981

SUBJECT: Consulting contract -- Joseph H. McKinnon

TO: M. R. Charney
Executive Director
Legislative Affairs Agency

FROM: David T. Walker 
Agency Legal Counsel

1. This draft does not address the point I raised in the first paragraph of my memo of August 19th. As you know, the consultant will be attending school out-of-state during the period of performance; it seems probable that approval of the draft report will be delayed. Further, if the work is the consultant's what is there for the project director to approve. There are no standards proposed by the contract for the consultant to measure up to. You need to eliminate Clause I(C) or modify the rest of the contract so that the project director will not be able to force the consultant into breach of contract. This would happen if for any reason the project director did not approve the consultant's draft report within 10 days. I just do not understand this. Perhaps all you mean by Clause I(C) is "the project director shall provide any suggestions or opinions concerning the draft report to the consultant within 10 days following receipt of the draft report under (B)".

2. Clause IV(A) omits the words "per hour" at the end of the sentence.

3. I think Clause VI could be improved by adding "for disposition under Rule 23(f)(3) of the Uniform Rules of the Alaska State Legislature" to the end of the last sentence.

DTW:ljb

BILLING: 8/19/81

TO: SENATE STATE AFFAIRS COMMITTEE

FROM: JOE MCKINNON *JM.*

100 HOURS @ \$25 \$2,500

Per Diem - Juneau

2 days @ \$65 \$ 130

TOTAL \$2,630

Approved V. Fischer

MEMO

TO: SEN. VICTOR FISCHER

FROM: JOE MCKINNON

RE: BILLING ON ^{JM} CONTRACT

DATE: SEPTEMBER 19, 1981

Please send in this
billing so that I can be paid for that period.

110 hours at \$25 = \$2,750

2 days per diem at \$65 = \$130

total due is \$2,880

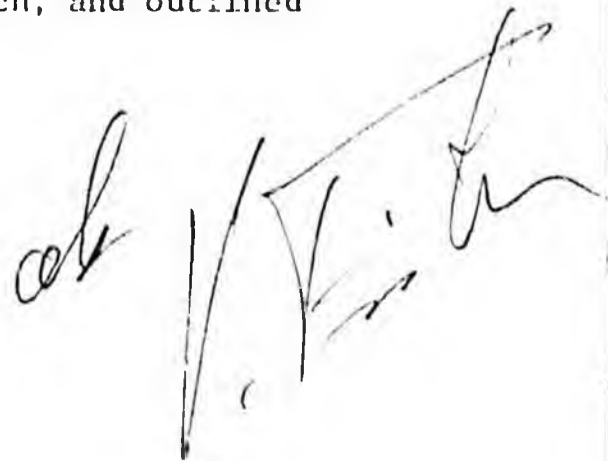
Progress report for July 15 through August 20

I met with administration and legislative officials and staff, carried out legal and policy research, and outlined the report required by the contract.

To: Sharon Sturrock

9-21

Dear Sharon: Original
billing statement was
never submitted as it
was not accompanied
by "Progress Report."
Sorry for the confusion!
Thanks, Laura



MEMO

TO: SEN. VICTOR FISCHER

FROM: JOE MCKINNON

RE: BILLING ON ^{JM} CONTRACT

DATE: SEPTEMBER 19, 1981

Please send in this
billing so that I can be paid for that period.

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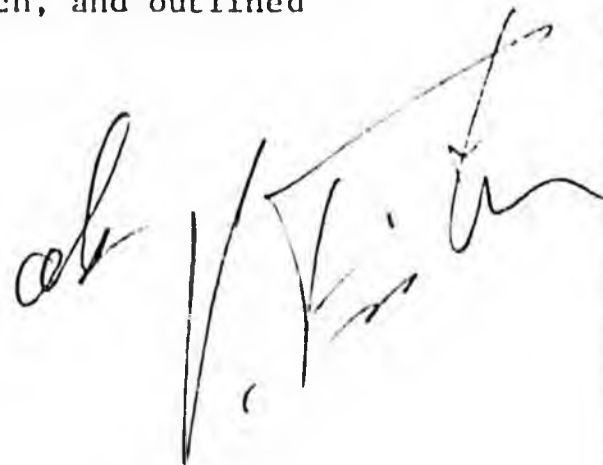
Progress report for July 15 through August 20

I met with administration and legislative officials and
staff, carried out legal and policy research, and outlined
the report required by the contract.

To: Sharon Sturrock

9-21

Dear Sharon: Original
billing statement was
never submitted as it
was not accompanied
by "Progress Report".
Sorry for the confusion!
Thanks, Laura



To: Lanna Fleming

9/25/81

From: Sharon Starrock

Subject: McKinnon contract

Lanna, we need the following items to complete Joe McKinnon's file to date:

1. Original billing totalling \$2,880.00 sent 9-29-81
2. Itemization of what location he is claiming 2 days per diem -
ie - what city Sept 23 memo - handled
3. List of TR's he has used Sept 23 memo - handled
4. Original bill from Wien for his ticketorraine sent to you. Sept 23 memo - handled. Thanks

MEMO

TO: GEN. VICTOR FISCHER

FROM: JOE MCKINNON

RE: BILLING ON CONTRACT

DATE: SEPTEMBER 19, 1981

Please send in this
billing so that I can be paid for that period.

110 hours at \$25 = \$2,750

2 days per diem at \$65 = \$130

total due is \$2,880 ✓

Progress report for July 15 through August 20

I met with administration and legislative officials and staff, carried out legal and policy research, and outlined the report required by the contract.

FW # 248953

AMOUNT 1000.00

DATE 9-24-81

CHARGE TO:

31-92-1-026-389

FW # 248954

AMOUNT 1000.00

DATE 9-24-81

CHARGE TO:

31-92-1-026-389

FW # 248955

AMOUNT 880.00

DATE 9-25-81

CHARGE TO:

31-92-1-026-389

JOM253

TO: Senate State Affairs Committee

FROM: Joe McKinnon

FINAL BILLING Sept. 12 to Dec. 12, 1981

120 hours @ \$25	3,000
Less Advance	<u>-1,000</u>
	2,000

Work performed during period included research and preparation of draft and final report.

ok

V. Fischer

FOR YOUR
INFORMATION
ONLY

CONTRACT BETWEEN
STATE OF ALASKA
LEGISLATIVE AFFAIRS AGENCY
Pouch Y
Juneau, Alaska 99811
AND
JOSEPH H. MCKINNON

The parties to this agreement are the LEGISLATIVE AFFAIRS AGENCY, on behalf of the Legislative Council's Senate State Affairs Committee, hereinafter referred to as the "AGENCY," and JOSEPH H. MCKINNON, hereinafter referred to as the "CONSULTANT."

THE PURPOSE OF THIS AGREEMENT is to provide the Senate State Affairs Committee with professional consulting services on its interim work dealing with state wealth sharing.

IT IS THEREFORE MUTUALLY AGREED THAT:

CLAUSE I - STATEMENT OF WORK

- (A) The Consultant shall provide a review of proposals for state oil revenue distribution, examine alternative means of equitably sharing oil wealth with all Alaskans, and suggest criteria and means for accomplishing this most effectively.
- (B) The Consultant shall provide the Project Director with a draft report on work under (A) by September 21, 1981.
- (C) The Consultant shall provide the Project Director with a final report no later than 30 days after the Project Director's approval of a draft report under (B)

CLAUSE II - PERIOD AND DATES OF PERFORMANCE

- (A) The work under this contract shall be performed beginning July 20, 1981, and be completed by October 31, 1981.

- (B) This contract may be terminated by either party upon written notice to the other.
- (C) Unless extended by written agreement, this contract expires on October 31, 1981.

CLAUSE III - PROJECT DIRECTOR

The Project Director shall be Victor Fischer, Senate State Affairs Committee Chairman, acting on behalf of Senate State Affairs Committee.

CLAUSE IV - COMPENSATION AND METHOD OF PAYMENT

- (A) For the work specified in this contract, the Consultant shall be compensated at the rate of \$25.00 per hour.
- (B) The Consultant shall be reimbursed for travel and other expenses authorized in advance by the Project Director. Air travel shall be reimbursed on the basis of coach class fares. The Consultant shall be allowed the same per diem allowance allowed a state employee under AS 39.20.110 instead of actual expenses.
- (C) Billings may be submitted by the Consultant monthly, and shall indicate work accomplished during the billing period.
- (D) Total payments under this contract, including compensation, travel and per diem expenses may not exceed \$7,500.
- (E) The Consultant shall receive an advance payment of \$1,000 upon execution of this contract.

CLAUSE V - OFFICE SPACE, EQUIPMENT, CLERICAL SUPPORT

Office space, equipment and clerical support of the Consultant that will be necessary to carry out his obligations under this contract be supplied by the Agency.

CLAUSE VI - RECORDS, DOCUMENTS, AUDIT

The Consultant shall maintain accurate records, including detailed time records, as may be required by the Project Director. The records are subject to inspection by the Agency or the Project Director at all reasonable times. All documents, reports and writings generated as a consequence of work done under this contract shall become the property of the State of Alaska and, on completion of the work or at the termination of this contract, shall be delivered to the Project Director, for disposition under Rule 23(f)(3) of the Uniform Rules of the Alaska State Legislature.

CLAUSE VII - REPORTS

The Consultant shall keep the Project Director informed as to the progress of the work performed under this agreement and shall provide progress reports as specified by the Project Director.

CLAUSE VIII - ALL WRITINGS CONTAINED HEREIN

This agreement contains all the terms and conditions agreed upon by the parties. No other understandings, oral or otherwise, regarding the subject matter of this agreement shall be deemed to exist or to bind either of the parties of this agreement.

IN WITNESS WHEREOF, the parties have executed this agreement on the dates indicated.

CONSULTANT

LEGISLATIVE AFFAIRS AGENCY

Joseph H. McKinnon
SS No. #574-18-3678

9/2/61
DATE

H. R. Charney
Executive Director

9/2/61
DATE

Accepted:

Approved as to Form:

Victor Fischer, Chairman
Senate State Affairs Committee

9/2/61
DATE

Billy G. Berrier
AGENCY LEGAL COUNSEL

9/2/61
DATE

MEMO

TO: SEN. VICTOR FISCHER

Sent 9-29

FROM: JOE MCKINNON

RE: BILLING ON CONTRACT

DATE: SEPTEMBER 19, 1981

Please send in this
billing so that I can be paid for that period.

110 hours at \$25 = \$2,750

2 days per diem at \$65 = \$130

total due is \$2,880

Progress report for July 15 through August 20

I met with administration and legislative officials and staff, carried out legal and policy research, and outlined the report required by the contract.

M E M O R A N D U M

TO: Lorraine Hurley
Sharon Sturrock
LAA--Accounting

FROM: Sen. Vic Fischer

DATE: September, 23, 1981

Enclosed please find TR #315241 made out to Wein for Joseph McKinnon. Joe was authorized to travel to Juneau in conjunction with contract work with the Senate State Affairs Committee. Please excuse my delay in providing you with this TR and with written authorizations.

In addition to Joe's travel being authorized, Jamie Love was authorized to travel to Juneau in conjunction with his contract work for the State Affairs Committee. Enclosed is the invoice from World of Travel, Ltd., which you sent to our office. It is my understanding that both of these TRs will be processed for payment against the Senate State Affairs account.

Your August 14 memo states that the TR for Jamie Love will "be deducted from his contract amount of \$6,000.00" and in the next paragraph states that the TR will be processed for payment against the Senate State Affairs account. It sounds as if this would entail two charges: one to Jamie and one to the Senate State Affairs Committee. If the committee funds are covering the cost of Jamie's (and Joe's) travel, why should it then also be deducted from their contract amounts? If you would contact me (278-3654) to clarify this point I would be most grateful.

Thanks for your absence. Your office has been a continuous help to me and to my staff during the interim, and I appreciate it.

Called Joe 12-5-81

Will have final in Anchorage
by Dec 15

As per call Williams not working
further on paper - just did research &

summarized it in draft paper
form to meet demands of
contract (draft in by 11-12-81) -

Joe will do final.

PRESS

RELEASES



Alaska State Legislature

Senate Committee on State Affairs

Vic Fischer, Chairman • Pouch V • Juneau, Alaska 99811 • (907) 465-4954

Interim office: 511 West 4th Ave., Suite 5,
Anchorage, Alaska 99501 phone: 278-3654

Official Business

M E M O R A N D U M

TO: Legislators

FROM: Sen. Vic Fischer

DATE: Nov. 6, 1981

RE: Limiting length of legislative sessions

The Senate State Affairs Committee is holding a statewide teleconference/public hearing November 17 to consider amending Alaska's constitution to limit session length. Before the committee is Senate Joint Resolution No. 6, which would require adjournment no later than 120 days after a regular session begins. Alternatives are also under consideration.

This year's 165 day session is providing a major impetus to efforts to limit session length. Although I had long been opposed to a constitutional limit on philosophical and theoretical grounds, my own experience in the Senate during the past session has convinced me that establishing a constitutional limit is the only practical way we can bring the legislative session to an end without an awful waste of time, money and energy, to say nothing of taxing the public's patience.

We would appreciate your giving us your comments on the various aspects of the session limitation question:

--should a constitutional limit be established or not?
Why?

--if a limit is established, what should regular session length be: 90, 100, 120 days, or what other period?

--should provision be made for extending a regular session? If so, by simple majority or by two-thirds vote of the legislature? In increments of 10 or 30 days or some other period?

--what other things should the legislature consider
in acting on the issue?

The hearing will be Tuesday, November 17, from 9:30 a.m. to noon and 5:00 to 8:00 p.m. (AST) at the Anchorage Legislative Information Office, 1024 West Sixth Avenue. A statewide teleconference hookup will provide access from communities throughout Alaska.

Your contribution to this hearing will be greatly appreciated. You can provide testimony in person or by written statement.

If you wish to testify orally in Anchorage or elsewhere, please call my office (278-3654) and tell us what time would be most convenient for you. We will try to schedule you accordingly. Should you so prefer, you may without prior arrangement come to the hearing in Anchorage or speak from one of the other communities.

We will also receive written testimony. Any statements received in time will be read during the hearing for everyone's information, unless the writer prefers we not do so.

I do hope you will provide us with oral or written testimony on the session limit issue.

--what other things should the legislature consider
in acting on the issue?

The hearing will be Tuesday, November 17, from 9:30 a.m. to noon and 5:00 to 8:00 p.m. (AST) at the Anchorage Legislative Information Office, 1024 West Sixth Avenue. A statewide teleconference hookup will provide access from communities throughout Alaska.

Your contribution to this hearing will be greatly appreciated. You can provide testimony in person or by written statement.

If you wish to testify orally in Anchorage or elsewhere, please call my office (278-3654) and tell us what time would be most convenient for you. We will try to schedule you accordingly. Should you so prefer, you may without prior arrangement come to the hearing in Anchorage or speak from one of the other communities.

We will also receive written testimony. Any statements received in time will be read during the hearing for everyone's information, unless the writer prefers we not do so.

I do hope you will provide us with oral or written testimony on the session limit issue.

Thanks, and best personal regards,



Sen. Vic Fischer

/lf



Alaska State Legislature

Senate Committee on State Affairs

Vic Fischer, Chairman • Pouch V • Juneau, Alaska 99811 • (907) 465-4954
511 West 4th Ave., Suite 5, Anchorage, Ak. 99501

Official Business

Interim phone: 278-3654

1 October 1981

FROM: SENATE STATE AFFAIRS
SENATOR VIC FISCHER, CHAIR

A handwritten signature in black ink, appearing to read "Vic Fischer", written over the printed name of the chair.

RE: TELECONFERENCE ON SESSION LIMITATION (SJR6)

CONTACT: NANCY GROSZEK, AIDE
278-3654

Limiting the length of legislative sessions (SJR 6) will be the topic of a statewide teleconference/public hearing before the Senate State Affairs Committee, chaired by Senator Vic Fischer. The hearing will be held on Tuesday, November 17th from 9:30 a.m. to Noon (AST) and from 5:00 p.m. to 8:00 p.m. (AST) at the Anchorage Legislative Information Office, 1024 West 6th Avenue.

Position statements and suggestions on session limitation are welcome. Written comments may be sent to Senator Vic Fischer, Senate State Affairs Committee, 511 West 4th Avenue, Suite 5, Anchorage, Alaska 99501. For further information or copies of SJR 6, contact your local Legislative Information Office or Nancy Groszek, Committee Aide, at 278-3654.



Alaska State Legislature

Senate Committee on State Affairs

Vic Fischer, Chairman • Pouch V • Juneau, Alaska 99811 • (907) 465-4954
511 West 4th Ave., Suite 5, Anchorage, Ak. 99501

Official Business

Interim phone: 278-3654/3655

A handwritten signature in black ink, appearing to read "Vic Fischer".

1 October 1981

FROM: SENATE STATE AFFAIRS COMMITTEE
SENATOR VIC FISCHER, CHAIR

RE: STATEWIDE TELECONFERENCE ON ETHICS LEGISLATION

CONTACT: NANCY GROSZEK, COMMITTEE AIDE
278-3654

Ethical standards for public employees and elected officials along with comments on pending ethics legislation (SB 336 and SSSB 175) will be the topic of a statewide teleconference/public hearing before the Senate State Affairs Committee, Chaired by Senator Vic Fischer. The hearing will take place at the Anchorage Legislative Information Office, 1024 West 6th Avenue, from 3:00 p.m. to 5:00 p.m. and from 6:00 p.m. to 8:00 p.m. on Tuesday, October 27th.

Written comments are welcome and can be sent to Senator Vic Fischer, Chair, Senate State Affairs Committee, 511 West 4th Avenue, Suite 5, Anchorage, Alaska 99501. For further information contact your local Legislative Information Office or Nancy Groszek, Committee Aide, at 278-3654.

Copies of SSSB 175 and SB 336 can be obtained from your local Information Office.



Alaska State Legislature

Senate Committee on State Affairs

Vic Fischer, Chairman • Pouch V • Juneau, Alaska 99811 • (907) 465-4954
511 West 4th Ave., Suite 5, Anchorage, Ak. 99501

Official Business

Interim phone: 278-3654/3655

A handwritten signature in black ink, appearing to read "Vic Fischer", written over a horizontal line.

1 October 1981

FROM: SENATOR VIC FISCHER, CHAIR
SENATE STATE AFFAIRS COMMITTEE

RE: PUBLIC MEETING AND TELECONFERENCE
ON STATE PUBLIC ASSISTANCE PROGRAMS

CONTACT: NANCY GROSZEK, AIDE
278-3654

Recipients of state-administered Public Assistance Programs are invited to attend a public meeting at the Willow Park Housing Project in the Community Building, 535 East 9th, Anchorage, from 2:00 p.m. to 5:00 p.m. and from 6:00 p.m. to 9:00 p.m. on Friday, November 6th, 1981. The Public Meeting is sponsored by the Senate State Affairs Committee, chaired by Senator Vic Fischer.

An all-sites Teleconference will be held on Monday, November 9th, from 4:00 p.m. to 8:00 p.m. (AST) to take state-wide testimony. The teleconference will be broadcast from the Anchorage Legislative Information Office, 1024 West 6th Avenue, Anchorage, Alaska.

The purpose of the hearing is to take testimony from recipients of state public assistance programs regarding the quality and quantity of services available through state agencies. Of particular concern are ideas and suggestions regarding methods to improve current programs, information about the impact of the recent federal budget cuts in social programs, and suggestions, information or complaints regarding the current policies and regulations within state agencies.

Written comments are welcome and can be sent to the State Affairs Committee, Senator Vic Fischer, 511 West 4th Avenue, Suite 5, Anchorage, Alaska 99501. For further information contact Nancy Groszek, Committee Aide, at 278-3654 or your local Legislative Information Office.



Alaska State Legislature

Senate Committee on State Affairs

Vic Fischer, Chairman • Pouch V • Juneau, Alaska 99811 • (907) 465-4954

Official Business

PRESS RELEASE

PRESS RELEASE

PRESS RELEASE

TELECONFERENCE

TELECONFERENCE

April 9, 1981

Juneau--Legislation proposing local and minority bidders' preference and the establishment of a bonding corporation for small contractors will be discussed at an all sites audio teleconference Tuesday, April 16, from 1PM to 3PM PST.

Senator Vic Fischer, Chairman of the Senate State Affairs Committee announced the teleconference to discuss the two issues for potential legislation.

Discussion on the bonding issue will center on the establishment of a state-operated small contractor surety bond corporation and the preference issue revolves around providing for an Alaskan bidders' preference and a minority bidders' preference in state contracting and procurement.

For further information: Contact the nearest Legislative Information Office or contact Sen. Fischer's office in Juneau (465-4954).

PUBLIC

ASSISTANCE

HEARINGS

STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES

DIVISION OF PUBLIC ASSISTANCE

JAY S. HAMMOND, GOVERNOR

POUCH H-07
JUNEAU, ALASKA 99811
PHONE:

August 28, 1981

Dear Concerned Citizen:

There are some major changes coming in both the Aid to Families with Dependent Children Program and the Food Stamp Program. These changes were very recently passed by Congress and must be implemented by October 1, 1981 in Alaska.

This short notice does not give us much time to prepare for the impact of these major changes.

Because of these changes, some people who have been receiving AFDC and/or food stamps will either receive less benefits or will no longer be eligible. To lessen the impact of these changes we want to inform other helping agencies that they may have more demand for their resources in November.

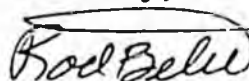
In addition to changes in eligibility conditions, there is a separate change that both you and we can help recipients to understand. The new AFDC rules require mandatory monthly reporting, (MMR) for all recipients. What this means is that every month we will send each AFDC recipient both a report form and a stamped, self-addressed envelope. An example of the form is attached. As you can see, the recipient must tell us any changes that have occurred in his household and sign the form. Each recipient must return this form to the public assistance office by the tenth of the month. They must return the completed signed form even if they have no changes to report. If they fail to return the form by the tenth, or if the form is unsigned or incomplete, they will not receive their next AFDC check. Then they will have to reapply before they can receive any more checks. This means that they will lose at least one month's benefits. This MMR requirement was added to the AFDC Program because the failure of recipients to report changes in their household and income have historically been the major cause of errors and program losses.

The first MMR forms are being sent to AFDC recipients in late September. Each recipient must return their monthly report by October 10 to ensure receiving their November check.

We are trying to alert recipients about this change. We are sending two check stuffers--one in September and one in October--to each recipient in addition to a letter of explanation with the report form package. However, we are very concerned that some people will not understand the importance of completing and returning their first reports by October 10. We are asking you to ensure that your staff is aware of this important change so that they can help us in alerting AFDC recipients of the urgency of completing and returning their reports on time.

If you have any questions about mandatory monthly reporting for AFDC recipients, please call Mrs. Busch at 465-3360.

Sincerely,

A handwritten signature in cursive script that reads "Rod Betit". The signature is written in black ink and is positioned above the typed name.

Rod Betit
Director

RB/sp

STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES

DIVISION OF PUBLIC ASSISTANCE

JAY S. HAMMOND, GOVERNOR

POUCH H-07
JUNEAU, ALASKA 99811
PHONE: (907) 465-3355

September 24, 1981

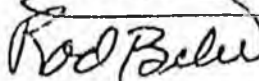
Dear Legislator:

Several major changes are imminent in both the Aid to Families With Dependent Children and the Food Stamp programs. These changes are the result of the Omnibus Reconciliation Act passed by Congress in August 1981.

The purpose of most of the changes is to cut costs in these federal programs by 1) eliminating some recipients, 2) decreasing the benefits of others and 3) requiring more intensive case management. The changes in AFDC must be implemented by October 1, 1981 and the Food Stamp changes have to go into effect no later than November 1, 1981.

For your information we have prepared the attached synopsis of the major changes in both programs. If you have any questions, please contact either myself or Kimberly Busch, Information Officer, Division of Public Assistance, Pouch H-07, Juneau, Alaska 99811, 465-3360.

Sincerely,



Rod Betit
Director

Enclosures

NEW FEDERAL WELFARE REGULATIONS

Several major cost reducing changes in regulations have resulted from recent federal legislation. Public Assistance programs affected by these new regulations include AFDC (Aid to Families with Dependent Children) and FSP (Food Stamp Program). The following is a summary of the major changes for each of the programs:

AFDC Program - Effective October 1, 1981

- * Households will have to meet the test of the 150% Income Limit. (If total income of a family exceeds 150% of the State need standard there will be no eligibility).
- * Lump sum income received will be used to meet the current as well as future needs of the family. Example; recipient received one-time payment for an insurance claim, the amount they received would be divided by their AFDC need standard and they would be ineligible for each month that the insurance payment met their AFDC need standard.
- * Earnings disregard - A flat \$75 per month deduction for work expenses with no further deductions for mandatory taxes or transportation. This is reduced to a \$40 deduction for recipients who work less than full-time.
- * Resources of a family shall not exceed \$1000. The value of a motor vehicle will be limited (the equity value of a vehicle that is in excess of \$1500 will be counted toward the resource limit).
- * Earned Income Tax Credit will be considered as an available resource.
- * Stepparent income will be considered in determining benefits of a family in which a stepparent is living with a dependent child.
- * Recoupment will be made for all overpayments.
- * Monthly Reporting will be required of all households in order for eligibility to continue. The Division of Public Assistance will supply all recipients with report forms which they must complete and submit before the 10th of each month.
- * The Budget Process will be determined on a "prior month"

method on all cases (Retrospective budgeting). Example; a household's August income will determine their October benefits.

Food Stamp Program - Effective November 1, 1981

- * Gross Income at 130% of poverty level will be used for determining eligibility of households not containing a person age 60 or over, or receiving SSI or SSA disability. Net income will be used to compute allotment amount. (Note: Net income will still be used to determine eligibility for households containing a person age 60 or over, or receiving SSI or SSA disability).
- * Outreach - no more federal funding, however 50% federal match will be available for nutrition education, information to clients regarding their rights and responsibilities, and answering inquiries about the program. There will be no more soliciting and recruiting of clients.
- * Proration of initial month food stamp allotment. The allotment will be prorated on a daily basis instead of the "eligible one day, eligible all month" method. Example; if a household applied on the 25th of the month they could only receive benefits for the days remaining in the month.
- * Household definition changes so that parents and children living together shall be considered one household. The only exception being a parent age 60 or older may be a separate household.
- * Boarders and Strikers will no longer be eligible for food stamps.
- * Food Stamp allotment adjustments will be made April 1982, July 1983, October 1984, and each October thereafter.

OVERVIEW
DEPT. /HSS
JANUARY 1981

DIVISION OF PUBLIC ASSISTANCE

Rod Betit
Director
Alaska Office Building, Room 318
Pouch H-07
Juneau, Alaska 99811
(907) 465-3355

The Division of Public Assistance provides financial aid, food purchasing assistance, home heating assistance, and medical coverage to those who meet state and federal standards of need.

Every Alaskan has the right to apply for any program administered by the Division. Applications and assistance are available through 19 field offices and about 170 fee agents appointed in 160 communities throughout Alaska.

The following assistance programs are administered by the Division of Public Assistance:

Energy Assistance

The Energy Assistance program is available to low income households who are having difficulty meeting the high costs of fuel, gas and electricity. Eligible households can receive a grant once each year to help in paying their home heating costs. Payments are made to the household's vendor for the household's overdue bills or as a credit for upcoming winter bills. The average grant ranges from \$250-\$750 depending upon the region in which they reside, their actual home heating costs, and their gross monthly income.

Aid to Families with Dependent Children (AFDC)

This program provides cash assistance for meeting the basic necessities of children who are deprived of one or both of their natural parents, thereby making it possible for the children to remain with either their remaining parent or with a relative.

The current maximum monthly payment for a parent and one child is \$457, with \$57 added for each additional child. This payment is reduced if the family has other income. Although the program is heavily regulated by the U.S. Department of Health and Human Services, the Alaska Legislature has the power to review and raise payment levels each year.

Cost of the program is equally divided between state and federal funds.

Adult Public Assistance (APA)

Cash assistance is provided to needy adults through Aid to the Blind, Aid to the Disabled, and Old Age Assistance.

Maximum payment is now \$473 for a single individual and \$695 for two persons. This payment is reduced if the recipient has other income. The Adult Public Assistance programs are automatically adjusted for a cost-of-living increase each July. The program is funded and administered entirely by the state.

Medicaid

Medicaid pays for medical care provided to persons who are eligible to receive Adult Public Assistance or Aid to Families with Dependent Children. Some other special coverage categories also exist.

Payment goes directly to providers of medical care, with expenses equally divided between state and federal funds. The state administers the program according to federal law and regulations, but it retains some freedoms to tailor Medicaid to fit the needs of the state.

Food Stamps

This program, designed to improve nutrition in low-income households, is based on the assumption that more spending power will result in better diets. To be eligible for food stamp assistance a household's income and resources must be under certain maximums. Food stamp allotment sizes are determined on a sliding scale based on the household's size and income.

The U.S. Department of Agriculture supplies food stamps at no cost to the state. However, program administration costs are equally divided between the state and federal governments.

General Relief (GR)

This program provides payment for subsistence items for families or individuals who are temporarily without other personal, private or public resources and who do not qualify for any other assistance program.

The maximum monthly payment, \$80 per person, has not been raised by the Legislature since it established the program in 1957. Increased cost-of-living has greatly eroded the ability of this program to help Alaskans in need, and it may be time for a re-examination of General Relief by the Legislature.

Payments are generally made to a vendor for such necessities as rent, utilities, and other necessities. The program is entirely funded and administered by the state.

General Relief Medical (GRM)

This program provides for medical care for individuals who are not eligible for Medicaid and do not have their own medical resources or insurance. There are income limits which determine eligibility. Payment is made directly to providers of medical care.

The GRM program also provides payment for pharmaceuticals, prosthetic devices, physical and occupational therapy, and emergency dental care to Medicaid beneficiaries, because these services are not generally covered by the Alaska Medicaid program.

General Relief Medical is funded and administered entirely by the state.

Catastrophic Illness Program

The State-funded Catastrophic Illness program is designed to provide medical assistance to individuals who have suffered a catastrophic illness or injury and who do not have health insurance or other financial resources available to meet their expenses.

The program is administered in Juneau, with coverage determined by a three-member Catastrophic Illness Committee appointed by the Governor.

Advisory Boards

Catastrophic Illness Committee

Program Coordinator
200 Hospital Drive, Suite 101
Juneau, Alaska 99801
(907) 586-1716

Medical Care Advisory Committee

Dr. J. Ray Langdon
Chairman
3401 East 42nd Avenue
Anchorage, Alaska 99504
(907) 279-0461

Energy Advisory Board

Judie Walker, Chairperson
Division of Public Assistance
Pouch H-07
Juneau, Alaska 99811
(907) 465-5547

Regional Offices

Southeast Regional Office
Division of Public Assistance
419 Sixth Street, Room 119
Juneau, Alaska 99801
(907) 465-3551

Southcentral Regional Office
Division of Public Assistance
400 Gambell Street
Anchorage, Alaska 99501
(907) 274-6524

Southwest Regional Office
Division of Public Assistance
P.O. Box 365
Bethel, Alaska 99559
(907) 543-2686

Northern Regional Office
Division of Public Assistance
Section J
675 Seventh Street
Fairbanks, Alaska 99701
(907) 452-3606

Northwest Regional Office
Division of Public Assistance
Box 41
Kotzebue, Alaska 99752
(907) 442-3451

Feeling the Sequence?



December 11, 1981

Senator Vic Fischer
511 West Fourth, Suite 5
Anchorage, Alaska 99501

Dear Senator Fischer:

Thank you for the opportunity to offer you the opinions and experiences of the beneficiaries of the Welfare system. We appreciate your concern for and solicitation of the recipients' view of the problems within the Department of Public Assistance. The dilemmas and recommendations in this testimony are based upon our study of the regulations and actual difficulties experienced by the members of the Welfare Rights Organization.

In this testimony we will offer you some general comments regarding the new federal regulations which went into effect on October 1, 1981. We realize that these are federal regulations and that in most instances the State of Alaska has chosen the "least client-hostile" option. However, it is important that you understand the effect of these changes on the clients.

Secondly, we will explain specifically how the new regulations force recipients who wish to work into a despair filled predicament. Thirdly, we will detail some other specific annoyances which our membership has repeatedly had to confront. Most of these relate to the administration within the Anchorage office. It is therefore within the State's power to rectify these problems, often without significant additional appropriations.

Finally, we will take advantage of this opportunity to offer you some suggestions as to how we think the State could improve its system of public benefits, especially as it relates to those single parents, predominantly women, who are struggling to economically and emotionally support their families in terms of their delivery and their ability to meet the needs of clients.

Welfare Rights
Organization

204 East 5th Avenue Suite 201
Anchorage, Alaska 99501

I. The New Federal Regulations

The changes in the federal regulations have had a dramatic effect on the welfare system. Even though Alaska has usually chosen the options which were least hostile to clients, the mandatory changes make it almost impossible for the average client to become anything more than a "welfare recipient." They have little hope or opportunity for a better life.

Specifically, parents who wish to go to school lose their WIN-exempt status (even though they go to school only two or three hours a day), their school loans are counted as income (minus tuition) and the costs of child care are not fully covered. Recipients who have skills fitting them for only dead end jobs have lost the opportunity to improve themselves.

Regarding the new mandatory monthly reporting system, its initial implementation was as efficient as could be hoped. However, it is dependent on the premise that recipients can read well and write and that they are proficient with English.

II. Working Recipients

Under the new regulations, the welfare recipient who works outside the home has probably been the hardest hit. Supposedly, these changes are designed to encourage people to work. In fact, they do the opposite. The working mother of two is allowed only \$160 child care allowance per month per child, when actual expenses would more realistically be \$250 per child. There is a flat deduction of \$75 per month for work related expenses such as payroll deductions and travel to and from work. The actual expenses for a monthly salary of \$1000 for the mother of two would be closer to \$67.00--FICA, \$129.60--federal tax, \$7.00--ESC, \$30.00--gas (or \$1.00 per day for bus), and an additional possible deduction for union dues.

In addition, the former provision which allowed recipients to disregard \$30.00 and one third of their income will now be discontinued after four months use. This provision was a valid incentive for recipients to leave their children for four to eight hours a day as it allowed them some extra income. It is no longer available after the four month time period.

The tables below will illustrate exactly how reasonable it is to expect or hope that a recipient will work unless he or she could get a very lucrative job.

III. Specific and Recurring Problems

1. The Application Process:

All application must be picked up at the WIN office. This causes an unnecessary hassle.

2. Telephones.

A. There are not enough lines. It is very difficult to get through, especially during the hours of 1:00-3:00 p.m. on Monday, Wednesday and Friday when recipients are allowed to talk with their eligibility workers.

B. Workers are supposed to be available during the above hours. Sometimes they aren't and they do not always return calls.

3. Eligibility Workers

A. Some are courteous, friendly and helpful. They seem concerned about the situations the recipients are in.

B. Some are rude and patronizing. They treat recipients as if they are stupid, lazy and unethical.

C. Eligibility workers do not always know all the regulations. This is somewhat understandable, since there are so many of them and they are changing so fast. According to Jan Hansen, all of them do not even have complete manuals.

D. Eligibility workers do not always inform clients of their options. For example, they do not tell clients about the Catastrophic Illness Program, or of the option to take themselves off the grant and go on "Adult Not Included" status. Clients are usually in desperate or impoverished situations and knowing more fully what all their options are would help them considerably.

4. Lost Papers

A. We have had many (up to 15 in the last three months) reports of lost paperwork. There are undoubtedly many more which we don't hear about. The result of this is

that clients do not get their benefits on time, when they need them. It is clients who bear the cost of agency error, and they are not subsequently compensated.

B. We discussed this problem with Jan Hansen who feels it's not a major problem and declined to set up a system to deal with lost papers, one that wouldn't penalize the clients. The clients who have been hurt have learned to ask for receipts. Others don't know to do so.

5. Mandatory Monthly Reporting

A. On the instruction sheet it says this form "will be sent to you on the 1st of the month." Yet DPA sends three at a time and then none the next two months. Some clients complain that this assumes they have a safe place to put it and that they'll remember to fill it out. They would like a new form to be sent every month.

B. Some clients felt the form had a very hostile tone. It threatens the client with case closure and possible prosecution for fraud. It asks some questions which don't relate to your benefit level (i.e., regarding visiting guests, etc.)

6. Changes

A. According to AFDC regulation 3401.1(b) action on a change must be taken within 10 days. Reports from recipients indicate that changes are almost never made within that time period. A simple change of address often takes one to four months which means that the recipient has to go down to the office, wait in line (for an average time of one hour) and pick up her check. It may not seem important, but it is a hassle to the client who again ends up bearing the cost of an error which is not her fault.

7. Medicaid

A. It is still somewhat difficult to find a doctor who will accept a Medicaid client, even in an emergency.

B. Medicaid doesn't pay bills on time.

C. Medicaid doesn't always pay the same fee, especially in hospitals, that other patients pay.

D. At the emergency room, the recipient is supposed to give each department (X-ray, E.R., etc.) a coupon. Some recipients don't know this and some of the hospital personnel don't know this. The recipient will be sent a bill if she does not give a coupon to each department. If the bill is sent too late the recipient can be held liable for the cost.

E. Six to nine months ago there was a change. It used to be that one could get extra Medicaid coupons at the office the same day they were requested between 8:30 and 11:00 a.m. Now, you have to go the day before to ask to get them the next day. This requires two trips by car or bus with children. Extra expense and extra hassle for the mother who is either sick herself or has sick children.

8. Food Stamps

A. There is a new system such that the Food Stamps are sent directly to the recipients home. Many recipients like this. Some, who live in high crime areas, and don't have secure mail boxes, do not. It would be nice if there was a way recipients who requested could have ATP's instead of Food Stamps sent to them.

B. There's a public image problem such that recipients get harrassed and embarrassed at the grocery stores. I doubt there is a legislative or administrative solution to this problem, but it is important to us since it is one more negative issue which recipients must confront.

9. Manual

According to the AFDC Manual regulation 3009.1 a manual must be available to recipients. At our September 30 meeting with Jan Hansen we requested that she do so and post a notice indicating that the manual is available. This has not been done. Especially when workers sometimes do not know the regulations (Section III.3.C of this testimony) recipients need to be aware that the manual is available to them.

TABLE I, Sample Budgets for Three Person AFDC Household

Division of Public Assistance
Budget with 30 + 1/3 Disregard

\$ 616	Gross Income from minimum wage--\$3.85/40 hr. week
- 320	Childcare deduction
296	
- 75	Flat work expenses Deduction
221	
- 30	
191	
- 62	1/3 disregard
129	Net earned income
\$ 571	Maximum AFDC allotment
- 129	Net earned income
\$ 442	Amount of AFDC check

Actual Expenses
With 30 + 1/3 Disregard

\$ 616	Gross Income
+ 442	AFDC Check
1,058**	
- 50	Federal Tax deduction
1,008	
- 41	FICA deduction
967	
4	ESC
963	
- 500	Childcare
463	
- 30	Travel
433	
- 350	Rent
83	Disposable Income*

Actual Expenses Without
30 + 1/3 Disregard

\$ 571	Maximum AFDC Allotment
- 221	Net earned income
350	AFDC Check
616	Gross earned income
+ 350	AFDC check
966	**
- 95	Payroll deductions
871	
- 30	Travel
841	
- 500	Daycare
341	
- 350	Rent
-11	Disposable income*

* Disposable income will be used to buy food, clothes, house and laundry cleaning supplies, car work, etc.

** This family will not be eligible for Food Stamps. They do not meet the Gross (earned & unearned) income test of \$959/month.

TABLE II

Division of Public Assistance
Budget with 30 + 1/3 Disregard

Actual Expenses
With 30 + 1/3 Disregard

\$ 1,000 Gross income based on
\$6.25/hour
- 320 Child Care deduction
680
- 75 Flat work expense deduction
605
- 30
575
- 190 1/3 disregard
385

\$ 1,000 Gross Income
- 203 Payroll deductions
797
- 350 Rent
447
- 500 Childcare
-53

Unmet expenses: food, clothing,
gas, cleaning products, medical
expenses, etc.

\$ 571 Maximum AFDC allotment
- 385 Net earned income
\$ 186 AFDC check

Without 30 + 1/3 Disregard

\$ 571 Maximum AFDC allotment
- 605 Net earned income
?

Benefits of Staying Home

\$ 571 AFDC
- 350 Rent
221 Disposable Income

\$ 283 Maximum Food Stamp Allotment for family of 3
+ Medicaid coverage

Our figures are all based on a family with one parent and two children in which there is no one in the household over 60 years or who receives SSI or SSA Disability. They indicate a rent of \$350 which is very low for a 2-bedroom apartment in Anchorage. They indicate \$500 a month child care which is a very realistic rate to pay for two children in full time day care.

The person who earns \$1000 a month, has two children in childcare, can literally not afford to work. She will get no AFDC for two reasons: 1) \$1000 is over the 150% (of the Need Standard) Gross Income Eligibility Test--which is \$857 and 2) her income after allowed deductions is \$605, which is over the \$571 need standard. Ignoring reason #1 (which is a federal regulation), this person could be eligible for a \$186 AFDC grant for the four months when she \$30 + 1/3 disregard would be in effect. After four months, the \$30 + 1/3 disregard is no longer in effect and she would be cut off.

Unless employers pay health insurance, there is no reason for welfare recipients to work unless they command a very high salary.

In our final section, we will make our recommendations for what could be done, at the State level, to alleviate some of the hardship faced by those who do not have high earning potential.

IV. Recommendations

If the Welfare System cannot offer people both a decent standard of living and some possibility for hope and self improvement, we suggest that the State consider some supplementary programs. These programs would not all be for just welfare recipients or indigents and therefore they would carry less stigma.

Before giving our recommendations, we feel it important to point out one other issue. That is that welfare is a Women's Issue. Two people had those children that are currently receiving AFDC benefits. Where are the fathers? Are they paying child support? Is there any incentive for them to do so? And what happens to the women, the mothers of these children whose fathers are usually not around at all? They are severely stigmatized which can often have a psychological effect on the woman which destroys whatever self confidence she may have. Without confidence it's more difficult to nurture your children, more difficult to consider getting training or education and very difficult to go job hunting.

It is abhorrent that in this society we cast such categorical aspersions on a whole group of people. It is important to consider that by doing so, we are often blaming the victim. As one Welfare mother put it "single parents are just a broken leg away from Social Services." She was a woman who had fallen, hurt her back and was trying to get on Public Assistance. The office lost her applications. She could not easily get around and it was a painful hardship for her to reapply. She wants to work and has skills. When she gets well, I'm sure she'll work again. Yet she was treated very rudely at DPA and no allowance was made for the fact that they lost her applications. They would not do a phone interview even though that is provided for in the regulations. And once again, where is the father of her child while she suffers and struggles?

Child Support Enforcement doesn't seem to do an effective job. Most of the women in the Welfare Rights Organization say that their previous partners aren't paying and can't be located. Those fathers that do pay know that the mother sees no extra benefit from their payment. And so there's little incentive for the man to pay into the child support fund. In the end, the woman stays home with her welfare check, social blame and her dwindling self-confidence. If child support were paid to the mother as well as the other supplements we detail below, some women would be able to get off welfare.

1. Health Care

We support passage of what was HB 41, a Comprehensive Health Care Plan for all Alaskans. If the medical bills were provided for, more women would be able to take those entry level jobs.

In addition, there are some optional programs under Medicaid which the State of Alaska doesn't cover. For example, it seems that the Medically Needy Program would be beneficial. Further research into what it covers is necessary though before we would be certain to support it. Also, the Adult Dental Coverage would be an improvement of Alaska's Medicaid Program.

2. Housing

There are currently 1300 subsidized rental units statewide. HUD's recommendation is for an additional 100 units this year; 150 less than last year. We are sure you realize what the rental market is like in Anchorage, Juneau and elsewhere. It's extremely expensive to rent. We would support most legislation which would increase the supply of rental units, give rebates to renters or subsidize the rent of low income people. The majority of welfare recipients do not get Section 8 Housing Assistance (through ASHA). So they are left to pay rents of \$350 and up out of their AFDC check. This leaves them little disposable income.

3. Day Care Assistance

As illustrated in the attached Tables we've provided, next to rent, day care is one of the largest costs that the working mother must cover. The Anchorage Municipal Day Care Assistance Program is an excellent one. However, they apparently ran out of money this last fall.

4. Increase the Standard of Need

We understand that the need standard was set permanently at the 1980 level and that cost of living raises for AFDC are now tied permanently to cost of living for social security. It is good to have the cost of living allowances fixed in such a way. However, we question the base year figure for the need standard and the amount it is set at. The market and the welfare system have changed drastically in the last year. Rents are probably 20% higher. The decreased in allowed deductions in AFDC (especially the elimination of the \$30 + 1/3 disregard) reduces

Senator Vic Fischer
December 11, 1981
Page 8

the number of people who are eligible for AFDC under the current standard of need. Raising the standard of need could be done in such a way that recipients wouldn't necessarily take home more money, but it would allow some working parents to get some assistance and medicaid. Alaska currently has a lower standard of need than several other states in the country.

In closing, we thank you again for the opportunity to tell you what we think the problems are in the welfare system. You will see that some of the problems are within your jurisdiction and possible power to solve. In some cases you can make recommendations about how to improve certain areas. Some of the problems we've told you mainly to give you a clearer understanding of the issues within the system. We certainly appreciate your concern and your solicitation of these comments. If you have any questions, general or specific, please let us know. We will do our best to get you any information that you need. We can be reached at: Karin, 276-0522 and Joanie, 276-7788 or 274-9056.

Sincerely,



Karin S. Gustafson



Joanie Cleary

PERSONAL TESTIMONY OF ONE RECIPIENT

WELFARE PROBLEMS:

1. Telephone--A continual problem--almost impossible odds. Sometimes took me 2 weeks to finally get through on "the scheduled times" of Monday, Wednesday or Friday from 1:00-3:00 p.m. A very proposition for someone who's working.

Suggestions:

- A. More lines--at least a total of 4 or 5.
- B. Perhaps another line--or specific phone numbers for specific problems, i.e., AFDC, Food Stamps, etc.

2. Supplemental Checks

A joke! Even with knowledge (over many appointments) my worker never even hinted they existed. It took Alaska Legal Services help before I was granted one, even then it was too late in processing to save our rental home.

Suggestions:

- A. Make AFDC manuals (more than one) available to recipients
- B. Change attitudes of workers from this Cat and Mouse game to simply Social Worker-Recipient. People respond to respect, especially when they are struggling just to survive. Everyone asking for assistance is not trying to "Rob the taxpayers"--many are taxpayers and paying taxpaying babysitters. We exist as humans too!

3. Child Support Enforcement Agency

At original application I signed over all child support payments due me to this agency.

Problems:

- A. When child support payments were over amount granted on AFDC I never received any additional money. Where did it go?
- B. I've been off AFDC for November and December but have not received any child support paid into this agency during that time. Why?

4. Formulas--

They don't work! Nobody lives in formulas--they live life the best they can with existing facts. If the rent is high now--the amount of rent is high! If babysitters cost so much--they cost so much--not some government regimented amount.

Suggestions: Look at life as it is. Formulas are OK with exceptions in some cases.

5. Loans--especially for medical costs

A. Loans are counted as income on AFDC. They are not. They are borrowed money to be paid back as stipulated plus interest. The reason for the loan should count as something!

6. Socialism!

Working recipients walk a line when it comes to raises. If they do a good job and are rewarded with a raise they are slapped back down. All incentive is lost. The spiral down starts here. Why work?

Suggestions: If working recipients are given an incentive of even \$25.00 more a month they will continue to work. Non-working recipients would seek employment and keep it.

STATE OF ALASKA
 DIVISION OF PUBLIC ASSISTANCE
 AFDC PROGRAM

150% ELIGIBILITY TEST - AI/ANI NEED STANDARD

Eligible Unit	ANI <i>Actual not included</i>		AI <i>Actual included</i>	
	Need Standard	150%	Need Standard	150%
1	222	333	285	429
2	445	668	508	762
3	508	762	571	857
4	571	857	634	951
5	634	951	697	1046
6	697	1046	760	1140
7	760	1140	823	1235
8	823	1235	886	1329

→ EFFECTIVE 10/1/81 *"new & more restrictive"*

[Handwritten signature]



Alaska State Legislature

Senate Committee on State Affairs

Vic Fischer, Chairman • Pouch V • Juneau, Alaska 99811 • (907) 465-4954

Official Business

MEMORANDUM

TO: Senate HESS Committee Members and State Affairs Committee members

FROM: Senator Vic Fischer *VF*

RE: Public Assistance Programs of the Department of Health and Social Services

DATE: December 26, 1981

As chair of Senate State Affairs, I have held a public hearing, an all sites teleconference, and have talked with numerous people on how the public assistance programs can better meet the needs of Alaskans who are experiencing hardships in their personal lives. Below is a list of recommendations that may be implemented to improve the various programs.

- 1.) Increase General Relief monthly allotment from \$80 per person to an amount that can provide a "reasonable subsistence".

Comment: This \$80 monthly allotment has not been increased since 1957. State law mandates that this monthly allotment provide a "reasonable subsistence" for needy persons. See A.S. 47.25.130.

- 2.) Insist the Department of Health and Social Services comply with existing state law A.S. 47.05.010(14) which provides that the department hold a public meeting each February to review, study, and propose the necessary levels of care and the rates it will pay to public assistance recipients. Before final adoption of the standards of needs by the department, these standards must be reviewed annually by the legislature while in session.

Comment: If a meeting was held in February to review the standard, the public was not informed nor invited. The standard of need for the various programs are not uniform. These standards should be revised in order to be uniform and to conform to a realistic standard of living.

- 3.) Request the federal government to consider Alaska's higher cost of living in establishing various deductions for the AFDC program.

Comment: The federal government has adopted uniform deductions that apply to all states without considering Alaska's higher cost of living. The federal government in the past has considered this and raised the deductions for Alaska. Example: \$160 flat deduction for child care nationwide. Professional child care in Alaska cannot be obtained for less than \$230 per month.

- 4.) Insist that the Department of Health and Social Services implement state regulations for the AFDC program that are consistent with the federal regulations and adopt these regulations pursuant to the Administrative Procedure Act.

Comment: Certain of the proposed state regulations such as the monthly reporting requirement cause an unreasonable hardship on bush residents, the disabled, and those who do not read, write and speak fluent English. Federal regulations allow exemptions for certain categories of these recipients. The state must be sensitive to Alaskans with special needs when it implements its regulations. Also there is a danger that recipients due process rights will be violated if the regulations are implemented as proposed. Our office has also received complaints that interested groups have not received notice of the proposed regulations as mandated by the state's Administrative Procedure Act in order that they may comment.

- 5.) Insist that the Department of Health and Social Services adopt regulations for the Aid to the Permanently and Totally Disabled Program.

Comment: This program has been in existence since 1963. No regulations have been adopted as mandated by state law.

- 6.) Make program manuals available to the public.

Comment: Program manuals are public information. State law and state regulations mandate that these manuals be accessible to the public.

cc: Sen. Jalmar Kerttula, President of the Senate
Rep. Joe Hayes, Speaker of the House
Governor Jay Hammond
Helen Beirne, Commissioner, Dept. of Health and
Social Services
Wilson Condon, Attorney General
members of the Senate

RECRUITING
PROFESSIONALS

2/4

Lawrence

Bill Hodson
Mike Miller
Bill Ray
Ken Karzen
W. Charney

have been contacted about the
State Affairs meeting today.

Enclosed is a revision of the Memo

Bruce

MEMORANDUM

Revised 2/3/82

TO: Senator Terry Stimson

FROM: Gordon Harrison

DATE January 26, 1982

SUBJECT: Recruiting Professionals from Administrative Agencies for
Temporary Legislative Staff Assignments

Introduction

You requested that I inquire into the possibility of legislators recruiting temporary professional staff from the ranks of permanent administrative agency personnel, including University of Alaska faculty. If this were possible, it would greatly increase the pool from which legislators could seek staff with specific professional expertise.

Current state personnel rules permit this type of temporary staff re-assignment by means of a leave of absence. Thus, it seems that a formal legislative professional staff loan program within state government could be implemented with little more than publicity. Some kind of legislative action or amendment to the personnel rules would be required if the legislature wanted to fashion a program that does not fit entirely within the present rules.

Concept of a Legislative Professional Staff Loan Program

The purpose of this program would be to expand the pool of people from which legislators might seek professional staff for a specified, limited period of time. Presumably, the person hired would be given special assignments within the area of his or her expertise.

Leaves of absence would have to be negotiated on a case-by-case basis. The supervisor of someone who is interested in working temporarily with the legislature and who has a job offer may decide that the person cannot be spared from his or her present position. In cases where a leave is feasible, however, there are potential benefits to both the

Revised

Sen. Stimson
p. 2
rev. 2/2/82

agency and the legislature: employees of the former may gain perspective on the legislative process and legislators may acquire professional assistance as well as perspective on the administrative dimension of the laws they enact.

Leave of Absence

Personnel rule 10 07.0 states:

Leave of Absence to Accept an Exempt or Partially Exempt Appointment

An appointing authority may grant a leave of absence without pay to a permanent employee in the classified service to permit the employee to accept an appointive position in the exempt or partially exempt service. Such leaves shall be deemed to be in effect unless both the employee and the Director of Personnel receive written notice to the contrary prior to the employee leaving his classified position. If such authorized leave may be expected to have a duration in excess of six months, the vacancy created may be filled by a substitute appointment under Rule 5 05.0.

This rule was apparently intended to make it possible for administrators to accept positions within an administration (e.g. commissioner) without losing claim to their former jobs when the political appointment ends.

The person taking leave does so without pay and receives the pay and benefits of the new job.

Cost Implications

There are no cost implications of the proposed program because the legislature would pay the "loaned" person the existing scale for legislative staff work. No additional staff positions would need to be authorized.

Revised

Sen Stimson
p. 3
rev. 2/2/82

Precedents for this Program

I do not know of instances of people taking leave from agency positions for work with the legislature, although there may well be some. (I did not research the question.) Certainly it does not appear to be a common occurrence, and I doubt that many legislators or state employees are aware of the opportunity created by the personnel rules.

According to Ms. Cindy Simmon, an expert on state legislative staffing with the National Council of State Legislatures, no other state has a formal program like the one proposed here.

I think the idea represents a significant legislative innovation, and if the program is adopted in some form I recommend that it be evaluated (frequency of use, areas of expertise involved, assessment of the value of the program by participants, etc.) so other states can benefit from Alaska's experience.



JUNEAU, ALASKA

Alaska State Legislature

BLUE RIBBON COMMISSION ON THE
STATE PERSONNEL ACT

Senator Bill Ray, Chairman

NALCY
ADPQ
Pouch YG
Mail Stop 3123
Juneau, Alaska 99811
(907) 465-4442

February 8, 1982

TO: Senator Bill Ray, Chairman

FROM: Teresa B. Cramer *TCramer*
Administrative Assistant

SUBJECT: Recruiting Professionals from the Executive
Branch and the University for Legislative
Assignments

The proposal is for a system to permit legislators to hire temporary professional staff from the Executive Branch and from the University of Alaska, particularly focused on persons with specific professional expertise. I spoke with the Personnel Officer for the University of Alaska, Juneau, and with the Director of the Division of Personnel for the Executive Branch. Both systems now permit employees to request leaves of absence for placements of this sort. No change in laws or regulations are needed before implementing this idea.

There are questions to be resolved before an employee of either system takes a leave of absence for a position with the Legislature. These are best resolved on a case-by-case basis. The questions involve the structuring of the relationship between the employee, his present employer, and the Legislature.

The first possibility is for individuals to remain employees of their current employer, retaining the salary, insurance coverage, retirement and leave benefits of their present position and accepting a temporary reassignment to the Legislature for the duration of the project. The Legislature would reimburse the employing agency for all the personnel costs during the reassignment period.

The second possibility is for the individual to take leave without pay from his or her present position and become a legislative employee, with the salary and benefits of that position. It might also be possible to blend these two alternatives so that an individual would accept the salary and leave benefits of legislative employment but retain employee status with the original employer for retirement and insurance purposes, for example. Each individual

Senator Bill Ray
February 8, 1982
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should consider what arrangement best provides for his or her own needs. This flexibility is desirable for the Legislature since by avoiding problems for the individuals, it may increase the pool of persons available to it.

Both agencies pointed out that it could be difficult for individuals to take leave from their current responsibilities during the legislative session. For the University, classroom assignments could preclude accepting short-term employment, although it is possible to hire substitute teachers if someone with the necessary skills is available. Since most of the University faculty members are on nine-month appointments, this problem would arise much less frequently if the proposal were for work during the summer. For the Executive Branch, persons with specific expertise may well be those people on whom the department and the Governor are relying to explain programs and proposals to the Legislature, making their replacement during the session much more difficult for the original employer. These difficulties would have to be addressed on a case-by-case basis.



Alaska State Legislature

Room 103

Senate Committee on State Affairs

Vic Fischer, Chairman • Pouch V • Juneau, Alaska 99811 • (907) 465-4954

Official Business

M E M O R A N D U M

TO: Senate State Affairs Committee Members
FROM: Sen. Vic Fischer *Vic*
DATE: Feb. 3, 1982
RE: State Affairs Meeting Feb. 4

In lieu of the work session on SSSB 175 which was scheduled for Thursday, Feb. 4, we will take up recruiting professionals from administrative agencies for temporary legislative staff assignments as set out in the attached memo from Gordon Harrison to Sen. Terry Stimson.

Sen. Ray:

Your comments on this concept would be appreciated

MEMORANDUM

TO: Senator Terry Stimson

FROM: Gordon Harrison

DATE January 26, 1982

SUBJECT: Recruiting Professionals from Administrative Agencies for
Temporary Legislative Staff Assignments

Introduction

You requested that I inquire into the possibility of legislators recruiting temporary professional staff from the ranks of permanent administrative agency personnel, including University of Alaska faculty. If this were possible, it would greatly increase the pool from which legislators could seek staff with specific professional expertise.

Current state personnel rules permit this type of temporary staff re-assignment by means of a leave of absence. Thus, it seems that a formal legislative professional staff loan program within state government could be implemented with little more than publicity. Some kind of legislative action or amendment to the personnel rules would be required if the legislature wanted to fashion a program that does not fit entirely within the present rules.

Concept of a Legislative Professional Staff Loan Program

The purpose of this program would be to expand the pool of people from which legislators might seek professional staff for a specified, limited period of time. Presumably, the person hired would be given special assignments within the area of his or her expertise.

Leaves of absence would have to be negotiated on a case-by-case basis. The supervisor of someone who is interested in working temporarily with the legislature and who has a job offer may decide that the person cannot be spared from his or her present position. In cases where a leave is feasible, however, there are potential benefits to both the

agency and the legislature: the former would gain perspective on the legislative process and the latter would acquire professional assistance as well as perspective on the administrative dimension of laws it enacts

Leave of Absence

Personnel rule 1C 07.0 states:

Leave of Absence to Accept an Exempt or Partially Exempt Appointment

An appointing authority may grant a leave of absence without pay to a permanent employee in the classified service to permit the employee to accept an appointive position in the exempt or partially exempt service. Such leaves shall be deemed to be in effect unless both the employee and the Director of Personnel receive a written notice to the contrary prior to the employee leaving his classified position. If such authorized leave may be expected to have a duration in excess of six months, the vacancy created may be filled by a substitute appointment under Rule 5 05.0.

This rule was apparently intended to make it possible for administrators to accept exempt or partially exempt positions within an administration (e.g. commissioner, deputy commissioner) without losing claim to their former jobs when the political appointment ends.

The person taking leave does so without pay and receives the pay and benefits of the new job.

Cost Implications

There are no cost implications of the proposed program if the legislature pays the "loaned" person the existing scale for legislative staff work. The question is whether professional agency personnel making a significantly higher amount would be willing to take a cut in pay, even for a 3- or 6-month period. Since the purpose of this program is to make the broadest range of state expertise available to the legislature, I think it would be wise to consider a means of paying higher level people a salary equivalent to the one they would be leaving. This could be done by a reimbursable services contract with the agency loaning the person, who would continue on the payroll of the agency, or by authorizing higher paying staff positions within the Legislative Affairs Agency. The first alternative may have a cost implication,

Sen. Stimson

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depending on the average salary of the people who take advantage of the program. The second alternative would require a larger appropriation to LAA by the amount and number of the higher salaries authorized.

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Alaska State Legislature

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